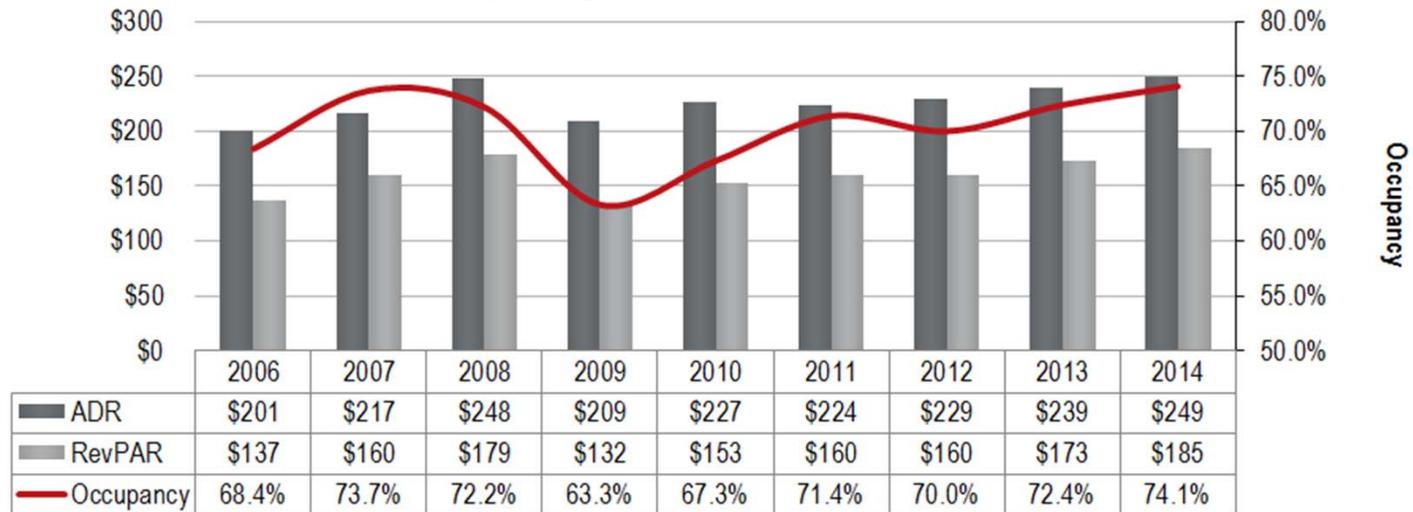


Lodging Performance Overview



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Napa County Lodging Market Performance



Source: PKF Consulting

- Napa County achieved a pre-recessionary RevPAR peak of \$179 in 2008 as a result of 72% occupancy and ADR of \$248. Following the economic downturn in 2009, hotel properties in Napa County rebounded quickly, increasing RevPAR by 15% in 2010 fueled by occupancy and ADR gains of 6% and 8%, respectively. In aggregate, the Napa lodging market grew at an 4.9% CAGR from 2010 to 2014, well above inflation expectations.
- In 2014, Napa County RevPAR increased by 6.6% as a result of positive occupancy and ADR growth of 2.3% and 4.1% respectively. The lodging market has demonstrated a full recovery in 2014, with occupancy and ADR surpassing pre-recessionary peak levels, which points to further expansion and outsized performance in the market.

Recent Transactions

Sales transactions in Napa Valley are few and far between, with most of the activity taking place in the City of Napa. Recent years have seen a significant uptick in transaction activity, with \$262 million dollars trading since September 2013.

Hotel Sales in Napa County								
Property Name	Address	City, State	Date	Units	Sales Price \$/Units		Type	Cap Rate
					(Millions)	('000)		
The Sunburst Calistoga	1880 Lincoln Ave	Calistoga, CA	Jan-15	50	\$12.4	\$248	Single	
The Carneros Inn	4048 Sonoma Hwy	Napa, CA	Jun-14	86	\$62.5	\$727	Single	6.6%
Harvest Inn	1 Main St	Saint Helena, CA	Jan-14	74	\$55.0	\$743	Single	
Calistoga Ranch	580 Lommel Rd	Calistoga, CA	Nov-13	45	\$55.0	\$1,222	Single	
Milliken Creek Inn & Spa	1815 Silverado Trl	Napa, CA	Oct-13	12	\$5.9	\$492	Single	
Andaz Napa	1450 1st St	Napa, CA	Sep-13	141	\$72.0	\$511	Single	6.3%
Napa Winery Inn	1998 Trower Ave	Napa, CA	May-12	60	\$6.8	\$113	Single	
Best Western Premier Ivy Hotel Napa Valley	4195 Solano Ave	Napa, CA	Oct-11	115	\$7.9	\$69	Single	
AVIA Napa	1450 1st St	Napa, CA	Aug-11	141	\$59.8	\$424	Single	6.1%
Napa Valley Marriott Hotel & Spa	3425 Solano Ave	Napa, CA	Aug-11	274	\$72.0	\$263	Single	6.3%
Westin Verasa Napa	1314 Mckinstry St	Napa, CA	Aug-10	180	\$29.0	\$161	Single	
Napa Valley Marriott Hotel & Spa	3425 Solano Ave	Napa, CA	May-09	274	\$36.0	\$131	Single	
La Residence	4066 Howard Ln	Napa, CA	Dec-06	25	\$15.0	\$600	Single	
Vino Bello Resort	865 Bordeaux Way	Napa, CA	Nov-06	116	\$24.0	\$207	Single	
Weighted Average						\$322		

Source: Real Capital Analytics

- One success story to highlight from this transaction is the Calistoga Ranch, which sold as the highest per key transaction (with no as-of-right development) in California ever, and one of the highest per key trades in the U.S. on record.
- Another success story to highlight is the sale of the 274-room Marriott Napa Valley Hotel & Spa. In May of 2009, the property sold for \$36 million, with a price per key of \$131,000. Slightly more than two years later, it was resold for double the purchase price at \$72 million, with a price per key of \$263,000.
- Interestingly, the AVIA Napa also traded hands in August 2011 at \$424,000 per key, and then again in September 2013 at \$72 million, with price per key of \$511,000, an increase of 21% since the previous sale after a successful rebranding to an Andaz property.
- In 2014, the Carneros Inn and Harvest Inn sold for higher prices per key at \$727,000 and \$743,000 respectively, representing an uptick in transaction prices in the overall Napa region.



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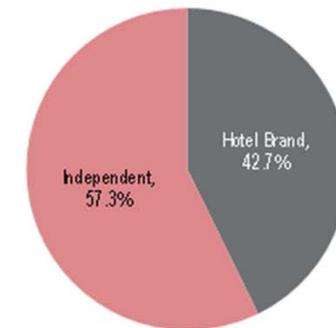
Napa County & Napa Lodging Supply



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- According to Smith Travel Research, there are 69 hotels and 4,633 rooms in Napa County, which consists of primarily independent hotels (52 hotels). Approximately 57% of the total room inventory in Napa County are independent.
- Within Napa County, there are 32 hotels with a Napa address. More than half of the 2,844 rooms in Napa are upper upscale and luxury class. These hotels include the Marriott Napa Valley (275 rooms), Meritage Resort (319 rooms) and Andaz Napa (141 rooms).

Napa County- Room Inventory



Hotel Inventory (Napa Address Only)				
Hotel Class	Hotels	Hotel %	Rooms	Room %
Economy Class	2	6.3%	92	3.2%
Midscale Class	1	3.1%	60	2.1%
Upper Midscale Class	6	18.8%	187	6.6%
Upscale Class	7	21.9%	418	14.7%
Upper Upscale Class	8	25.0%	1,400	49.2%
Luxury Class	8	25.0%	687	24.2%
Total	32	100.0%	2,844	100.0%

Source: Smith Travel Research

Development Opportunity

Currently, downtown Napa lacks branded upscale products. JLL believes there's development opportunity to build light-branded/ lifestyle/ boutique hotels that is upscale class, and below the luxury segment, to fulfill an underserved market.

New Supply



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The following projects are currently under construction with additional speculative projects that have been proposed.

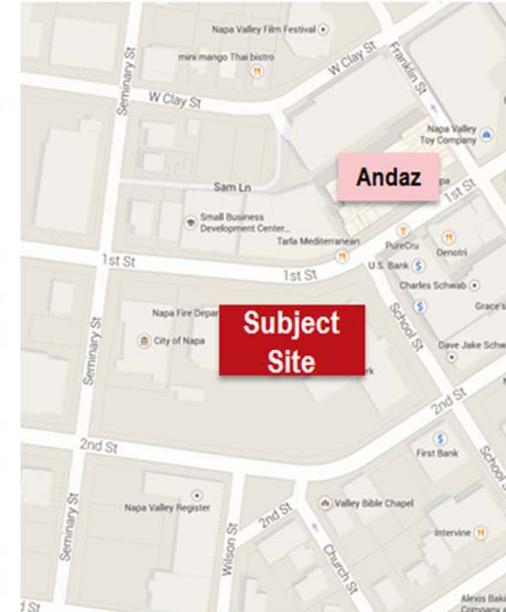
- **Archer Hotel:** The 183-room, \$70-million hotel development is part of the 275,000-square-foot, mixed-use Napa Center redevelopment project in downtown Napa. Kansas-based LodgeWorks Partners, L.P. is developing the hotel, and Trademark Property Co. and Zapolski Real Estate are developing 40 high end retail outlets and restaurants. Demolition work is now underway for a five-story, 4-Diamond, boutique hotel, which will also include 20,000-square-foot retail ground floor, with a grand opening planned for Winter 2016.
- **Las Alcobas, a Luxury Collection Hotel:** In September 2014, Starwood Hotels announced plans for the opening of this hotel upon completion of a comprehensive multi-million renovation in the fall of 2015 that will transform the former Grandview Hotel & Spa. Owned and developed by Spring Mountain Hotel, LLC, a joint venture between Presidio Companies and Las Alcobas Hotel Group, the 3.4-acre St. Helena project will feature 70 guestrooms across several buildings, a restaurant, a 3,500-square-foot spa, an outdoor pool, meeting facilities, and the preservation of the historic Acacia House which was built as a residence in 1907.
- **Former Silver Rose Inn (Four Seasons):** Located at the existing site of Calistoga's Silver Rose Inn (across from Solage), an 85-room hotel and spa is currently being developed following the demolition of the old hotel structure in 2014. Colorado-based Bald Mountain Development says the project will include 21 private residences, a 110-seat restaurant, a 10,000-case winery, and a six-acre vineyard. Calistoga residents approved the resort in May 2012, which subsequently broke ground in 2014 and is expected to deliver in late 2016. Estimated project costs are approximately \$110 million, and the rumored operator of the resort will be Four Seasons.
- **Proposed projects,** although speculative, include VieVage Napa Valley (110 hotel rooms), Calistoga Hills Resort- Former Enchanted Resorts (110 hotel rooms), Former Ritz-Carlton Napa (150 hotel rooms), Vineland Station Hotel (60 hotel rooms), and Montalcino Resort (344 hotel rooms).

Proposed Hotel Development



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- **Site:** Subject site is a 2.97-acre lot in Downtown Napa, with developable lot size of approximately 1.73 acres or 75,359 square feet.
- **Proposed Hotel and Programming:** JLL envisions development of a 200-room full-service hotel with a two-meal restaurant, 9,500 square feet of retail space, fitness facilities, meeting facilities, business center, and valet parking.
- **Proposed Hotel Positioning:** The hotel would be positioned as an upper-upscale hotel, and would primarily compete with Andaz Napa and Westin Verasa. We believe that a nationally branded hotel would be strategic for the downtown location, and would bode well with the market clientele (families, couples, small corporate groups, etc.)
- **Proposed Retail:** JLL assumed 9,500 square feet of retail space, which would be occupied by a 7,500-square-foot restaurant and 2,000-square-foot of soft goods retail.
- **Hotel Development Assumptions:** We assumed that the hotel would open in February 1, 2021, and construction would take two years from 2019 to 2020. Based on our research, we assumed that the hotel development budget will be circa \$95.7million for the 200-room hotel, or \$478,500 per room.



Hotel Projections and Land Residual Valuation



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- Hotel Projections and Market Value:** Presented below is a 5-year proforma of the Proposed Napa Hotel in City Hall. We estimated the market value of the Proposed Hotel using a discounted cash flow model assuming exit at year 5 of operations.

Proposed Napa Hotel- City Hall					
	Pro-Forma				
	2021	2022	2023	2024	2025
Occupancy	70.0%	74.0%	77.0%	77.0%	77.0%
ADR	\$302	\$314	\$325	\$335	\$345
% Change	N/A	4.0%	3.5%	3.0%	3.0%
RevPAR	\$211	\$232	\$250	\$258	\$265
% Change	N/A	9.9%	7.7%	3.0%	3.0%
Total Revenues	\$17,125,000	\$20,540,000	\$22,103,000	\$22,828,000	\$23,449,000
Gross Operating Profit	\$7,649,000	\$9,526,000	\$10,679,000	\$11,053,000	\$11,377,000
EBITDA*	\$6,332,000	\$8,104,000	\$9,198,000	\$9,533,000	\$9,820,000
NOI**	\$5,990,000	\$7,488,000	\$8,313,000	\$8,620,000	\$8,882,000
NOI** Margin	35.0%	36.5%	37.6%	37.8%	37.9%

*USALI 10th Edition refers to "EBITDA" as "NOI" **USALI 10th Edition refers to "NOI" as "Adjusted NOI"

Discounted Cash Flow Value- Proposed Napa Hotel- City Hall	
	Market
Terminal Capitalization Rate	7.0%
Discount Rate	10.0%
Gross Value Range	\$109,900,000
CapEx Assumption	\$0
Net Value Range	\$109,900,000
Net Price/Room	\$550,000

- Land Residual Valuation:** JLL utilized the Land Residual Technique to estimate a value for the City Hall site. The Land Residual Technique is as follows: Land Residual Value equals (i) Presumed hotel value (reversion) using Discounted Cash Flow at market rates and hotel sales cash flows minus (ii) Estimated Development Costs, Pre-opening Expenses, and Working Capital minus (iii) Developer's Return Hurdle or Profit.
- Based on our knowledge of the high-barrier-to-entry Napa market, we utilized a 9.0% and 9.5% unlevered discount rate for a developer's return hurdle.