

Feasibility Research for New Convention Hotel Development in Minneapolis

Final Draft Report Slides

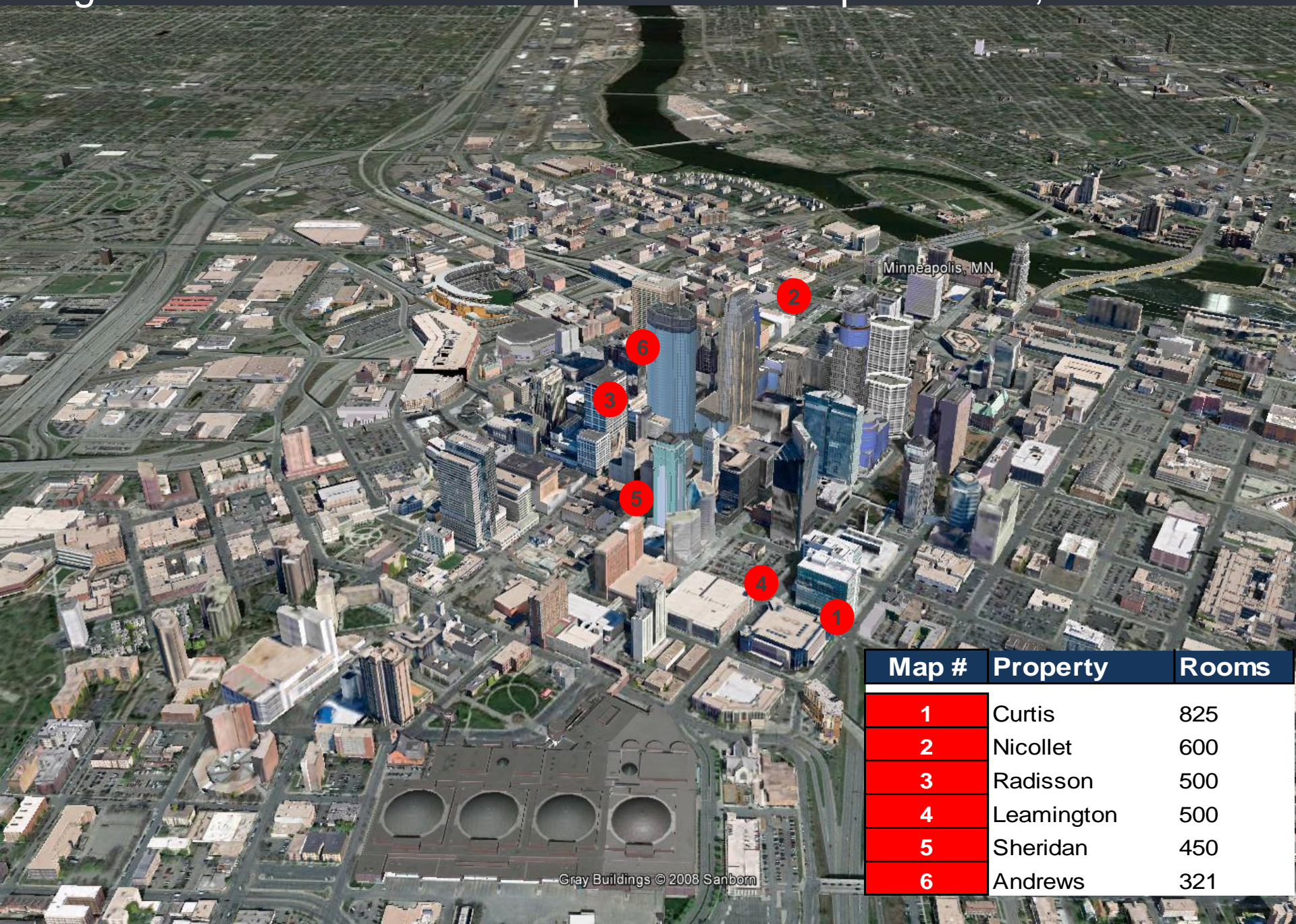
April 16, 2013



Presentation Outline

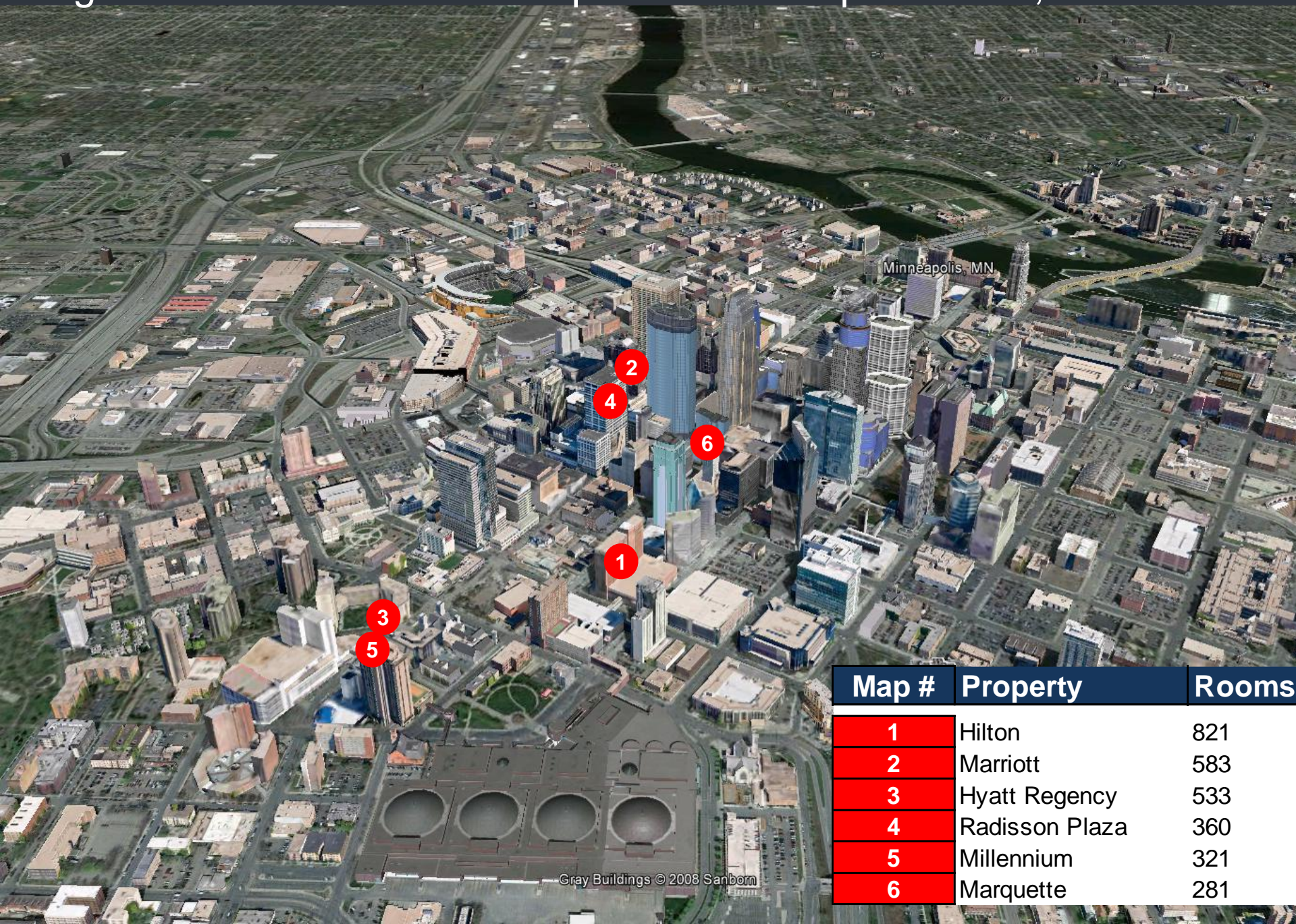
- Downtown Hotel and MCC Performance
- Hotel Room Inventory Comparisons
- Available Room Block Analysis
- New Room Demand Summary
- Rate and Occupancy Summary
- NOI and Valuation Analysis
- Gap Analysis
- Impact Analysis

Largest Six Downtown Minneapolis Hotel Properties – 3,196 Rooms



Map #	Property	Rooms
1	Curtis	825
2	Nicollet	600
3	Radisson	500
4	Leamington	500
5	Sheridan	450
6	Andrews	321

Largest Six Downtown Minneapolis Hotel Properties – 2,899 Rooms



Map #	Property	Rooms
1	Hilton	821
2	Marriott	583
3	Hyatt Regency	533
4	Radisson Plaza	360
5	Millennium	321
6	Marquette	281

Average Occupancy and Average Daily Rate

For Period: 12/09 - 11/12

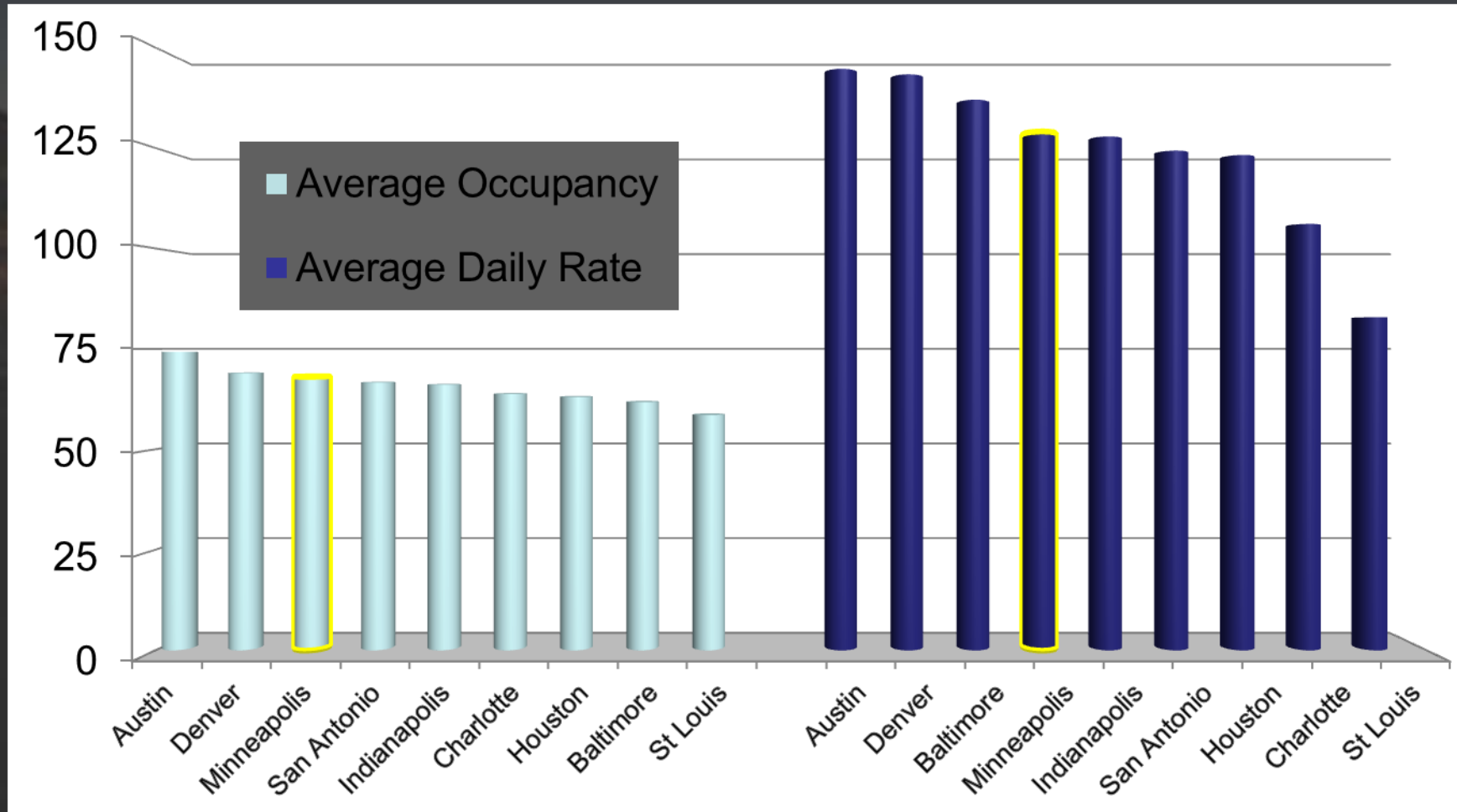
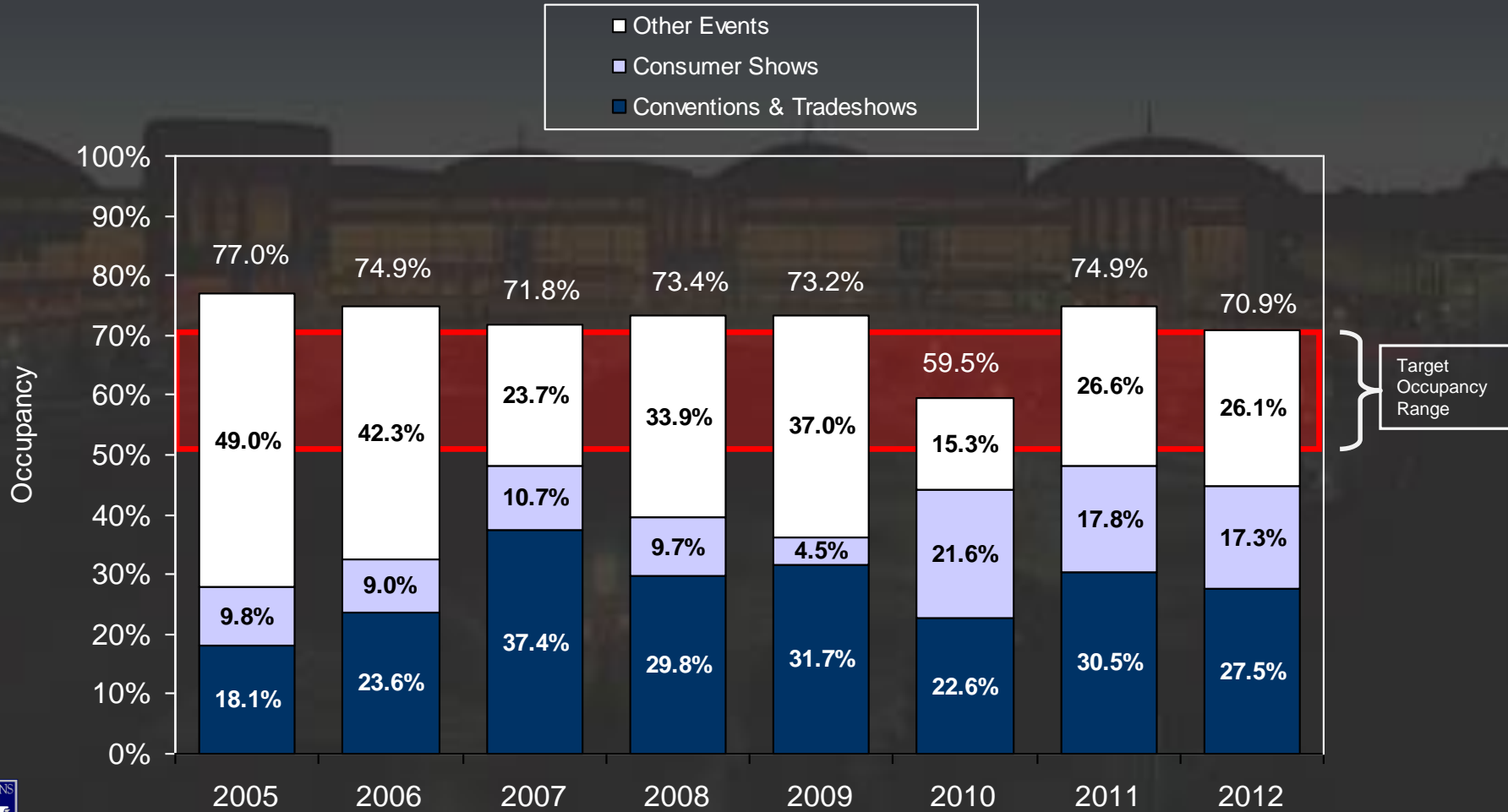
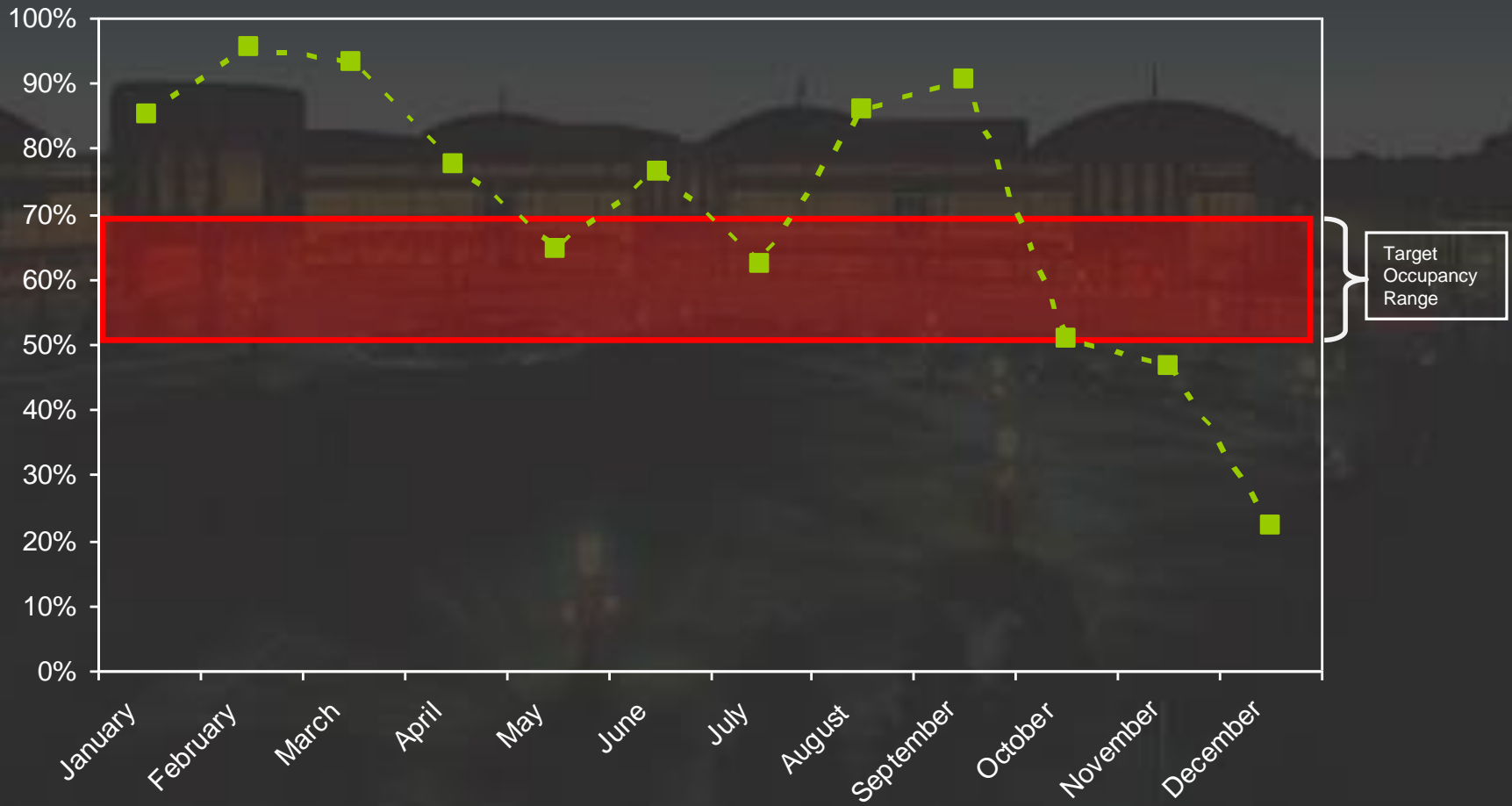


Exhibit Space Occupancy by Event Type – MCC (2005 - 2012)



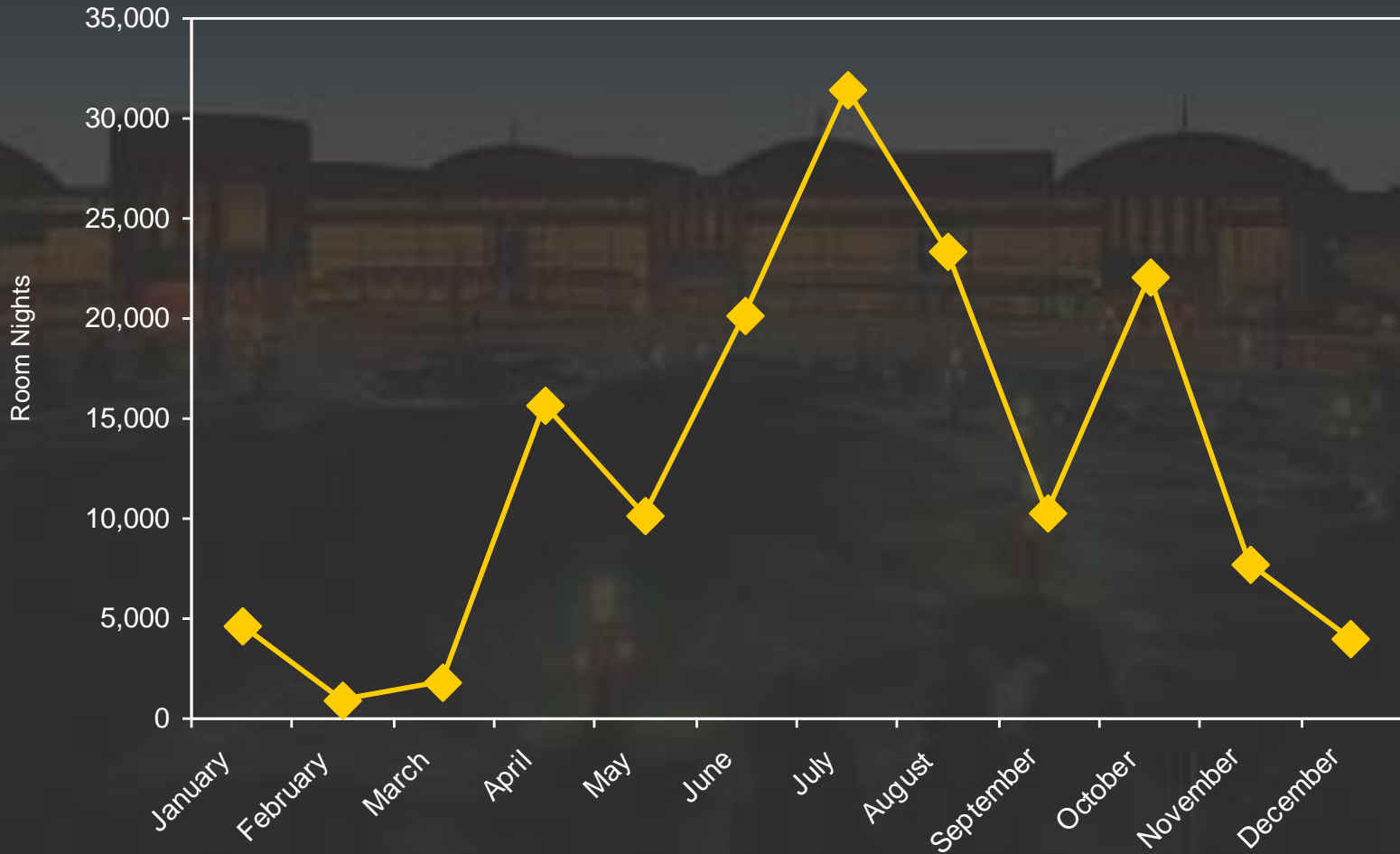
Note: Event types are based on facility management classifications. We have combined these types into three primary event types.
 Source: CSL, facility management, 2013

Total MCC Exhibit Space Occupancy by Month (2012)



Source: CSL International, facility management, 2013

Average Convention and Tradeshow Room Nights by Month (2010 - 2012)



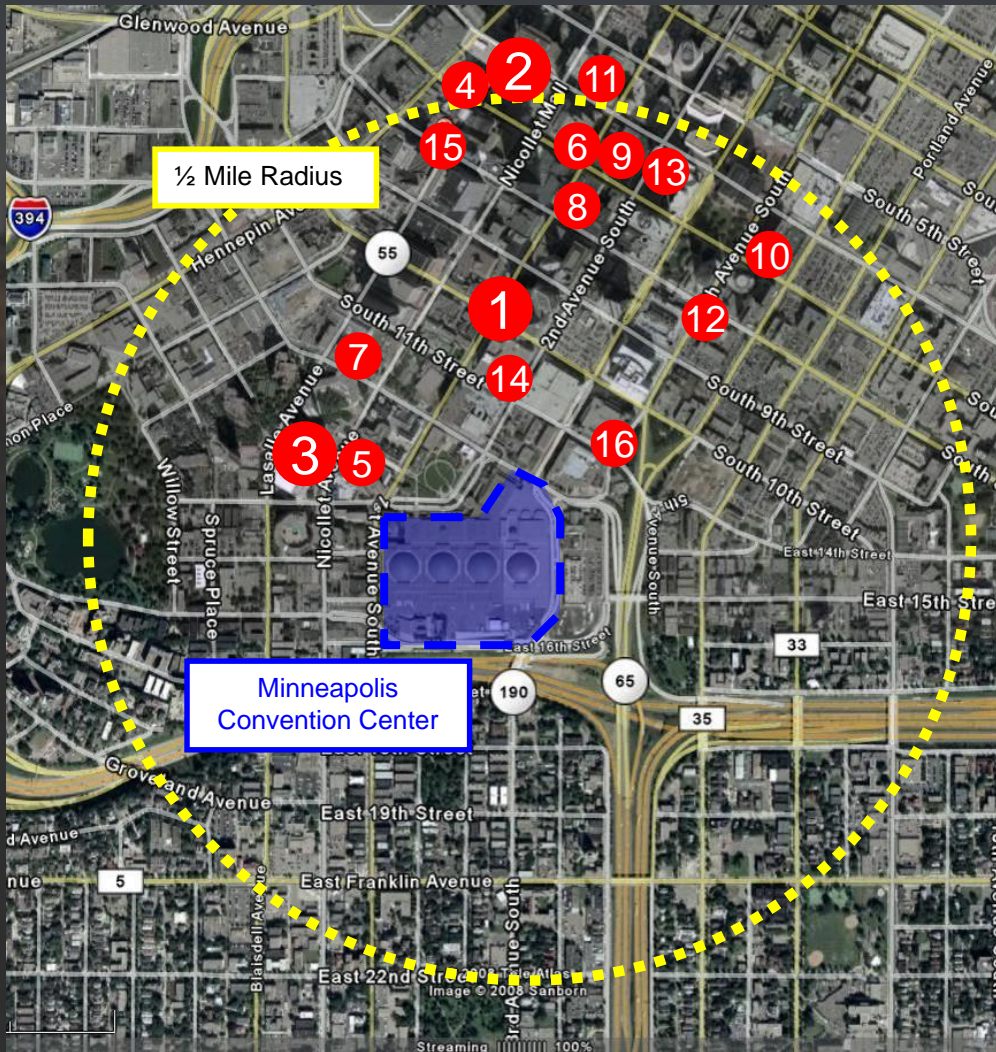
Source: CSL International, facility management, 2013

Downtown Minneapolis Hotel Properties



Map #	Property	Rooms
1	Millennium Minneapolis	321
2	Hyatt Regency Minneapolis	533
3	Doubletree Guest Suites Minneapolis	229
4	Le Meridien Chambers Minneapolis	60
5	Graves 601 Wyndham Grand Hotel	255
6	Marriott Minneapolis City Center	583
7	Radisson Plaza Hotel Minneapolis	360
8	Residence Inn Minneapolis Downtown City Center	124
9	W Hotel Minneapolis Foshay	229
10	Marquette Hotel	281
11	Westin Minneapolis	214
12	Crowne Plaza Minneapolis Northstar Downtown	222
13	The Grand Hotel Minneapolis	140
14	Autograph Collection The Hotel Minneapolis	222
15	Renaissance The Depot Minneapolis Hotel	225
16	Residence Inn Minneapolis Downtown @ The Depot	131
17	Hyatt Place	213
18	Best Western Plus The Normandy Inn & Suites	199
19	Hilton Garden Inn Minneapolis Downtown	210
20	Holiday Inn Express & Suites Minneapolis Downtown	96
21	Hotel Ivy Minneapolis	136
22	Hilton Minneapolis	821

Hotel Rooms Within ½ Mile of the Minneapolis Convention Center



- 0 hotels with more than 1,000 rooms.
- 3 hotels with 500 to 999 rooms.
- 13 hotels with 100 to 499 rooms.

- 1 – Hilton Minneapolis (821 rooms)
- 2 – Marriott City Center (583)
- 3 – Hyatt Regency (533)
- 4 – Radisson Plaza Hotel (360)
- 5 – Millennium Hotel (321)
- 6 – Marquette (281)
- 7 – DoubleTree Guest Suites (229)
- 8 – W Hotel – The Foshay (229)
- 9 – Crowne Plaza (222)
- 10 – Hyatt Place (213)
- 11 – The Westin (214)
- 12 – Best Western Normandy Inn & Suites (199)
- 13 – The Grand Hotel (140)
- 14 – Hotel Ivy (136)
- 15 – Residence Inn Minneapolis (124)
- 16 – Hilton Garden Inn Minneapolis (210)

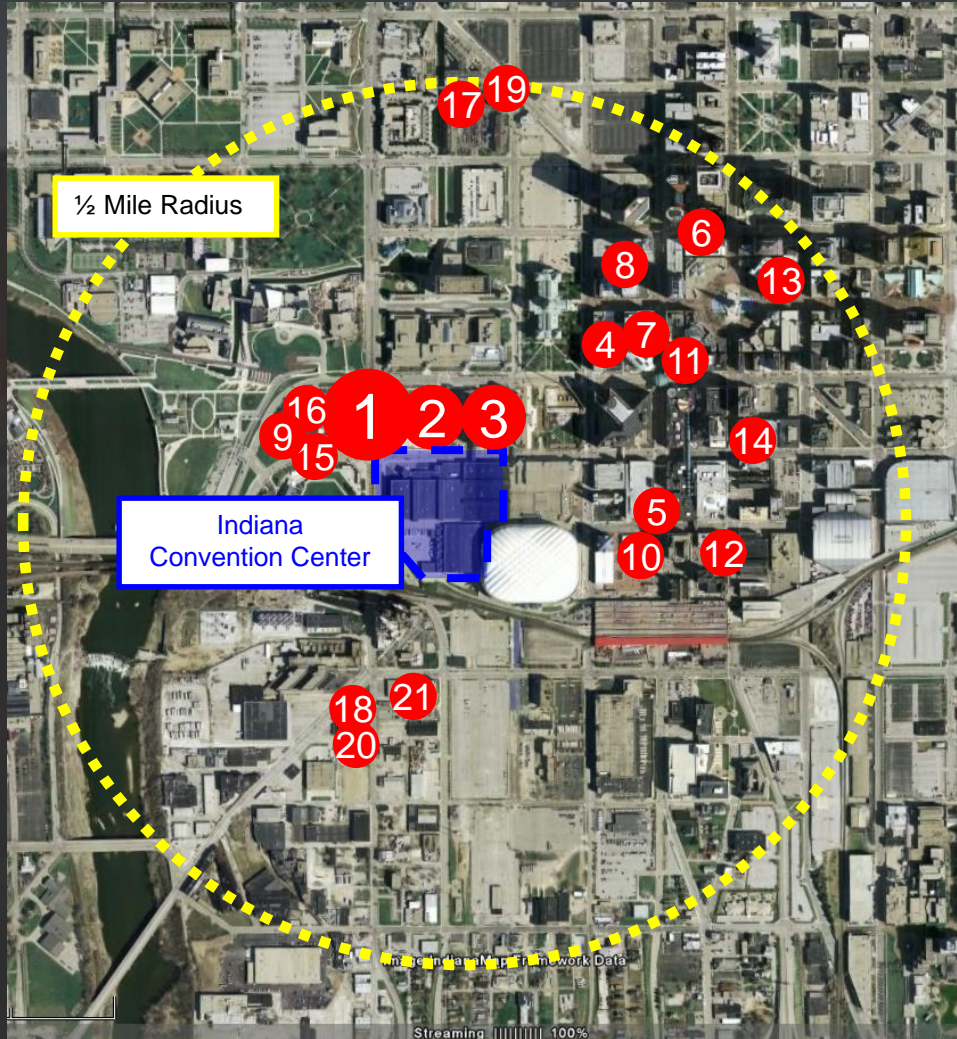
Hotel Rooms Within ½ Mile of the Colorado (Denver) Convention Center



- – 2 hotels with more than 1,000 rooms.
- – 2 hotels with 500 to 999 rooms.
- – 17 hotels with 100 to 499 rooms.

- 1 – Sheraton Denver Hotel (1,231 rooms)
- 2 – Hyatt Regency Denver at CCC (1,100)
- 3 – Denver Marriott City Center (613)
- 4 – Grand Hyatt Denver (516)
- 5 – Westin Hotel Tabor Center (430)
- 6 – Embassy Suites Denver (403)
- 7 – The Curtis Hotel (336)
- 8 – Crowne Plaza (332)
- 9 – Magnolia Hotel (246)
- 10 – Brown Palace Hotel & Spa (241)
- 11 – Four Seasons Hotel Denver (239)
- 12 – Comfort Inn Downtown (231)
- 13 – Residence Inn by Marriott (228)
- 14 – Hilton Garden Inn (221)
- 15 – Ritz-Carlton Denver (202)
- 16 – Hotel Monaco (189)
- 17 – Homewood Suites Denver (182)
- 18 – Courtyard by Marriott (177)
- 19 – Springhill Suites Denver (150)
- 20 – Hampton Inn & Suites (148)
- 21 – Hotel Teatro (110)

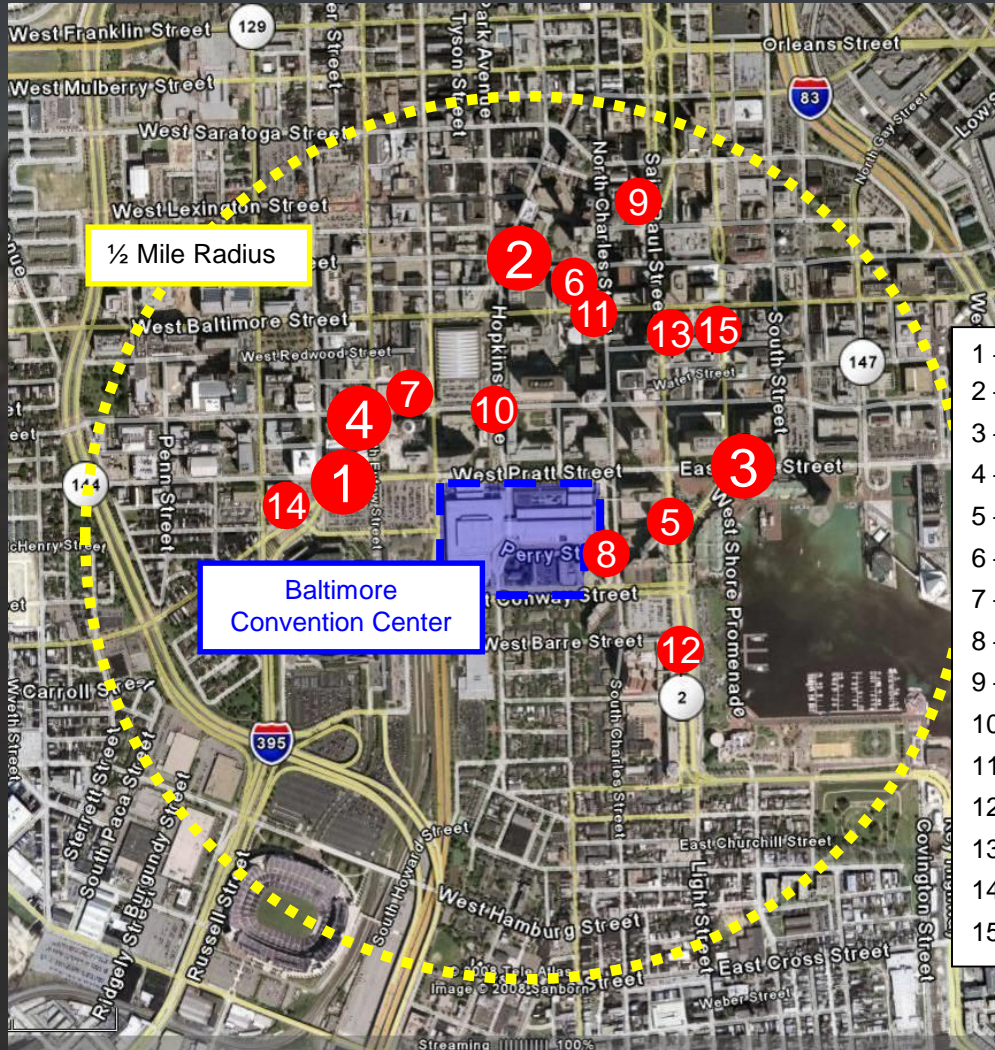
Hotel Rooms Within ½ Mile of the Indiana Convention Center



- – 1 hotel with more than 1,000 rooms.
- – 2 hotels with 500 to 999 rooms.
- – 18 hotels with 100 to 499 rooms.

- 1 – JW Marriott Indianapolis (1,005 rooms)
- 2 – Indianapolis Marriott Downtown (622)
- 3 – The Westin Indianapolis (573)
- 4 – Hyatt Regency Indianapolis (497)
- 5 – Omni Severin Hotel (424)
- 6 – Sheraton Indianapolis City Centre (374)
- 7 – Embassy Suites Hotel Downtown (360)
- 8 – Hilton Indianapolis (332)
- 9 – Courtyard by Marriott Downtown (297)
- 10 – Crowne Plaza Hotel (273)
- 11 – Conrad Indianapolis (241)
- 12 – The Alexander (209)
- 13 – Hilton Garden Inn Downtown (180)
- 14 – Hampton Inn Downtown (180)
- 15 – Fairfield Inn & Suites by Marriott (156)
- 16 – SpringHill Suites by Marriott (150)
- 17 – Residence Inn by Marriott (134)
- 18 – Comfort Suites (130)
- 19 – Courtyard by Marriott at the Capitol (124)
- 20 – Staybridge Suites (119)
- 21 – Holiday Inn Express (108)

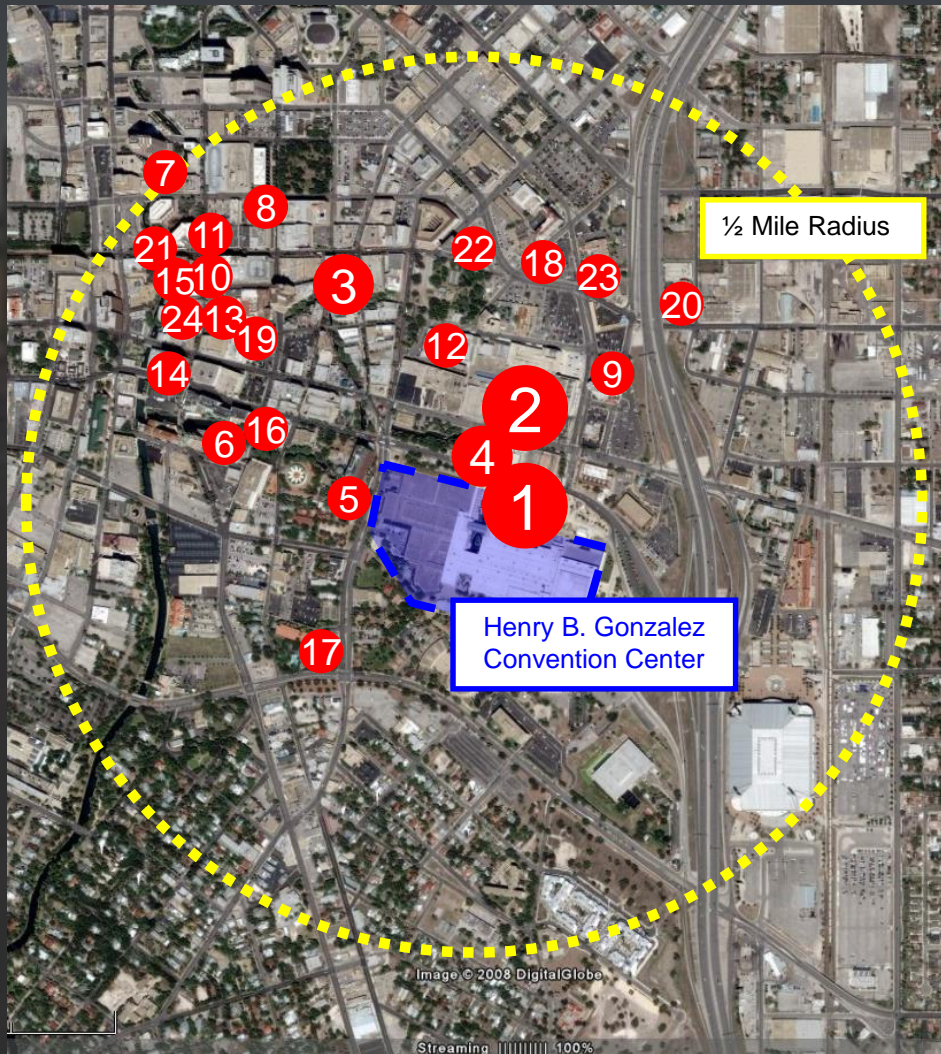
Hotel Rooms Within ½ Mile of the Baltimore Convention Center



- – 0 hotels with more than 1,000 rooms.
- – 4 hotels with 500 to 999 rooms.
- – 11 hotels with 100 to 499 rooms.

- 1 – Hilton Baltimore Convention Center (757)
- 2 – Sheraton Baltimore City Center (706)
- 3 – Renaissance Harborplace Hotel (622)
- 4 – Marriott Inn Inner Harbor (524)
- 5 – Hyatt Regency Baltimore (488)
- 6 – Radisson Plaza Lord Baltimore (439)
- 7 – Holiday Inn Inner Harbor (375)
- 8 – Sheraton Inner Harbor (337)
- 9 – Tremont Plaza Hotel (300)
- 10 – Days Inn Inner Harbor (250)
- 11 - Hotel Monaco (202)
- 12 – Royal Sonesta (195)
- 13 – Residence Inn Baltimore (188)
- 14 – Hampton Inn “Baltimore/Camden Yard” (126)
- 15 – Hampton Inn & Suites Inner Harbor (116)

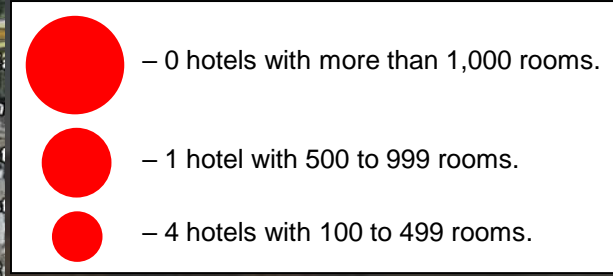
Hotel Rooms Within ½ Mile of the Gonzalez Convention Center (San Antonio)



- 2 hotels with more than 1,000 rooms.
- 2 hotels with 500 to 999 rooms.
- 20 hotels with 150 to 499 rooms.

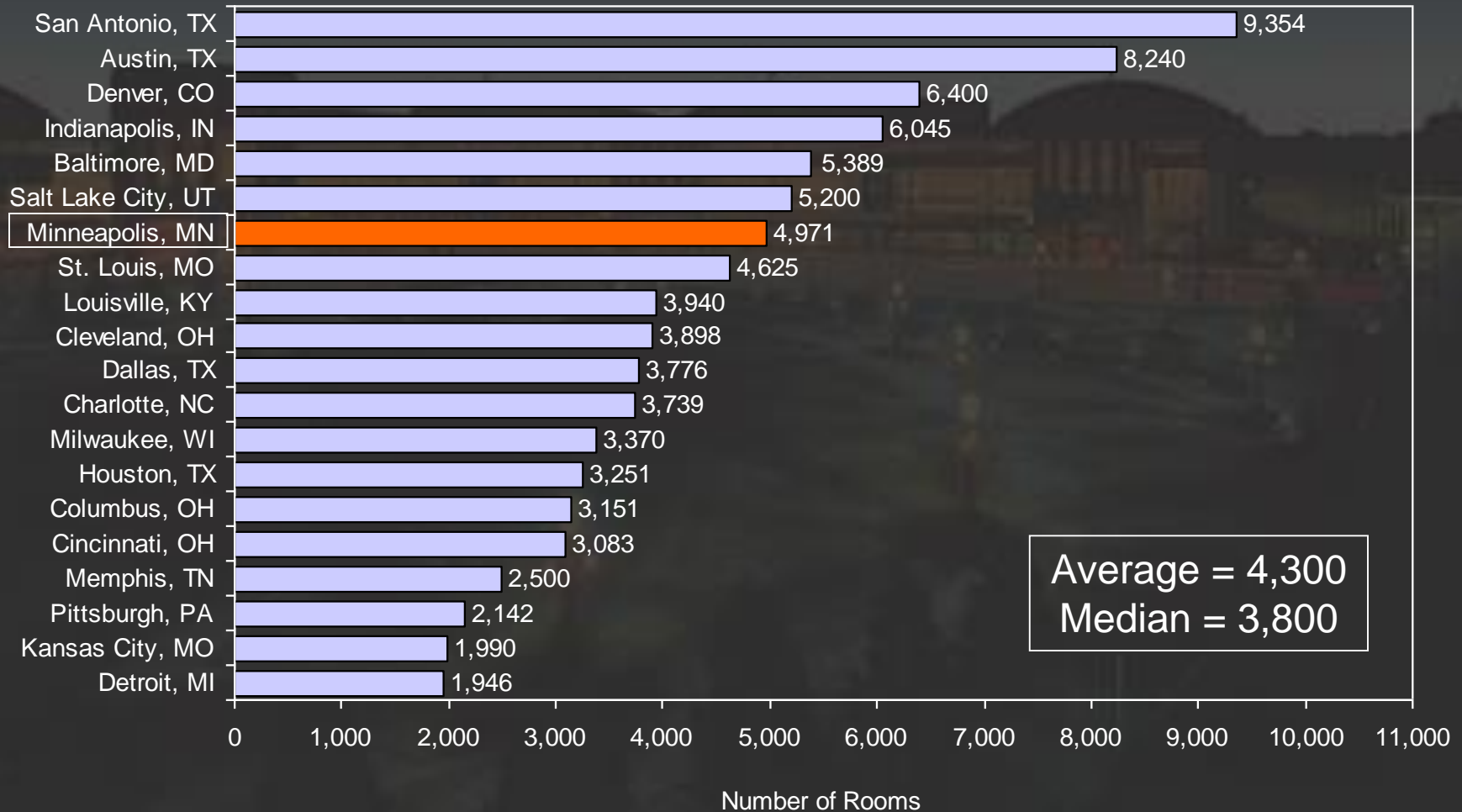
- 1 – Grand Hyatt San Antonio (1,003 rooms)
- 2 – Marriott Rivercenter (1,001)
- 3 – Hyatt Regency (632)
- 4 – Marriott Riverwalk (512)
- 5 – Hilton Palacio del Rio (483)
- 6 – Westin Riverwalk (473)
- 7 – Crowne Plaza Riverwalk (410)
- 8 – Wyndham St. Anthony (352)
- 9 – La Quinta Inn & Suites Conv. Ctr. (350)
- 10 – Omni La Mansion del Rio (338)
- 11 – Sheraton Gunter Hotel (322)
- 12 – The Historic Menger Hotel (316)
- 13 – Holiday Inn Riverwalk (313)
- 14 – Drury Plaza Hotel San Antonio Riverwalk (306)
- 15 – Embassy Suites (285)
- 16 – Hotel Contessa (265)
- 17 – Marriott Plaza San Antonio (251)
- 18 – Residence Inn by Marriott Alamo (220)
- 19 – Courtyard San Antonio Riverwalk (220)
- 20 – Red Roof Inn Downtown (215)
- 21 – Hotel Valencia Riverwalk (213)
- 22 – Emily Morgan (177)
- 23 – Hampton Inn Downtown (169)
- 24 – Drury Inn & Suites Riverwalk (150)

Hotel Rooms Within ½ Mile of the Kansas City Convention Center



- 1 – Marriott Kansas City Downtown (946 rooms)
- 2 – Crowne Plaza Kansas City Downtown (338)
- 3 – Hotel Phillips (215)
- 4 – Hilton President Hotel (213)
- 5 – Aladdin Holiday Inn (193)

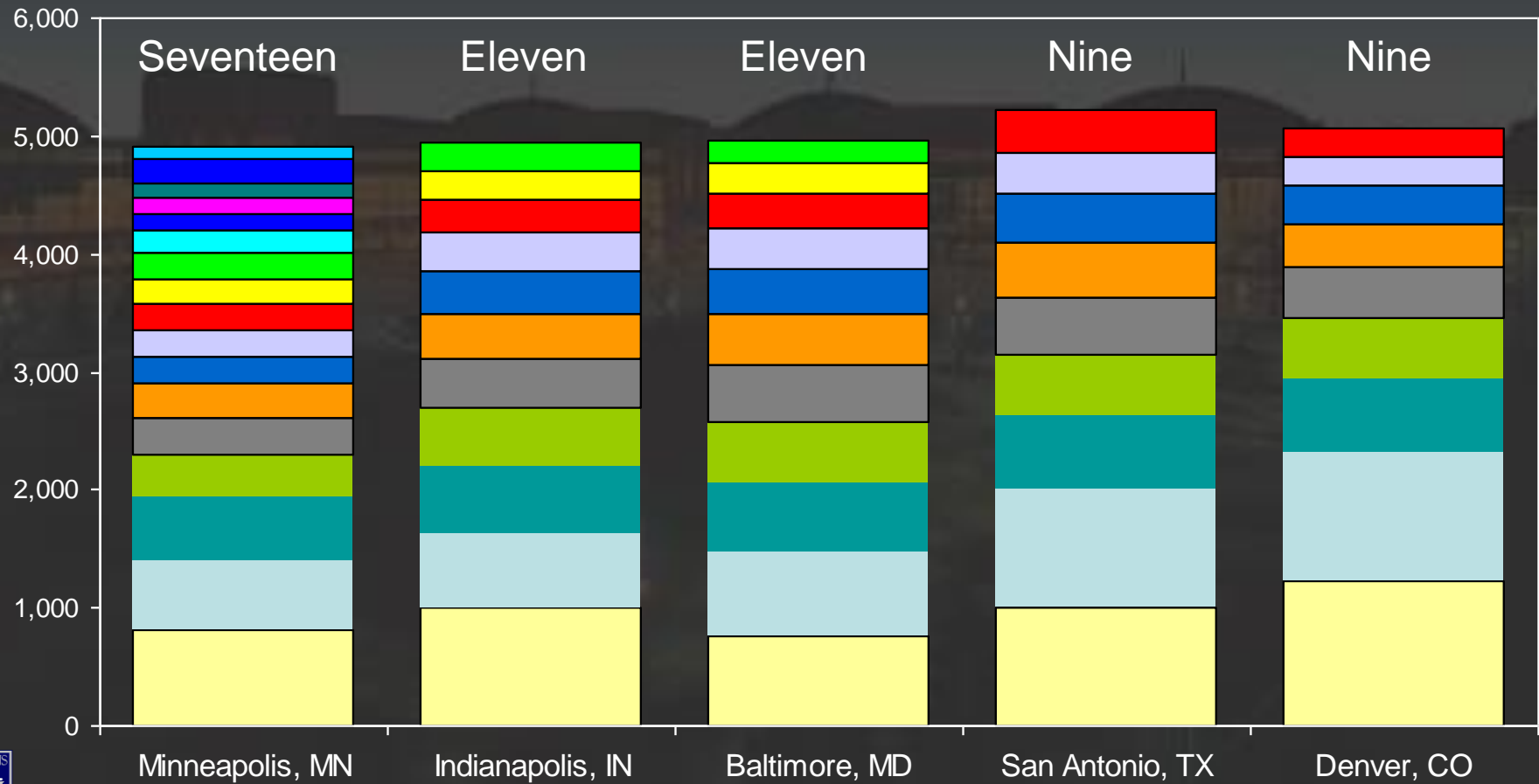
Comparison of Hotel Rooms Within ½ Mile of the Convention Center – Competitive and Comparable Markets



Source: CSL; Convention and Visitors Bureaus, 2013;



Hotels Required to Assembly 3,000 Committable (5,000 total) Rooms – 60% committability

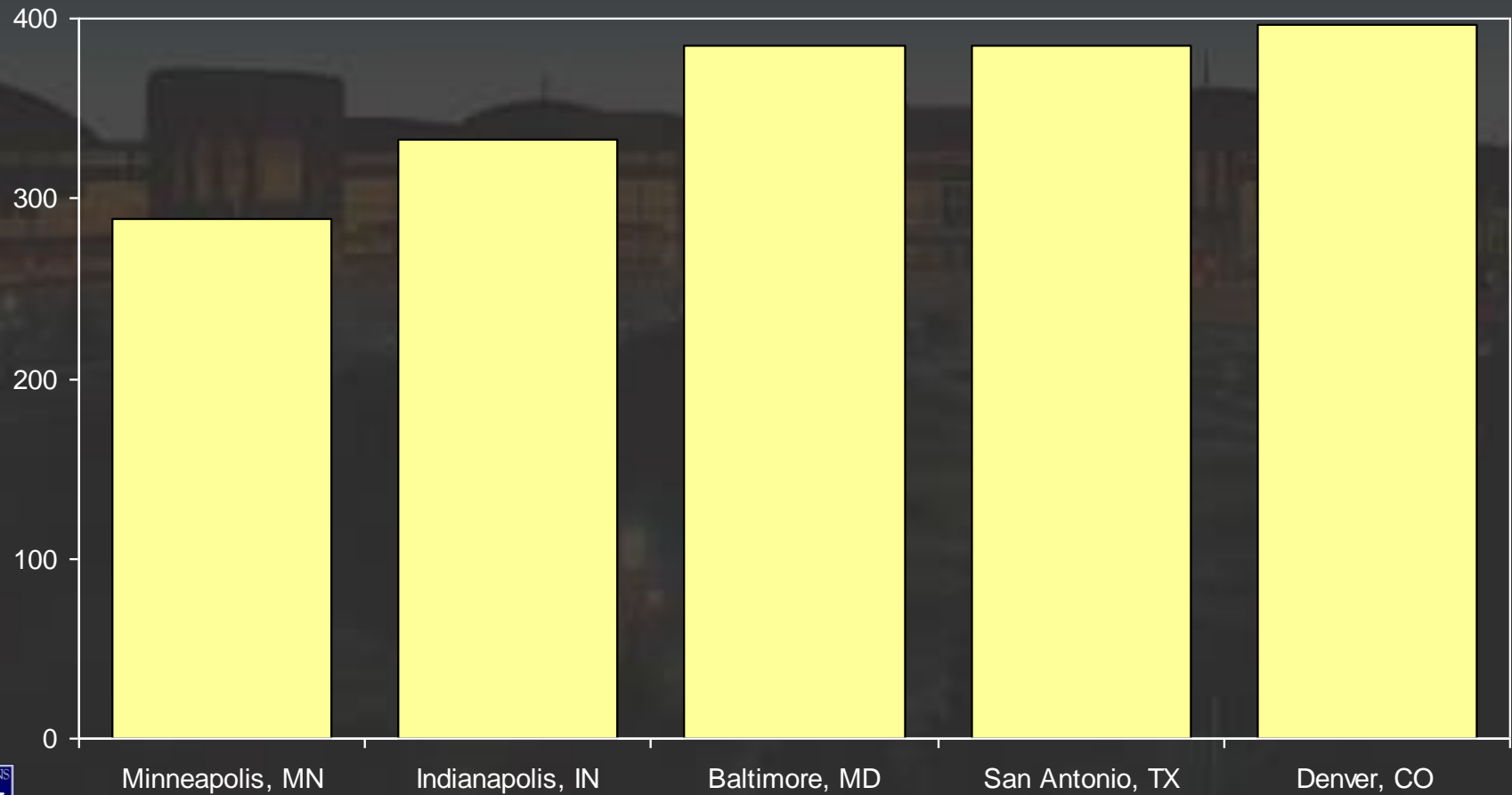


Source: CSL; Convention and Visitors Bureaus, 2013;

Summary of Room Block Agreements

- Gives CVB right to commit hotel rooms for future years (24 to 36 months and out)
- CVB can commit up to 80 percent of room inventory
- Inventory turned back to hotel within 24 to 36 months
- Limits to number of dates covered by the agreement
- Rate limits – for example, up to 110% of previous years group rate

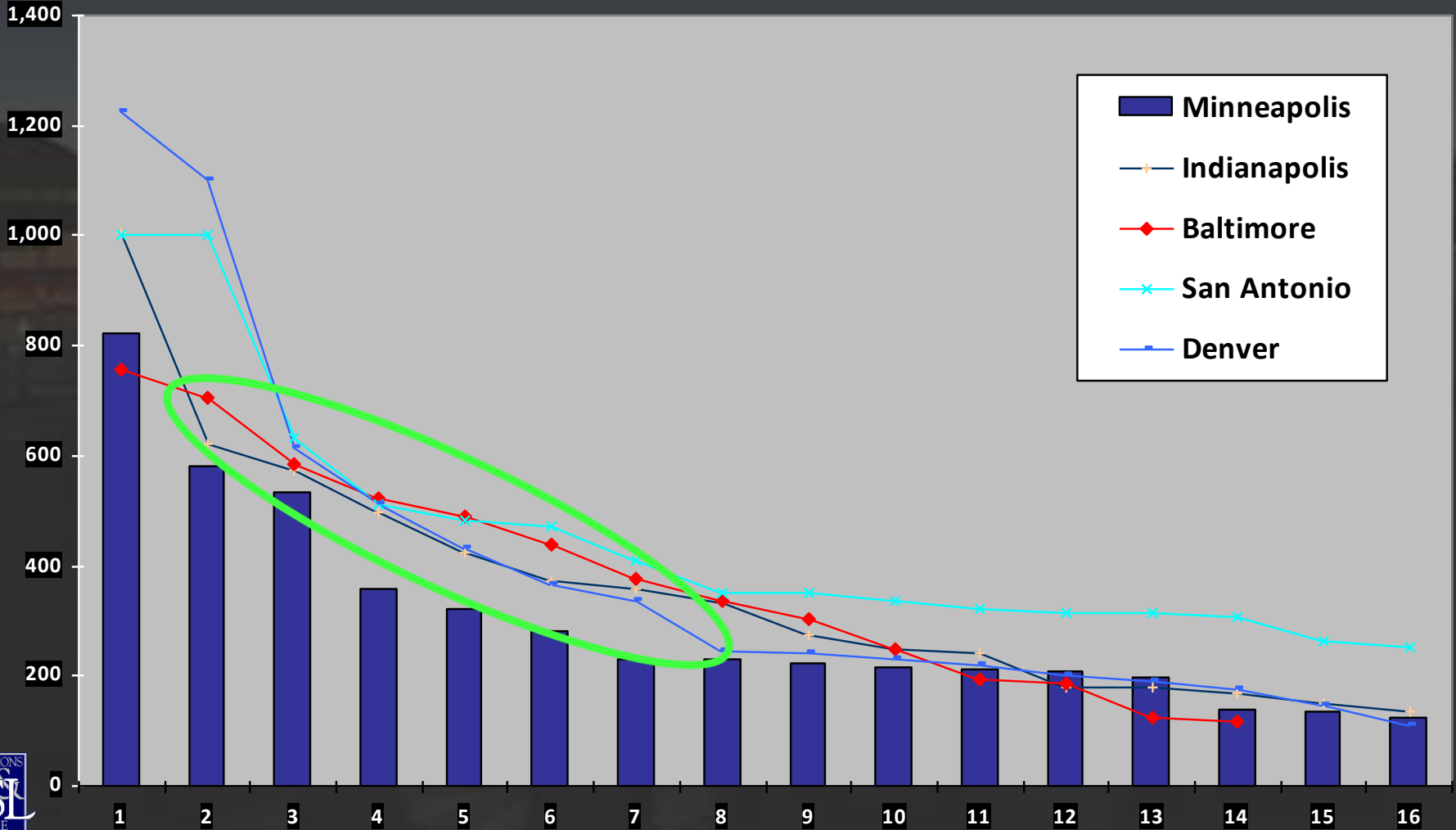
Average Room Count for Hotels Within ½ Mile of Center



Source: CSL; Convention and Visitors Bureaus, 2013;



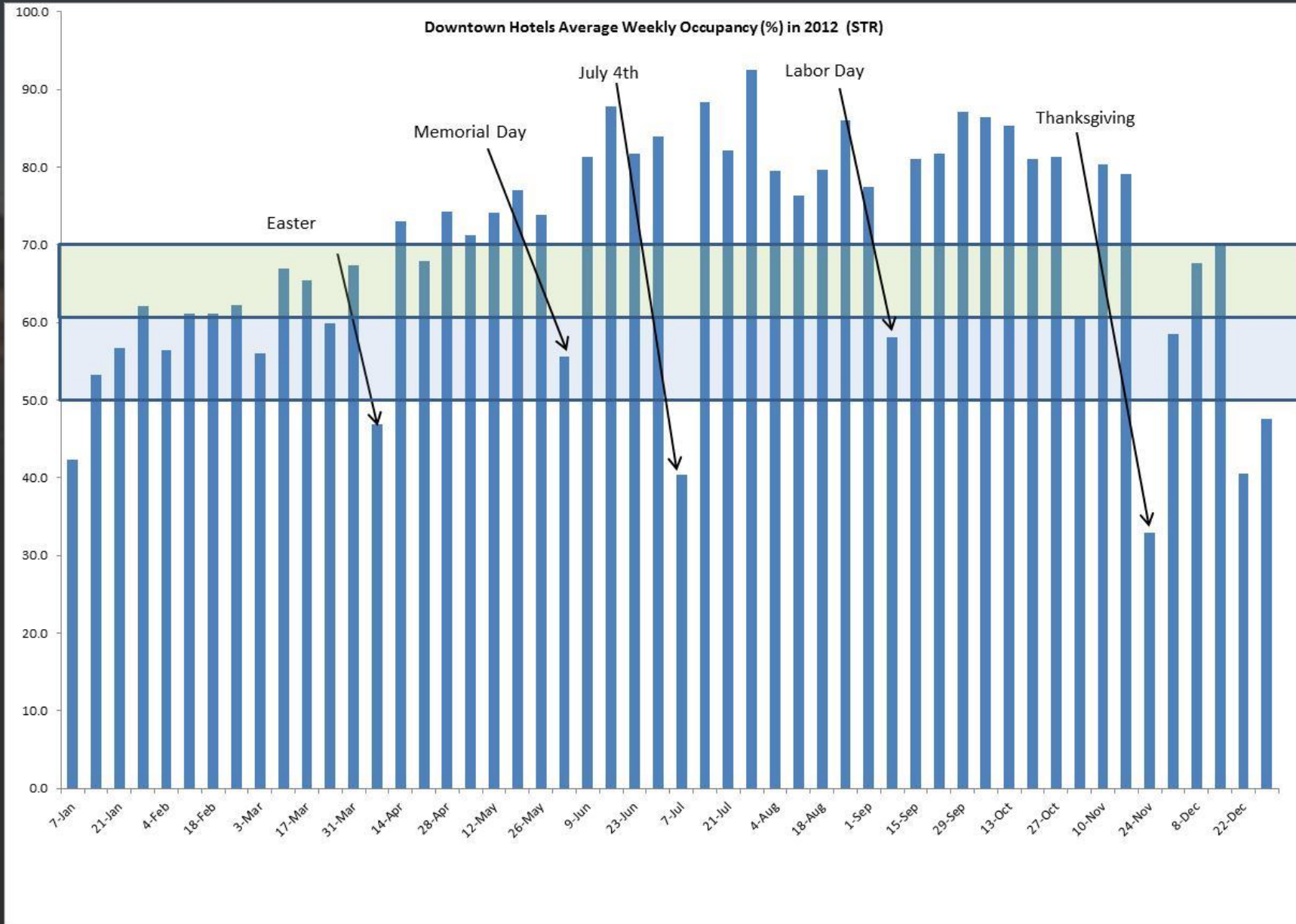
Distribution of Hotels by Room Count



Source: CSL; Convention and Visitors Bureaus, 2013;

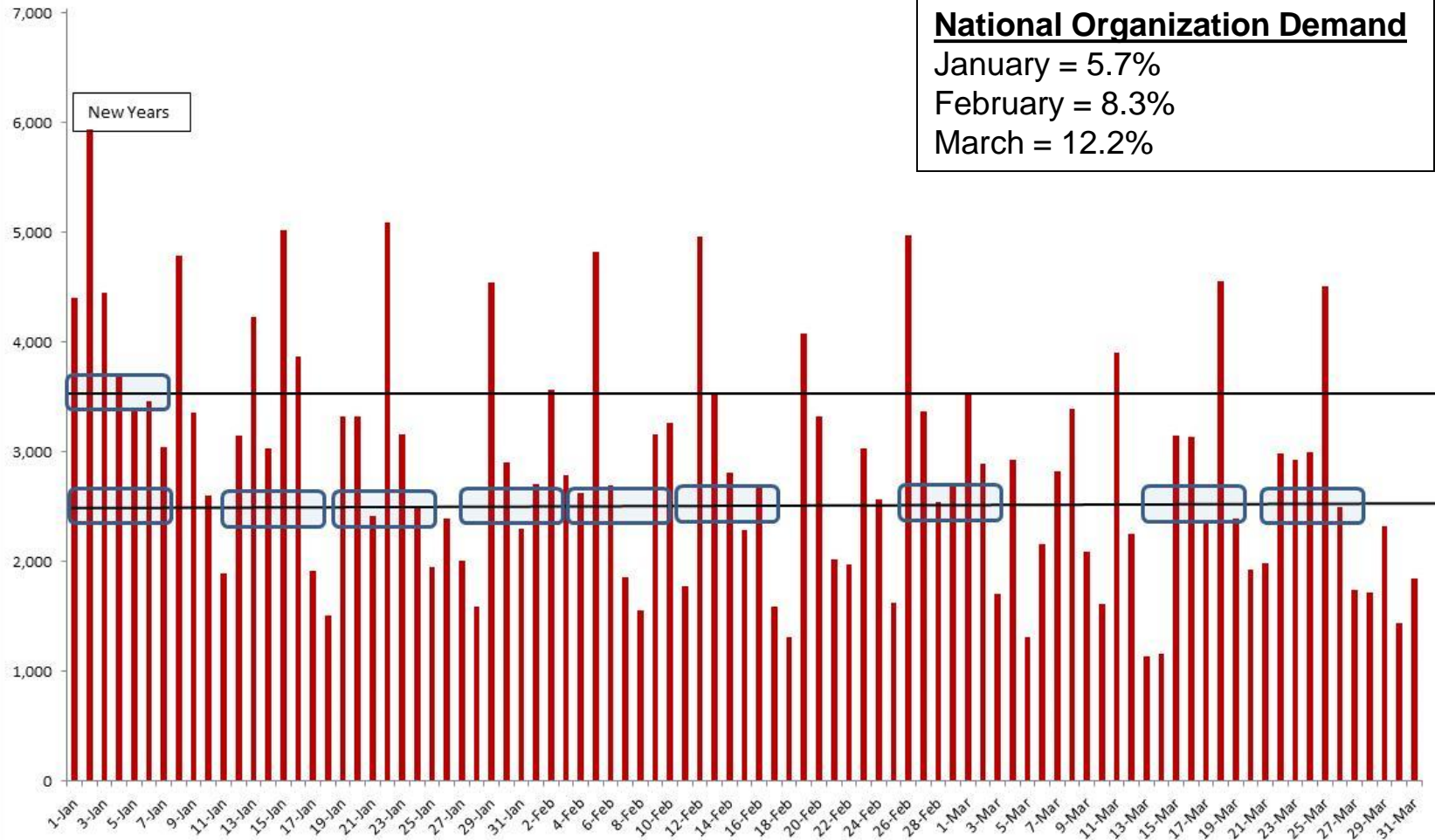


Weekly Occupancy Summary - 2012



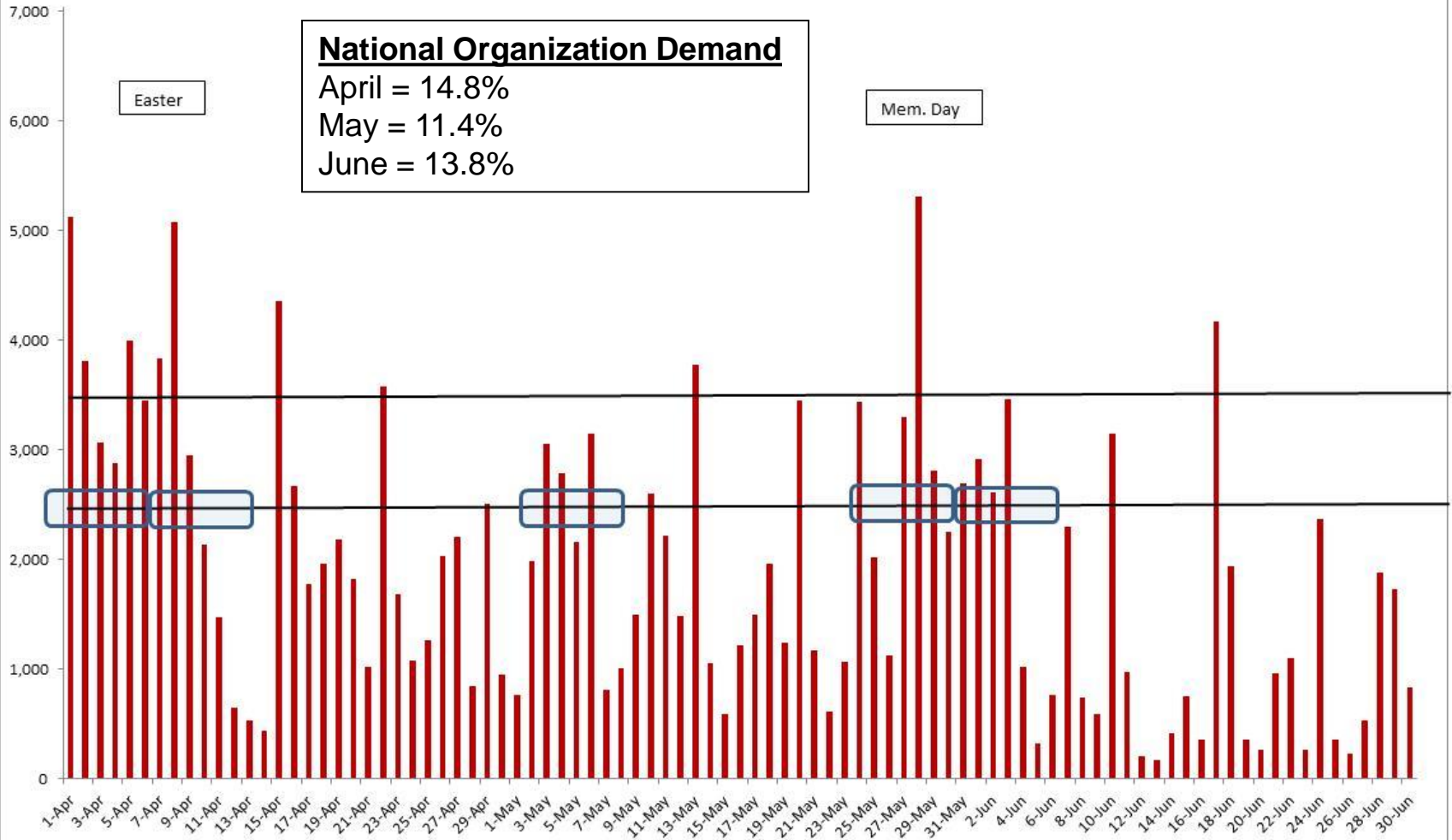
First Quarter Room Availability

Unoccupied Downtown Rooms - 2012-Q1



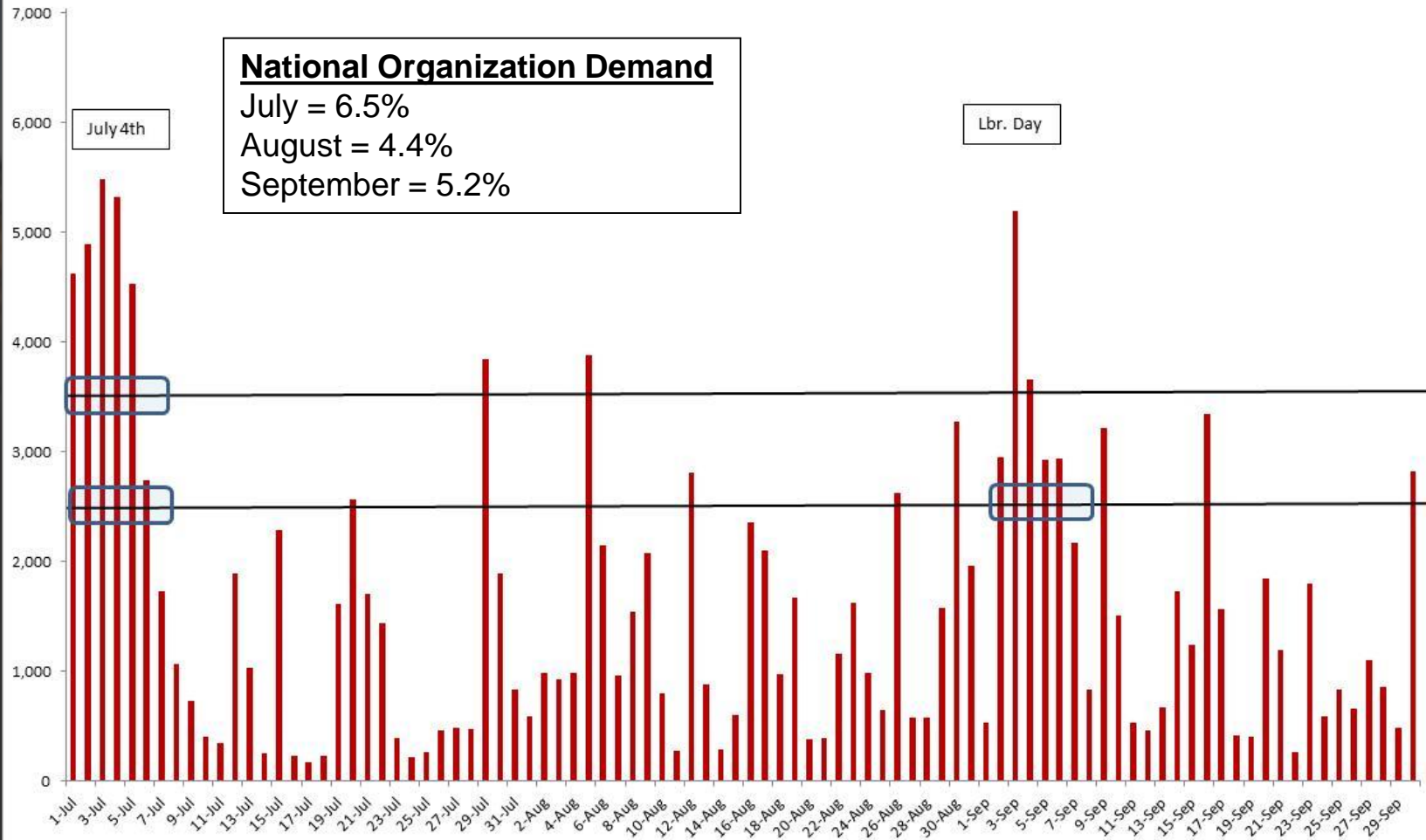
Second Quarter Room Availability

Unoccupied Downtown Rooms - 2012-Q2



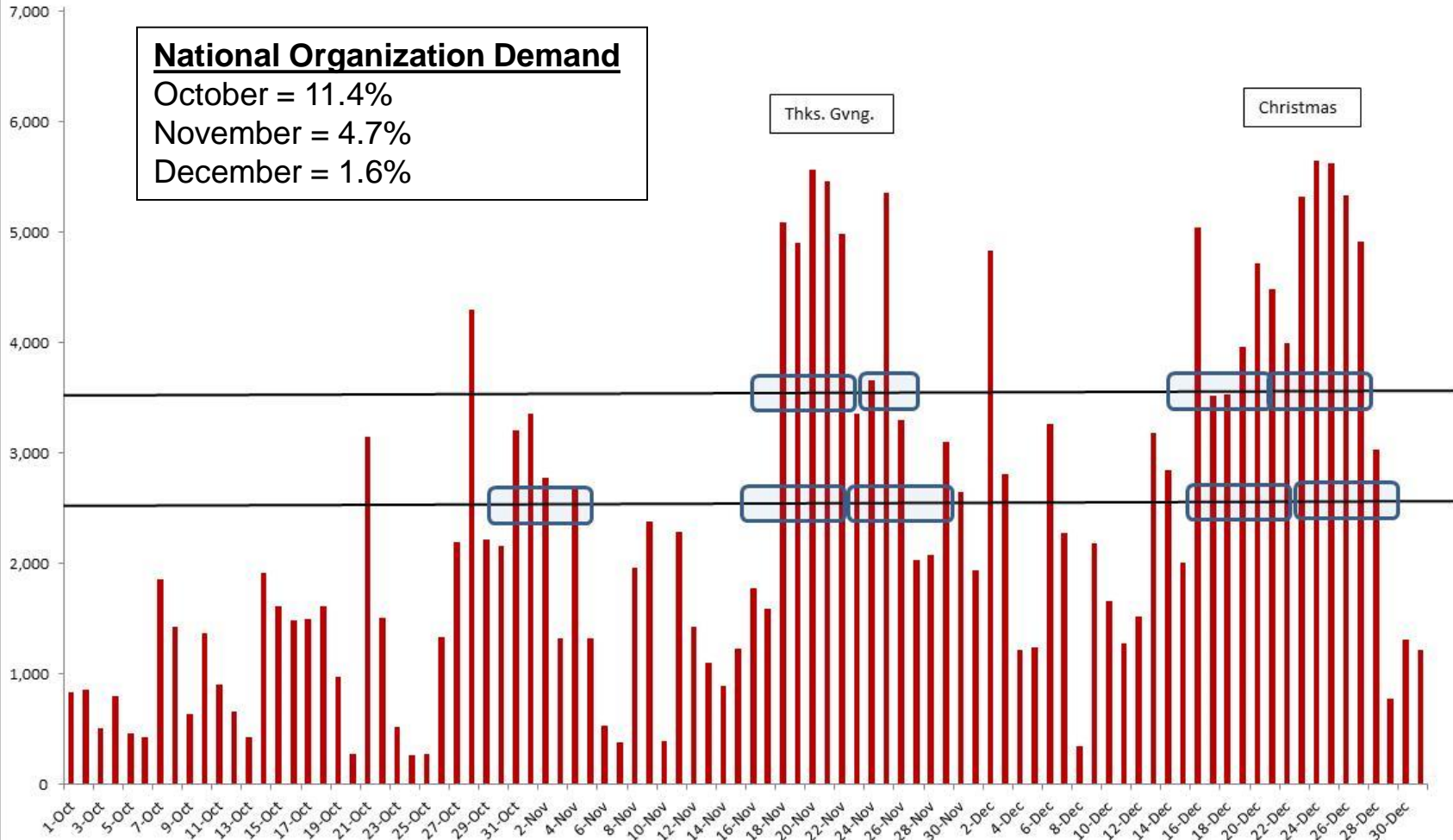
Third Quarter Room Availability

Unoccupied Downtown Rooms - 2012-Q3



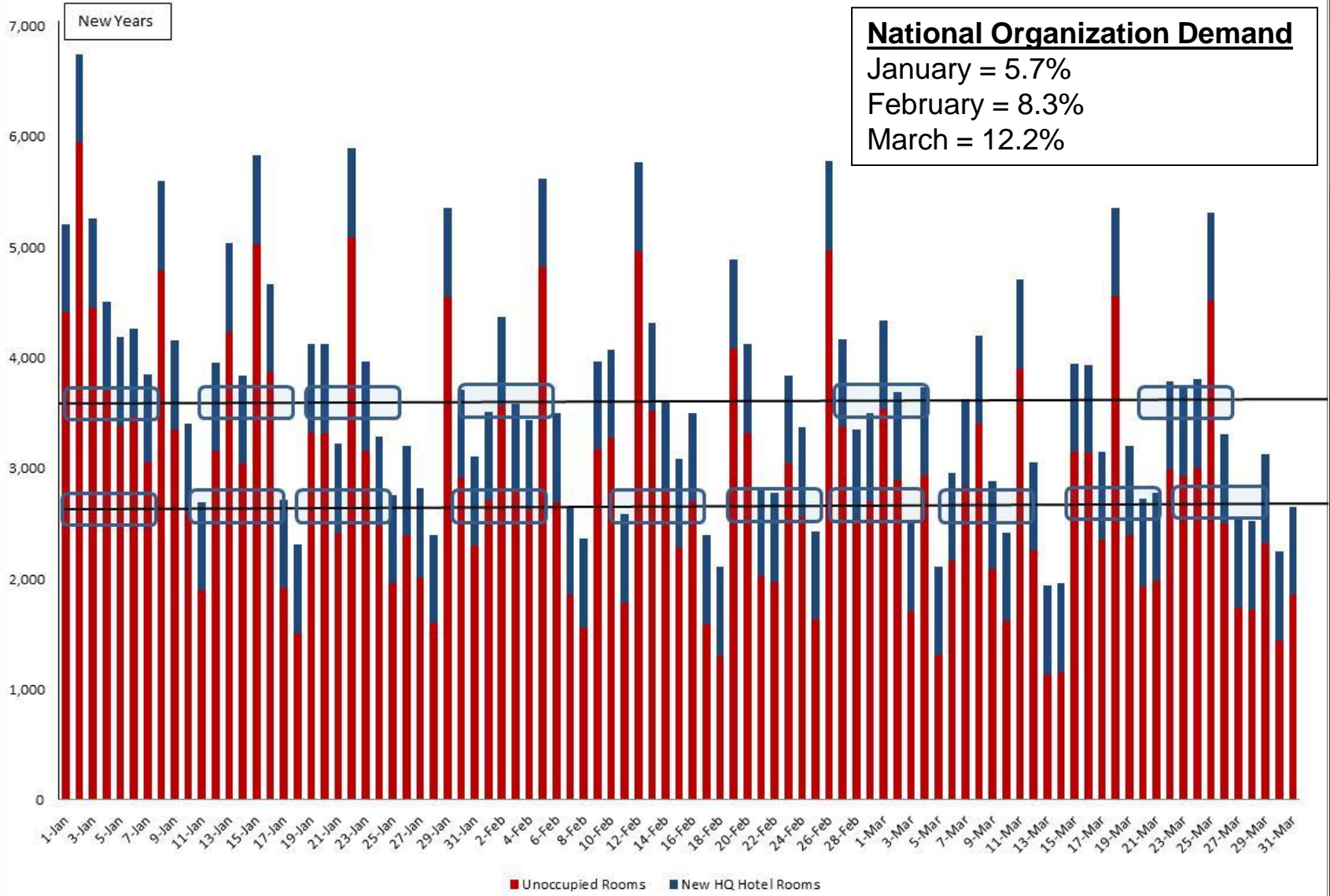
Fourth Quarter Room Availability

Unoccupied Downtown Rooms - 2012-Q4



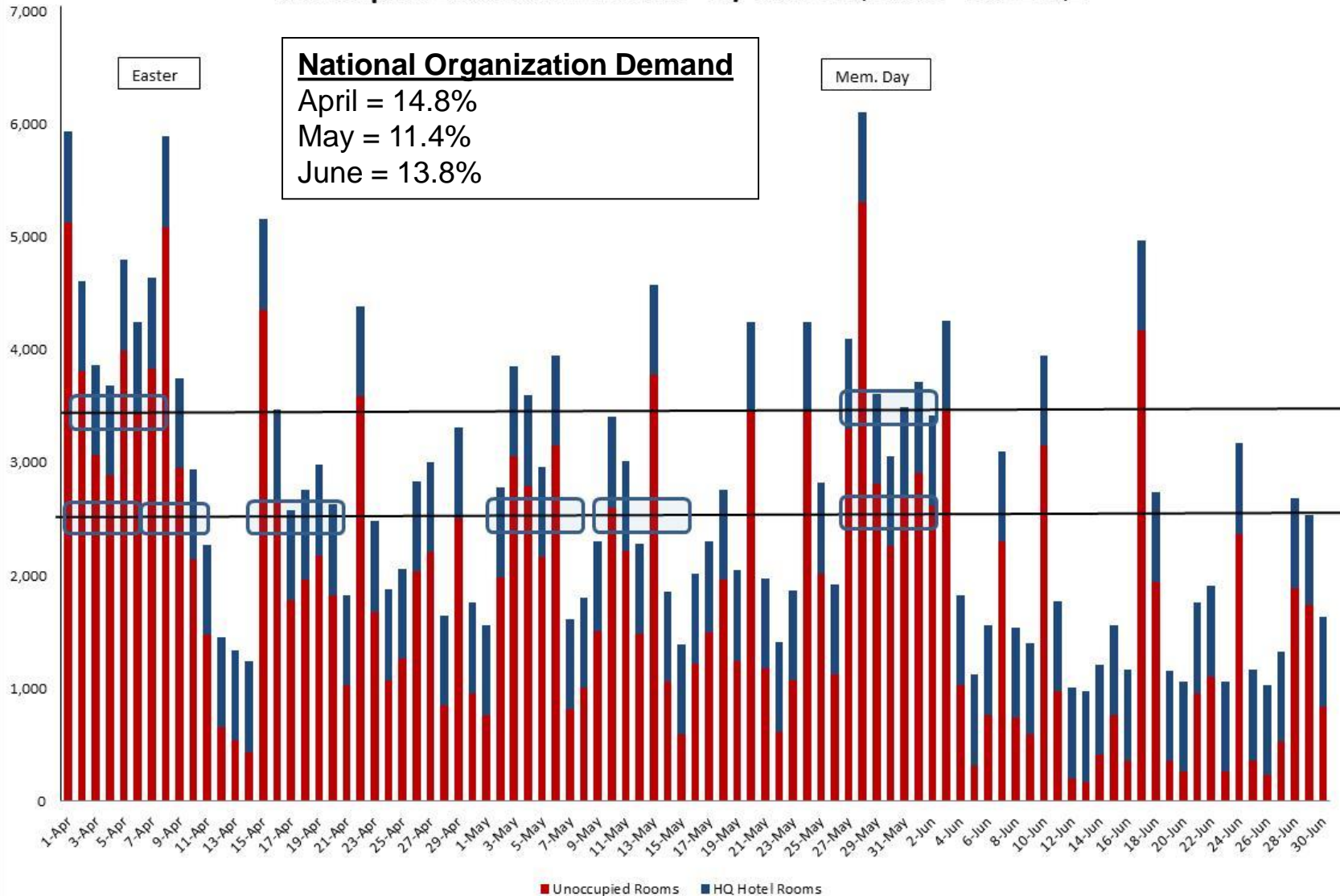
First Quarter Room Availability

Unoccupied Downtown Rooms - W/ New HQ Hotel - 2012-Q1



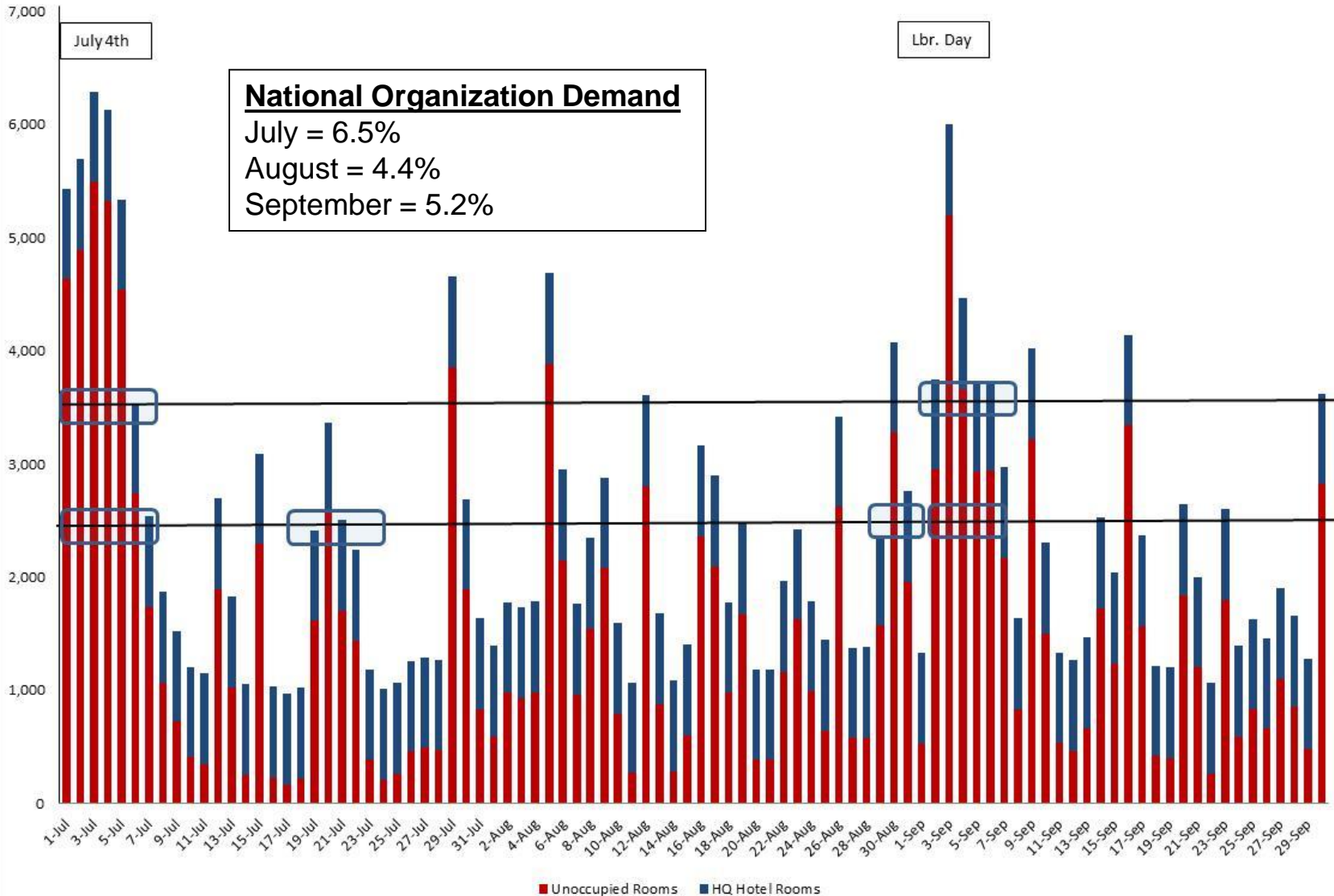
Second Quarter Room Availability

Unoccupied Downtown Rooms - W/ New HQ Hotel - 2012-Q2



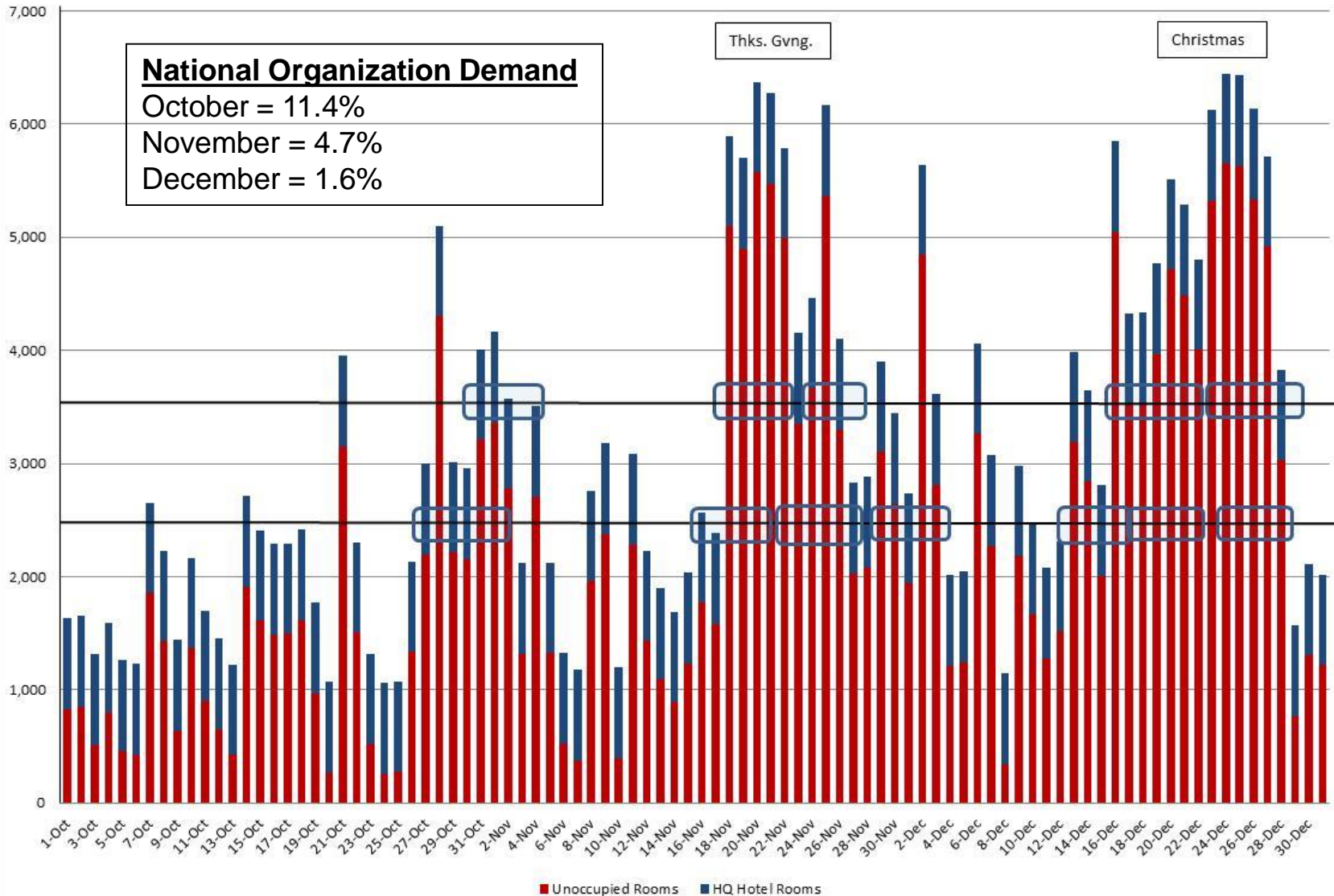
Third Quarter Room Availability

Unoccupied Downtown Rooms W/ HQ Hotel - 2012-Q3



Forth Quarter Room Availability

Unoccupied Downtown Rooms W/ HQ Hotel - 2012-Q4



Room Block Availability

Analysis of Available 4 to 6 Day Peak Room Night Blocks - 2010 to 2012

	Existing Downtown Inventory		W/ HQ Hotel	
	2,500	3,500	2,500	3,500
Total Available Blocks - 2012	21	7	27	15
Less Holidays - 2012	(8)	(6)	(8)	(8)
Less Dec - Feb - 2012	(5)	0	(8)	(4)
Net Available Blocks - 2012	8	1	11	3
Net Available Blocks - 2011	6	0	17	4
Net Available Blocks - 2010	14	3	22	10

Competitive Set >70% Last Two Years

Year	Average Daily Available Room		Occupied Room			Average		RevPAR	Change	
	Room Count	Nights	Change	Nights	Change	Occupancy	Rate			
2001	3,144	1,147,685	—	708,734	—	61.8 %	\$133.52	—	\$82.45	—
2002	3,264	1,191,360	3.8 %	778,426	9.8 %	65.3	128.47	(3.8) %	83.94	1.8 %
2003	3,435	1,253,835	5.2	842,205	8.2	67.2	125.48	(2.3)	84.28	0.4
2004	3,519	1,284,435	2.4	900,233	6.9	70.1	130.52	4.0	91.48	8.5
2005	3,519	1,284,435	0.0	934,031	3.8	72.7	137.43	5.3	99.94	9.2
2006	3,519	1,284,435	0.0	930,985	(0.3)	72.5	143.80	4.6	104.23	4.3
2007	3,663	1,336,865	4.1	961,546	3.3	71.9	152.05	5.7	109.36	4.9
2008	3,922	1,431,548	7.1	963,285	0.2	67.3	157.74	3.7	106.14	(2.9)
2009	4,184	1,527,160	6.7	948,627	(1.5)	62.1	134.64	(14.6)	83.63	(21.2)
2010	4,184	1,527,160	0.0	1,048,091	10.5	68.6	134.96	0.2	92.63	10.8
2011	4,184	1,527,160	0.0	1,085,843	3.6	71.1	145.48	7.8	103.44	11.7
2012	4,184	1,527,160	0.0	1,097,548	1.1	71.9	147.88	1.7	106.28	2.7
Average Annual Compounded										
Change: 2001-2012			2.6 %		4.1 %			0.9 %		2.3 %
Hotels Included in Sample					Number of Rooms	Year Affiliated	Year Opened			
Millennium Minneapolis					321	Apr-01	Jun 1963			
Hilton Marquette Hotel					281	Nov-79	Jun 1970			
Hyatt Regency Minneapolis					533	Mar-81	Mar 1981			
Marriott Minneapolis City Center					583	Apr-86	Apr 1986			
Radisson Plaza Hotel Minneapolis					360	Mar-87	Mar 1987			
Hilton Minneapolis					821	Nov-92	Nov 1992			
Kimpton The Grand Hotel Minneapolis					140	Nov-10	Jul 2000			
Renaissance The Depot Minneapolis Hotel					225	May-07	Jul 2001			
Wyndham Graves 601 Hotel					255	Jan-10	May 2003			
Westin Minneapolis					214	May-07	May 2007			
Autograph Collection The Hotel Minneapolis					222	Jun-10	Aug 2008			
W Hotel Minneapolis Foshay					229	Aug-08	Aug 2008			
Total					4,184					

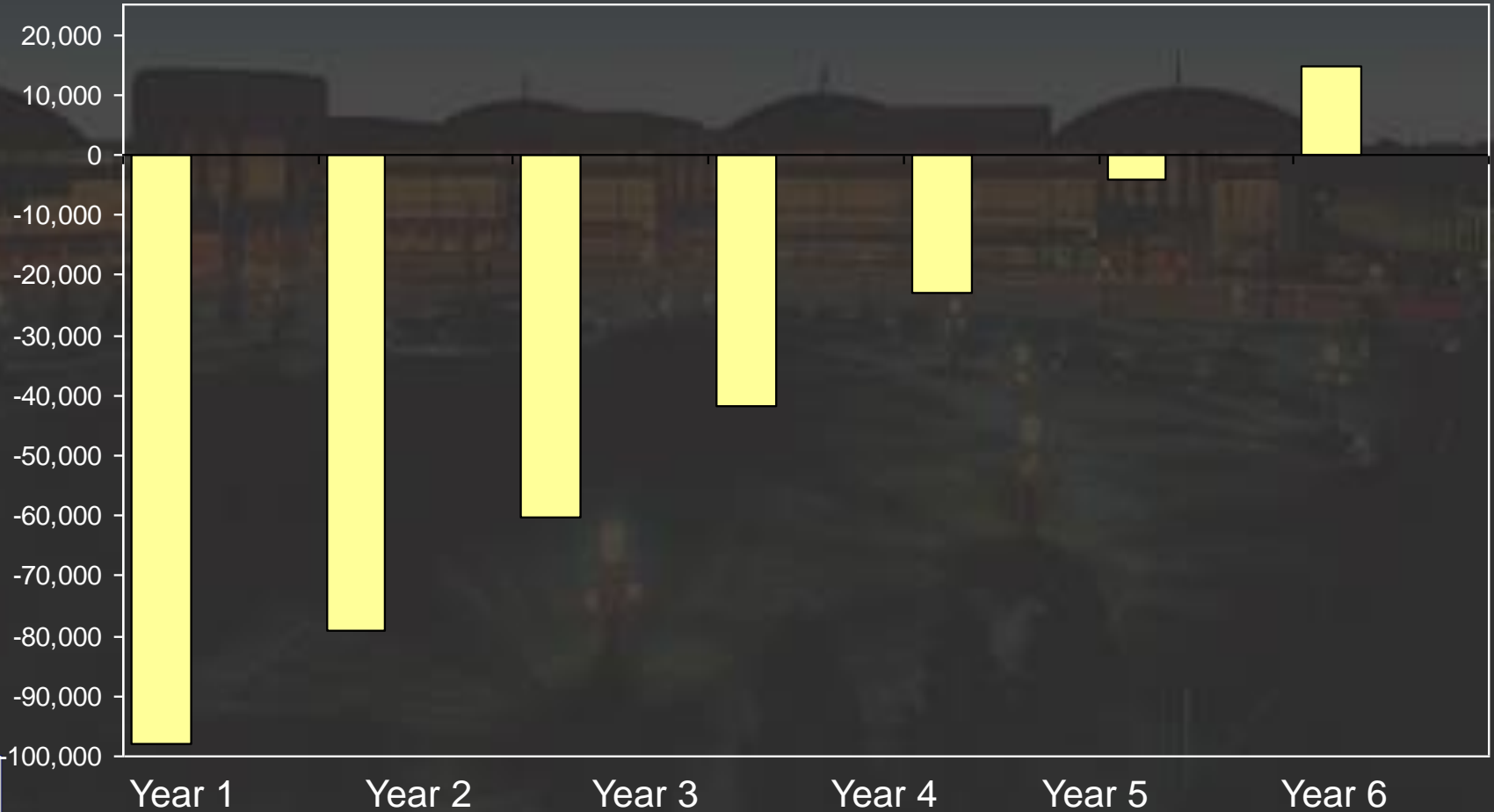
Large Volumes of Unaccommodated Demand

Occupancy (%)							
	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Jan - 12	31.0	47.5	66.3	75.3	61.2	56.6	69.2
Feb - 12	31.9	56.1	71.5	72.7	56.8	64.5	76.6
Mar - 12	44.7	76.8	81.5	76.7	55.4	65.1	74.0
Apr - 12	42.2	68.7	75.5	78.9	71.6	73.0	82.0
May - 12	53.9	74.4	88.0	80.5	62.3	69.8	82.7
Jun - 12	51.7	87.1	98.3	96.4	82.5	83.7	91.0
Jul - 12	62.9	79.3	82.1	79.5	69.9	79.7	89.0
Aug - 12	61.3	88.1	95.4	87.1	73.3	83.2	93.2
Sep - 12	62.6	70.4	82.8	88.3	81.7	83.6	94.6
Oct - 12	62.2	83.0	87.8	82.9	90.7	91.7	91.6
Nov - 12	46.1	64.9	70.3	71.7	59.1	66.5	80.8
Dec - 12	44.9	58.9	60.9	58.9	43.0	59.5	76.4
Total Year	49.6	71.0	80.1	79.2	66.9	73.2	83.5

Where Demand Comes From

- 249,000 Room Nights
 - 65,000 Induced
 - 86,000 Unaccommodated
 - 98,000 Absorption or Demand Growth

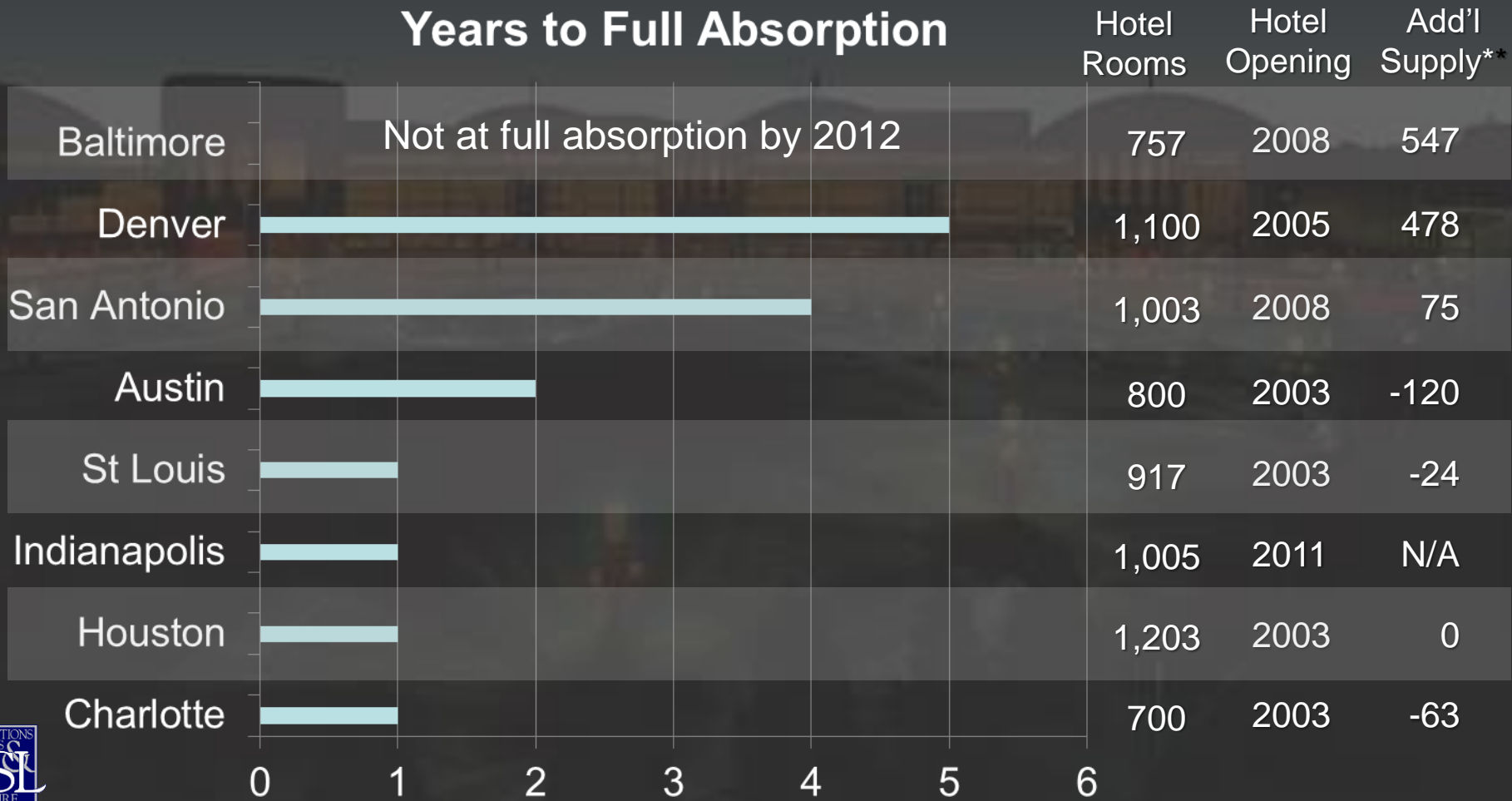
Potential Room Demand Recovery Pattern (assumes 1.05% growth in downtown demand)



Demand Growth Following Increase in Room Supply

Years to Full Absorption (point at which added supply is absorbed)

Years to Full Absorption



*Additional downtown room supply - 24 months following hotel opening



Meeting/Group is Top Priority

Penetration Rates

Annual Room Nights

Mtg/Group: 136%

Mtg/Group: 155k

Commercial: 62%

Commercial: 53k

Leisure: 97%

Leisure: 41k

ADR Similar to Market Average

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	70.5 %	—	\$145.82	—	—	\$145.00	99.4 %
2013	70.9	3.5 %	150.92	—	3.5 %	150.08	99.4
2014	71.1	3.5	156.20	—	3.5	155.33	99.4
2015	71.8	3.0	160.89	0.0	3.0	159.99	99.4
2016	65.4	3.0	165.72	62.0 %	3.0	164.79	99.4
2017	66.1	3.0	170.69	66.0	3.0	169.73	99.4
2018	66.7	3.0	175.81	68.0	3.0	174.82	99.4
2019	66.7	3.0	181.08	68.0	3.0	180.07	99.4

Annual Income Stream

Revenue = \$69.5m

Expenses = \$54.7m

Net Income = \$14.8m

Financial Projections

	2016		2017		2018		2019		2020	
Number of Rooms:	1000		1000		1000		1000		1000	
Occupied Rooms:	226,300		240,900		248,200		248,200		248,200	
Occupancy:	62%		66%		68%		68%		68%	
Average Rate:	\$159.84	% of	\$168.03	% of	\$174.82	% of	\$180.07	% of	\$185.47	% of
RevPAR:	\$99.10	Gross	\$110.90	Gross	\$118.88	Gross	\$122.45	Gross	\$126.12	Gross
REVENUE										
Rooms	\$36,173	61.0 %	\$40,479	62.0 %	\$43,391	62.4 %	\$44,693	62.4 %	\$46,033	62.4 %
Food	15,515	26.2	16,725	25.6	17,610	25.3	18,138	25.3	18,682	25.3
Beverage	3,437	5.8	3,649	5.6	3,815	5.5	3,930	5.5	4,048	5.5
Other Operated Departments	3,644	6.1	3,911	6.0	4,109	5.9	4,232	5.9	4,359	5.9
Rentals & Other Income	521	0.9	559	0.9	587	0.8	605	0.8	623	0.8
Total	59,289	100.0	65,322	100.0	69,512	100.0	71,598	100.0	73,745	100.0
DEPARTMENTAL EXPENSES*										
Rooms	9,675	26.7	10,343	25.6	10,848	25.0	11,173	25.0	11,508	25.0
Food & Beverage	13,132	69.3	13,939	68.4	14,569	68.0	15,006	68.0	15,456	68.0
Other Operated Departments	2,040	56.0	2,163	55.3	2,260	55.0	2,328	55.0	2,398	55.0
Total	24,847	41.9	26,444	40.5	27,677	39.8	28,507	39.8	29,362	39.8
DEPARTMENTAL INCOME	34,443	58.1	38,878	59.5	41,835	60.2	43,091	60.2	44,383	60.2
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	4,915	8.3	5,283	8.1	5,558	8.0	5,724	8.0	5,896	8.0
Marketing	4,691	7.9	5,054	7.7	5,321	7.7	5,481	7.7	5,645	7.7
Prop. Operations & Maint.	2,410	4.1	2,587	4.0	2,720	3.9	2,801	3.9	2,885	3.9
Utilities	2,294	3.9	2,471	3.8	2,601	3.7	2,680	3.7	2,760	3.7
Total	14,310	24.2	15,395	23.6	16,200	23.3	16,686	23.3	17,187	23.3
HOUSE PROFIT	20,133	33.9	23,483	35.9	25,635	36.9	26,404	36.9	27,196	36.9
Management Fee	1,779	3.0	1,960	3.0	2,085	3.0	2,148	3.0	2,212	3.0
INCOME BEFORE FIXED CHARGES	18,355	30.9	21,524	32.9	23,550	33.9	24,257	33.9	24,984	33.9
FIXED EXPENSES										
Property Taxes	5,084	8.6	5,237	8.0	5,394	7.8	5,555	7.8	5,722	7.8
Insurance	557	0.9	574	0.9	591	0.9	609	0.9	627	0.9
Reserve for Replacement	1,186	2.0	1,960	3.0	2,780	4.0	2,864	4.0	2,950	4.0
Total	6,827	11.5	7,770	11.9	8,765	12.7	9,028	12.7	9,299	12.7
NET INCOME	\$11,527	19.4 %	\$13,754	21.0 %	\$14,784	21.2 %	\$15,228	21.2 %	\$15,684	21.2 %

Today's Valuation Parameters

Loan-to-Value:	65%
Term:	10 years
Interest Rate:	4.75%
Equity Yield:	16.0%
Terminal Cap Rate:	8.5%
Transaction Cost:	2.0%

MARKET VALUE = \$179.8M

OR = \$180,000 PER ROOM

Cost may be closer to...

Item	Cost per Room	Cost
Building	\$200,000	\$200,000,000
Furniture, Fixtures, & Equipment	25,500	25,500,000
Pre-Opening & Working Capital	20,500	20,500,000
Soft Costs	35,500	35,500,000
Land and Infrastructure	23,000	23,000,000
Total	\$304,500	\$304,500,000

Feasibility Gap Exists

			% of Costs
Estimated Project Cost		\$304,500,000	
Debt	\$116,800,000		38%
Equity	\$62,900,000		21%
Estimated Market Value		179,800,000	
Surplus/ (Shortfall)		(\$124,700,000)	41%

Options to Support Hotel Financing

When development costs exceed levels that can be supported by a investment return, municipalities have traditionally provided subsidies. These have typically included:

- Contribution of land.
- Tax abatements.
- Reduction in room count.
- Contribution of hotel meeting/public space.
- Infrastructure development.
- Parking facilities.
- Direct subsidy payments (cash and/or loans).

Financing Summary - Denver

Hotel Characteristics

1,100 room Hyatt, adjacent to the Center

70,000 sf of meeting/ballroom space

600 parking spaces

Financing Characteristics:

\$355 million in First Tier tax exempt revenue bonds for hotel project

\$10 million Hotel Operator LOC

\$89 million in reserves and other soft costs funded out of bond issue

Public Sector Obligations:

City appropriates amount equal to taxes from hotel (approximates 45% of annual debt service). Funds released once target fund balance is reached

Refunding Reduced required City appropriation from \$40 million to \$12 million

Financing Summary - Nashville

Hotel Characteristics

800 room Omni, adjacent to the new Center

80,000 sf of meeting/ballroom space

560 parking spaces

Financing Characteristics:

Public/Private Partnership

Construction financing/equity provided by Omni

Public Sector Obligations:

\$25.0 million upfront supported by TIF

Property tax abatement valued at \$2.9 million annually

NPV of \$103 million in incentive payments over 20 years

Financing Summary – Houston 2003

Hotel Characteristics

1,200 room Hilton, adjacent to the Center

90,000 sf of meeting/ballroom space

1,600 parking spaces

Financing Characteristics:

Financing Components:

- \$247 million Hotel Revenue Bonds – series 2006A
- \$53 million Subordinate Bonds – series 2006B

Hilton provided a \$25 million LOC – subordinate to accumulated City pledge of \$25 million

\$30 million in debt service and operating reserves

Public Sector Obligations:

Pledge of hotel's property taxes and prior years site specific hotel taxes

City debt service guarantee of \$7 million (25% of debt service) from proceeds of City hotel tax collections



Financing Summary – Houston 2013

Hotel Characteristics

1,000 room Marriott, adjacent to the Center

100,000 sf of meeting/ballroom space

Public Sector Obligations:

10 year rebate of state property and sales tax, valued at \$79 million

City bond issue of \$125 million to pay for land acquisition, parking and support of the hotel financing. Bond payments to be made from profits generated by the Hilton project.

Net New Average Annual Direct Spending



Summary of Key Findings

- Mpls likely to see new inventory over next several years.
- Mpls downtown hotel inventory is inferior to many competitive markets
- New HQ Hotel will reach market-average rate and occupancy levels
- As with all recent HQ hotel projects nationally, NOI will not support project costs – public support is required
- Downtown Mpls generates sufficient new demand to absorb HQ hotel within 5 to 6 years

Feasibility Research for New Convention Hotel Development in Minneapolis

Final Draft Report Slides

April 16, 2013



Financing Summary - Indianapolis

Financing Characteristics:

Public/Private Partnership

Private financing secured by White Lodging and Marriott

Public Sector Obligations:

\$59.4 million in TIF bonds

Moral obligation of the City/County

Rated AA1/AAA/AA+

Interest rate of 4.5 percent

Donation of land for the project

Financing Summary - Baltimore

Financing Characteristics:

Financing Components:

- \$247 million Hotel Revenue Bonds – series 2006A
- \$53 million Subordinate Bonds – series 2006B

Senior debt rated AAA, insured

Subordinate bonds rated Ba1/BB, insured

Hilton provided a \$25 million LOC – subordinate to accumulated City pledge of \$25 million

\$30 million in debt service and operating reserves funded from bond proceeds

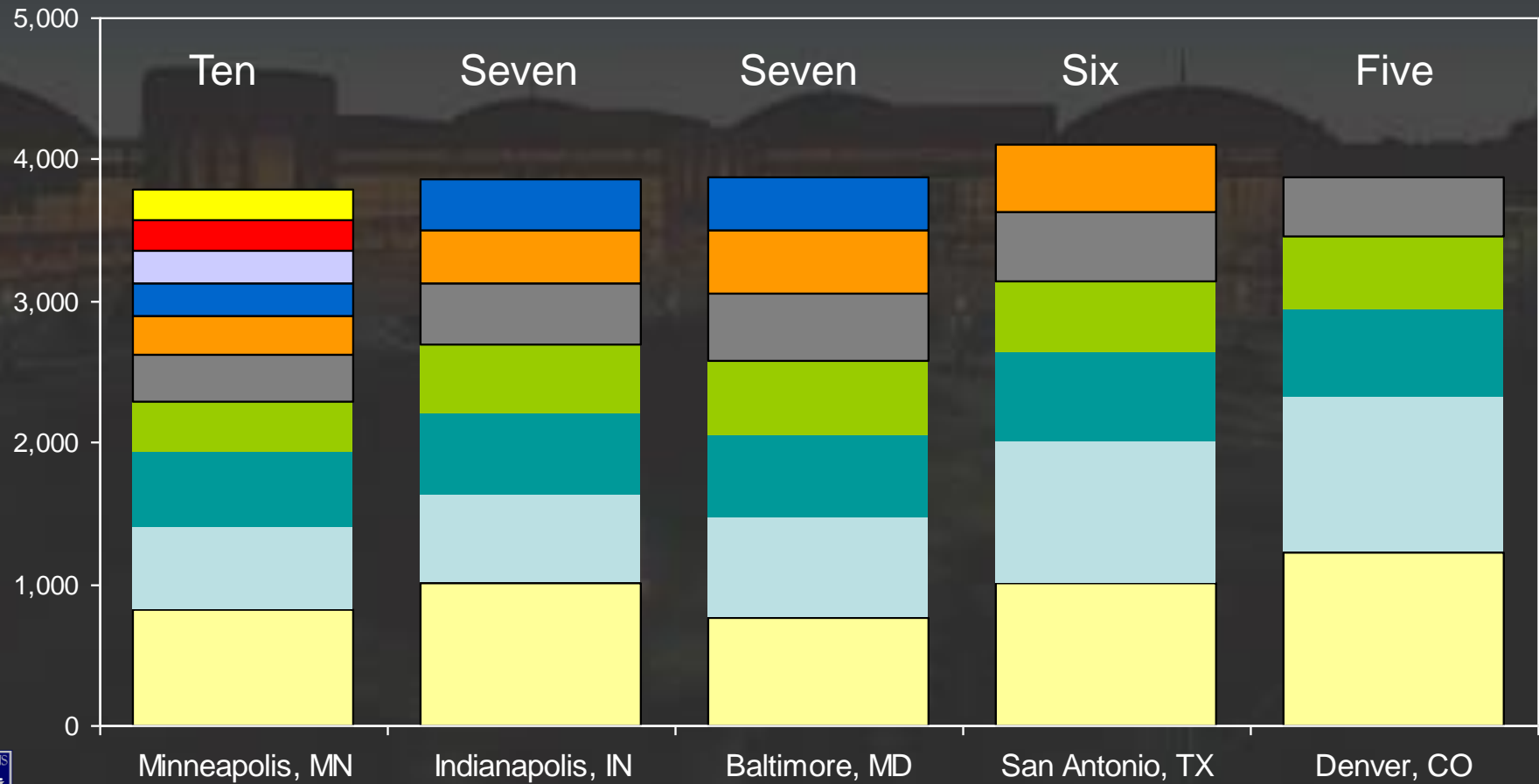
Public Sector Obligations:

Pledge of hotel's property taxes

Pledge of prior years site specific hotel taxes

City debt service guarantee of \$7 million (25% of debt service) from proceeds of City hotel tax collections

Hotels Required to Assembly 3,000 Committable (3,750 total) Rooms – 80% committability



Source: CSL; Convention and Visitors Bureaus, 2013;

New Hotel Occupancy Forecast

Market Segment	2016	2017	2018	2019
Commercial				
Demand	387,650	391,455	395,297	395,297
Market Share	12.4 %	13.5 %	13.5 %	13.5 %
Capture	48,179	52,861	53,379	53,379
Penetration	57 %	62 %	62 %	62 %
Meeting and Group				
Demand	511,293	515,886	520,524	520,524
Market Share	26.9 %	28.3 %	29.7 %	29.7 %
Capture	137,537	146,140	154,603	154,603
Penetration	123 %	129 %	136 %	136 %
Leisure				
Demand	191,322	193,546	195,797	195,797
Market Share	20.3 %	21.2 %	21.2 %	21.2 %
Capture	38,778	40,947	41,423	41,423
Penetration	93 %	97 %	97 %	97 %
Total Room Nights Captured	224,494	239,948	249,406	249,406
Available Room Nights	365,000	365,000	365,000	365,000
Subject Occupancy	62 %	66 %	68 %	68 %
Marketwide Available Room Nights	1,666,627	1,666,627	1,666,627	1,666,627
Fair Share	22 %	22 %	22 %	22 %
Marketwide Occupied Room Nights	1,090,265	1,100,887	1,111,619	1,111,619
Market Share	21 %	22 %	22 %	22 %
Marketwide Occupancy	65 %	66 %	67 %	67 %
Total Penetration	94 %	100 %	102 %	102 %

Headquarter Hotel Market Fundamentals

- Room Revenue Per Available Room (“RevPAR”) generated by new downtown, convention-oriented hotels continues to not support the rate of return required by private equity investors.
- Construction costs increases for double loaded, vertical urban development are equal to or in excess of RevPAR gains.
- Some form of incentive/subsidy/grant/conveyance is required to make the vast majority of deals work.