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**Item # 19 & 20**

**AGENDA DATE: 07/15/15  
SUPPLEMENTAL**

July 14, 2015

Mr. Tony Thandi  
River Park Hospitality  
4629 Lincoln Avenue  
Fowlers, CA 93625

Re: **Proposed Hilton Garden Inn Hotel Development - Morgan Hill, CA**

Dear Mr. Thandi,

Pursuant to your request, we have reviewed certain data (including STR reports, the recent HA&A Study, as well as our own independent research) relevant to the hotel market in Morgan Hill, CA. This letter summarizes our thoughts on the need for a more upscale, full-service hotel in the Morgan Hill market, such as the proposed Hilton Garden Inn. Our observations are as follows:

1. The existing Morgan Hill market contains roughly 800 hotel rooms, with no full-service hotels;
2. The most upscale properties in the market currently are: the Marriott Courtyard and Residence Inn, the Hampton Inn, the Comfort Inn, and the Holiday Inn Express. None offer a large conference room or an on-site restaurant/lounge;
3. Occupancy and average daily rates have been growing consistently over the past four years for these five properties and now stands at a very strong 75% and \$142 for the trailing 12-month period ending May 2015;
4. This group of properties is running near capacity most Monday through Wednesday nights, with average occupancies exceeding 88% on Tuesday and Wednesday nights. This indicates that many guests who desire to stay in Morgan Hill are likely staying elsewhere;
5. The La Quinta currently under construction will be a high-quality limited-service hotel, but it will not offer a new level of service and amenities to the market;
6. A certain number of travelers currently will not even consider staying in Morgan Hill due to the lack of a hotel with meeting space and/or an on-site restaurant and lounge. The addition of a hotel with these facilities will "induce" new demand into the Morgan Hill market that is currently staying elsewhere;
7. The addition of a new upscale hotel in the market can actually increase average rates for all hoteliers, as they "drift behind" the new rate ceiling created by the new property;

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8. The Hilton Garden Inn product is considered to be a very good fit for the Morgan Hill market. It will be an upscale property with a restaurant, lounge, and roughly 2,850 square feet of meeting space, including be the largest meeting room (roughly 2,250 sf) in the market;
9. The proposed Hilton Garden Inn would allow the City of Morgan Hill to recover Transient Occupancy Tax ("TOT") revenue currently being lost to surrounding communities such as Gilroy and San Jose;
10. Due to cyclical nature of hotel development, if a full-service property is not built in Morgan Hill soon, the market may lose out on this opportunity during this phase of hotel development and it may be many years before such a facility is built.

In summary, we believe the proposed Hilton Garden Inn will largely complement the existing hotel base in Morgan Hill. The property will add a new dimension to the market and capture a certain level of TOT revenue currently being enjoyed by surrounding cities. The Hilton Garden Inn will fill a market niche and contribute substantial TOT revenue, increase the city's sales tax, and provide substantial property tax revenues.

If you have any questions concerning our findings please contact the undersigned.

Respectfully submitted,

**LW Hospitality Advisors**



Mark Lukens, MAI  
Managing Director  
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Attachment: Qualifications

## **Hospitality Employment**

- LWHA - LW Hospitality Advisors - 2015 - present - **Managing Director** - Provides consulting services to the lodging, convention, and gaming industries, including real estate and business valuations, market impact and feasibility studies, litigation support and investment analysis.
- HREC - Hospitality Real Estate Counselors. - 2010 to 2015 - **Senior Vice President** - Provides specialized consulting and brokerage services exclusively to the lodging, convention, and gaming industries, including real estate and business valuations, market impact and feasibility studies, litigation support and investment analysis.
- Jones Lang LaSalle Hotels, Seattle, WA - 2007 to 2009 - **Senior Vice President** - Led the Pacific Northwest office for the hospitality real estate investment services firm.
- Wyndham Worldwide, Seattle, WA - 2002 to 2007 - **Vice President, Acquisitions & Development** - Responsible for real estate acquisitions and development for the world's largest vacation ownership resort developer, marketer and manager.
- Starwood Hotels & Resorts, Seattle, WA - 1995 to 1999 - **Director of Development** - Responsible for Starwood's growth through new development, acquisitions, and management and franchise agreements.
- Hospitality Valuation Services, San Francisco, CA - 1991 to 1995 - **Senior Vice President** - Managed staff, sold engagements, performed and oversaw consulting/valuation assignments for this international real estate consulting firm specializing in the hospitality, leisure, and gaming industries.
- Prior Experience, San Diego, California Senior hospitality/real estate consulting positions with Kenneth Leventhal & Co and PKF Consulting. Hotel management positions with IHG.

## **Professional Designations**

MAI - Appraisal Institute  
Certified General Real Estate Appraiser (#1100330) - Washington  
Real Estate Managing Broker (#24620) - Washington  
Certified General Real Estate Appraiser (#31829) - Arizona  
Principal Broker (#9167156-PB00) - Utah  
Licensed Managing Broker (#200907034) - Oregon  
Certified General Real Estate Appraiser (#AG002368) - California  
Certified General Real Estate Appraiser (#CG41300003) - Indiana

## **Education**

### **University of San Diego**

School of Business, Masters of Business Administration

### **Washington State University**

School of Hotel Administration, Bachelor of Arts

### **Appraisal Institute**

Completion of all coursework required for MAI designation and continuing education

## **Appearance as a Lodging Expert Witness**

- Board of Property Tax Appeals, Municipality of Anchorage, Anchorage (testimony)
- United States District Court, District of Oregon (deposition)
- United States Bankruptcy Court, District of Pennsylvania (deposition and testimony)
- United States Bankruptcy Court, District of Arizona (deposition, trial preparation)
- United States Bankruptcy Court, District of Arizona (deposition and testimony)
- United States Bankruptcy Court, Western District of Texas (deposition, trial preparation)



**Examples of Corporate and Institutional Clients Served**

AIG, Bancaja, Bancplus, Bank of America, Bank of the West, Caixa Galicia, Caixanova, China State Construction Engineering Corporation Limited, C-III Asset Management, CIM Group, Citibank, Cox, Castle & Nicholson, LLP, Deutsche Bank, Fuji Bank, Goldman Sachs, Great Western Bank, Haglund, Kelley, Horngren Jones & Wilder, LLP, Herrick, Feinstein, LLP, InterContinental Hotel Group, Imperial Bank, Latham & Watkins, Lodging Capital

Partners, Luce, Forward, Hamilton & Scripps, Marriott Corporation, New York Life Insurance Co., Nomura Securities, Olympic Real Estate Investors, Prudential Real Estate Investors, SBE Entertainment Group, Starwood Hotels & Resorts, Sumitomo Bank, Union Bank, United Technologies, University of Washington, U.S. Bank, Walton Street Capital, Wells Fargo Bank, Wyndham Worldwide, Yasuda Trust and Banking Co., Ltd.

## Partial List of Market Studies and Appraisals of Lodging Facilities by Mark Lukens

### ALASKA

Sheraton Anchorage, Anchorage  
Dukes Hotel, Anchorage  
Alyeska Resort, Girdwood  
Hotel Captain Cook, Anchorage  
Barratt Inn, Anchorage  
Alpine Lodge, Fairbanks

### ARIZONA

Hilton Tapatio Resort, Phoenix  
InnPlace Hotel, Phoenix  
Pt. South Mountain Resort, Phoenix  
Resort Suites, Scottsdale  
Scottsdale Princess, Scottsdale  
Hotel Tempe, Tempe  
Lodge on the Desert, Tucson  
Resort Hotel, Tucson  
Radisson Suites Hotel, Tucson  
Westin La Paloma, Tucson

### CALIFORNIA

Shattuck Hotel, Berkeley  
Peninsula Hotel, Beverly Hills  
Crown Sterling Suites, Burlingame  
Calistoga Ranch, Calistoga, CA  
Cambria Pines Lodge, Cambria  
Best Western Fireside Inn, Cambria  
Olympic Resort Hotel, Carlsbad  
Proposed Four Seasons Hotel, Carlsbad  
Otay Valley Inn, Chula Vista  
Loew's Hotel, Coronado  
Le Meridien Hotel, Coronado  
Red Lion Hotel, Costa Mesa  
Ritz-Carlton, Dana Point  
EI Rancho Hotel, Davis  
Singing Hills Resort, EI Cajon  
Holiday Inn Express, Elk Grove  
Days Inn, Emeryville  
Proposed Resort Hotel, Encinitas  
Chateau Inn, Fresno  
Proposed Hampton Inn, Fresno  
Picadilly Inn, Fresno  
Marriott Suites, Fullerton  
La Jolla Marriott, La Jolla  
Hyatt Regency Aventine, La Jolla  
La Jolla Embassy Suites, La Jolla  
La Jolla Shores Inn, La Jolla  
Long Beach Marriott, Long Beach  
Century City Inn, Los Angeles  
Marina del Rey Suites, Los Angeles  
Days Inn-LAX, Los Angeles  
LAX Airport Hilton, Los Angeles  
Proposed Hotel, Los Angeles  
Radisson Hotel, Los Angeles  
SLS Hotel, Los Angeles  
Proposed Quality Suites, Millbrae  
San Ysidro Ranch, Montecito  
Marriott, Newport Beach  
Marriott Suites, Newport Beach  
Marriott Courtyard, Oakland  
Marriott City Center, Oakland  
Resort at Squaw Creek, Olympic Valley  
Red Lion Hotel, Ontario  
Proposed Residence Inn, Palm Desert  
Holiday Inn, Palm Springs  
Quality Suites Hotel, Pismo Beach  
Doubletree Hotel, Rancho Bernardo  
Hampton Inn, Riverside

Mission Inn, Riverside  
Ramada Hotel, Riverside  
Comfort Inn, Sacramento  
EI Rancho Hotel, Sacramento  
Howard Johnson's, Sacramento  
Proposed Resort Hotel, Sand City  
Otay Valley Inn, San Diego  
Old Town Comfort Inn, San Diego  
Kings Inn, San Diego  
Hanalei Hotel, San Diego,  
Del Mar Hilton, San Diego  
Ramada Downtown, San Diego  
Old Town Ramada, San Diego  
La Costa Golf Courses, San Diego  
La Costa Hotel & Spa, San Diego  
Park Manor Hotel, San Diego  
Sheraton – Torrey Pines, San Diego  
Harbor Island Marina, San Diego  
Hampton Inn, San Diego  
Horton Grand Hotel, San Diego  
La Quinta, San Diego  
Marriott Hotel, San Diego  
Downtown Budget Motel, San Diego  
Town and Country Hotel, San Diego  
Residence Inn, San Diego  
Del Mar Compri Hotel, San Diego  
Torrey Pines Inn, San Diego  
Omni Hotel, San Diego  
Proposed Guest Quarters, San Diego  
Red Lion Hotel, San Diego  
Marriott Suites Hotel, San Diego  
Mira Mesa Ramada, San Diego  
San Diego Princess, San Diego  
Mission Valley Inn, San Diego  
Radisson Hotel, San Diego  
US Grant Hotel, San Diego  
Ramada Limited, San Diego  
Comfort Suites, San Diego  
Howard Johnson's Hotel, San Diego  
Catamaran Hotel, San Diego  
Prava Hotel, San Diego  
Staybridge Suites, San Diego  
Torrey Pines Inn, San Diego  
Fairmont Hotel, San Francisco  
King George Hotel, San Francisco  
San Francisco Hilton, San Francisco  
Holiday Inn, San Francisco  
Olympic Golf Club, San Francisco  
Pan Pacific Hotel, San Francisco  
Hotel Union Square, San Francisco  
Proposed Golf Resort, San Luis Obispo  
Twin Oaks Golf Course, San Marcos  
EI Encanto Hotel, Santa Barbara  
Holiday Inn, Santa Monica  
Shutters Hotel, Santa Monica  
Days Inn, Seaside  
Simi Valley Best Western, Simi Valley  
Crown Sterling Suites, San Francisco  
Temecula Creek Inn, Temecula  
Holiday Inn – Union City, Union City  
Marriott Hotel, Woodland Hills

### COLORADO

Holiday Inn Aurora, Aurora  
Great Divide Hotel, Breckenridge  
The Village Hotel, Breckenridge  
Le Baron Hotel, Colorado Springs  
Crested Butte Sheraton, Crested Butte

Proposed Timeshare Resort, Granby  
Proposed Timeshare Resort, Keystone  
The Peaks Resort, Telluride  
Sonnenaip Hotel, Vail

### FLORIDA

Marriott Courtyard, Boynton Beach  
Marriott Courtyard, Bradenton  
Holiday Inn Gulfview, Clearwater Beach  
Holiday Inn Surfside, Clearwater Beach  
Marriott Courtyard, Coral Springs  
Holiday Inn - North, Ft. Lauderdale  
Holiday Inn - Airport, Ft. Lauderdale  
Holiday Inn - Beach, Ft. Lauderdale  
Marriott Hollywood Beach, Hollywood  
Marriott Courtyard, Jensen Beach  
Jupiter Beach Resort, Jupiter  
Sheraton Suites, Key West  
Proposed SLS Hotel, Miami Beach  
Eden Roc Hotel, Miami Beach  
Holiday Inn, North Miami  
SpringHill Suites, Tampa  
Harborside Resort, Tampa Bay  
Hilton Longboat Key, Longboat Key  
Airport Regency Hotel, Miami  
EuroSuites Hotel, Miami  
Marriott Courtyard, Naples  
Holiday Inn, Port St. Lucie  
Holiday Inn Lido Beach, Sarasota

### HAWAII

Ritz-Carlton Mauna Lani, Hawaii  
Kiahuna Plantation, Kauai  
Westin Kauai, Kauai  
Coco Palms Resort, Kauai  
Marriott Courtyard, Kauai  
Proposed Resort Hotel, Maui  
Waikiki Sands Villa, Oahu  
Aqua Continental Hotel, Oahu  
Aqua Wave Hotel, Oahu

### IDAHO

Proposed Hotel, Coeur d'Alene  
Red Lion at the Falls, Idaho Falls  
Nob Hill Inn, Ketchum

### ILLINOIS

Westin Michigan Ave., Chicago  
Dana Hotel, Chicago  
Embassy Suites, Deerfield  
Holiday Inn, Elgin  
Crowne Plaza, Northbrook  
InterContinental Hotel, Rosemont  
Best Western, Rockford  
Holiday Inn Express, Springfield

### INDIANA

Wyndham Garden Hotel, Indianapolis  
Ameristar Casino, East Chicago  
Belterra Casino Resort, Florence  
Rising Star Casino, Rising Sun

### KANSAS

Marriott Hotel, Kansas City  
Emerald City Resort, Kansas City



**MAINE**

Holiday Inn Express, Portland  
 Marriott Sable Oaks, Portland

**MARYLAND**

Harbor Court Hotel, Baltimore  
 Proposed Westin Hotel, Baltimore  
 Holiday Inn, Collage Park

**MASSACHUSETTS**

Marriott Courtyard, Boston  
 Ocean Edge Resort, Cape Cod  
 White Elephant Hotel, Nantucket

**MICHIGAN**

The Townsend Hotel, Birmingham  
 Double J Ranch, Rothbury  
 Holiday Inn, Traverse City

**MONTANA**

Sheraton Hotel, Billings  
 Holiday Inn, Missoula  
 Rainbow Ranch Lodge, Big Sky  
 Red Lion Inn, Missoula  
 Comfort Inn, Red Lodge

**NEVADA**

Bourbon Street Hotel, Las Vegas  
 Harrah's, Las Vegas  
 Paris, Las Vegas  
 Rio, Las Vegas  
 Tropicana Resort, Las Vegas  
 Harrah's, Laughlin

**NEW HAMPSHIRE**

Marriott Wentworth, New Castle  
 Residence Inn, Portsmouth

**NEW JERSEY**

Marriott Courtyard, Cranbury

**NEW MEXICO**

Marriott Hotel, Albuquerque  
 Proposed Homewood Suites, Santa Fe  
 Plaza Real Hotel, Santa Fe

**NEW YORK**

Beekman Hotel, New York  
 Dylan Hotel, New York  
 Eastgate Plaza Hotel, New York  
 Proposed Ritz-Carlton, New York  
 Setai Hotel New York  
 The Palace Hotel, New York  
 United Nations Plaza Hotel, New York

**OREGON**

Red Lion, Astoria  
 Oxford Hotel, Bend  
 Pine Ridge Inn, Bend  
 Red Lion Inn, Bend  
 Red Lion Inn, Coos Bay  
 Red Lion, Eugene  
 Sleep Inn, Eugene  
 Valley River Inn, Eugene  
 Salishan Lodge, Gleneden Beach  
 Crowne Plaza, Lake Oswego  
 Red Lion Hotel, Medford  
 Hilton Hotel, Portland  
 Hotel 50, Portland  
 Columbia River Red Lion, Portland  
 Red Lion Lloyd Center, Portland  
 Red Lion- Downtown, Portland  
 Comfort Suites, Springfield  
 Red Lion Hotel, Springfield  
 Sunriver Resort, Sunriver  
 Crosswater Golf Course, Sunriver

Resort at the Mtn., Welches

**PENNSYLVANIA**

Quality Inn, Dubois  
 Holiday Inn, Warren

**SOUTH CAROLINA**

Westin Hilton Head, Hilton Head  
 Marriott Courtyard, Myrtle Beach

**SOUTH DAKOTA**

Country Inn & Suites, Sioux Falls

**TEXAS**

Proposed Summerfield Suites, Dallas  
 Timeshare Resort, North Padre Island  
 Holiday Inn Riverwalk, San Antonio  
 Timeshare Resort, San Antonio  
 Riverwalk Hotel & Suites, San Antonio  
 St. Anthony Hotel, San Antonio  
 Westin La Cantera, San Antonio

**UTAH**

Homestead Resort, Midway  
 Proposed Timeshare Resort, Midway  
 Grand Summit Hotel, Park City  
 Proposed Westin Resort, Park City  
 Proposed Westin Hotel, Salt Lake City

**VERMONT**

Ascutney Mtn. Resort, Brownsville

**WASHINGTON**

Best Western Heritage Inn, Bellingham  
 Comfort Inn, Bellingham  
 Hampton Inn, Bellingham  
 Proposed Hotel, Bellevue  
 Proposed Hotel, Mercer Island  
 Ocean Crest Inn, Modlips  
 Deer Harbor Resort, Orcas Island  
 Rosario Resort, Orcas Island  
 Red Lion Hotel, Pasco  
 Fairmont Olympic Hotel, Seattle  
 Proposed South Lake Union Hotel,  
 Seattle  
 Lakedale Resort, San Juan Island  
 Ridpath Hotel, Spokane  
 Skamania Lodge, Stevenson  
 Holiday Inn Express, Tacoma  
 Tacoma Sheraton Hotel, Tacoma  
 Red Lion Hotel, Vancouver

**WASHINGTON D.C.**

Marriott Wardman Park  
 Renaissance Hotel

**WISCONSIN**

Wyndham Garden Hotel, Brookfield

**WYOMING**

Comfort Inn, Rawlins  
 Timeshare Resort, West Yellowstone

**CANADA**

Banff Rocky Mountain Resort, Banff  
 Residence Inn, Canmore, AB  
 Beach Hotel, Harrison Hot Springs, BC  
 Long Beach Lodge, Tofino, BC  
 Terminal City Hotel, Vancouver, BC  
 Sundial Lodge, Whistler, BC

**COSTA RICA**

Occidental Grand Papagayo, Liberia

**MEXICO**

Hotel Palmilla, San Jose del Cabo  
 Fractional Resort, Cabo San Lucas  
 Holiday Inn Express, Ciudad Juarez  
 Allegro Cozumel, Cozumel  
 Holiday Inn, Hermosillo  
 Crown Pacific Hotel, Huatulco  
 Proposed Timeshare Resort, Mazatlan  
 City Suites El Angel, Mexico City  
 Hilton Reforma, Mexico City  
 Hotel Nikko, Mexico City  
 Holiday Inn Centro, Monterrey  
 Holiday Inn Fundidora, Monterrey  
 Holiday Inn Tecnológico, Monterrey  
 Holiday Inn Express, Monterrey  
 Mixed-Use Development, Monterrey  
 Holiday Inn Centro, Monterrey  
 Dreams and Secrets, Puerto Vallarta

**PANAMA**

Veneto Hotel and Casino, Panama City

