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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;

July 14, 2015

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

