

**Hotel/Conference Center Market Study  
for  
Goleta, California**

**April 2011**

Prepared for:

**Redevelopment Agency for the City of Goleta**

Prepared by:



April 12, 2011

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***Re: Hotel/Conference Center Market Study for Goleta, CA***

Dear Mr. Singer:

In accordance with our proposal, we have completed Components 1 and 2 relative to the proposed development of a hotel and conference center at Key Site #6 as part of the Goleta Old Town Revitalization Plan in Goleta, California.

Our findings and conclusions are based upon our present knowledge and information with respect to economic and demographic data, room night demand sources, information compiled from interviews and surveys conducted with representatives of existing and proposed hotels in Goleta, comparable hotels and conference centers outside the defined trade area, representatives of UCSB, local corporate demand generators and meeting planners, as well as the status of the competitive hotel market at the completion of our fieldwork and subsequent research and analyses **between December 2010 and January 2011**.

As in all studies of this type, the conclusions reached do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions not presently foreseeable. The estimated results are based on the assumption that the hotel will be developed as an *Embassy Suites* and open in October 2013 (Q1 Fiscal Year 2014). As such, we assume it will have access to the *Hilton Worldwide* central reservations system and *Hilton Honors* frequent guest program. We further assume that the hotel will be operated in a competent and efficient manner commensurate with industry standards. Lastly, our future estimates assume that management will implement an aggressive marketing program at least four to six months prior to opening and that this program will remain in place throughout the period of our projections.

Since the projections are based on estimates and assumptions, which are inherently subject to uncertainty and variation, depending upon evolving events, we do not represent them as results that will actually be achieved. We have no obligation, unless subsequently engaged, to update this study or revise the estimated results because of events and transactions occurring subsequent to the completion of our fieldwork.

This study has been prepared primarily for your use relative to evaluating the market and financial feasibility of the hotel project and its impact on the market. As is customary in assignments of this nature, the report may not be used in conjunction with the sale of real estate, or used in offerings, or representations in connection with the sale of securities or participation interests to the public without the prior written consent of REVPAR International, Inc.

We would be pleased to hear from you if we can be of further assistance in the application or interpretation of our findings and conclusions. We appreciate the opportunity to be of service to you and look forward to working with you again in the near future.

Sincerely,  
**REVPAR International, Inc.**

# EXECUTIVE SUMMARY

## Hotel/Conference Center Market Study for Goleta, CA

### PROPOSED FACILITY

**Number of Units:** 175 units consisting of 20 percent one-room suites and 80 percent two-room suites, featuring a mix of 60 percent kings and 40 percent double queen-bedded rooms.

**On-site Services and Facilities:** Restaurant, lounge, 9,000 square feet of meeting space, outdoor pool and whirlpool, sundry shop, fitness center, and a business center.

**Proposed Opening Date:** Q3 2013 or Q1 FY 2014 (FY defined as October 1 to September 30).

**Location:** Goleta, California

### OVERVIEW OF KEY SITE #6

**Site:** Located in Old Town Goleta along Kellogg Avenue, south of Hollister Avenue. Identified as Key Site #6.

**Access:** Below Average. There is no direct access from US-101 or CA-217, the two primary regional thoroughfares accessing Goleta. Good access to SBA airport via secondary roadways.

**Visibility:** Excellent from CA-217 which serves UCSB; none from the other major area thoroughfares.

**Ingress/Egress:** Fair. Following planned roadway improvements, Key Site #6 will have good ingress/egress from secondary roadways providing access.

**Proximity to Demand Generators:** Good. Key Site #6 has competitive proximity to most demand generators in the Goleta market area, particularly SBA, UCSB, and local corporate demand generators. As with other hotels in Goleta, a hotel at Key Site #6 will be a price-buy and overflow destination for leisure and group demand from Santa Barbara.

**Proximity to Area Amenities:** Fair. The Old Town neighborhood currently provides basic amenities, although the area is planned for more capital investment and revitalization. Elsewhere in the city, such as further west along Hollister Avenue, newer and more attractive amenities have been recently developed.

**Overall Key Site #6 Site Rank:** Secondary compared to other potential sites for hotel and conference center development in Goleta.

### AREA REVIEW

An analysis of current economic indicators suggests the local market was impacted by the recent economic recession, but was likewise insulated to a large degree by the presence of UCSB, the desirability of the area as a destination to live and do business, as well as the managed pace of development, helping to prevent oversupply in the commercial and residential markets. The market is now rebounding from its losses and is poised to grow in line with historical trends, which indicates a steady, moderate pace. The presence of UCSB provides Goleta with a powerful and consistent economic engine. Santa Barbara remains a world-class leisure destination, inducing considerable overflow demand to the surrounding hotel submarkets.

### COMPETITIVE SET OF HOTELS

Competition to a hotel and conference center developed Key Site #6 is found in the local base of hotels in Goleta (primary competitive set), as well as the primary upscale and upper-upscale group hotels in the Santa Barbara MSA (secondary competitive set). The competitive set includes 8 hotels offering 1,298 rooms ranging in size from 87 to 360 rooms. This includes full-service and select-service. The most recent supply addition is the 98-room *Hampton Inn* which opened in mid-2007.

### HISTORICAL PERFORMANCE OF COMPETITIVE SET

Provided in the table on the following page.

### PROJECTED PERFORMANCE OF A HOTEL AT KEY SITE #6

Provided in the table on the following page.

### SUPPLY ADDITIONS

We estimate that a total of 343 new rooms will open in the defined competitive trade area between 2010 and FY 2014. This reflects the 175-room hotel and conference center at Key Site #6 and 50 percent of the currently inventory of hotel rooms planned for the market area. There are three hotels ranging in size from 106 to 118 rooms proposed for the Goleta market. The decision to assume 50 percent of this inventory results from the uncertainty surrounding their individual status and the speculative nature of whether any or all will come to fruition in their current format during the projection period.

### LODGING DEMAND

Through FY 2017, room night demand is estimated to increase at a compound annual growth rate of 3.1 percent or by approximately 82,500 room nights. Correspondingly, room supply is estimated to increase by 3.4 percent annually, or by approximately 125,000 rooms. Based on these trends, occupancies for the defined competitive set are anticipated to fluctuate between 70 and 76 percent over the projection period, eventually stabilizing at 71 percent by FY 2015.

### CONCLUSION

Key Site #6 is considered secondary for hotel development but a modern hotel product, with a popular, nationally-recognized brand affiliation and a substantial component of meeting space has the potential to fill a void in the Goleta market and perform well. However, the financial viability of the project remains uncertain.

### LAND VALUE ESTIMATE

Key Site #6 is 12 acres. It was assumed that 6 of the 12 acres would be designated for hotel use. We estimate the land value of the 6 acres earmarked for hotel use at roughly \$13 per square foot, or roughly \$20,000 per room to be developed. Meanwhile, if sold for office, industrial, or other commercial uses, the value of the land increases to between \$17 and \$30 per square foot based on comparable sales of other land parcels in Goleta where those uses were expected.

**Historical and Projected Performance of Competitive Set**

Year	2007	2008	2009	2010 <sup>(1)</sup>	CAG <sup>(2)</sup> '07 - '10	FY 2011 <sup>(3)</sup>	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	CAG <sup>(1)</sup> , '10 - '17
<b>Occupancy and Average Daily Rate</b>													
No. of Rooms	1,257	1,298	1,298	1,298	1.1%	1,298	1,298	1,466	1,641	1,641	1,641	1,641	3.4%
Available Room Nts.	458,805	473,770	473,770	473,770	1.1%	473,800	473,800	535,100	599,000	599,000	599,000	599,000	3.4%
Occupied Room Nts.	326,888	352,398	345,202	343,853	1.7%	353,100	359,100	387,700	419,500	426,400	426,400	426,400	3.1%
Market Occ.	71%	74%	73%	73%	--	75%	76%	72%	70%	71%	71%	71%	--
A.D.R.	\$182.71	\$182.23	\$163.60	\$162.47	(3.8%)	\$167.00	\$172.00	\$177.00	\$182.00	\$187.00	\$193.00	\$199.00	2.9%
RevPAR	\$130.18	\$135.55	\$119.20	\$117.92	(3.2%)	\$124.00	\$130.00	\$128.00	\$127.00	\$133.00	\$137.00	\$142.00	2.7%
<b>Market Segmentation</b>													
Corporate	25%	25%	26%	27%	4.2%	27%	27%	27%	27%	27%	27%	27%	3.3%
University	6%	6%	6%	6%	2.2%	6%	6%	7%	8%	8%	8%	8%	7.3%
Leisure	43%	42%	44%	43%	2.1%	43%	43%	42%	40%	40%	40%	40%	2.2%
Group	27%	27%	24%	24%	(1.6%)	24%	24%	23%	25%	25%	25%	25%	3.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>--</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>--</b>

Notes: <sup>(1)</sup> Projected based on year-to-date information through November.

<sup>(2)</sup> Compound Annual Growth.

<sup>(3)</sup> Fiscal Year defined as October through September

Source: REVPAR International, Inc.

**Summary of Estimated Operating Results for Proposed Embassy Suites at Key Site #6**

Fiscal Year <sup>(1)</sup>	Stabilized	2014	2015	2016	2017	2018
<b>Performance</b>						
Number of Rooms	175	175	175	175	175	175
Available Rooms Nights	63,875	63,875	63,875	63,875	63,875	63,875
Occupied Rooms Nights	44,713	40,241	42,796	44,713	44,713	44,713
Occupancy	70%	63%	67%	70%	70%	70%
Average Daily Rate	\$162.00	\$170.00	\$185.00	\$190.00	\$196.00	\$202.00
RevPAR	\$113.40	\$107.10	\$123.95	\$133.00	\$137.20	\$141.40
<b>Market Segmentation</b>						
Corporate	29%	29%	29%	29%	29%	29%
University	10%	10%	9%	10%	10%	10%
Leisure	34%	36%	35%	34%	34%	34%
Group	27%	25%	26%	27%	27%	27%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Operating Results</b>						
Total Revenue (000's)	\$8,816,000	\$8,416,000	\$9,633,000	\$10,338,000	\$10,661,000	\$10,985,000
Operating Expenses (000's) <sup>(2)</sup>	\$6,424,000	\$6,434,000	\$6,994,000	\$7,535,000	\$7,757,000	\$7,987,000
Operating Expenses Percent of Total Revenue	73%	76%	73%	73%	73%	73%
Net Operating Income (000's)	\$2,392,000	\$1,982,000	\$2,639,000	\$2,803,000	\$2,904,000	\$2,998,000
Net Operating Income Percent of Total Revenue	27%	24%	27%	27%	27%	27%

Notes: <sup>(1)</sup> Fiscal Year defined as October through September

<sup>(2)</sup> Includes management fees and reserves for replacement.

Source: REVPAR International, Inc.

## MARKET STUDY

### PURPOSE OF MARKET STUDY

The *Redevelopment Agency for the City of Goleta*, in response to commentary suggesting that the city's current inventory of both hotel rooms and meeting space is insufficient to meet the demands of the local community, tasked REVPAR International with performing a market study to validate or reject this notion. Our specific efforts were to focus on the viability of Key Site #6, located along South Kellogg Avenue, roughly one-third of a mile south of its intersection with Hollister Avenue, as an acceptable location for new hotel development that would be market and financially feasible over the long term.

In the course of our research into the need for hotel and meeting space in the city, the *Redevelopment Agency* proposed specific objectives to be achieved as part of the initial component of the study, to include the following:

- A review and analysis of the local and regional area and hotel market;
- Evaluation of Key Site #6 as the preferred location for hotel and conference center development;
- Establish a preferred site location, if not preferred or feasible at Key Site #6;
- Estimate present and future hotel supply and demand;
- Recommend a hotel facility profile including size, service levels, type, and scope of support services and facilities;
- Speak to the importance of branding versus independent hotel and recommend accordingly;
- Prepare usage estimates by segment for hotel and conference center;
- Prepare income and expense estimates (pro-forma operating statements) for the hotel and conference center;
- Prepare valuation analysis;
- Evaluate potential/recommended ownership options; and
- Review the potential value for Key Site #6 as a use other than hotel and conference center.

The following report details our findings and conclusions in response to these objectives.

### SITE ANALYSIS

REVPAR International was tasked with performing an analysis of Key Site #6 (locally referred to as the *Page site*), which falls within the scope of the City of Goleta's *Old Town Revitalization Plan*.

As background, in the late 1990's the Page Site was identified as Key Site #6 in the *Old Town Revitalization Plan* with a land use designation of General Commercial and zoning as Visitor Serving Commercial (C-V). A major hotel of 250 rooms with conference facilities on this site was envisioned to help diversify Old Town's economy. A 242-room conference hotel facility was initially proposed to support visitor-serving commercial development including a restaurant and spa. The Page Hotel project case file was returned to the *Santa Barbara County Planning and Development* offices in early 2001. The project was delayed indefinitely due to the applicant's unresolved request for access to be granted from CA-217 which, we understand, the *University of California, Santa Barbara* strongly opposed.

The City of Goleta inherited the case from the County upon incorporation and the initial plan's application was effectively abandoned after it was on the City's Cumulative Major Projects list for a number of years. There was a Planner Consult for a part hotel/part auto dealership in 2007

and, similarly, in 2007, there was another Planner Consult for a possible hotel/conference center. However, no formal applications were ever submitted after these consults. In 2009, it became clear that a hotel was not being pursued and was removed from the Major Projects List. In general, since transfer to the City in 2002, a hotel on the site has never been officially pursued.

If REVPAR was of the opinion that Key Site #6 did not represent the most ideal location for hotel development, we were to identify, based on a cursory evaluation, other areas and/or sites within the market area to develop the project. As a result of this evaluation, we developed the opinion that Key Site #6 was not the ideal location and proceeded to identify two additional areas within Goleta. Within these alternative areas, sufficient land is present to develop the project and, although not necessarily zoned or planned for hotel use presently, could be re-zoned and analyzed for future hotel and conference center use. Put simply, these other areas/locations represent sites where a proposed hotel and conference center would achieve some measure of a performance premium over Key Site #6 based on those factors that are typically associated with successful hotel developments and operations. These locations are identified as follows and shown on the following aerial:



In order to evaluate the three locations, we prepared a site matrix that ranks each location against the other relative to those primary factors that typically are associated with successful hotel projects/operations, where success is defined as a profitable hotel, providing ownership an adequate return on investment. Essentially, the matrix aids in establishing which of the sites possess the necessary characteristics that typically are associated with successful hotel and conference center locations and, thus, represent the best potential site. Insight is gained using the site matrix by: establishing parameters, assigning a weight based on parameter importance, ranking each site against each other, and adding the scores (with the **lowest score** establishing the best site). Following is copy of the site matrix. A brief discussion of each site follows the site matrix.

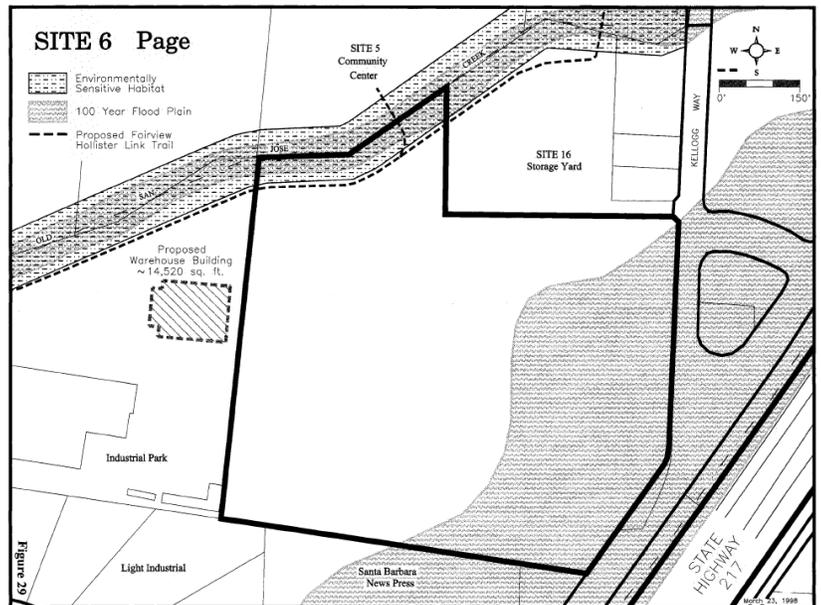
Site Matrix for Proposed Hotel and Conference Center - Goleta, CA							
Parameter	Rank (1)	Key Site #6		Preferred Location #1		Preferred Location #2	
		Site Rank	Score	Site Rank	Score	Site Rank	Score
Proximity to Corporate Demand	1	3.0	3.0	1.5	1.5	1.5	1.5
Proximity to Leisure Demand	1	3.0	3.0	1.5	1.5	1.5	1.5
Proximity to Area Amenities	1	3.0	3.0	1.0	1.0	2.0	2.0
Proximity to University	2	2.0	4.0	2.0	4.0	2.0	4.0
Ease of Access	2	3.0	6.0	1.5	3.0	1.5	3.0
Overall Visibility (Direct & Indirect)	2	3.0	6.0	1.0	2.0	2.0	4.0
Surrounding Ambiance	2	3.0	6.0	1.5	3.0	1.5	3.0
Proximity to Future Growth	2	3.0	6.0	1.5	3.0	1.5	3.0
Proximity to Airport	2	1.0	2.0	2.5	5.0	2.5	5.0
Traffic Volume	3	3.0	9.0	1.0	3.0	2.0	6.0
<b>Total</b>			<b>48.0</b>		<b>27.0</b>		<b>33.0</b>

Note: <sup>(1)</sup> Importance Ranking: 1 - Most Important; 2 - Important; and 3 - Less Important  
Score Ranking: 1 - Best -- 3 - Worst; a score of 1.5 or 2.5, etc., indicates 2 sites are considered equal.

**THE LOWEST SCORE ESTABLISHES THE BEST SITE**

**Key Site #6**

Key Site #6 is located on the west side of South Kellogg Avenue, roughly one-third of a mile south of the intersection with Hollister Avenue. The image to the right displays Key Site #6 from the *Goleta Old Town Revitalization Plan*. Currently utilized as agricultural land, the site encompasses 12.36 acres of land, making it the 2<sup>nd</sup> largest undeveloped parcel within Old Town Goleta. While a definitive strategic plan for subdividing the land has not been



determined, past conceptual plans have allocated roughly 6 acres to the development of a hotel and conference center. Hence, we assumed 6 acres of the 12 would be devoted to hotel use. The site is zoned C-V (Resort/Visitor Serving Commercial), which allows for commercial uses including hotel, certain retail, restaurant, and other uses. We understand that Ekwill Street will be reconfigured and extended west to connect to Fairview Avenue, creating improved access of the site to and from the airport and the surrounding cluster of office and industrial space.

Relative to hotel use, overall access to Key Site #6 is considered below average, considering its lack of direct access from a major thoroughfare, particularly U.S. Route 101 (US-101), one of California’s primary north-south highways. US-101 offers easy access to essentially every major local roadway including California Highway 217 (CA-217), Hollister Avenue, Calle Real, Fairview Avenue, Los Caneros Road, and Storke Road. Although CA-217 passes directly in front of Key Site #6, there is no interchange to allow for direct and immediate access to Key Site #6,

nor is it likely to gain direct access in the future. Rather, guests will be required to exit CA-217 back at Hollister Road, with access then gained by Kellogg Avenue or the Ekwill Street extension. CA-217 also provides highway access to *Santa Barbara Municipal Airport* (SBA), with a terminus at the UCSB campus.

Key Site #6 will have excellent visibility for travelers along CA-217, offering a high level of awareness among UCSB personnel and visitors who will see it as they pass the site on the way to the university. However, gaining access will be cumbersome and indirect as mentioned above since there is no exit to the site from CA-217. Visibility of the site beyond CA-217 is virtually nil due to its isolated location on what essentially is a side street, with low-traffic counts, in a predominantly light industrial neighborhood. Needless to say, visitors unfamiliar with Goleta would be challenged to find it without specific directions or proper street signage, the latter of which may not be possible.

Key Site #6 offers good proximity to most demand generators in the market. Corporate and university demand is generally consolidated around SBA airport, along Hollister Avenue, and at UCSB's main campus, which is a brief drive down CA-217. Compared to other Goleta hotels, the site is also competitively located to leisure demand attractions, such as the beach and downtown Santa Barbara.

Key Site #6 offers fair proximity to area amenities, with the closest base of retail amenities along Hollister Avenue in Old Town Goleta. A number of small businesses and restaurants are present there such as *Goleta Barbers, Economy Muffler and Brake, Velo Pro Cyclery, Victorian Florist, The Habit Burger Grill, Goleta Sushi House, Taco Bell, Wendy's*, amongst others. This section of Hollister Avenue is planned for an \$8 million overhaul, which will greatly enhance its appeal, but this is not planned for completion until 2016. Major components of the renovation may include an evaluation of the number of traffic lanes, the supply of on-street and off-street parking, improvement and addition of bus stops, expanded sidewalks, and the addition of bike lanes, trees and landscaping. While these factors contribute to the secondary nature of the site, it should be noted that two successful hotels, the *Hampton Inn* and *Pacifica Suites*, are both located within Old Town on Hollister Avenue, less than a half-mile from this site. However, the key difference to Key Site #6 is their location on a major thoroughfare with direct access and visibility. Newer amenities, which include a variety of spacious modern restaurants and retail outlets, found along Calle Real (about two miles to the north) and Storke Road (about three miles to the northwest), are more conducive to the amenities sought by the typical traveler.

Based on those factors deemed important to successful hotel development, Key Site #6 achieves a raw score of 48.0, ranking it 3<sup>rd</sup> in our site selection criteria.

#### **Preferred Locations 1 (Storke Road/US-101) and 2 (Los Caneros Road/US-101)**

As part of our scope of work, we were to evaluate other potential and logical locations for a hotel and conference within Goleta city limits. Accordingly, during the course of our site visit and subsequent research, it became evident that those areas around Storke Road and US-101, as well as Los Caneros Road and US-101 are the more dynamic and preferred locations for commercial development in the Goleta market given their accessibility, visibility and proximity to demand generators and area amenities, among other attributes. Accordingly, these same areas would represent a preferred location for any new hotel and conference center project. In fact, Preferred Location #1 is already the focus of future hotel development, discussed later in greater detail. These factors would collectively allow a hotel and conference center to achieve higher performance levels over Key Site #6, offering a better chance of financial success over the long term. A hotel and conference center located more proximate to US-101 would enjoy excellent access from the market's major highway and offer improved access to Santa Barbara. Visibility would be dependent on the specific location of a hotel site, but has the potential to be a positive

attribute at either of the preferred locations. Either of these preferred locations would also be highly proximate to other major market thoroughfares, including Hollister Avenue and Calle Real, as well as SBA Airport. Preferred Location #1 offers a slightly higher volume of traffic compared to Preferred Location #2.

These locations each offer excellent proximity to most demand generators in the market, including corporate, university, and leisure demand attractions, such as the beach and downtown Santa Barbara. Although the Storke Road location is better positioned to the *Camino Real Marketplace*, each location is superior to Key Site #6 in regards to proximity to area amenities. Nearby Calle Real offers a number of nationally-recognized and/or upscale restaurant and entertainment options, including *Starbucks*, *Outback Steakhouse*, *Zodo's Bowling*, *Fresco Café*, *Walgreens*, and *Trader Joe's*, to name a few. *Camino Real Marketplace* offers *Chili's*, *Holdren's Steak and Seafood*, *Pastavino*, *Hollister Brewing Company*, several fast food outlets, *Home Depot*, *Best Buy*, *Staples*, *Sports Authority*, a multi-plex cinema, and more.

Based on those factors deemed important to successful hotel development, we have rated Preferred Locations #1 and #2 with raw scores of 27 and 33, respectively. Given the fact that it provides the lowest and, thus, the most ideal score, we consider the area around the intersection of Storke Road and US-101 to be the best location for hotel development in Goleta at present.

## CONCLUSION

Although Key Site #6 has comparably less attributes conducive to hotel use than the Preferred Locations #1 and #2, they are not considered sufficient to disqualify it as an option for development, as further analysis of the operating and financial performance of the project is needed to make a comprehensive determination. Furthermore, Key Site #6 is of adequate size and properly zoned for hotel use, making it a viable contender for hotel development in the short term, which cannot be said of the other two preferred locations. Consequently, we continued with our analysis relative to the proposed hotel and conference center development on Key Site #6.

## GENERAL MARKET OVERVIEW

The purpose of reviewing the region and neighborhood is to establish whether the defined trade and/or market area will experience future economic growth, stability, or decline. In addition to estimating the direction of the economy, the rate of future change must be quantified as well. These trends are then correlated based on their propensity to affect lodging demand, positively or negatively, into the future.

The Santa Barbara region is attractively situated in a valley between the scenic Santa Ynez mountain range and a long stretch of Pacific Ocean coastline offering popular beaches. The city of Santa Barbara remains the primary and more upscale and appealing destination, known for its celebrity residents, historic downtown area that offers an abundance of shopping, dining, nightlife, and hotels, all situated along the Pacific Coast, but within a short drive of wine country. With this set of attributes, Santa Barbara is often referred to as the "American Riviera." The city thrives as both a cultural hub for the overall region and as an upscale business market, comprised heavily of small-to-midsize users. More large-scale office and industrial space has steadily been added in more cost-effective employment centers located to the west (Goleta) and east (Carpinteria).

Goleta was incorporated as a city in 2002, following an extended period as a well-populated, unincorporated area of Santa Barbara County. The Goleta Valley is home to roughly 50,000 residents while, according to the 2010 U.S. census, the city itself had an estimated 29,888

residents, many of whom profile as highly educated and fairly affluent. The Goleta area is home to a large base of office, research and development, and industrial users, as well as the *Santa Barbara Municipal Airport (SBA)* and the *University of California, Santa Barbara (UCSB)*. Although SBA and UCSB are not technically within the city boundaries of Goleta, they are effectively part of the city and each has a significant impact on the local economy. Accordingly, Goleta continues to thrive as a desirable destination but, like Santa Barbara, strategically controlled planning has intentionally managed the pace of growth.

Goleta is typically a drive market, with the majority of hotel demand originating from primary source markets in the Los Angeles and San Francisco metropolitan areas via U.S. Route 101 (US-101). US-101 is essentially the only north-south highway serving the area.

With the foregoing in mind, the following paragraphs summarize trends in the overall market area.

**POPULATION**

The table below displays the population trends for the Santa Barbara MSA, the State of California, and the United States as a whole.

Population Trends (000's)			
Year	Santa Barbara MSA	State of California	United States
2000	399.826	33,998.767	282,171.936
2009	407.418	37,144.734	307,050.416
<b>CAG<sup>(1)</sup> 2000-2009</b>	<b>0.2%</b>	<b>1.0%</b>	<b>0.9%</b>
2020 <sup>(2)</sup>	431.655	41,581.321	341,343.887
<b>CAG<sup>(1)</sup> 2009-2020</b>	<b>0.5%</b>	<b>1.0%</b>	<b>1.0%</b>
Notes: <sup>(1)</sup> Compound Annual Growth. <sup>(2)</sup> Projected.			
Source: Woods & Poole Economics, Inc.			

According to *Woods & Poole Economics, Inc.*, the population in the MSA, which includes the city of Santa Barbara, Goleta, and Carpinteria, increased from 399,826 in 2000 to 407,418 in 2009, representing an average annual growth rate of less than one percent. This growth rate is below the state and national growth rates, a function of the area’s managed development and high real estate prices.

From 2009 to 2020, population growth in the MSA is projected to increase at a slightly faster pace, but still less than one percent compounded annually, and at a slower rate than the State and the nation as a whole. While the supply of undeveloped land in the MSA is still abundant, large-scale sub-divisions and dense vertical residential development are not easily accomplished or often approved in the region. As will be later discussed, Goleta has several prominent residential projects proposed, but each is moving slowly through the development process, compared to markets where new construction is more welcomed and less tightly controlled.

**EMPLOYMENT**

According to *Woods & Poole Economics, Inc.*, total employment within the Santa Barbara MSA increased from 249,703 in 2000 to 272,279 in 2009, representing a 1.0 percent compound annual growth rate.

Employment Trends (000's)			
Year	Santa Barbara MSA	State of California	United States
2000	249.703	19,626.021	166,758.806
2009	272.279	20,803.125	177,667.193
<b>CAG <sup>(1)</sup> 2000-2009</b>	<b>1.0%</b>	<b>0.6%</b>	<b>0.7%</b>
2020 <sup>(2)</sup>	306.658	23,692.820	203,624.919
<b>CAG <sup>(1)</sup> 2009-2020</b>	<b>1.1%</b>	<b>1.2%</b>	<b>1.2%</b>

Notes: <sup>(1)</sup> Compound Annual Growth.  
<sup>(2)</sup> Projected.

Source: Woods & Poole Economics, Inc.

Santa Barbara County's largest employer is *Vandenberg Air Force Base*, followed by UCSB and the County Government. The county's top employers are heavily populated with public entities and employers such as *Cottage Health System*, which essentially exists to serve the population. The accompanying table displays the top employers and their estimated number of employees as reported by the *Santa Barbara Chamber of Commerce*.

Largest Employers Santa Barbara County		
Employer	Industry	Number of Employees
Vandenberg Air Force Base	Defense	~6,300
UCSB	Education	~4,800
Santa Barbara County	Government	~4,000
Cottage Health System	Healthcare	~2,900
Santa Barbara Schools	Education	~2,500
Santa Barbara City College	Education	~2,200
Santa Maria Schools	Education	~1,900
City of Santa Barbara	Government	~1,700
Chumash Casino Resort	Recreation	~1,600
Raytheon	Aerospace	~1,500

Source: Santa Barbara Chamber of Commerce

A review of the area's unemployment rates indicates that the recent economic recession has had a notable impact. For example, in December 2001, the unemployment rate in the MSA was at 5.1 percent, which placed it below the State and nation, each of which posted very positive numbers in their own right. While the MSA's unemployment rate continues to perform stronger than the state, considering the state has been highly beleaguered since the recent economic recession, it has uncharacteristically, fallen behind the national average.

The MSA has historically been influenced by carefully managed growth, which has spared it from the oversupply situations that occur in other residential and commercial markets where growth is not as actively controlled or managed. Additionally, the Santa Barbara MSA maintains its profile as one of the most desirable locations to live and do businesses. The following table displays the unemployment trends for the Santa Barbara MSA, the State of California, and the United States as a whole.

Unemployment Rates			
Year	Santa Barbara MSA	State of California	United States
December 2001	5.1	6.2	5.4
December 2009	9.5	12.0	9.7
December 2010	9.5	12.3	9.1

Source: Bureau of Labor Statistics.

## RETAIL SALES

Retail sales trends speak to the economic vitality of a particular market and can reflect changes in population, number of retail offerings, and the market's propensity to purchase goods. According to *Woods & Poole Economics, Inc.*, total retail sales for the Santa Barbara MSA remained essentially flat from 2000 to 2009 on a compound annual growth basis. This was in line with the

state and total U.S. Growth for retail sales in the Santa Barbara MSA going forward is expected to be moderate over the next decade, growing slightly below the comparable state and national forecasts.

Retail Sales (in millions) <sup>(1)</sup>			
Year	Santa Barbara MSA	State of California	United States
2000	4,941	402,311	3,516,734
2009	4,860	418,720	3,544,629
<b>CAG <sup>(2)</sup> 2000-2009</b>	<b>(0.2%)</b>	<b>0.4%</b>	<b>0.1%</b>
2020 <sup>(3)</sup>	5,896	535,898	4,508,809
<b>CAG <sup>(2)</sup> 2009-2020</b>	<b>1.8%</b>	<b>2.3%</b>	<b>2.2%</b>

Notes: <sup>(1)</sup> In 2004 dollars.  
<sup>(2)</sup> Compound Annual Growth.  
<sup>(3)</sup> Projected.

Source: Woods & Poole Economics, Inc.

## AIR TRANSPORTATION

SBA is situated just west of Key Site #6 and provides direct service to Los Angeles, San Francisco, Seattle, Phoenix, and, more recently, Denver. Current providers include *Horizon*, *American Eagle*, *Frontier*, *United*, and *U.S. Airways*. Passenger counts at the airport have declined from a peak of 856,000 in 2006, to a low of 747,000 in 2009, before rebounding slightly to 756,000 in 2010. Since 1998, passenger movements at SBA have declined by roughly 0.7 percent annually. The airport has struggled to maintain its airlift in recent years given a relatively small market population from which to draw, the drive nature of the region, and the struggling national economy.

Passenger Movements Santa Barbara Municipal Airport (SBA)		
Year	Total	% Change
1998	823,160	--
1999	792,548	(3.7%)
2000	776,904	(2.0%)
2001	725,140	(6.7%)
2002	728,307	0.4%
2003	752,762	3.4%
2004	823,935	9.5%
2005	853,833	3.6%
2006	856,278	0.3%
2007	819,347	(4.3%)
2008	822,350	0.4%
2009	746,730	(9.2%)
2010	755,734	1.2%
<b>Compound Annual Growth</b>	<b>(0.7%)</b>	<b>--</b>

Source: SBA Airport Administration

According to the airport administration, a trend of air travelers taking low cost carriers into Los Angeles-area airports and then driving to the local market remains an ongoing challenge. SBA has lost *Delta's* service to Salt Lake City, *SkyWest's* San Jose route, and *U.S. Airway's* service to Las Vegas. Daily departures from SBA have declined from roughly 45 in 2006 to 33 in 2010. There is a new 72,000 square foot terminal under construction and scheduled to open in early 2012. Airport administration has stated that they do not anticipate the desperately needed new terminal to induce an abundance of new or higher passenger volume, but rather consider it a long-overdue upgrade to the facilities there, as it will greatly improve the passenger experience, the size and quality of the food and beverage offerings, as well as provide a more functional modern facility.

## GROUND TRANSPORTATION

Goleta is typically a drive market, with the majority of demand originating from primary source markets in the Los Angeles and San Francisco metropolitan areas via U.S. Route 101 (US-101). US-101 is essentially the only north-south highway serving the area and traffic congestion has steadily increased as the cost of residential real estate has influenced the decision of many

working locally to live in lower-cost markets such as Ventura/Oxnard to the south and Buellton/Lompoc/Santa Maria to the north.

*Amtrak* offers passenger service along their *Pacific Surfliner* route, connecting points as far south as San Diego with points as far north as San Luis Obispo, with local stops in Carpinteria, Santa Barbara, and Goleta. Finally, *Santa Barbara Metropolitan Transit District* operates a series of bus routes, several of which serve Goleta, the UCSB campus, and SBA airport.

**RESIDENTIAL GROWTH**

Residential growth in Santa Barbara County has historically developed at a moderate pace, with a peak of 1,500 residential permits issued in 2004 and steady declines thereafter to a low of 226 in 2009, the latest year for which data is available. It should be noted that Santa Barbara County’s building permits are not recorded monthly by the Census Bureau and year-end 2010 data was not yet available at the time of this writing. However, as evidenced by the modest number of permits issued in the table to the right, even at its peak, residential growth has not been and is not expected to be a major driver of hotel room night demand.

Residential Building Permits Issued Santa Barbara County	
Year	No. of Permits
2004	1,499
2005	1,050
2006	873
2007	711
2008	405
2009	226
Note: <sup>(1)</sup> Compound Annual Growth. Source: U.S. Census Bureau	

Although modest, Santa Barbara County’s residential growth trend essentially follows the greater national trend, where the number of new housing starts has plummeted since 2007 in the aftermath of the fall-out in the national residential financing sector. While the slow pace of new development is discouraging for generating new hotel room night demand, the county has not been as severely impacted as other markets and existing home values have not fallen as hard.

Despite the trend, Goleta has a number of residential projects approved for development including *Westar Associates’* unnamed plan to develop 90,000 square feet of retail space and about 280 apartments, and Bob Comstock’s *Village at Los Carneros* project, which features 400+ units, and several smaller projects. Although demand for these developments is likely to be strong, they have been planned for several years and, at the time of our fieldwork, had not yet broken ground. At present, their timing to development is uncertain; a testament to the slow pace of development in the area.

Also, the 240-acre tract of land located in between US-101 and Cathedral Oaks Road, referred to as *Bishop’s Ranch*, is the subject of a General Plan Amendment and development application, which proposes 1,100 residential units. However, this application has been strongly contested in the community and is considered to be far from breaking ground, particularly because it involves the conversion of agriculturally zoned land.

Given the demand for new housing and the ample supply of undeveloped land present in Goleta, it is anticipated that the city will ultimately grow as a residential community. However, that growth will likely be slow and deliberate. Further, any new residential built in the city is likely to be targeted to a fairly affluent consumer, given the high cost of development. While these are considered positive indicators for creating new demand for hotels out of the residential community, the overall profile of this growth is expected to remain incremental due to the managed pace of development in Goleta.

## OFFICE/COMMERCIAL ACTIVITY

Goleta is home to a varied base of corporate, commercial, and government employers, including high volume hotel users in a variety of industries including government contractors, financial, medical, high technology, information technology, and aerospace industries, among others. Major employers in Goleta are mostly found in and around Hollister Avenue, west of the Old Town neighborhood, closer to Los Caneros Road and Storke Road. A few of the most influential corporate and government employers with a presence in the area include *Raytheon*, *Flir Thermal Imaging*, *Deckers Outdoor Corporation*, *Citrix Systems*, *Network Hardware Resale*, *ATK Space Systems*, and *Yardi Systems*, to name a few. Also, although not commercial in nature and roughly 45 miles north of the city, *Vandenberg Air Force Base* is the largest employer in the region and influences both the local economy and demand for area hotels on occasion.

The following table displays office and industrial supply and vacancy statistics for the three major local submarkets.

Office & Industrial Space Market Statistics South Coast - Goleta, Santa Barbara, & Carpinteria				
Market	Q3 2007		Q3 2010	
	No. of Square Feet	Vacancy Rate	No. of Square Feet	Vacancy Rate
<b>Office Space Statistics</b>				
Santa Barbara	5,100,000	2.8%	5,100,000	4.4%
Goleta	4,100,000	5.3%	4,200,000	12.8%
Carpinteria	525,000	7.8%	525,000	12.3%
<b>Total</b>	<b>9,725,000</b>	<b>4.1%</b>	<b>9,825,000</b>	<b>8.4%</b>
<b>Industrial space Inventory</b>				
Santa Barbara	4,800,000	0.04%	4,800,000	1.8%
Goleta	4,200,000	4.6%	4,200,000	2.7%
Carpinteria	1,270,000	2.8%	1,270,000	12.1%
<b>Total</b>	<b>10,270,000</b>	<b>2.7%</b>	<b>10,270,000</b>	<b>3.4%</b>

Source: Pacifica Commercial Realty.

As the table shows, there has been little growth in the office and industrial space markets over the past few years, although vacancy rates have fluctuated. In fact, the local office and industrial markets were consistently characterized as insulated from the recent national economic downturn due to its historically high demand, modest size, and slow pace of new supply additions. This is only partly true as office vacancy rates between Q3 2007 and Q3 2010 increased from 4.1 percent to 8.4 percent and industrial vacancy increased more modestly from 2.7 percent to 3.4 percent. As expected, Santa Barbara weathered the decline best, experiencing a brief spike in office and industrial vacancy in 2009, but has already made a significant recovery. Goleta and Carpinteria have each seen office vacancy rates increase substantially, although the market has slowly improved. Goleta's industrial market was impacted initially but to a lesser extent than Carpinteria and is presently below pre-recession levels. The closure of *Bargain Network's* 600-employee Goleta call center was one of the biggest losses of the recession.

The following bulleted points detail recent corporate and commercial activity, as well as a selection of notable new development projects, in the market.

- The *Towbes Group* delivered a 73,000 square foot Class A office building at 420 South Fairview Avenue in Goleta. The building represents the most significant increase to the area's office supply in recent years and has been fully leased as of December 2010, less than one year after opening. The building's flagship tenant is *Yardi Systems*, which occupies roughly one-third of the space.

- *ATK Space Systems* recently completed construction of a 25,000 square foot expansion to their existing facility. The expansion provides additional room for *ATK* to develop and test collapsible/expandable equipment for use in space.
- *Goleta Cottage Valley Hospital* has a new facility under construction that will ultimately replace the older, outdated hospital entirely. The new hospital is a moderately sized facility, roughly 152,000 square feet and expected to eventually offer 55 beds. It is expected to open in 2012.
- *Eucalyptus Systems*, which began as a research project in *UCSB's Computer Science Department*, recently received a \$20 million venture capital equity investment to grow their cloud computing software business. This is an example of a common occurrence in markets that support large universities, in which high tech incubators and spin-off businesses are generated in close proximity to the intellectual capital provided through the university.
- *Deckers* is currently weighing their options in regards to their planned expansion into a new U.S. headquarters. The company is quickly outgrowing its existing headquarters in a building adjacent to SBA airport. *Deckers* intends to stay in the Santa Barbara region and has several options for new development sites in Goleta and Carpinteria.
- The *Sares-Regis Group* controls a 92-acre parcel of land just northwest of SBA airport and intends to build out the master-planned *Cabrillo Business Park* in stages. The site is currently occupied by two buildings, totaling 170,000 square feet of space, which are leased to *Dupont*. *Flir Thermal Imaging* recently purchased these buildings and intends to take occupancy when the current lease expires in 2014. *Flir* is currently working out of four locations scattered across Goleta. The site is expected to max out at 950,000 square feet of office, research, and development space, generally composed of one and two-story buildings due to the site's location in SBA's approach zone. Roughly 20 acres has been set aside for a passive park.

Overall, the business and economic climate of the local market is favorable and expected to grow at steady, moderate pace, typical of the greater region. Growth in the business community is driven by the desirability of the region and the high quality of life it has become known for. The continued economic recovery of the broader region and the nation as a whole suggest a positive medium-to-long term outlook for the area.

**UNIVERSITY OF CALIFORNIA, SANTA BARBARA**

*The University of California – Santa Barbara (UCSB)* is the largest and most influential economic driver for Goleta. UCSB's oceanfront main campus is located on a 1,000+ acre site that is surrounded by the city of Goleta, SBA airport, and the student community of Isla Vista. As a major employer and catalyst for growth and visitation to Goleta, UCSB has a strong influence on the local hotel market as well. With a wide variety of activities on campus, including educational, administrative, athletic, social, alumni, research, and fraternal, among others, the university is continually generating demand for hotel rooms and meeting space in the form of transient, group, and extended-stay travelers. In many regards, UCSB functions as a small city and is the most sizeable, stable and diverse hotel demand generator in the Goleta area, if not the region.

According to the *UCSB Portrait*, the current enrolled population is roughly 22,000 students, composed of 19,000 undergraduates and 3,000 graduate students. Of these students, an estimated 95 percent originate from within California, primarily from the same

University of California, Santa Barbara Student Population		
1995	2010	CAG <sup>(1)</sup>
18,244	22,026	1.3%
Note: <sup>(1)</sup> Compound Annual Growth. Source: <i>UCSB LRDP</i> .		

source markets as the hotel demand; namely, Los Angeles and San Francisco. The Admissions Department annually hosts thousands of prospective students and their families for tours of the campus. There are at least 8 notable research centers currently active on campus and most of the university’s athletic programs compete in the *Division I, Big West Conference*. The school is best known for its women’s basketball and men’s soccer teams; however, there are roughly 20 programs offered in total. Athletics is one of the largest, albeit most price-sensitive, sources of room night demand the university produces, as visiting teams, fans, and media utilize area hotels. In addition to these consistent departmental demand generators, UCSB is capable of inducing market-wide compression for hotel rooms for events such as move-in weekend, homecoming, graduation, and parents’ weekend.

According to “*Vision 2025*,” UCSB’s long-range development plan, the school does not intend to make any large-scale changes to its current orientation. A goal of one percent annual student population growth is in place and the school aims to serve 25,000 students by 2025. This population growth is being engineered to increase the graduate student population at a faster rate than the undergraduate population in an effort to further develop UCSB’s research and development base and increase its local economic impact. This growth in research and development will likely lead to increased outgrowth of technology and other business incubators within the local area. This student population growth will entail an increase of about 1,400 staff, including 340 faculty. UCSB also intends to develop over 5,000 student beds, 1,900 on-campus housing units for staff, and 240 student-family units to further accommodate existing and future population.

UCSB offers very little in the way of lodging accommodations on campus, with only 6 cottages and 6 guest rooms within the Faculty Club. UCSB is capable of housing guests on campus in residential halls (i.e., dorm rooms) during the Summer and maintains relationships with local apartment complexes to accommodate long-term guests. Despite discussions over the years about building a hotel on campus, there are presently no definitive plans to do so.

The campus currently offers a fair amount of dedicated meeting space, as well as a number of outdoor venues and flexible event venues such as the *Thunderdome* basketball arena, and large classroom/auditorium options. The on-campus meeting space is detailed in the accompanying table. The 8,000 square foot *Loma Pelona Center* opened in 2008 and, according to school officials, has been well-received and attains strong occupancy performance. Meanwhile, the *Faculty Club* is actively planning to add 3,000 to 4,000 square feet of meeting space at some point in the future.

Of note, the college’s historical propensity to develop new meeting space facilities when needed, combined with its ongoing discussions regarding potential on-campus lodging, is a future threat for any hotel and conference center developed in Goleta.

University of California, Santa Barbara On-Campus Meeting Space	
Venue	Square Feet
<b>University Center</b>	
Corwin Pavilion	6,000
Santa Barbara Mission Room	575
Lobero Room	667
Harbor Room	897
Flying A Studio Room	934
State Street Room	897
Goleta Valley Boardroom	285
Chumash Boardroom	285
<b>Loma Pelona Center</b>	
Loma Pelona (Divisible by two)	8,000
<b>Mosher Alumni House</b>	
Mosher Alumni House	3,000
<b>Faculty Club</b>	
Club Room	250 (est)
Board Room	400 (est)
Source: Faculty Club Management, University Conference Services; compiled by REVPAR International, Inc.	

## LEISURE AND TOURISM

Leisure and tourism plays a prominent role in the local hotel market, with hotels in Goleta benefitting greatly from their position as a proximate and more cost-effective option to the city of Santa Barbara. While leisure demand peaks in the summer months, Santa Barbara's clement year-round weather serves to mitigate the seasonality issue of hotel room night demand. Leisure demand in the market is diverse, with many travelers participating in a range of activities during their visit. Local beaches and mountains serve as primary demand generators for visitors seeking outdoor recreation and relaxation, as well as for those seeking activities and adventure travel.

Key leisure attractions in the Goleta area include the *Ellwood Mesa Open Space* preserve, which teems with monarch butterflies each winter, the historic *Goleta Depot* at the *South Coast Railroad Museum*, *Sandpiper Golf Club*, *Glen Annie Golf Club*, and the annual *California Lemon Festival*, as well as a sizable public beach.

The residential community within Goleta generates varying levels of hotel demand throughout the year from visiting friends and relatives, relocation activity, and other social events, which supplements leisure demand in the market.

Outside Goleta, the more primary tourist destination in the region is Santa Barbara itself and its famed Historic Downtown area and waterfront which attract visitors to view its Spanish-Mediterranean architecture and enjoy shopping, dining, entertainment, and a variety of cultural offerings, along with its beaches. A range of attractions within the Santa Barbara area include *El Presidio de Santa Barbara State Historic Park*, *Mission Santa Barbara*, and *Stearns Wharf*, amongst many other smaller museums, art galleries, and theatres that collectively serve to induce hotel demand to the market. Other popular attractions located further afield from downtown, include *Santa Barbara Polo and Racquet Club*, various golf courses, the *Chumash Casino*, and the Danish-influenced *Village of Solvang*. Additionally, events such as those held at the *Earl Warren Showgrounds* and the *Santa Barbara Bowl*, as well as the annual *Santa Barbara International Film Festival*, and the *International Marathon*, which passes through Goleta, among other festivals and celebrations, all create demand for area hotels.

Beyond the cities of Santa Barbara and Goleta, Santa Barbara County boasts about 50 wineries, which generate significant hotel demand for guided and self-mapped tours through California's famed wine country. Wine tourism had been steadily growing in Santa Barbara County but received a boost with the popularity of the 2004 film *Sideways*. At present, there are roughly 21,000 acres of vineyards planted in Santa Barbara County. Wineries, which are largely located in the Santa Ynez Valley, are also increasing in popularity as event destinations. Such events may include wine-related functions, but often are upscale social events, particularly weddings. In addition to the wineries, many leisure attractions, particularly area museums, flourish as event venues that drive room night demand into area hotels. Other prominent event venues in the area include the *Santa Barbara County Courthouse and Sunken Gardens*, the *Granada Theatre*, *El Capitan Ranch*, many private mansions and yachts available for rental, and a range of hotels offering meeting space.

Finally, it should be noted that the county, with the support of Goleta, Santa Barbara, and Carpinteria, passed the *South Coast Tourism Business Improvement Tax* (TBIT) in September 2010. The TBIT is an average-rate based tax, levied on hotels, which is ultimately expected to generate between 50 cents and two dollars per occupied room night. The money will go directly to the county, with a small portion reserved for administrative costs, before the majority of it is passed on to the *Conference and Visitors Bureau*. These funds are expected to nearly double the *Conference and Visitors Bureau's* budget, which, in turn, will lead to increased marketing of the

county, with what is likely to be an obvious emphasis on Santa Barbara but also the greater region. This should create an uptick in travel for the market over the next 5 years and beyond.

## CONCLUSION

Overall, the Santa Barbara regional economy has experienced mixed results between 2007 and 2010 as the national economic recession has played out. The city of Santa Barbara weathered the downturn best, while Goleta struggled as a secondary market to Santa Barbara. However, a long history of managing development prevented the deep oversupply situations that have plagued many other markets around the country, but also limited the amount of growth that could occur. As such, a recovery, albeit modest, is underway. The presence of key companies such as *Raytheon* and *Yardi Systems*, as well as the stability and ongoing growth at UCSB, bode well for the future of Goleta. But general growth trends are expected to be modest and supply-driven as control over land use and new development activity remain paramount within both the county and Goleta. Even so, these high barriers to entry for new development and a strategic location just outside of Santa Barbara will allow Goleta to remain economically strong and a desirable place to live, work and recreate into the future, with the hotel industry paralleling these growth trends.

## OVERVIEW OF LODGING MARKET

### U.S. LODGING MARKET

The table to the right displays the historical performance of the entire U.S. lodging market from 2000 through year-end 2010.

The total U.S. lodging market occupancy has fluctuated between a low of 55.1 percent in 2009 and a high of 63.3 percent in 2006. A major disruption in the market occurred in 2001, when the terrorist attacks of 9/11 significantly affected the national airline and hotel industries. In combination with the rapid decline in the tech sector, many travelers displayed a new hesitancy to fly due to safety concerns, and market occupancy slipped from its cyclical high of 63 percent in 2000 to 60 percent in 2001, leading hoteliers to heavily discount room rates in an effort to spur demand. The market continued to decline in 2002, reaching historical lows in both occupancy and ADR. However, trends shifted in 2003, beginning a healthy five-year upswing in industry performance, lasting through year-end 2007.

In conjunction with a surge in the national economy, hotel occupancy increased to 63.1 percent at an ADR of \$104.06 in 2007, equating to a record high RevPAR of \$65.63. Then, the national economy began to falter noticeably in 2008 and by the 3<sup>rd</sup> quarter 2008, the lodging industry was consistently reporting negative trends in occupancy, ADR, and RevPAR. These trends persisted through 2009, with demand and, to a lesser extent, pricing, beginning a rebound in 2010.

While pricing remains an issue in many markets today, the outlook for the national lodging industry has improved dramatically. The sentiment in the industry is generally consistent, with an

**U.S. Lodging Market Historical Operating Statistics**

Year	Occupancy	Average Daily Rate	RevPAR
2000	63.30%	\$85.30	\$54.02
2001	59.80%	\$84.07	\$50.26
2002	59.10%	\$82.83	\$48.91
2003	59.20%	\$82.96	\$49.14
2004	61.40%	\$86.40	\$53.03
2005	63.10%	\$91.16	\$57.55
2006	63.30%	\$97.99	\$62.03
2007	63.10%	\$104.06	\$65.63
2008	60.40%	\$106.64	\$64.41
2009	55.10%	\$97.51	\$53.71
2010	57.60%	\$98.08	\$56.47
<b>CAG<sup>(1)</sup></b>	--	<b>1.4%</b>	<b>0.4%</b>

Note: <sup>(1)</sup> Compound Annual Growth  
Source: Smith Travel Research

expectation that year-over-year increases in occupancy will continue and price discounting will subside as demand firms and ADR trends turn more strongly positive into 2012. This is all an indication that a trough was reached late in the 4<sup>th</sup> quarter of 2009 or in early 2010, and a true recovery begun in mid to late 2010. However, ADRs are not expected to rebound as quickly as they fell and could take as many as 3+ years to reach peak 2008 levels again. These trends are the backdrop under which our estimated performance for the market was prepared.

## OVERVIEW OF COMPETITIVE SET

For purposes of our analysis, we identified 8 hotels, within a 35-mile radius, offering 1,298 rooms, which would comprise the lodging market in which any proposed hotel and conference center in Goleta would likely compete. This is not to say necessarily that specific hotels within the competitive set are competitive with each other, but that they would all be competitive to varying degrees with a proposed hotel and conference center if developed on Key Site #6 which is the focus of this study. The competitive set reflects the proposed hotel's Goleta location, as well as its planned conference center and full-service orientation. Accordingly, these properties are considered competitive to varying degrees based on location, quality, facilities, chain-affiliation, room rate structure, and/or market orientation.

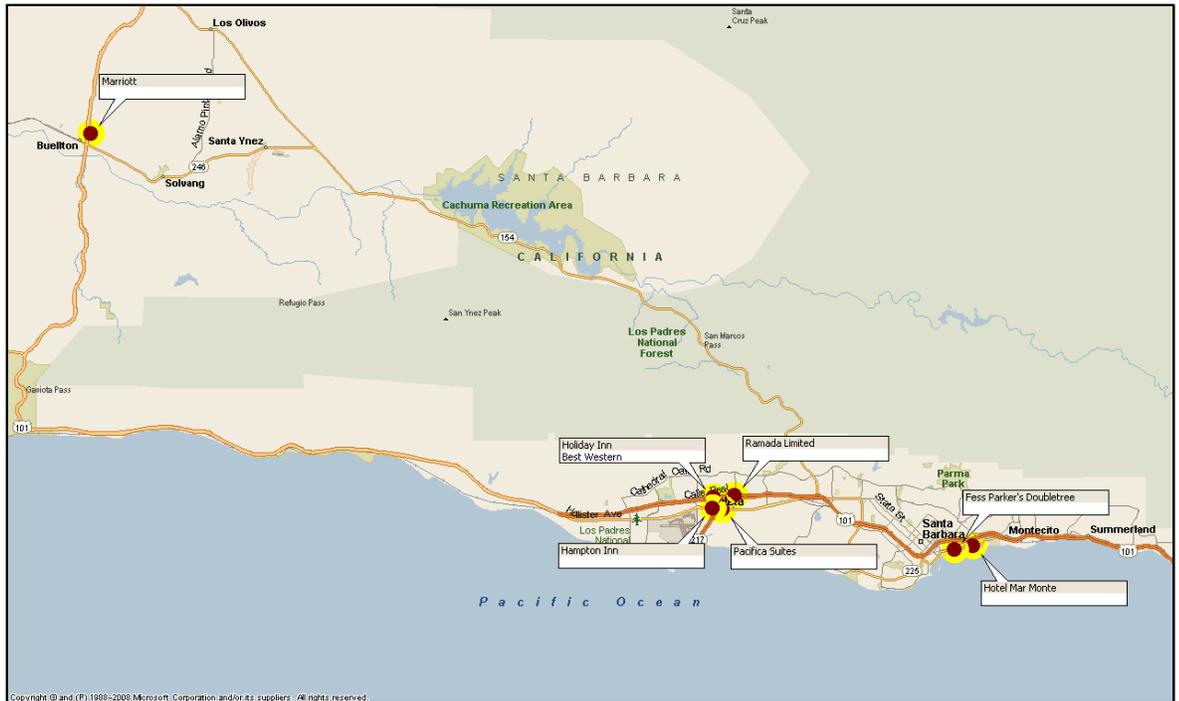
Competitive Supply					
Competitive Hotels	Number of Rooms	Total Meeting Space	Year Built	Site Acreage	Miles to Key Site #6
<b>Primary Competitive Set</b>					
Best Western	121	1,100	1986	4.32	~2
Hampton Inn	98	672	2007	2.02	~1
Holiday Inn	160	4,568	1960	4.04	~2
Pacifica Suites	87	400	1990	4.96	~1
Ramada Limited	126	800	1977	3.06	~3
<b>Subtotal</b>	<b>592</b>	--			
<b>Secondary Competitive Set</b>					
Fess Parker's Doubletree	360	21,000	1987	21.85	~10
Hotel Mar Monte (Hyatt)	197	10,045	1931	2.41	~10
Marriott Santa Ynez	149	11,664	1986	5.12	~35
<b>Subtotal</b>	<b>706</b>				
<b>Grand total</b>	<b>1,298</b>				

Source: REVPAR International, Inc.

The primary set is comprised of the hotels within Goleta and the *Ramada Limited* located one exit south on US-101, but outside of the city limits, all of which will compete with the proposed subject hotel primarily for transient demand and, to a lesser degree, for group demand as these hotels are generally limited/select-service and offer little-to-no meeting space. The exterior-corridor *Holiday Inn* is the largest of the set and offers 160 guest rooms, a small restaurant, and roughly 4,500 square feet of meeting space.

The secondary set is comprised of three full-service group/meeting-oriented hotels in the greater Santa Barbara market area that any hotel developed at Key Site #6 will compete with primarily for group demand. As previously indicated, the region is home to a range of event venues, but slightly underserved by hotels that provide meeting space within a contiguous facility. The secondary competitive set offers two Santa Barbara hotels: *Fess Parker's Doubletree* and the *Hotel Mar Monte*, offering 21,000 and 10,000 square feet of meeting space, respectively. The *Mar Monte* is owned by *Hyatt's* Pritzker family and recently affiliated with *Hyatt Hotel's* reservation system. The property is not currently flagged as a *Hyatt* although, following a planned renovation in 2011, is expected to be branded as a *Hyatt Regency*. The *Marriott Santa Ynez*, located in Buellton, roughly 35 miles north of Goleta, offers roughly 12,000 square feet of

meeting space and interviews with management indicate that its group segment draws heavily from the Santa Barbara and Goleta market area. The following map illustrates the location of the competitive set.



### Excluded/Non-Competitive Lodging Facilities

Other lodging facilities were considered, but ultimately not included in the competitive set due to their location, condition of the facility, brand affiliation, market orientation, room rate structure, sources of room night demand and/or market segmentation. These excluded properties include the luxury, beachfront *Bacara Resort*. *Bacara* offers 360 guest rooms and 25,550 square feet of meeting space but is not considered competitive with the proposed hotel development due to its resort market orientation, beachfront location, and considerable amenities. *Bacara* offers luxury-level accommodations and is at an appropriate price point, while management markets the resort heavily as a Santa Barbara destination. The proposed hotel will likely acquire a measure of room night and meeting space demand from *Bacara* but this will be in the form of latent demand, which is currently using *Bacara* because an appropriate property is not offered in the market. Effectively, the proposed hotel will fill a market niche and accommodate demand currently displaced from the competitive market we have identified.

Other excluded hotels include the *Super 8* and *Motel 6* in Goleta, the *Hotel Corque* in Solvang, and a range of properties in Santa Barbara such as the *Four Seasons*, *Canary*, and *Upham Hotel*. Hotels such as the *Upham Hotel* and *Franciscan Inn* also were identified as selling actively to UCSB, offering more aggressive pricing than typically found in downtown Santa Barbara. But as each hotel is unbranded and offers less than 60 rooms, we opted to exclude them from our competitive analysis since they are only marginally competitive within the UCSB segment and less so in the other market segments.

### OVERVIEW OF PROPERTIES IN THE PRIMARY COMPETITIVE SET

An overview of the primary competitive set is provided in the following paragraphs.

**Hampton Inn** - The 98-room *Hampton Inn* is owned and operated by *OceanPark Hotels* of San Luis Obispo. The property is located at 5665 Hollister Avenue in Goleta's Old Town area. The hotel is less than one mile north of Key Site #6. Opened in 2007, the hotel is in excellent condition with a modern style and design that many of its competitors lack. The hotel offers one small meeting room of roughly 700 square feet, as well as a business center, an outdoor pool and spa, and a health and fitness center. The *Hampton Inn* is currently the strongest performing hotel in the primary competitive set, with a broad appeal across each of the market's major segments of demand. Management has taken a proactive revenue and yield management initiative, often implementing minimum stay requirements and commanding higher negotiated rates for major accounts in the market in light of its high occupancy. The hotel has ramped up quickly since opening but, as the strongest performing hotel in Goleta, finding an appropriate price point can be difficult, as the *Hampton Inn* is currently the property the rest of the Goleta market benchmarks rates off of. The 2010 market segmentation is estimated at 42 percent corporate transient, 10 percent university, 33 percent leisure transient, and 15 percent group. Its 2010 RevPAR is estimated at around \$135.



**Holiday Inn** - The 160-room *Holiday Inn* is owned by *FelCor Lodging Trust* and operated by *Intercontinental Hotel Group*. The property is located at 5650 Calle Real, roughly two miles north of Key Site #6. The hotel opened in 1969 and features a restaurant, lounge, a single desk in the lobby, which serves as the business center, and an outdoor pool. The hotel does not feature a fitness center but does provide passes to a nearby facility. In 2008, the *Holiday Inn* participated in the system-wide brand "relaunch" by undergoing a comprehensive renovation of the entire property to elevate its appeal and bring the product current as much as possible with industry trends. This renovation entailed extensive work to the guest rooms, as the bathrooms were enclosed with sliding doors and tubs were removed in favor of glassed-in showers. However, the hotel still suffers from certain aspects of functional and aesthetic obsolescence. The most obvious example of this is its exterior-corridor design, which has fallen out of favor in recent years among most demand segments and is essentially no longer a design option for new hotels being developed. With its relatively large room count and roughly 4,000 square feet of meeting space, the *Holiday Inn* is the largest group hotel in the primary competitive set. The 2010 market segmentation is estimated at 30 percent corporate transient, 10 percent UCSB-related, 40 percent leisure transient, and 20 percent group. Its 2010 RevPAR is estimated at around \$85.



**Best Western South Coast Inn** - This 121-room property is owned and operated by a local hotelier. The property is located adjacent to the *Holiday Inn* at 5620 Calle Real, roughly two miles north of Key Site #6. Opened in 1986, this exterior-corridor property profiles very similar to the neighboring *Holiday Inn*, with two significant exceptions. The hotel does not offer any notable meeting space and we are of the opinion that the guest rooms and public areas are in need of updating through a renovation similar to that recently completed at the adjacent Holiday Inn. While this is a limiting factor, particularly in the hotel's ability to drive room rates, the *Best Western* appears to perform quite well in its mid-scale price point, filling a particular niche in the market. Perhaps its best attribute is its curb appeal which



boasts impressively landscaped grounds and an outdoor pool and spa. It was indicated during our fieldwork that this hotel is aggressive in pursuing amateur and collegiate athletics teams, which are typically rate-sensitive and do not require meeting space. The 2010 market segmentation for the property is estimated at 30 percent corporate transient, 10 percent UCSB-related, 45 percent leisure transient, and 15 percent group. Its 2010 RevPAR is estimated at around \$90.

**Pacifica Suites** - This 87 unit all-suite hotel is owned by a small local investment group and operated by *Pacifica Hotels* of Santa Barbara. Opened in 1990, the property is located at 5490 Hollister Avenue, less than one mile northeast of Key Site #6. According to management, the hotel was initially impacted strongly by the opening of the *Hampton Inn*, as their market positioning, as an upscale, transient-oriented, is much the same as that targeted by *Hampton*. However, with just 87 rooms to fill, the *Pacifica Suites* was able to make minor rate adjustments, as well as a more aggressive sales and marketing effort to regain most of its lost occupancy. Despite its all-suite orientation, management indicated that efforts to penetrate the extended-stay market were generally not fruitful, attributed to the lack of kitchenettes in the suites. The property is sprawling, with rooms spread across 5 different buildings. At the time of our inspection, management was preparing for a renovation of the suites, which was expected to happen at some point in 2011. While the property only has one small meeting room in the registration building, the circa-1880 *Sexton House* is a prominent feature on the hotel grounds. While it is not true meeting space, the hotel often utilizes the house's 1<sup>st</sup> floor for small gatherings. The hotel also offers a daily complimentary breakfast and evening wine reception. The property features an outdoor pool and spa and offers complimentary access to a nearby exercise facility. The 2010 market segmentation is estimated at 38 percent corporate transient, 10 percent UCSB-related, 37 percent leisure transient, and 15 percent group. Its 2010 RevPAR is estimated at around \$100.



**Ramada Limited** - This 126-room hotel is located at 4770 Calle Real in the city of Santa Barbara, roughly three miles northeast of Key Site #6. While the property is not directly located within the city of Goleta, it was repeatedly cited as competing with Goleta hotels and appeared numerous times as a preferred hotel by various departments of UCSB. The hotel was renovated over parts of 2008 and 2009 and our site inspection found it to be in very good condition, despite its outdated exterior design and poor curb appeal. With a location in between Santa Barbara and Goleta, the hotel attempts to serve both markets but only offers shuttle service into Goleta, most frequently to SBA airport. Every guest room features a balcony, as well as a microwave and refrigerator. The hotel offers one roughly 800 square-foot meeting room, an outdoor pool and spa, and complimentary passes to a nearby exercise facility. While management maintains that it is centrally-located, it is, in fact, somewhat inconvenient to primary demand generators located in both Goleta and Santa Barbara. As such, the hotel discounts its room rates in an attempt to induce demand to its location, offering the lowest price point in the primary competitive set, despite its recent renovation. The 2010 market segmentation is estimated at 35 percent corporate transient, 10 percent UCSB-related, 43 percent leisure transient, and 12 percent group. Its 2010 RevPAR is estimated at around \$75.



## OVERVIEW OF PROPERTIES IN THE SECONDARY COMPETITIVE SET

An overview of the secondary competitive set is provided in the following paragraphs.

**Fess Parker's Doubletree Resort** - The 360-room *Fess Parker's Doubletree Resort* is owned by *Blackstone Group* and operated by *Hilton Hotels*. The property is located at 633 East Cabrillo Boulevard in the city of Santa Barbara, roughly 10 miles southeast of Key Site #6. The hotel opened in 1987 and features a large atrium lobby, 5 food and beverage outlets, an outdoor pool and spa, a large fitness center, a business center and, about 20,000 square feet of indoor meeting space and a 20,000 square foot outdoor rotunda, which is often used as event space. While the hotel is located in the heart of Santa Barbara, directly across from the beach, the amount of meeting space and comparable price point puts it in position to be a competitor with any hotel developed at Key Site #6, mostly within the group segment. Interviews with property management indicated that its mix of demand was strongly influenced by a lack of meeting space in Goleta. While the hotel's location was a key component in driving its business, there was a component of demand from Goleta, including UCSB, which uses the *Doubletree*, at a higher price point than preferred, due to a lack of a proximate and appropriately priced facility. The impact of the *Doubletree* on Goleta is most pronounced during the soft period when the property discounts for transient and group demand to fill. The *Doubletree's* performance has suffered since 2008, as the group segment has weakened and many corporate meeting planners have been advised to avoid resort hotels in an effort to appear more fiscally responsible. The 2010 market segmentation is estimated at 18 percent corporate transient, 3 percent UCSB-related, 44 percent leisure transient, and 35 percent group. Its 2010 RevPAR is estimated at around \$155.



**Hotel Mar Monte** - The 197-room *Hotel Mar Monte* is owned by the Pritzker Family, well-known for their controlling ownership in *Hyatt Hotels*. The property is located at 1111 East Cabrillo Boulevard in the city of Santa Barbara, roughly ten miles southeast of Key Site #6. The hotel opened in 1931 and has been expanded several times since then. It currently offers a restaurant, lounge, a small spa, an exercise facility, a pool, and roughly 10,000 square feet of meeting space. In early 2010, the hotel was turned over to *Hyatt* to operate and consequently entered the *Hyatt* central reservations system, although the property still does not bear the *Hyatt* name. Due to lack of capital investment, the property's condition has deteriorated over recent years and, while it continues to offer a high level of service, the hotel is in need of renovation. This renovation is planned to occur in 2011 and it has been indicated that, following the upgrades, the hotel will be flagged as a *Hyatt Regency*. This hotel profiles very similar to the *Doubletree*, albeit with less meeting space, and would compete with a hotel at Key Site #6 primarily in the group segment. The 2010 market segmentation is estimated at 23 percent corporate transient, 2 percent UCSB-related, 48 percent leisure transient, and 27 percent group. Its 2010 RevPAR is estimated at around \$135.



**Marriott Santa Ynez** - The 149-room *Marriott Santa Ynez* is owned by a local hotelier and operated by *Harrell Hospitality*. The property is located at 555 McMurray Road in Buellton, roughly 35 miles to the northwest of Key Site #6. The hotel opened in 1986 and features a restaurant, lounge, a business center, gift shop, a fitness center, an outdoor pool and nearly 12,000 square feet of meeting space. Management has indicated that the relatively low room count has kept it from reaching its full potential since it is unable to maximize its substantial meeting space and it frequently turns away group demand, which, in turn, challenges its ability to drive room rates during the week. The hotel performs much stronger on weekends than on weekdays, given its relatively isolated location in the Santa Ynez Valley’s wine country, proximate to leisure attractions such as the Dutch village of Solvang and the *Chumash Casino*. However, the hotel has had success in the group market, competing with the other hotels in the secondary set, playing off of its wine country location and *Marriott* branding. The 2010 market segmentation is estimated at 20 percent corporate transient, 2 percent UCSB-related, 48 percent leisure transient, and 30 percent group. Its 2010 RevPAR is estimated at around \$100.



## HISTORICAL MARKET PERFORMANCE

The following table summarizes the estimated historical performance of the market.

Historical Operating Performance of the Competitive Market					
Year	Available Room Nights	Occupied Room Nights	Annual Occupancy	Average Daily Rate	RevPAR
<b>Primary Competitive Set</b>					
2007	201,115	137,585	68.4%	\$134.15	\$91.77
2008	216,080	157,247	72.8%	\$139.29	\$101.37
2009	216,080	155,975	72.2%	\$130.38	\$94.11
2010 <sup>(1)</sup>	216,080	159,199	73.7%	\$128.98	\$95.03
<b>CAG<sup>(2)</sup></b>	<b>2.4%</b>	<b>5.0%</b>	--	<b>(1.3%)</b>	<b>1.2%</b>
<b>Secondary Competitive Set</b>					
2007	257,690	189,304	73.5%	\$218.01	\$160.15
2008	257,690	195,151	75.7%	\$216.83	\$164.21
2009	257,690	189,227	73.4%	\$190.98	\$140.24
2010 <sup>(1)</sup>	257,690	184,654	71.7%	\$191.34	\$137.11
<b>CAG<sup>(2)</sup></b>	<b>0.0%</b>	<b>(0.8%)</b>	--	<b>(4.3%)</b>	<b>(5.0%)</b>
<b>Total Competitive Set</b>					
2007	458,805	326,888	71.2%	\$182.71	\$130.18
2008	473,770	352,398	74.4%	\$182.23	\$135.55
2009	473,770	345,202	72.9%	\$163.60	\$119.20
2010 <sup>(1)</sup>	473,770	343,853	72.6%	\$162.47	\$117.92
<b>CAG<sup>(2)</sup></b>	<b>1.1%</b>	<b>1.7%</b>	--	<b>(3.8%)</b>	<b>(3.2%)</b>
Notes: <sup>(1)</sup> Projected based on year-to-date information through November.					
<sup>(2)</sup> Compound Annual Growth.					
Source: REVPAR International, Inc.					

## Historical Occupancy

As the above tables illustrate, occupancy and room night demand for the total competitive set has weathered the recent national economic downturn quite well, even while absorbing new entrant, the 98-room *Hampton Inn* as of July 2007. The defined competitive set saw occupancy declines in 2009, following a strong 2008, in which the *Hampton Inn* ramped up its occupancy and ADR rapidly (indicating a strong “supply driven” latent demand factor for this market). At the same time, the *Holiday Inn* completed a comprehensive rooms renovation, and the *Doubletree* and *Mar*

*Monte* indicated that group demand did not decline substantially until late in the year. Overall, between 2008 and 2009, the market experienced a roughly two percent decline in demand.

Through estimated year-end 2010 (based on information through October/November 2010), demand is expected to remain essentially flat to 2009 levels, as the primary set has fully rebounded its lost room night demand, but hotels in the secondary set continue to lag due to the influence of the group segment which had still not returned in earnest, although it is apparently strengthening into 2011. Group travel overall was most impacted by the recession, particularly in the corporate segment, when the Federal government began questioning corporate group or transient use of hotels and resorts in upscale or luxury (resort) destinations. In response, much of this business was canceled by the sponsor to avoid any potential negative publicity. Since then the rhetoric has largely gone away and interviews in the market indicate that these hotels expect 2011 to see a strong rebound in group demand based on current trends and booking pace.

### Historical Average Daily Rate

With an estimated compound annual loss of 3.8 percent, the defined competitive set experienced ADR declines that exceeded declines in room night demand. This discounting is largely due to the influence of the economic recession that occurred over this period. In the primary set, ADR declined due to recessionary factors, offset in part by the strong ADR performance of the *Hampton Inn*. In the secondary set, each of the three hotels discounted aggressively in 2009, particularly the group segment which has continued, to a lesser extent, into 2010, particularly at the *Doubletree* and *Mar Monte*. Conversely, the *Marriott Santa Ynez* has shown strong ADR growth into 2010, as management indicated that it discounted deeper than necessary in the downturn; however, this property offers a significantly lower rate structure than the Santa Barbara hotels.

### Historical RevPAR Performance

RevPAR, a statistic that measures the performance of all available rooms in the defined competitive set, declined by 3.2 percent compounded annually over the defined time period. This has been driven by declines in ADR, as occupancy has rebounded significantly and is expected to exceed 2007 levels.

Historical RevPAR Penetration of Defined Competitive Set				
Properties	2007	2008	2009	2010 <sup>(1)</sup>
<b>Primary Competitive Set</b>				
Hampton Inn	84%	97%	106%	114%
Holiday Inn	68%	73%	73%	72%
Best Western	69%	71%	76%	78%
Pacifica Suites	77%	76%	82%	85%
Ramada Limited	64%	63%	66%	65%
<b>Secondary Competitive Set</b>				
Fess Parker's Doubletree	143%	141%	134%	130%
Hotel Mar Monte (Hyatt)	<b>123%</b>	<b>122%</b>	<b>118%</b>	<b>115%</b>
Marriott Santa Ynez	75%	73%	77%	85%
Note: Orange cells indicate top performer in each competitive set for the year. Results in BOLD represent properties that penetrate above 100%. <sup>(1)</sup> Projected based on year-to-date information through November. Source: Competitive properties; compiled by REVPAR International, Inc.				

The *Hampton Inn* entered the primary competitive set and immediately assumed the top position in regards to RevPAR penetration; a testament to the pent-up demand for new hotel product in Goleta. It has since strengthened its hold on this position, reaching a 114 percent penetration rate for projected year-end 2010. In the secondary set, as well as the overall competitive set, *Fess*

*Parker's Doubletree* is the market leader in terms of RevPAR penetration. However, its penetration rates have slipped significantly over the historical analysis period, as the hotel has worked through a period of weakened occupancy and rate discounting, much of which is attributable to its dependence on the group segment to fill. As the market-leader, discounting at the *Doubletree* induced a trickle-down effect, causing the *Mar Monte* to discount as well.

### Historical Market Segmentation

A summary of the historical market segmentation for the competitive set is provided in the table below.

Historical Market Mix for the Competitive Supply					
Market Segment	2007		2010 <sup>(1)</sup>		Compound Annual Growth
	Total Occupied Room Nights	% of Total	Total Occupied Room Nights	% of Total	
Corporate Transient	80,910	25%	91,511	27%	4.2%
University Transient	19,263	6%	20,539	6%	2.2%
Leisure Transient	139,158	42%	148,290	43%	2.1%
Group	87,557	27%	83,512	24%	(1.6%)
<b>Total</b>	<b>326,888</b>	<b>100%</b>	<b>343,853</b>	<b>100%</b>	<b>1.7%</b>

Note: <sup>(1)</sup> Projected year end based on year-to-date information through November.  
Source: REVPAR International, Inc

For year-end 2010, the market segmentation of the overall competitive set is estimated to be 27 percent corporate transient, 6 percent university transient, 43 percent leisure transient, and 24 percent group demand. As this illustrates, the accommodated demand is well-diversified, with the leisure segment playing the largest role and thus having the biggest influence on demand patterns in the market. However, the corporate and group segments represent meaningful portions of total demand accommodated in the market, which helps to insulate hotels in terms of demand cycles and seasonality. With 6 percent of total transient room night demand, in addition to a significant contribution in the group segment, UCSB is the largest single demand generator in the market. It should be noted that a secondary portion of UCSB group demand is included in the overall group segment.

Hotels in Goleta benefit from a strategic location proximate to a strong base of local corporate demand, UCSB's campus, SBA *airport*, and US-101. This location, in conjunction with offering a competitive price point, aids in attracting business from corporate demand generators in Santa Barbara and elsewhere in the region. Goleta hotels also serve as a popular overflow and discount option for leisure transient guests destined for Santa Barbara. As such, weekday versus weekend occupancies for the area hotels do not show dramatic disparity. The Goleta market generally runs similar occupancies to hotels in Santa Barbara, but at a lower ADR since it is considered a secondary location to Santa Barbara.

### SEASONALITY

Room night demand for the market is moderately seasonal with occupancies typically declining from November through February due to a drop in corporate, university, leisure, and group business. Comparatively, March through October are significantly stronger months, with demand peaking in the summer due to a surge in leisure and SMERF-related group demand, which incorporates social, military, educational, religious, and fraternal demand, amongst other similar sources. University demand follows the educational calendar, declining in the summer months and peaking in May and September/October.

## UCSB ONLINE SURVEY & LOCAL CORPORATE DEMAND INTERVIEWS

In order to better quantify the amount and type of demand emanating from UCSB, REVPAR International administered an on-line survey to UCSB departments in cooperation with UCSB. Separately, we also conducted a series of interviews and demand surveys with the larger corporate demand generators in the market. Both of these tasks were executed over a three-week period in December 2010.

### UCSB ONLINE SURVEY

In regards to the online demand survey administered at UCSB, we received 96 responses, which represented 58 distinct departments, or approximately 33 percent of all departments represented at UCSB. These demand surveys were undertaken in an effort to better understand the volume of university-related business that is currently being generated and/or could prospectively be generated by the various departments if a hotel and conference center was developed within close proximity to the campus of UCSB. The highlights of our findings are provided below, while a copy of the survey results is provided in the *Addenda*.

It is important to note that these interviews and the data provided **do not** represent, nor should they be construed as, a statistically valid survey sample. Rather, the data provides an indication of the amount of demand for hotel rooms and conference space, both presently and prospectively, generated by UCSB departments. To this end, these findings should be viewed as “order of magnitude” rather than definitive. For our purposes, the data was used to suggest whether or not there is adequate demand for a hotel and conference center near the campus, the volume and frequency, the price threshold, and the potential for UCSB departments to use it rather than definitively “prove” there is sufficient demand for a hotel and conference center at a specific price.

With these factors in mind, the following summarizes the highlights of our findings from the various interviews.

- 76 percent of UCSB departments hold events/meetings;
- UCSB generates approximately 1,100 events/meetings annually, of which roughly 800 generate room night demand;
- Each of these events generates an average of approximately 25 occupied room-nights of hotel demand;
- There is an average of 13 events/meetings per year, per department;
- The most often cited basis for a decision to use a specific hotel was the availability of a shuttle service between the hotel and the UCSB campus;
- 64 percent of events are held on weekdays;
- 46 percent of events are held in the Spring;
- Average size of event (attendees) is 59;
- 67 percent of UCSB events/meetings are held **on**-campus
  - Typically 2.75 days in length
  - On-campus events generate approximately 13,500 room-nights of hotel room demand
- 33 percent of UCSB events/meetings are held **off**-campus
  - Average 2.5 days in length
  - Off-campus events generate approximately 5,700 room-nights of hotel room demand

- 73 percent of UCSB events generate hotel room nights;
- Approximately 86 percent of events require food and beverage service of some type;
- Transient (non-group/meeting hotel) rooms nights represent 66 percent of total UCSB room-nights of demand and total roughly 33,700 room nights;
- Just as important, our interviews suggest that there is somewhat of a latent demand factor associated with the development of a hotel and conference center proximate to the UCSB campus. Latent demand is best described as demand that is not currently present in the market but would come if the desired facility were constructed or brand-affiliation was offered. Roughly 16 percent of the respondents indicated that they would host additional events in future years if a hotel at Key Site #6 were developed and available. While this is a positive finding, it is important to note that perception and reality are sometimes far apart. Pricing, timing of meeting, size of group, and most importantly the ability of the respondent to actually bring a new group to the area or control/book the new group to the subject facility, are all mitigating factors that could impact the true level of latent demand actually generated if the facility comes to fruition.

The results of our survey of UCSB reveal nuances of the commonly understood fact that the university induces a tremendous level of meeting and room night demand into the market. This demand is distributed across a wide variety of properties and only a portion of it is considered capturable by a hotel at Key Site #6. Further, UCSB's meeting space demands are significant but the vast majority of it (roughly 90 percent) is accommodated on campus and only a portion can be induced into coming into the local market. Additionally, with an average group size of 59 attendees, the majority of UCSB's group demand is considered small-to-mid-sized. The proposed meeting space planned for both the *Faculty Club* and the proposed *Hyatt Place* (discussed in Future Additions to Supply) are both sized to target this market. We have considered these trends as a factor in our analysis. It is also evident that the proposed hotel will be in a good position to appeal to three of UCSB's primary concerns when seeking meeting space and overnight accommodations: proximity to campus, acceptable price point, and quality of accommodations. The university's transient room night demand is sizeable, but it is important to note that there are several key dates, such as graduation and parents' weekend, which induce a market-wide sell out, followed by a return to more consistent flow of demand.

## CORPORATE SURVEYS & INTERVIEWS

We also conducted telephone interviews with several corporations in the area in order to quantify the level of demand from the corporate sector. The following highlights of our findings from these interviews.

- The corporate demand generators are often price sensitive. All of the respondents indicated that they use select service properties for transient demand and only use upscale hotels for VIPs and high-end events.
- Rates paid for hotel rooms ranged from \$110 to \$190. Representatives from *Raytheon* indicated that, as a government contractor, they will only pay government per diem or less. The Federal per diem for the Santa Barbara market area for FY 2011 is seasonal, ranging from \$143 to \$172, or a \$148 weighted average throughout the year.
- The length of stay ranged from one to four nights.
- In addition to price, the respondents indicated that proximity to the office was a critical condition for choosing a specific hotel.
- All of the respondents use their own in-house meeting facilities for some of their meetings and events. The representative from *ATK* indicated that they hold the majority of their meetings and events in-house.

- All of the respondents indicated that they typically require food and beverage service of some type.
- Only one respondent indicated that they expect their demand for hotel rooms and meeting facilities to increase significantly over the next several years.
- 80 percent of the respondents indicated that they would probably use a hotel at Key Site #6, provided that the rates are in line with the existing hotels.
- Respondents generally indicated that a hotel aligned with a nationally-recognized and popular brand would be desirable and considered the local hotel market to be underserved by branded hotels.

Interviews in the corporate market indicated that the proposed hotel and conference center would be a strong competitor for group demand where the group did not view a location in Santa Barbara as essential for their needs. While many corporate transient and group travelers enjoy the amenities available in Santa Barbara, the high room rates and the sometimes short length of business trips make booking a hotel in Goleta more sensible, particularly when the demand generator itself is located in Goleta. It is clear that the proposed hotel and conference center would compete strongly for this locally-generated demand and have the potential to vie for some Santa Barbara-bound demand on the basis of its brand affiliation, reasonable price-point, high quality facility, and proximity to the office.

## FUTURE ADDITIONS TO SUPPLY

At the time of our fieldwork, we became aware of several other hotel projects planned for the Goleta market in which a hotel at Key Site #6 would compete. A summary of these projects is included in the following table.

Proposed Area Hotel Development				
Proposed Hotel	Developer	Location	# Rooms	Projected Opening
Proposed Hotel at Key Site #6	TBD	Key Site #6/Page Site	175	1Q FY 2014
Residence Inn	R.D. Olson Development	Hollister Avenue	118	TBD
Rincon Palms (Hyatt Place)	Daketta Pacific	Storke/Hollister	112	TBD
Camino Real	Camino Real III, LLC	Storke/Hollister	106	TBD

Source: Developers, Franchise representatives and municipal planning and zoning officials.  
Compiled by REVPAR International, Inc.

Separately, we are aware of the small expansion planned at the *Bacara Resort*, as well as the ongoing struggles to redevelop the *Hotel Californian* site in Santa Barbara, and the redevelopment of the *Miramar Resort* and the *El Encanto* in Montecito. Additionally, we understand that UCSB has considered developing or adding lodging units on campus periodically over the years and that the *Doubletree* also has the potential to expand at some point in the future. However, at this time, there are no firm plans or timeframe for development of any of these projects. Thus, for various reasons, we deemed all these projects to be non-competitive to a proposed hotel and conference center on Key Site #6 in Goleta or unlikely to come to fruition during the projection period under review and consequently excluded them from our future supply analysis.

Specific to those hotels proposed and/or planned in Goleta, the local market has historically added new hotel supply infrequently due to the cumbersome development and permitting process and the high barriers to entry related to the availability and cost of commercially-developable land. Uncharacteristically, there are three hotel projects planned and/or proposed for Goleta, excluding Key Site #6. And, while each project has been planned for some time now - in some

instances over three years - all are approved by the City, but have yet to come to fruition for any number of reasons including lack of available debt financing. To our knowledge, none of these are eminently about to begin construction either and, given the amount of time that has passed, specific knowledge as to if and when any of the three would ultimately be developed or begin construction remains speculative and uncertain.

Given the uncertain nature of the development process, coupled with the assumption for purposes of this analysis that Key Site #6 is being developed, it is highly unlikely based on our experience that one or all of these proposed hotel projects will come to fruition despite the best efforts and intentions of the individual developer. Specifically, potential sources of financing for the project may opt not to fund based on other hotel projects moving forward. Permits and franchise applications may lapse and require re-submission and/or re-approval prior to moving forward, which may or may not be granted. Construction costs may increase and prove too expensive to allow for appropriate returns on investment so the developer switches to an alternate use for the site or abandons the hotel project completely. In short, there is any number of reasons in the development process that could preclude any of these projects from becoming a reality.

Consequently, in an effort to reflect the likely fall-out or continued delay of one or more of these proposed hotel projects, we elected to include 50 percent of the proposed rooms inventory, or 168 rooms, in our future supply analysis with an assumed opening date of 3<sup>rd</sup> quarter of 2012 (Q1 Fiscal Year 2013). It should be noted that, although our estimate of 50 percent may not tie directly to the room counts of one, two or three of the specific projects cited above, our objective is to reflect an “order of magnitude” estimate rather than a specific and defined room count since, as noted, room counts and projects change over the course of the development process and/or projects that previously appeared to be definite can be terminated for any number of reasons.

With the foregoing in mind, we estimate a net increase of 343 rooms (168 plus the 175-room subject) will be added to the competitive set between CY 2010 and FY 2014, representing a 26 percent increase in total competitive supply and a 58 percent increase to the primary (Goleta) competitive set. Should one or more other projects be developed, it could potentially impact the estimated performance of a hotel at Key Site #6.

## **FUTURE DEMAND ANALYSIS AND MARKET SEGMENTATION**

The principal sources of demand for lodging accommodations in the market area are corporate transient, university transient, leisure transient, and group. The following paragraphs detail the future demand for the preceding market segments.

### **ESTIMATED GROWTH IN DEMAND**

Based on our interviews and research in the market, we are of the opinion that economic trends for the market area point towards the continuation of demand growth that started in mid-to-late 2010. In addition to recouping the demand lost in the recent downturn, the market area is displaying signs of growth for the medium to long term.

Overall, future growth in demand will be primarily “supply driven” supported by historical pattern of growth in room night demand and previous market peaks, as well as the estimated impact of projects in the construction and planning stages. Specifically, the latent demand factor – on both new and unaccommodated formats - that result when new supply opens in a market will be responsible for the majority of demand growth experienced over the projections period. Organic or underlying growth is anticipated to be modest to moderate based on historical trends.

### **Corporate Transient**

Individual business travelers conducting business with companies that have headquarters, regional offices, retail centers, and training centers in the area primarily generate corporate transient demand. Traditionally, corporate travel occurs Sunday through Thursday; organizations generating a significant volume of room night demand typically receive discounted, local negotiated rates, or high volume rates. During projected year-end 2010, this segment accounted for an estimated 91,500 occupied room nights or 27 percent of total market demand. Historically, demand in this segment increased at a 4.2 percent compound annual rate between 2007 and projected year-end 2010.

Based on our analysis of the existing and potential demand generators in the market area, we estimate that the demand in this segment will increase at a compound annual rate of 3.9 percent during the projection period.

### **University Transient**

UCSB-related transient demand is generated on an ongoing, regular basis by the university's many schools and departments, as well as by special events such as graduation, homecoming, move-in, and parents' weekend. This demand is diverse in its travel patterns, occurring throughout the week, and rate thresholds, impacting every hotel in the competitive set. This demand declines during the summer months and is strongest during the academic school year. UCSB is a highly stable demand generator and should remain a steady source of room night demand in the market, with growth trends expected to be modest to moderate in the future. During projected-year end 2010, this segment is estimated to account for 20,500 occupied room nights, or 6 percent of total market demand in 2010. Over the historical analysis period, between 2007 and projected year-end 2010, UCSB demand experienced a 2.2 percent compound annual increase.

Based on our analysis of the existing and potential demand generators in the market area, we estimate that the demand in this segment will increase at a compound annual rate of 8.6 percent from 2010 to FY 2016.

### **Leisure Transient**

Leisure demand includes independent tourists to the greater Santa Barbara region, as well as highway travelers using area hotels as a convenient stopover point on the way to their primary destination. Some independent tourists stay in hotels when visiting friends, families, and attending area events or social functions such as weddings, bar mitzvahs, or reunions. Travelers within this market segment are typically seasonal, although, as mentioned, the area's year-round clement weather serves to somewhat mitigate this impact. During projected year-end 2010, leisure demand represented roughly 43 percent of total market demand or an estimated 148,300 occupied room nights. Demand in this segment increased at a 2.1 percent compound annual growth rate between 2007 and projected year-end 2010.

Based on our analysis of prospective trends, as well as current and historical factors, we estimate demand in this segment will increase at a compound annual growth rate of 2.5 percent during the projection period.

### **Group**

Group demand consists of those travelers and associated guests who meet as a group to attend conferences, trade shows, and seminars, as well as guests participating in social (weddings, reunions, etc.), recreational, or religious activities (SMERF). It is our understanding that currently corporate, UCSB and government-related group business comprises a majority of midweek group demand, while SMERF and social event-related hotel users comprise most weekend group

demand in the market area. For projected year-end 2010, group demand is estimated at approximately 24 percent of total market demand, equaling an estimated 83,500 occupied room nights. Demand in this segment declined by a rate of 1.6 percent compounded annually between 2007 and projected year-end 2010, as group demand was severely impacted by the national economic recession.

Based on historical growth rates, coupled with current and anticipated economic trends in the market, we have projected demand in the group segment to increase at a compound annual growth rate of 3.9 percent during the projection period.

## SUPPLY AND DEMAND PROJECTIONS

Future growth in room night demand for the competitive set is based on historical trends and future economic growth prospects of the local and regional hotel market. Room night growth will be driven by the return of demand lost as a result of the recent economic recession, the continued addition and expansion of office and retail space, planned increases in marketing and sales activity by the *Conference and Visitors Bureau* due to increases in their budget, and growth at UCSB as the University implements its long-range development plan. Additionally, a portion of the anticipated growth is a result of latent demand associated with the assumed opening of a new hotel and conference center at Key Site #6 in Goleta.

With the foregoing in mind, the following table summarizes future supply and demand growth.

Proposed Hotel and Conference Center, Goleta, CA					
Summary of Future Supply and Demand Growth					
Fiscal Year <sup>(1)</sup>	Demand		Supply		Market Occupancy
	Room Nights	% Change	Room Nights	% Change	
2010	343,900	--	473,800	--	73%
2011	353,100	2.7%	473,800	--	75%
2012	359,100	1.7%	473,800	--	76%
2013	387,700	8.0%	535,100	12.9%	72%
2014	419,500	8.2%	599,000	11.9%	70%
2015	426,400	1.6%	599,000	--	71%
2016	426,400	--	599,000	--	71%
<b>CAG<sup>(2)</sup></b>	<b>3.6%</b>	<b>--</b>	<b>4.0%</b>	<b>--</b>	<b>--</b>

Notes: <sup>(1)</sup> Fiscal Year is defined as October to September.  
<sup>(2)</sup> Compound Annual Growth.

Source: REVPAR International, Inc.

In light of the above, between FY 2010 and FY 2016, the number of occupied room nights captured by the defined competitive set of hotels is estimated to increase at a compound average annual rate of 3.6 percent or by approximately 82,500 room nights. During this period, the competitive supply is estimated to increase by an average of 4.0 percent annually, or 125,200 room nights. Since supply growth will outpace demand growth, market occupancy will decline as new supply is absorbed, with some improvement thereafter.

## REVIEW OF COMPARABLE HOTEL AND CONFERENCE CENTERS

In an effort to further understand the dynamics under which any new hotel and conference center would operate on Key Site #6 in Goleta, REVPAR International incorporated analysis and interviews with comparable hotels/conference centers into its market research. The interviews were conducted with the goal of formulating a facility, operating, and pricing profile for the subject, in conjunction with our findings from the prior phases of research and interviews.

Of note, four of the comparables are within the proposed hotel's expected competitive set, while six are outside of the Santa Barbara market area. All 10 comparable hotels are located within California. The hotels range in age from one to 80 years old and offer between 149 and 360 rooms. The comparables offer between roughly 4,000 and 21,000 square feet of meeting space and each has a full-service restaurant. All of the facilities are ostensibly "branded," with the exception of the *Hotel Mar Monte*, although this hotel is available to book through *Hyatt's* channels. Further, the comparables are all considered to be operated by competent and professional management companies.

The table on the following page identifies and displays key characteristics of the comparable hotels.

Generally, in reviewing the performance of each facility, we found that each one is essentially unique and functions according to the environment in which it operates. In other words, each hotel and conference center had a market aspect to it that caused its performance to differ from the next. Specific comparable characteristics included criteria such as a location proximate to a similarly-sized university as that offered at UCSB and, in several cases, we reviewed hotels in direct proximity to other *University of California* campuses. It should also be noted that none of the comparable hotels are owned by or directly affiliated with the major university in their respective markets. Other comparable traits include a similarly-sized market in terms of supply and demand, the urban/suburban nature of the market, access and visibility of the comparable hotel, chain-affiliation, and the comparables overall size, amount of meeting space and amenities offered. Individually or collectively, these factors dictate the various performance indicators of the operation. In short, we sourced and reviewed hotels and conference centers that represented the most similar development characteristics as those that would prospectively be offered within the City of Goleta.

Each comparable confirmed that their franchise affiliation allowed the hotel to better penetrate the surrounding local market relative to primarily transient demand sources, capitalizing on the strength of the rewards programs, as well as yield a higher room rate than can typically be captured from an independent property of similar quality. Overall, the branding and affiliation proved to be beneficial across the spectrum of demand, including education-related groups. To that end, depending on the brand associated with a hotel developed at Key Site #6, it could offer access to a greater pool of potential room night demand generators, immediately increase the level of recognition in the community and beyond, and enhance the facilities' perceived value by all potential users.

A few of the comparable hotels mentioned that they accommodate dedicated continuing education programs throughout the year that helped drive occupancy at the hotel. However the information we collected overall does not prove that such programs dictate above average annual occupancy performance. In fact, similar to the local Goleta market, many of the comparable hotels accommodated a diverse segmentation of demand, with strong corporate and leisure markets. Of those adjacent to a major university campus, none of the comparable facilities indicated fluctuations in demand based on seasonality beyond the breaks in the normal student calendar, such as winter break.

Group booking patterns varied depending on the dynamics of the local market, often booking rooms and meetings at a-la-carte prices or utilizing Complete Meeting Package (CMP) or Day Meeting Package (DMP) rates. CMP demand consists of those guests who meet as a group to attend conferences, training sessions, meetings, and seminars and purchase an all-inclusive package for their multi-day stay including room and food and beverage. DMP is usually the same as CMP excluding the room rate and the dinner portion of the food and beverage.

## FACILITY PROFILE OF COMPARABLES

	1	2	3	4	5
Hotel	<b>Holiday Inn</b>	<b>Hotel Mar Monte</b>	<b>Fess Parker's Doubletree</b>	<b>Marriott Santa Ynez</b>	<b>Embassy Suites</b>
Location	Goleta, CA	Santa Barbara, CA	Santa Barbara, CA	Buellton, CA	San Luis Obispo, CA
M.S.A.	Santa Barbara-Goleta-Santa Maria	Santa Barbara-Goleta-Santa Maria	Santa Barbara-Goleta-Santa Maria	Santa Barbara-Goleta-Santa Maria	San Luis Obispo-Paso Robles
M.S.A. Population (est.)	400,000	400,000	400,000	400,000	275,000
Year Opened	1969	1931	1987	1986	1986
Guest Rooms	160	197	360	149	195
Restaurant (Y/N)	Y	Y	Y	Y	Y
2010 RevPAR (Estimated)	\$85.00	\$140.00	\$155.00	\$100.00	\$115.00
Market Segmentation (Group)	20%	30%	35%	30%	30%
Market Segmentation (Non-Group)	70%	70%	65%	70%	70%
Total Meeting Space (Sq. Ft.)	4,568	10,045	21,000	11,664	7,814
Sq Ft of Total Space/Guest Room	29	51	58	78	40
Largest Meeting Room (Sq. Ft.)	3,220	4,325	11,960	4,860	5,100
Sq Ft of Largest Room/Guest Room	20	22	33	33	26
Notes/Outdoor Sq. Ft. (Tented)			20,000 sq. ft. outdoor rotunda	6,270 sq. ft. patio	Cal Poly - 19,000 students

	6	7	8	9	10
Hotel	<b>Marriott</b>	<b>Hilton Irvine/OC Airport</b>	<b>Embassy Suites</b>	<b>Embassy Suites</b>	<b>Crowne Plaza</b>
Location	Riverside, CA	Irvine, CA	Valencia, CA	Palmdale, CA	Ventura, CA
M.S.A.	Riverside-San Bernardino-Ontario	Santa Ana-Anaheim-Irvine	Santa Clarita	Palmdale-Lancaster	Oxnard-Thousand Oaks-Ventura
M.S.A. Population (est.)	4,100,000	3,000,000	200,000	490,000	800,000
Year Opened	1987	1985	2007	2010	1972
Guest Rooms	292	292	156	150	258
Restaurant (Y/N)	Y	Y	Y	Y	Y
2010 RevPAR (Estimated)	\$65.00	\$95.00	\$75.00	\$95.00	\$65.00
Market Segmentation (Group)	35%	25%	25%	30%	30%
Market Segmentation (Non-Group)	65%	75%	75%	70%	70%
Total Meeting Space (Sq. Ft.)	14,000	18,000	10,400	3,876	17,630
Sq Ft of Total Space/Guest Room	48	62	67	26	68
Largest Meeting Room (Sq. Ft.)	3,600	7,320	4,456	2,030	6,660
Sq Ft of Largest Room/Guest Room	12	25	29	14	26
Notes/Outdoor Sq. Ft. (Tented)	UC Riverside - 21,000 students	UC Irvine - 22,000 students		1,404 sq. ft. patio	beachfront

According to the comparable hotels and conference centers, CMP-related demand is decreasing in popularity as more and more meeting planners become more knowledgeable on how to obtain savings by booking an event “a-la-carte” or by individual services or amenities required. All comparable facilities mentioned that DMP rate packages are increasing in popularity. Interviews with several California-based meeting planners and members of *Meeting Professionals International* (MPI) confirmed these trends.

Overall, the information collected by the REVPAR team indicates that demand for comparable hotel and conference centers emanates from a variety of group and non-group sources, including corporate and leisure, as well as university-related demand in markets that offered this segment. In fact, among these hotels, the mix of demand was largely transient in nature, with only 30 percent representing the accommodated group demand segment at the property. None of these hotels indicated food and beverage revenue contribution in excess of \$3 million. Each of these hotels offer unique statistics relative to the surrounding market environment, but ultimately offer useful insight into the potential of a proposed hotel and conference center in Goleta.

## **FACILITY RECOMMENDATIONS FOR PROPOSED HOTEL AND CONFERENCE CENTER**

Based on the primary market research undertaken as summarized above, we prepared a facility profile for a hotel and conference center on Key Site #6 in Goleta that the research and analysis indicated would meet with the greatest success.

After evaluating the market, demand segmentation, and existing and planned hotel product(s) in the area, we concluded that *Embassy Suites*, a *Hilton Hotels* product, with its broad appeal across every market segment, but particularly within the corporate and leisure transient segments, would be the best fit for Key Site #6.

In each market segment, the *Embassy Suites* name capitalizes on the brand equity and customer loyalty associated with *Embassy*, *Hilton* and the *Hilton Honors* guest loyalty program and consistently out-penetrates its competition by offering an upscale feel with the exceptional value of complimentary, cooked-to-order breakfast, spacious, all-suite guestrooms, and a nightly manager’s reception for one price. This wide appeal and high perceived price value quotient makes the brand an exceptional performer in both peak and non-peak periods. During soft periods, there are opportunities to acquire corporate and university transient demand, as well as smaller SMERF groups. The *Embassy Suites* brand is consistently competitive for these sources of demand. Also, government and other travelers tied to a per diem or a limited expense account enjoy the budget-saving amenities. Perhaps most important, the overall strength of the brand under its defined and well-known attributes helps to offset the secondary nature of Key Site #6.

Based on the noted characteristics of the market area, the nature of the competitive supply, both existing and into the future, as well as the demonstrated group sizes likely to use a hotel at Key Site #6, we estimated that the optimum size of the subject should be roughly 175 rooms.

While a 175-room hotel is considered of moderate size, it will be the largest hotel in Goleta and still be able to compete for most group demand occurring in the local Goleta market and accommodate the upscale transient demand already demonstrated, while limiting the carrying cost of excess capacity. In most cases, the larger-sized groups, often state association, larger companies, or national meetings, will lean towards Santa Barbara as the primary location when selecting a hotel, which will limit a hotel at Key Site #6’s ability to compete for these events. Thus, the subject is more likely to compete for groups sized from 50 to 150 delegates/guests, which makes a 175-room hotel ideal for such meetings. This size will also help the hotel to

maintain room rate integrity during the shoulder and off-peak periods by limiting the required discounting that typically occurs in order to entice larger or multiple groups into the hotel. Considering Key Site #6's location in Goleta, a larger sized hotel would likely struggle to attract sufficient group demand in the winter months when Santa Barbara hotels are offering their largest (off-peak) discounts. Additionally, our profile of comparable hotels, which included interviews with management and a study of their total meeting space, including their largest ballroom and quantity of breakout space, lead us to a recommendation of roughly 9,000 total square feet of meeting space, or roughly 50 square feet per guest room. We also created a zero-based build up model that included a sample calendar of annual events, with knowledge of typical event sizes and requirements from our interviews that suggested this was the appropriate size. Our recommendations are inclusive of a 4,500 square foot ballroom, which equates to roughly 23 square feet per guest room.

Finally, in recent years, *Hilton* has introduced a smaller *Embassy Suites* prototype, which utilizes less land, offers the option of developing up to 20 percent "one-room suites", as opposed to the traditional "two-room suites", and offers a limited atrium, all factors, which have reduced development costs significantly.

Thus, for purposes of this analysis, we assumed that Key Site #6 would be developed with a 175-unit *Embassy Suites* based on *Hilton* development standards. In addition to the guest room amenities, we recommend that the following be available on site:

- An all-suite hotel comprised of 20 percent one-room suites and 80 percent two-room suites, with a mix of 60 percent single King and 40 percent double Queen bedded rooms;
- *Embassy Suites* "Spoons" dining conception (a quick service bistro);
- A bar/lounge, capable of serving both the lobby and the pool area, which can also host the Manager's evening reception;
- A separate area dedicated to the complimentary full breakfast;
- Roughly 9,000 square feet of dedicated indoor meeting space, including:
  - one 4,500 square foot junior ballroom (divisible by three);
  - one smaller conference room, 3,500 square feet (divisible by two), and
  - two small boardrooms.
- An appropriately landscaped pool area, styled in a resort feel;
- Gift/sundry shop;
- Business center;
- Valet laundry service; and
- Guest parking.

Based on our review of comparables facilities and combined with the prototypical facilities and amenities provided by *Hilton's* design team, we are of the opinion that the foregoing will position the proposed *Embassy Suites* to effectively penetrate the competitive market.

## **DEMAND ESTIMATES FOR HOTEL AND CONFERENCE CENTER AT KEY SITE #6 IN GOLETA**

Based on the foregoing, we prepared estimates of demand for a hypothetical 175-unit *Embassy Suites* (hotel and conference center) on Key Site #6 in Goleta. Our analysis includes a discussion of the area's principal market segments: corporate transient, university transient, leisure transient, and group demand, all of which are detailed in the following pages.

## METHODOLOGY TO ESTABLISH STABILIZED OCCUPANCY PERFORMANCE FOR A HOTEL AT KEY SITE #6

We employed three methods to establish the proposed hotel’s likely estimated stabilized occupancy performance.

### ZERO-BASED BUILD-UP MODEL

It should be noted that our zero-based build-up model focuses solely on the estimates of room night contribution from the group segment; it does not attempt to quantify demand generated from the transient segments; this was done through a traditional penetration analysis discussed below.

Our **zero based build-up model** reviewed the demand contributions from each source in the group segment in a stabilized year in terms of the number of attendees, events, and hotel room nights. Our group projections were estimated from looking at a hypothetical schedule of conferences, meetings, and events that the proposed facility could realistically expect to capture. This approach allowed us to determine with more certainty the number and size of meeting rooms within the proposed conference center.

Based on our hypothetical zero-based build-up model, the following table summarizes the estimated number of events and corresponding attendees and occupied room nights by segment for the proposed hotel and conference center at Key Site #6 in a stabilized year of operation. For purposes of our analysis, we have determined the proposed hotel would open in the 4<sup>th</sup> quarter of 2013 (Q1 FY 2014) and stabilize in its 3<sup>rd</sup> year of operation or FY 2016.

Summary of Events and Attendees by Segment for a Stabilized Year of Operation Proposed 175-unit Embassy Suites, Goleta, CA						
Segment	Events		Attendees		Occupied Room Nights	
	# of Events	% of Total	# of Attendees	% of Total	Total ORN	% of Total
Leisure/SMERF	87	21%	6,950	29%	3,563	31%
Corporate	186	46%	9,300	38%	4,767	41%
UCSB	135	33%	7,950	33%	3,304	28%
<b>Total</b>	<b>408</b>	<b>100%</b>	<b>24,200</b>	<b>100%</b>	<b>11,634</b>	<b>100%</b>

Source: REVPAR International, Inc.

### COMPARABLE ANALYSIS

In an effort to appropriately size the proposed hotel and conference center and understand the potential underlying market forces that would affect room night demand, we undertook a comparable analysis (as previously explained) of existing hotels with a profile that is expected to be similar to the proposed hotel and conference Center on Key Site #6.

The comparable analysis encompassed interviewing 10 California hotels, ranging in size from 149 to 360 rooms, with between 4,000 and 21,000 square feet of meeting space. In the course of our interviews, we identified factors directly comparable to the market and applied them when developing our demand estimations and recommendations for the overall size and scope of the project, as well as in determining the appropriate number of rooms to meeting space ratio. These interviews also provided insight into the food and beverage component of the groups/events market, as well as guidance on estimated revenues by metrics such as per occupied room night.

While these properties were each unique within their respective markets, they displayed an estimate year-end 2010 range of occupancy between roughly 60 percent and 85 percent, with an average annual occupancy of 70 percent. Of the four hotels located in the local market, we estimated a tighter range of 71 to 74 percent annual occupancy, with an average of 72 percent. This establishes a range of likely operating performance levels for the proposed hotel and conference center on Key Site #6. Segmentation of demand in the comparables was roughly 70 percent transient and 30 percent group. The accompanying table on the right displays estimated 2010 occupancy ranges within the comparable hotels.

Comparable Properties Estimated 2010 Occupancy		
Minimum	Maximum	Average
<b>Range of Comparables</b>		
60%	85%	70%
<b>Range of Local Comparables</b>		
71%	74%	72%
Source: Various Hotels; compiled by REVPAR International, Inc.		

Separately, we also identified which in-house amenities were viewed as critical for competing in the marketplace and which were often overrated or money-losing operations. For example, a stylishly designed pool, with a resort feel, was found to provide a high level of positive guest feedback, even in primarily university and corporate markets. Conversely, we determined that an in-house spa was not a necessary component.

**MARKET PENETRATION ANALYSIS**

The 3<sup>rd</sup> method used to estimate occupancy was through a traditional market penetration analysis; a means by which estimates of future occupancy performance of a hotel are derived based on the concept of "fair market share." Fair market share equates the ratio of the subject hotel's available guestrooms to the total market supply. In this case, there are 1,298 equivalent annualized available rooms in the competitive market as of projected year-end 2010. Additions to supply (and weighing the probability of each proposed new hotel actually being developed) will increase available rooms to 1,641 by the subject's opening in FY 2014. Thus, the subject's fair market share upon opening will be 175 rooms divided by 1,641 or 10.7 percent of total market supply. Because there are no further additions to supply anticipated in subsequent years, the subject's fair share is expected to remain stable at 10.7 percent for the balance of the projection period.

Historical levels of penetration for the competition have been analyzed in order to prepare a prospective penetration analysis for the subject hotel for the period FY 2014 through 2016. In preparing our projections of occupancy and average daily rate, we have assumed the following:

- The subject hotel will be operated as a *Embassy Suites* and benefit from the *Hilton* affiliation and related global marketing efforts;
- The subject property will offer an upscale meeting space product, a restaurant, and lounge;
- The subject property will be managed in a competent and efficient manner; and
- Management of the subject hotel will institute an aggressive sales and marketing effort at least four to six months prior to the hotel's opening date and this will continue throughout the projection period.

In order to further refine the analysis and provide a more realistic approach to prospective levels of utilization, the location, facilities, rates, services, quality, and overall market position of the competitive properties are compared to the proposed *Embassy Suites* within each market segment. Such a comparison of competitive advantages and disadvantages indicates the penetration of market demand that a property could achieve above or below 100 percent of its fair market share.

Thus, we prepared a market penetration analysis for a proposed hotel at Key Site #6 by segment, which is provided in the *Addenda*.

- In the **corporate transient segment**, the subject property is expected to capture 95 percent of its fair share in the first full year of operation; this penetration level is expected to increase to 106 percent once the property stabilizes. This equates to roughly 29 percent of total demand captured in a stabilized year of operation.
- In the **university segment**, the proposed hotel is expected to capture 112 percent of its fair share during its first full year of operation, leveling off at approximately 125 percent in a stabilized year. This equates to roughly 10 percent of the subject hotel's market mix.
- In the **leisure segment**, the proposed subject is expected to capture 81 percent of its fair share during its first full year of operation; this penetration level is expected to decrease to 82 percent once the property stabilizes. Leisure demand will represent approximately 35 percent of overall demand for the proposed hotel in a stabilized year of operation.
- In the **group segment**, the proposed subject is expected to capture 91 percent of its fair share during its first full year of operation; this penetration level is expected to increase to 107 percent once the property stabilizes. Group demand will represent approximately 26 percent of overall demand for the proposed hotel in a stabilized year of operation.

Overall, we believe the proposed *Embassy Suites* will achieve 89 percent of its fair share during its first full year of operation, increasing to 98 percent in a stabilized year of operation, assumed to be FY 2016. Accordingly, occupancy rates for the subject hotel are projected to range from 63 percent in FY 2014 to 70 percent in FY 2016. We consider an occupancy rate of 70 percent to be representative of the subject's performance over the long term.

## SUMMARY

Based on the three approaches, the following tables summarize the estimated total occupied room nights by segment for the proposed hotel and conference center at Key Site #6 for a stabilized year of operation.

Occupied Room Nights by Segment for a Stabilized Year of Operation Proposed 175-unit Embassy Suites, Goleta, CA		
Market Segment	Total Occupied Room Nights	% of Total
Corporate	13,000	29%
University	4,500	10%
Leisure/SMERF	15,000	34%
Group	12,000	27%
<b>Total</b>	<b>44,500</b>	<b>100%</b>

Source: REVPAR International, Inc.

Overall, our estimates detail the projected amount of demand that the proposed facility can realistically expect to capture in a stabilized or representative year of operation. A facility such as this can expect to take about 3 years to stabilize as the hotel sales staff builds group business, the regional market and the conference industry become aware that the property is available, and the hotel attempts to overcome the secondary nature of the site. The proposed hotel is expected to compete for and acquire its fair share of corporate, university, and group demand, much of which is generated locally in Goleta. However, it is expected to obtain less than its fair share of the leisure demand segment due to its location outside of Santa Barbara and the secondary

characteristics of the site itself in Goleta. Lastly, it should be noted that university group demand is contained within the overall group segment.

## AVERAGE DAILY RATE ANALYSIS

The table on the right presents the average daily room rate achieved by the total competitive supply from 2007 to projected year-end 2010.

As the table illustrates, room rates decreased 3.8 percent compounded annually for the total market between 2007 and projected year-end 2010. Generally, this decrease in average rate has been economy-driven, as hotels in the secondary set have struggled with a depressed group market and most hoteliers throughout the market have discounted their pricing in an effort to maintain or steal market share, induce leisure and group demand, while negotiated accounts have sought to renegotiate established rates either out of necessity or to take advantage of a buyer's market.

Historical ADR Performance Competitive Market Area	
Year	Total Market
2007	\$182.71
2008	\$182.23
2009	\$163.60
2010 <sup>(1)</sup>	\$162.47
<b>CAG<sup>(2)</sup></b>	<b>(3.8%)</b>
Notes: <sup>(1)</sup> Projected year end based on YTD information through November.	
<sup>(2)</sup> Compound Annual Growth.	
Source: REVPAR International, Inc.	

### COMPARISON OF ROOM RATES

The following table summarizes the published room rates for a typical standard room of the select properties in the competitive supply (as of December 2010).

Comparison of Advertised Room Rates <sup>(1)</sup>		
Property	Peak	Off-Peak/Shoulder
Hampton Inn	\$169 - \$199	\$169 - \$179
Holiday Inn	\$180 - \$209	\$106 - \$129
Best Western	\$105 - \$135	\$140 - \$200
Pacifica Suites	\$145 - \$175	\$175 - \$210
Ramada Limited	\$140 - \$190	\$110 - \$150
Fess Parker's Doubletree	\$295 - \$395	\$235 - \$310
Hotel Mar Monte (Hyatt)	\$319 - \$380	\$179 - \$239
Marriott Santa Ynez	\$199 - \$249	\$139 - \$189
Note: <sup>(1)</sup> Rates are as of December 2010 and rounded to nearest whole dollar.		
Source: Individual properties; compiled by REVPAR International, Inc.		

In addition to the above rates, the competitive hotels offer special discounts to high-volume users and group and offer lower rates during periods of acute weak demand. Thus, the rates noted in the table above represent more of a point at which rate negotiations begin, rather than actual rates that will be charged.

With the foregoing in mind, the *Embassy Suites*' room rates should be positioned at or above that of the existing Goleta hotels given its expected quality level and all-suite configuration, but below the Santa Barbara hotels, which are considered to have a superior location, including easier beach access, while offering a comparable level of facility and services. Two-room suites should be priced between 15 and 25 percent higher than the component of one-room suites.

With the foregoing in mind, the following table depicts our recommended room rates for the proposed *Embassy Suites* stated in current value (2010) dollars.

Proposed Embassy Suites Recommended Room Rates		
Rate Category	Peak	Off-Peak/Shoulder
Rack	\$199.00 - \$229.00	\$149.00 - \$199.00
Discount	\$149.00- \$169.00	\$129.00 - \$149.00
Volume	\$129.00 - \$139.00	\$119.00 - \$129.00

Source: REVPAR International, Inc.

Based on the above factors, as well as the weighted average contribution of each segment of demand accommodated at the proposed hotel and the discounting policies in the market, we calculate an average daily room rate (ADR) of approximately \$162.00 in 2010 dollars. Meanwhile, upon opening in FY 2014, the ADR projected for a hotel at Key Site #6 is expected to be \$170, and subsequently increase to \$190 by FY 2016, the property's 3<sup>rd</sup> full year of operation.

Of note, the ADR in the competitive market has been declining since 2008, due to the slowdown in the national and regional economy, as is typical during recessionary periods. However, many hotels are expected to show ADR increases by year-end 2010. During post-recessionary periods, this “lost rate” is typically made up with ADR increases above the rate of inflation. For example, after two years of ADR decline in 2001 and 2002, from 2003 to 2008, the ADR for all U.S. hotels increased at a compound annual rate of 5.2 percent, almost twice the rate of the CPI index during that time period. Considering these factors, we have estimated that during the period during 2011 and 2013, the market ADR will increase at a rate greater than inflation, with annual growth trends between 4 and 7 percent, before settling back into a more typically assumed 3 percent annual growth pattern.

## PROPERTY PROJECTIONS

Based on the foregoing assumptions, REVPAR International prepared estimated top line future operating performance for a 175-room *Embassy Suites* as summarized in the following table. For purposes of our analysis, we have determined the proposed hotel would open in the 4<sup>th</sup> quarter of 2013 (Q1 FY 2014) and stabilize in its 3<sup>rd</sup> year of operation or FY 2016.

Projected Operating Results FY 2014 – 2019 Proposed 175-unit Embassy Suites, Key Site #6, Goleta, CA				
Fiscal Year <sup>(1)</sup>	Occupancy	Average Daily Rate	RevPAR	Market Occ. %
Stabilized Year <sup>(3)</sup>	70%	\$162.00	\$113.40	--
2014	63%	\$170.00	\$107.10	70%
2015	67%	\$185.00	\$123.95	71%
2016	70%	\$190.00	\$133.00	71%
2017	70%	\$196.00	\$137.20	71%
2018	70%	\$202.00	\$141.40	71%
2019	70%	\$208.00	\$145.60	71%
<b>CAG <sup>(4)</sup></b>	<b>2.2%</b>	<b>4.1%</b>	<b>6.3%</b>	<b>--</b>

Notes: <sup>(1)</sup> Fiscal Year defined as October through September.  
<sup>(2)</sup> Average Daily Rate; rounded to the nearest dollar.  
<sup>(3)</sup> Presented in 2010 dollars.  
<sup>(4)</sup> Compound Annual Growth.  
<sup>(5)</sup> Revenue Per Available Room.

Source: REVPAR International, Inc.

As displayed above, we believe that a stabilized occupancy of 70 percent and annual ADR of \$162.00 (2010 value dollars) is reasonable based on our research. This equates to top line rooms

revenue of roughly \$7.2 million (2010 value dollars). A complete financial pro-forma, including food, beverage, and other ancillary revenues, as well as a complete breakdown of expenses by line item is included in the *Addenda*.

## STATEMENTS OF ESTIMATED OPERATING RESULTS

Since the proposed hotel and conference center on Key Site #6 will be new construction, the project has no operating history. Therefore, our estimates of future financial operating results for the proposed hotel have been derived through the analysis and review of the performance of comparable hotels (presented in the *Addenda*), *Smith Travel Research's 2010 HOST Study*, (presented in the *Addenda*) and our evaluation of the income potential of a hotel at Key Site #6 under projected market conditions. In order to provide a common basis for comparison, the comparable properties' statements have been adjusted by the Consumer Price Index and are presented in 2010 dollars. Our method is to estimate the annual operating results of the property in current value 2010 dollars, as if it were open and operating at a level considered representative of its long term potential. We then project performance for a future forecast period, in this case 12 years. These projections have been adjusted to reflect projected changes in room occupancy, variation in average room rates, and general price inflation.

The *Uniform System of Accounts for the Lodging Industry*, recommended by the *American Hotel and Lodging Association* and used throughout the industry, has been used in the classification of revenues and expenses in this report. In this system of account classification, only direct operating expenses are charged to the operating department. General overhead items which are applicable to the entire operation of the facility are classified as undistributed operating expenses. Insurance, real estate taxes, and business personal property taxes -- expenses, which generally are considered to be beyond the control of the property manager -- are classified as fixed charges. To portray price level changes, we assumed a 2.0 percent annual inflation rate for the next two years, stabilizing at 3.0 percent thereafter based on the Congressional Budget Office (CBO) forecasts of future inflation through the use of the Consumer Price Index for All Urban Consumers, (CPI-U). Lastly, fundamental to the estimates of operating results is the assumption of competent and efficient management at the proposed subject property. Among the primary responsibilities of management are the maintenance of the quality of the facility and the execution of an aggressive marketing effort prior to and after opening.

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### DEPARTMENTAL REVENUES

#### Rooms Revenue

Our room revenue estimates are based upon the occupancy and average room rate projections discussed and supported in the *Market Analysis* section of the report. We estimate that the proposed 175-unit *Embassy Suites* can achieve an annual occupancy rate of 70 percent and an average room rate of \$162.00 (2010 value dollars) in a stabilized year of operation. We consider this to be representative of the long-term performance of the hotel. Accordingly, room revenue for the representative year in 2010 value dollars is estimated at \$7,243,000.

#### Food and Beverage Revenue

Revenue from the restaurant and banquet outlets includes food and beverage sales from the hotel's *Flying Spoons* restaurant and lounge, which will serve breakfast, lunch, and dinner and

offer a full bar, as well as 9,000 square feet of meeting space. Food and beverage revenue at comparable hotels exhibits a wide range depending on the size and number of food and beverage outlets and available services, from zero to \$3 million, with an average of \$23.40 per occupied room night. *HOST* comparables offered an average of \$48.09 per occupied room. The following table summarizes the historical performance of the financial and *HOST* comparables for this line item and our estimated results for a hotel at Key Site #6.

Food and Beverage Revenue					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Revenue Per Occupied Room <sup>(1)</sup>	\$42.62	\$60.46	\$0	\$35.24	\$27.00
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

Taking into consideration the size of the proposed facilities at the subject hotel versus those offered at the comparables and our knowledge of the local market, we have estimated restaurant revenue at roughly \$475,000 or \$10.50 per occupied room night and banquet revenue at roughly \$744,000 or \$16.50 per occupied room night. Overall, total food and beverage revenue is estimated at roughly \$1,219,000 annually or \$27.00 per occupied room. Higher revenue volume for this department is mitigated by *Embassy's* inclusion in the room rate of its signature complimentary full “cook to order” breakfast and evening reception.

**Other Operated Departments**

Other operated departments income is primarily comprised of the revenues generated by a sundry shop, guest laundry, and in-room movie sales, as well as local and long-distance telephone charges. This revenue was based on an estimated zero-based build-up prepared by REVPAR International.

Based on the foregoing, we have estimated the proposed hotel’s other operated department revenues at \$179,000 or \$4.00 (telephone accounts for approximately \$0.05) per occupied room in 2010 dollars. This amount was inflated at the projected rate of inflation over the projection period, adjusting total sales for variations in occupancy.

**Rentals and Other**

Rentals and Other income revenue generated from miscellaneous sources such as cancellation penalties, meeting room rental, and vending machines. The comparables did not offer a range of revenue in this line, likely including these smaller revenue streams within the other operated departments line, a result of differing accounting practices. *HOST* comparables offered a range of revenue from \$3.38 to \$7.01 per occupied room.

Rentals and Other Revenue					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Cost Per Occupied Room <sup>(1)</sup>	\$3.38	\$7.01	\$0	\$0	\$3.91
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

Based on the foregoing, we have estimated the proposed hotel’s rentals and other revenues at \$175,000 or \$3.91 per occupied room in 2010 dollars. This amount was inflated at the projected rate of inflation over the projection period, adjusting total sales for variations in occupancy.

### Total Revenues

Based on the foregoing, total revenues are projected at approximately \$197 per occupied room, or \$8,816,000 in a stabilized year in current value dollars. The comparable data present a range of \$123 to \$255 per occupied room.

## DEPARTMENTAL EXPENSES

### Rooms Department

Expenses for the rooms department include wages and benefits for the front office, housekeeping, and laundry staff. Other operating expenses include the costs of *Embassy Suites*' complimentary breakfast and manager's reception offerings, cleaning supplies, laundry supplies, guest room supplies, printing and front desk supplies, travel agent commissions, television cable expense, and contract cleaning, amongst other rooms-related expenses.

Certain costs are considered to vary with fluctuations in room occupancy, while others remain relatively fixed. This expense category includes a fixed and variable component, because certain expenses are incurred whether or not the rooms are occupied.

Rooms expense is typically analyzed based on departmental expense ratios and on a cost per occupied room basis. The *HOST* and comparables ranged between \$20.88 and \$47.11 per occupied room, or 15.4 to 29.7 percent of rooms revenue.

Based on the above, we have estimated rooms expense at roughly \$35.23 per occupied room (2010 value dollars) in a stabilized year of operation. This equates to a 21.7 percent expense ratio of rooms revenue. The following table summarizes the historical performance of the financial and *HOST* comparables for this line item and our estimated results for a hotel at Key Site #6.

Rooms Expenses					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Cost Per Occupied Room <sup>(1)</sup>	\$32.50	\$47.11	\$20.88	\$39.73	\$35.23
Expense Ratio to Rooms Revenue	26.7%	29.7%	15.4%	28.0%	21.7%
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

### Food and Beverage Department Expense

Restaurant/banquet expenses for the hotel include the cost of food and beverage, payroll, and related expenses for the restaurant and lounge; as well as the 9,000 square feet of function space. Additionally, this expense category includes the cost of laundry, linen, operating supplies, china, silver and glassware. Restaurant/banquet expenses are typically analyzed as a ratio to related revenue. The ratios experienced by the comparable hotels range from zero to 89.6 percent.

Food and Beverage Expenses					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Expense Ratio to Rooms Revenue	73.4%	82.9%	0.0%	89.6%	85%
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

Based on the restaurant and lounge operations proposed for the subject hotel, we have estimated restaurant/banquet expense at 85 percent of related revenue in a stabilized year.

### Other Operated Departments Expense

Other operated department expense includes the cost of goods sold (movies, guest laundry, sundry shop) and the labor associated with operating those services, and the cost of providing internet access and local and long distance telephone service. Other operated department expense is typically analyzed based on the ratio between the departmental expense and departmental revenue. The ratios achieved by the comparable hotels range from 32.6 percent to 207.1 percent. Based on the specific assumed operations proposed for a hotel at Key Site #6, we have estimated other operated department expense at 87.2 percent of revenue in a stabilized year. In general, other operated departments are marginally profitable, as high expenses associated with operating the telephone system, for example, force the departmental expenses close to 100 percent. The following table summarizes the historical performance of the financial comparables for this line item and our estimated results for the subject hotel.

Other Operated Department Expense					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Expense Ratio to Rooms Revenue	2.9%	4.5%	32.6%	207.1%	87.2%
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

### UNDISTRIBUTED OPERATING EXPENSES

#### Administrative and General

Administrative and general expenses include the cost associated with the general manager's salary, benefit package and bonus, etc. Other operating expenses in the administrative and general category include the salaries in the accounting office, credit card commissions, travel and entertainment, operating supplies, data processing, postage, bad debt expense, dues and subscriptions, and professional fees.

Administrative and general expense is typically analyzed on a cost per available room basis, or as a ratio to total hotel revenues. The ratios to total revenue of the *HOST* and comparable hotels ranged from 7.1 to 10.6 percent; on a per available room basis, expenses range from \$3,008 to \$5,352.

Based on the costs incurred by the comparable hotels, we have estimated total administrative and general expense at approximately \$3,800 per available room, or 7.5 percent of total revenue in a stabilized year. The following table summarizes the historical performance of the financial and *HOST* comparables for this line item and our estimated results for a hotel at Key Site #6.

Administrative & General Expenses					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Cost Per Available Room <sup>(1)</sup>	\$3,797	\$5,352	\$3,008	\$4,979	\$3,800
Expense Ratio to Total Revenue	8.8%	9.9%	7.1%	10.6%	7.5%
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

#### Sales and Marketing

The latest edition of the *Uniform System of Accounts for the Lodging Industry* combines both franchise fees and all other traditional sales and marketing expenses undertaken at the property under sales and marketing expenses. Franchise fees include a royalty fee, marketing fee, plus other miscellaneous expenses and are typically calculated as a percentage of gross rooms' revenue or gross revenues. Other sales and marketing expenses typically consist of

salaries and wages of the department, advertising in directories, newspapers, magazines, hotel promotions, dues and publications, travel and entertainment, printing and supplies, and postage. These latter expenses are more fixed in nature and not necessarily dependent upon fluctuations in revenues and would be expected to continue even after the hotel achieves stabilized occupancy to maintain market share. Despite the recent decision to combine these expenses in the *Uniform System of Accounts for the Lodging Industry*, we are of the opinion that it is more beneficial to evaluate these two expenses separately as follows:

- **Sales & Marketing**

Sales and Marketing expenses (excluding franchise fees) are typically analyzed on a per available room basis and as a ratio to total revenues. On a cost per available room basis, the financial and *HOST* comparables range from \$687 to 5,540 per available room. As a ratio to total revenue, the range is 1.8 to 9.2 percent.

Based on the foregoing, we have estimated sales and marketing expense for a hotel at Key Site #6 at roughly \$2,000 per available room (2010 value dollars) or \$350,000 in a stabilized year of operation, which equates to about 4.0 percent of total revenue in the stabilized year. Similar to administrative and general, we have estimated that the sales and marketing expense will be higher in the initial year to account for the aggressive marketing efforts needed to attract demand during start-up.

The following table summarizes the historical performance of the financial and *HOST* comparables for this line item and our estimated results for the subject hotel.

Sales & Marketing Expenses (Exclusive of Franchise Fees)					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Cost Per Available Room <sup>(1)</sup>	\$3,176	\$4,225	\$687	\$5,540	\$2,000
Expense Ratio to Total Revenue	7.0%	8.1%	1.8%	9.2%	4.0%
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

- **Franchise Fees**

Annual expenses related to the *Embassy Suites* affiliation will total roughly 11.5 percent of rooms revenue to include a royalty fee (5 percent), marketing fee (4 percent), guest rewards program (1.5 percent), as well as other miscellaneous expenses (1 percent) that typically occur as a result of this agreement. As such, we have deducted 11.5 percent of gross rooms revenue as franchise fees.

**Property Operations and Maintenance**

This expense item covers all expenses related to maintaining and repairing the hotel building and site improvements. Property operations and maintenance is extremely important in the hotel business because the willingness of guests to pay higher room rates is directly related to the overall exterior and interior image of a property and the proper functioning of heating and cooling systems, etc.

Expenses in this category include payroll and related, maintenance and repair of the plumbing and heating, maintenance contracts, electrical and mechanical, swimming pool, grounds, supplies, and landscaping, etc. The *HOST* and comparable expenses ranged from a low of \$1,374 per available room to a high of \$3,351 per available room. Accordingly, we have estimated that the proposed subject hotel will incur an expense of roughly \$2,200 per available room (2010 value dollars) in a representative or stabilized year. The following table summarizes the historical

performance of the financial and *HOST* comparables for this line item and our estimated results for a hotel at Key Site #6.

Property Operations & Maintenance Expense					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Cost Per Available Room <sup>(1)</sup>	\$2,124	\$3,133	\$1,374	\$3,351	\$2,200
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

### Utilities

Utilities include the cost of natural gas, electricity, public water and sanitary sewer services. The *HOST* and comparables ranged from 2.4 to 5.6 percent of total revenue, or from \$1,971 to \$2,503 per available room. We have estimated an energy expense of approximately \$2,000 per available room (2010 value dollars) for a representative stabilized year. Energy expenses are estimated to increase at the rate of inflation. The following table summarizes the historical performance of the financial and *HOST* comparables for this line item and our estimated results for the subject hotel.

Utilities Expenses					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Cost Per Available Room <sup>(1)</sup>	\$1,971	\$2,503	\$1,584	\$2,406	\$2,000
Expense Ratio to Total Revenue	4.1%	5.1%	2.4%	5.6%	4.0%
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

### MANAGEMENT FEES

Our projections assume competent and efficient management of the hotel throughout the projection period. Typically, a fee of 3 to 5 percent of gross revenues is considered appropriate. To this end, we have included a deduction for a base management fee equal to 3.0 percent of gross revenues in our financial analysis.

### FIXED COSTS

#### Property & Other Taxes

Real estate taxes for a proposed hotel at Key Site #6 are currently \$1.04 per \$100 of assessed value. Assessment ratios for tax purposes are 100 percent of the full cash (market) value. The following table illustrates the tax assessments of select comparable properties.

Comparable Properties 2010 Santa Barbara County Assessments			
Hotel	# of Rooms	Assessment	Assessed Value Per Room
Hampton Inn	98	\$16,259,253	\$165,911
Pacifica Suites	87	\$15,574,305	\$179,015
Holiday Inn	160	\$13,448,250	\$84,052
Best Western South Coast	121	\$10,408,485	\$86,021
Fess Parker's Doubletree	360	\$76,800,429	\$213,335
Hotel Mar Monte	197	\$21,968,583	\$111,516
Marriott Santa Ynez	149	\$6,307,001	\$42,329
Source: REVPAR International, Inc.			

Based on the above, we estimated the full market value assessment for a hotel at Key Site #6 at \$33,250,000 (2010 dollars) or \$190,000 per key. Applying the local tax rates yields estimated the real estate tax liability for the proposed hotel at approximately \$339,000 (2010 value dollars) in a representative stabilized year, which is considered reasonable considering the upscale positioning and size of the proposed hotel, when compared to the assessed values of other hotel properties in the immediate area.

Business personal property (FF&E) taxes are a total of \$1.04 per \$100 of assessed value in 2010. The assessment ratio for tax purposes is 100 percent of full cash (market) value. We have estimated the assessed value of personal property (FF&E) at \$3,150,000 or \$18,000 per key. After the assessment ratio is applied, the amount is depreciated at 10 percent per year for the first five years. Based on this and the current tax rate, we have estimated personal property taxes to be \$22,000 (2010 value dollars) in a representative stabilized year.

Overall, we have estimated the assessed real estate and property taxes in a stabilized year to be approximately \$361,000 (2010 value dollars).

### Insurance

Building and contents insurance is analyzed on a per available room basis. Comparing insurance premiums between hotels is difficult because some hotels have umbrella policies in which the general liability insurance is wrapped up with building and contents insurance but reported on this line item. The comparable properties' insurance expense ranges from zero \$1,077 per available room.

Based on our comparables, and the location of the subject, we estimate building and contents insurance to be \$96,000 annually or roughly \$549 per available room (2010 value dollars). This figure is inflated in future years at a rate of inflation.

Building & Contents Insurance Expense					
	HOST		Comparables		Subject
	Minimum	Maximum	Minimum	Maximum	
Cost Per Available Room <sup>(1)</sup>	\$458	\$1,077	\$0	\$663	\$549
Note: <sup>(1)</sup> In 2010 value dollars.					
Source: Smith Travel Research and Various Sources; compiled by REVPAR International, Inc.					

### RESERVE FOR REPLACEMENTS

Provision has been made for a reserve for the periodic replacement of furnishings, fixtures, and equipment. The annual contribution to this reserve is typically calculated at three to five percent of total revenues for the hotel, a ratio considered reasonable given the anticipated quality of the property and the estimated replacement cost of these short-lived terms. For a hotel at Key Site #6, reserve for replacement of fixed assets has been projected at 4.0 percent of total revenues throughout the projection period.

### CASH FLOW PROJECTIONS

Statements of estimated annual operating results for the proposed *Embassy Suites* for a stabilized year and the 12-year period beginning in Fiscal Year 2014 are presented in the *Addenda*. In the table, net operating income is defined as income before interest, depreciation, amortization, and income taxes.

## LAND VALUE ESTIMATE

In accordance with our scope of work, we estimated a value of the land for Key Site #6 under several methods.

Initially, we researched and obtained comparable land sales in California where the intended use was for hotel development. We also researched local land sales in Goleta where the intended use was not necessarily hotel, but a commercial use that, regardless of current zoning, could be developed on Key Site #6. Lastly, we estimated the amount that a developer would typically pay for the subject land based on industry metrics and the estimated “going concern” value of the hotel derived from the discounted cash flow analysis prepared using the pro-forma results identified above. As previously mentioned, we have assumed a 6-acre site for the development of the proposed hotel.

### COMPARABLE HOTEL LAND SALES

In the course of our research, we uncovered several recent hotel land sales in California, which are summarized in the following table.

Recent Hotel Land Sales in California			
Proposed Hotel	Residence Inn by Marriott	Courtyard by Marriott	Hampton Inn & Suites
City, State	Pasadena, CA	Oceanside, CA	San Luis Obispo, CA
Location	233 North Fair Oaks Ave.	Seagate Way/Rancho Del Oro Drive	Calle Joaquin
Sale Date	9/2010	11/2010	12/2010
Arms Length	Y	Y	Y
Buyer	RD Olson Development	RD Olson Development	InterMountain Mgt
Seller	East West Bank	Rockefeller Group	Ocean Park Hotels SLO 2
Price	\$3,000,030	\$2,660,000	\$1,670,000
Size (Acres)	0.96	2.70	1.42
Size (Sq. Ft.)	41,818	112,909	61,855
# Rooms Planned	150	140	84
Price/Acre	\$3,125,001	\$985,185	\$1,176,056
Price/Sq. Ft	\$72	\$24	\$27
Price/Room	\$20,000	\$19,000	\$19,881

Source: REVPAR International, Inc.

In comparing the land sales on a per-room basis, these sites sold for between \$19,000 and \$20,000 per expected hotel room to be built. It should be noted that we have not adjusted these sales to account for factors such as size, local market conditions, etc. However, each sale is considered current, having occurred within the last 6 months of the date of this report. In our experience, a hotel site for a development similar to the hotel proposed for Key Site #6 is typically valued between \$15,000 to \$25,000 per expected guest room to be built, although there are outliers to this range depending on individual market factors. At \$20,000 per room, the 6-acre site for the proposed 175-unit hotel would be worth roughly \$3,500,000 or \$13 per square foot.

### COMPARABLE COMMERCIAL LAND SALES IN GOLETA

We also briefly reviewed a series of recent vacant commercial land sales within Goleta. Three of these sales are presented in the following table.

Recent Commercial Land Sales in Goleta			
Site	351 S. Patterson Ave	111 Castilian Drive	420 S. Fairview
Sale Date	2/2009	5/2008	8/2007
Arms Length	Y	Y	Y
Buyer	Cottage Hospital	Marc Winnikoff	Fairview Business Center
Price	\$7,000,000	\$4,000,000	\$6,000,000
Size (Acres)	9.35	3.52	4.63
Size (Sq. Ft.)	407,286	153,331	201,683
Zoning	P-I	MRP	MRP
Price/Acre	\$748,663	\$1,136,365	\$1,295,895
Price/Sq. Ft	\$17	\$26	\$30
Notes	Vacant land adjacent to hospital	Industrial	Office

Source: REVPAR International, Inc.

As displayed, the sales comparables transacted between 2007 and 2009 and the value of the land that sold has consistently declined since the 2007 peak of the market. However, our conversations with local commercial brokers indicated that zoning and location also play a key role in this market in establishing the value of vacant developable land in Goleta. Generally, the foregoing sales would indicate that Key Site #6 could sell for roughly \$17 to \$30 per square foot if developed for office or industrial use. However, it has been indicated that, given the difficulty associated with accomplishing a zoning change, the value of Key Site #6, is likely to experience downward pressure. Even at the low end of this range, the 6-acre site would appear to have significantly more value as office or industrial use versus hotel use. Thus, if the 6-acre site is valued at \$17 to \$30 per square foot, the resulting range of value would be \$4,400,000 to \$7,800,000.

### HOTEL MARKET-BASED LAND VALUE ESTIMATE

As a check to the reasonableness of the above approaches, we reviewed *HVS International's Hotel Development Costs Survey*. This survey reports the results of queried hotel developers as to the actual cost of constructing hotel properties, including the portion paid for land, in markets across the country. According to *HVS*, full-service hotel developers indicate that land cost accounts for an average of roughly 10 to 20 percent of their development budget, or 12 percent on average. In our experience, we have found similar results, depending upon product being developed and location. In applying this metric to our stabilized Discounted Cash Flow (DCF) value of \$29,300,000 (presented in the *Addenda*), Key Site #6 would be valued at \$2.9 million to \$5.8 million for the 6-acre site, or \$3.5 million using an average 12 percent of the overall value allocated to land. This equates to about \$20,000 per room or \$13 per square foot, which is consistent with the comparable hotel land sales previously discussed.

### SUMMARY

The following table displays the range in land values derived from the above methods:

Land Value Estimate		
Method	Overall Value	Average
Comparable Hotel Land Values	\$3,500,000	\$20,000 per room
Comparable Commercial Land Sales in Goleta	\$4,400,000 - \$7,800,000	\$17-\$30 per square foot
Allocation Method Using Industry Metric	\$2,930,000 to \$5,800,000	\$3.5 million or \$20,000 per room

Sources: Various.

Please note that we did not undertake an appraisal of Key Site #6 and do not represent these values as definitive or in compliance with commercial industry or Appraisal Institute standards.

# **Addenda**

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# **Market Penetration**

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# **Stabilized Operating Results**

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## Summary Operating Statement (in a Stabilized Year) Proposed Conference Hotel, Goleta, CA

For a Representative Year in Current Value Dollars

Number of Rooms:	175
Annual # of Available Rooms:	63,875
Annual occupancy rate:	70%
Annual # of Occupied Rooms	44,713
Average Daily Rate	\$162.00
RevPAR	\$113.40

	Amount	Ratio	Amount per Avail. Rms.	Amount per Occ. Rms.
<b>DEPARTMENTAL REVENUES</b>				
Rooms	\$7,243,000	82.2%	\$41,389	\$161.99
Food & Beverage	\$1,219,000	13.8%	\$6,966	\$27.26
Other Operated Departments	\$179,000	2.0%	\$1,022	\$4.00
Rentals & Other Income	\$175,000	2.0%	\$1,000	\$3.91
<b>TOTAL REVENUE</b>	<b>\$8,816,000</b>	<b>100.0%</b>	<b>\$50,377</b>	<b>\$197.17</b>
<b>DEPARTMENTAL EXPENSES <sup>(1)</sup></b>				
Rooms	\$1,575,000	21.7%	\$9,000	\$35.23
Food and Beverage	\$1,036,000	85.0%	\$5,920	\$23.17
Other Operated Departments	\$156,000	87.2%	\$891	\$3.49
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>\$2,767,000</b>	<b>31.4%</b>	<b>\$15,811</b>	<b>\$61.88</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$6,049,000</b>	<b>68.6%</b>	<b>\$34,566</b>	<b>\$135.29</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>				
Administrative and General	\$665,000	7.5%	\$3,800	\$14.87
Sales and Marketing	\$1,183,000	13.4%	\$6,760	\$26.46
Property Operations and Maintenance	\$385,000	4.4%	\$2,200	\$8.61
Utilities	\$350,000	4.0%	\$2,000	\$7.83
<b>TOTAL UNDISTRIBUTED EXPENSES</b>	<b>\$2,583,000</b>	<b>29.3%</b>	<b>\$14,760</b>	<b>\$57.77</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$3,466,000</b>	<b>39.3%</b>	<b>\$19,806</b>	<b>\$77.52</b>
MANAGEMENT FEES	\$264,000	3.0%	\$1,509	\$5.90
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$3,202,000</b>	<b>36.3%</b>	<b>\$18,297</b>	<b>\$71.61</b>
<b>FIXED CHARGES</b>				
Rent	\$0	0.0%	\$0	\$0.00
Property and Other Taxes	\$361,000	4.1%	\$2,063	\$8.07
Insurance	\$96,000	1.1%	\$549	\$2.15
<b>TOTAL FIXED CHARGED</b>	<b>\$457,000</b>	<b>5.2%</b>	<b>\$2,612</b>	<b>\$10.22</b>
<b>NET OPERATING INCOME</b>	<b>\$2,745,000</b>	<b>31.1%</b>	<b>\$15,685</b>	<b>\$61.39</b>
LESS: REPLACEMENT RESERVES	\$353,000	4.0%	\$2,017	\$7.89
<b>ADJUSTED NET OPERATING INCOME</b>	<b>\$2,392,000</b>	<b>27.1%</b>	<b>\$13,668</b>	<b>\$53.50</b>

Notes:

(1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

# **Projected Operating Results**

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## Summary Operating Statement Proposed Conference Hotel, Goleta, CA

	Year 1		Year 2		Year 3
Fiscal Year (Oct - Sept):	2014		2015		2016
Number of Rooms:	175		175		175
Annual # of Available Rooms:	63,875		63,875		63,875
Annual occupancy rate:	63%		67%		70%
Annual # of Occupied Rooms	40,241		42,796		44,713
Average Daily Rate	\$170.00		\$185.00		\$190.00
RevPAR	\$107.10		\$123.95		\$133.00

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
<b>DEPARTMENTAL REVENUES</b>												
Rooms	\$6,841,000	81.3%	\$39,091	\$170.00	\$7,917,000	82.2%	\$45,240	\$184.99	\$8,495,000	82.2%	\$48,543	\$189.99
Food & Beverage	\$1,224,000	14.5%	\$6,994	\$30.42	\$1,332,000	13.8%	\$7,611	\$31.12	\$1,428,000	13.8%	\$8,160	\$31.94
Other Operated Departments	\$177,000	2.1%	\$1,011	\$4.40	\$194,000	2.0%	\$1,109	\$4.53	\$210,000	2.0%	\$1,200	\$4.70
Rentals & Other Income	\$174,000	2.1%	\$994	\$4.32	\$190,000	2.0%	\$1,086	\$4.44	\$205,000	2.0%	\$1,171	\$4.58
<b>TOTAL REVENUE</b>	<b>\$8,416,000</b>	<b>100.0%</b>	<b>\$48,090</b>	<b>\$209.14</b>	<b>\$9,633,000</b>	<b>100.0%</b>	<b>\$55,046</b>	<b>\$225.09</b>	<b>\$10,338,000</b>	<b>100.0%</b>	<b>\$59,074</b>	<b>\$231.21</b>
<b>DEPARTMENTAL EXPENSES (1)</b>												
Rooms	\$1,579,000	23.1%	\$9,023	\$39.24	\$1,720,000	21.7%	\$9,829	\$40.19	\$1,845,000	21.7%	\$10,543	\$41.26
Food and Beverage	\$1,144,000	93.5%	\$6,537	\$28.43	\$1,178,000	88.4%	\$6,731	\$27.53	\$1,213,000	84.9%	\$6,931	\$27.13
Other Operated Departments	\$156,000	88.1%	\$891	\$3.88	\$170,000	87.6%	\$971	\$3.97	\$183,000	87.1%	\$1,046	\$4.09
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>\$2,879,000</b>	<b>34.2%</b>	<b>\$16,451</b>	<b>\$71.54</b>	<b>\$3,068,000</b>	<b>31.8%</b>	<b>\$17,531</b>	<b>\$71.69</b>	<b>\$3,241,000</b>	<b>31.4%</b>	<b>\$18,520</b>	<b>\$72.49</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$5,537,000</b>	<b>65.8%</b>	<b>\$31,639</b>	<b>\$137.60</b>	<b>\$6,565,000</b>	<b>68.2%</b>	<b>\$37,515</b>	<b>\$153.40</b>	<b>\$7,097,000</b>	<b>68.6%</b>	<b>\$40,554</b>	<b>\$158.73</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>												
Administrative and General	\$756,000	9.0%	\$4,320	\$18.79	\$756,000	7.8%	\$4,320	\$17.67	\$779,000	7.5%	\$4,451	\$17.42
Sales and Marketing	\$1,056,000	12.5%	\$6,034	\$26.24	\$1,229,000	12.8%	\$7,023	\$28.72	\$1,387,000	13.4%	\$7,926	\$31.02
Property Operations and Maintenance	\$287,000	3.4%	\$1,640	\$7.13	\$356,000	3.7%	\$2,034	\$8.32	\$451,000	4.4%	\$2,577	\$10.09
Utilities	\$348,000	4.1%	\$1,989	\$8.65	\$381,000	4.0%	\$2,177	\$8.90	\$410,000	4.0%	\$2,343	\$9.17
<b>TOTAL UNDISTRIBUTED EXPENSES</b>	<b>\$2,447,000</b>	<b>29.1%</b>	<b>\$13,983</b>	<b>\$60.81</b>	<b>\$2,722,000</b>	<b>28.3%</b>	<b>\$15,554</b>	<b>\$63.60</b>	<b>\$3,027,000</b>	<b>29.3%</b>	<b>\$17,297</b>	<b>\$67.70</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$3,090,000</b>	<b>36.7%</b>	<b>\$17,656</b>	<b>\$76.79</b>	<b>\$3,843,000</b>	<b>39.9%</b>	<b>\$21,961</b>	<b>\$89.80</b>	<b>\$4,070,000</b>	<b>39.4%</b>	<b>\$23,257</b>	<b>\$91.03</b>
MANAGEMENT FEES	\$252,000	3.0%	\$1,440	\$6.26	\$288,000	3.0%	\$1,646	\$6.73	\$310,000	3.0%	\$1,771	\$6.93
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$2,838,000</b>	<b>33.7%</b>	<b>\$16,216</b>	<b>\$70.52</b>	<b>\$3,555,000</b>	<b>36.9%</b>	<b>\$20,315</b>	<b>\$83.07</b>	<b>\$3,760,000</b>	<b>36.4%</b>	<b>\$21,486</b>	<b>\$84.09</b>
<b>FIXED CHARGES</b>												
Rent	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00
Property and Other Taxes	\$413,000	4.9%	\$2,360	\$10.26	\$422,000	4.4%	\$2,411	\$9.86	\$431,000	4.2%	\$2,463	\$9.64
Insurance	\$106,000	1.3%	\$606	\$2.63	\$109,000	1.1%	\$623	\$2.55	\$112,000	1.1%	\$640	\$2.50
<b>TOTAL FIXED CHARGED</b>	<b>\$519,000</b>	<b>6.2%</b>	<b>\$2,966</b>	<b>\$12.90</b>	<b>\$531,000</b>	<b>5.5%</b>	<b>\$3,034</b>	<b>\$12.41</b>	<b>\$543,000</b>	<b>5.3%</b>	<b>\$3,103</b>	<b>\$12.14</b>
<b>NET OPERATING INCOME</b>	<b>\$2,319,000</b>	<b>27.6%</b>	<b>\$13,250</b>	<b>\$57.63</b>	<b>\$3,024,000</b>	<b>31.4%</b>	<b>\$17,281</b>	<b>\$70.66</b>	<b>\$3,217,000</b>	<b>31.1%</b>	<b>\$18,383</b>	<b>\$71.95</b>
LESS: REPLACEMENT RESERVES	\$337,000	4.0%	\$1,926	\$8.37	\$385,000	4.0%	\$2,200	\$9.00	\$414,000	4.0%	\$2,366	\$9.26
<b>ADJUSTED NET OPERATING INCOME (2)</b>	<b>\$1,982,000</b>	<b>23.6%</b>	<b>\$11,324</b>	<b>\$49.25</b>	<b>\$2,639,000</b>	<b>27.4%</b>	<b>\$15,081</b>	<b>\$61.66</b>	<b>\$2,803,000</b>	<b>27.1%</b>	<b>\$16,017</b>	<b>\$62.69</b>

Notes: (1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

## Summary Operating Statement Proposed Conference Hotel, Goleta, CA

	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>
Fiscal Year (Oct - Sept):	2017	2018	2019
Number of Rooms:	175	175	175
Annual # of Available Rooms:	63,875	63,875	63,875
Annual occupancy rate:	70%	70%	70%
Annual # of Occupied Rooms	44,713	44,713	44,713
Average Daily Rate	\$196.00	\$202.00	\$208.00
RevPAR	\$137.20	\$141.40	\$145.60

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms		Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms		Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	
<b>DEPARTMENTAL REVENUES</b>															
Rooms	\$8,764,000	82.2%	\$50,080	\$196.01		\$9,032,000	82.2%	\$51,611	\$202.00		\$9,300,000	82.2%	\$53,143	\$208.00	
Food & Beverage	\$1,470,000	13.8%	\$8,400	\$32.88		\$1,514,000	13.8%	\$8,651	\$33.86		\$1,560,000	13.8%	\$8,914	\$34.89	
Other Operated Departments	\$216,000	2.0%	\$1,234	\$4.83		\$222,000	2.0%	\$1,269	\$4.97		\$229,000	2.0%	\$1,309	\$5.12	
Rentals & Other Income	\$211,000	2.0%	\$1,206	\$4.72		\$217,000	2.0%	\$1,240	\$4.85		\$224,000	2.0%	\$1,280	\$5.01	
<b>TOTAL REVENUE</b>	<b>\$10,661,000</b>	<b>100.0%</b>	<b>\$60,920</b>	<b>\$238.43</b>		<b>\$10,985,000</b>	<b>100.0%</b>	<b>\$62,771</b>	<b>\$245.68</b>		<b>\$11,313,000</b>	<b>100.0%</b>	<b>\$64,646</b>	<b>\$253.02</b>	
<b>DEPARTMENTAL EXPENSES (1)</b>															
Rooms	\$1,900,000	21.7%	\$10,857	\$42.49		\$1,957,000	21.7%	\$11,183	\$43.77		\$2,016,000	21.7%	\$11,520	\$45.09	
Food and Beverage	\$1,250,000	85.0%	\$7,143	\$27.96		\$1,287,000	85.0%	\$7,354	\$28.78		\$1,326,000	85.0%	\$7,577	\$29.66	
Other Operated Departments	\$188,000	87.0%	\$1,074	\$4.20		\$194,000	87.4%	\$1,109	\$4.34		\$200,000	87.3%	\$1,143	\$4.47	
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>\$3,338,000</b>	<b>31.3%</b>	<b>\$19,074</b>	<b>\$74.65</b>		<b>\$3,438,000</b>	<b>31.3%</b>	<b>\$19,646</b>	<b>\$76.89</b>		<b>\$3,542,000</b>	<b>31.3%</b>	<b>\$20,240</b>	<b>\$79.22</b>	
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$7,323,000</b>	<b>68.7%</b>	<b>\$41,846</b>	<b>\$163.78</b>		<b>\$7,547,000</b>	<b>68.7%</b>	<b>\$43,125</b>	<b>\$168.79</b>		<b>\$7,771,000</b>	<b>68.7%</b>	<b>\$44,406</b>	<b>\$173.80</b>	
<b>UNDISTRIBUTED OPERATING EXPENSES</b>															
Administrative and General	\$802,000	7.5%	\$4,583	\$17.94		\$826,000	7.5%	\$4,720	\$18.47		\$851,000	7.5%	\$4,863	\$19.03	
Sales and Marketing	\$1,430,000	13.4%	\$8,171	\$31.98		\$1,474,000	13.4%	\$8,423	\$32.97		\$1,518,000	13.4%	\$8,674	\$33.95	
Property Operations and Maintenance	\$464,000	4.4%	\$2,651	\$10.38		\$478,000	4.4%	\$2,731	\$10.69		\$493,000	4.4%	\$2,817	\$11.03	
Utilities	\$422,000	4.0%	\$2,411	\$9.44		\$435,000	4.0%	\$2,486	\$9.73		\$448,000	4.0%	\$2,560	\$10.02	
<b>TOTAL UNDISTRIBUTED EXPENSES</b>	<b>\$3,118,000</b>	<b>29.2%</b>	<b>\$17,816</b>	<b>\$69.73</b>		<b>\$3,213,000</b>	<b>29.2%</b>	<b>\$18,360</b>	<b>\$71.86</b>		<b>\$3,310,000</b>	<b>29.3%</b>	<b>\$18,914</b>	<b>\$74.03</b>	
<b>GROSS OPERATING PROFIT</b>	<b>\$4,205,000</b>	<b>39.4%</b>	<b>\$24,030</b>	<b>\$94.05</b>		<b>\$4,334,000</b>	<b>39.5%</b>	<b>\$24,765</b>	<b>\$96.93</b>		<b>\$4,461,000</b>	<b>39.4%</b>	<b>\$25,492</b>	<b>\$99.77</b>	
MANAGEMENT FEES	\$319,000	3.0%	\$1,823	\$7.13		\$329,000	3.0%	\$1,880	\$7.36		\$339,000	3.0%	\$1,937	\$7.58	
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$3,886,000</b>	<b>36.5%</b>	<b>\$22,207</b>	<b>\$86.91</b>		<b>\$4,005,000</b>	<b>36.5%</b>	<b>\$22,885</b>	<b>\$89.57</b>		<b>\$4,122,000</b>	<b>36.4%</b>	<b>\$23,555</b>	<b>\$92.19</b>	
<b>FIXED CHARGES</b>															
Rent	\$0	0.0%	\$0	\$0.00		\$0	0.0%	\$0	\$0.00		\$0	0.0%	\$0	\$0.00	
Property and Other Taxes	\$440,000	4.1%	\$2,514	\$9.84		\$449,000	4.1%	\$2,566	\$10.04		\$462,000	4.1%	\$2,640	\$10.33	
Insurance	\$116,000	1.1%	\$663	\$2.59		\$119,000	1.1%	\$680	\$2.66		\$123,000	1.1%	\$703	\$2.75	
<b>TOTAL FIXED CHARGED</b>	<b>\$556,000</b>	<b>5.2%</b>	<b>\$3,177</b>	<b>\$12.44</b>		<b>\$568,000</b>	<b>5.2%</b>	<b>\$3,246</b>	<b>\$12.70</b>		<b>\$585,000</b>	<b>5.2%</b>	<b>\$3,343</b>	<b>\$13.08</b>	
<b>NET OPERATING INCOME</b>	<b>\$3,330,000</b>	<b>31.2%</b>	<b>\$19,030</b>	<b>\$74.48</b>		<b>\$3,437,000</b>	<b>31.3%</b>	<b>\$19,639</b>	<b>\$76.87</b>		<b>\$3,537,000</b>	<b>31.3%</b>	<b>\$20,212</b>	<b>\$79.11</b>	
LESS: REPLACEMENT RESERVES	\$426,000	4.0%	\$2,434	\$9.53		\$439,000	4.0%	\$2,509	\$9.82		\$453,000	4.0%	\$2,589	\$10.13	
<b>ADJUSTED NET OPERATING INCOME (2)</b>	<b>\$2,904,000</b>	<b>27.2%</b>	<b>\$16,596</b>	<b>\$64.95</b>		<b>\$2,998,000</b>	<b>27.3%</b>	<b>\$17,130</b>	<b>\$67.05</b>		<b>\$3,084,000</b>	<b>27.3%</b>	<b>\$17,623</b>	<b>\$68.97</b>	

Notes: (1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

## Summary Operating Statement Proposed Conference Hotel, Goleta, CA

	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>
Fiscal Year (Oct - Sept):	2020	2021	2022
Number of Rooms:	175	175	175
Annual # of Available Rooms:	63,875	63,875	63,875
Annual occupancy rate:	70%	70%	70%
Annual # of Occupied Rooms	44,713	44,713	44,713
Average Daily Rate	\$214.00	\$220.00	\$227.00
RevPAR	\$149.80	\$154.00	\$158.90

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms		Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms		Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	
<b>DEPARTMENTAL REVENUES</b>															
Rooms	\$9,568,000	82.2%	\$54,674	\$213.99		\$9,837,000	82.2%	\$56,211	\$220.01		\$10,150,000	82.2%	\$58,000	\$227.01	
Food & Beverage	\$1,607,000	13.8%	\$9,183	\$35.94		\$1,655,000	13.8%	\$9,457	\$37.01		\$1,704,000	13.8%	\$9,737	\$38.11	
Other Operated Departments	\$236,000	2.0%	\$1,349	\$5.28		\$243,000	2.0%	\$1,389	\$5.43		\$250,000	2.0%	\$1,429	\$5.59	
Rentals & Other Income	\$231,000	2.0%	\$1,320	\$5.17		\$238,000	2.0%	\$1,360	\$5.32		\$245,000	2.0%	\$1,400	\$5.48	
<b>TOTAL REVENUE</b>	<b>\$11,642,000</b>	<b>100.0%</b>	<b>\$66,526</b>	<b>\$260.37</b>		<b>\$11,973,000</b>	<b>100.0%</b>	<b>\$68,417</b>	<b>\$267.78</b>		<b>\$12,349,000</b>	<b>100.0%</b>	<b>\$70,566</b>	<b>\$276.19</b>	
<b>DEPARTMENTAL EXPENSES (1)</b>															
Rooms	\$2,076,000	21.7%	\$11,863	\$46.43		\$2,139,000	21.7%	\$12,223	\$47.84		\$2,203,000	21.7%	\$12,589	\$49.27	
Food and Beverage	\$1,366,000	85.0%	\$7,806	\$30.55		\$1,407,000	85.0%	\$8,040	\$31.47		\$1,449,000	85.0%	\$8,280	\$32.41	
Other Operated Departments	\$205,000	86.9%	\$1,171	\$4.58		\$212,000	87.2%	\$1,211	\$4.74		\$218,000	87.2%	\$1,246	\$4.88	
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>\$3,647,000</b>	<b>31.3%</b>	<b>\$20,840</b>	<b>\$81.57</b>		<b>\$3,758,000</b>	<b>31.4%</b>	<b>\$21,474</b>	<b>\$84.05</b>		<b>\$3,870,000</b>	<b>31.3%</b>	<b>\$22,115</b>	<b>\$86.55</b>	
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$7,995,000</b>	<b>68.7%</b>	<b>\$45,686</b>	<b>\$178.81</b>		<b>\$8,215,000</b>	<b>68.6%</b>	<b>\$46,943</b>	<b>\$183.73</b>		<b>\$8,479,000</b>	<b>68.7%</b>	<b>\$48,451</b>	<b>\$189.63</b>	
<b>UNDISTRIBUTED OPERATING EXPENSES</b>															
Administrative and General	\$876,000	7.5%	\$5,006	\$19.59		\$903,000	7.5%	\$5,160	\$20.20		\$930,000	7.5%	\$5,314	\$20.80	
Sales and Marketing	\$1,561,000	13.4%	\$8,920	\$34.91		\$1,606,000	13.4%	\$9,177	\$35.92		\$1,656,000	13.4%	\$9,463	\$37.04	
Property Operations and Maintenance	\$507,000	4.4%	\$2,897	\$11.34		\$523,000	4.4%	\$2,989	\$11.70		\$538,000	4.4%	\$3,074	\$12.03	
Utilities	\$461,000	4.0%	\$2,634	\$10.31		\$475,000	4.0%	\$2,714	\$10.62		\$489,000	4.0%	\$2,794	\$10.94	
<b>TOTAL UNDISTRIBUTED EXPENSES</b>	<b>\$3,405,000</b>	<b>29.2%</b>	<b>\$19,457</b>	<b>\$76.15</b>		<b>\$3,507,000</b>	<b>29.3%</b>	<b>\$20,040</b>	<b>\$78.43</b>		<b>\$3,613,000</b>	<b>29.3%</b>	<b>\$20,645</b>	<b>\$80.81</b>	
<b>GROSS OPERATING PROFIT</b>	<b>\$4,590,000</b>	<b>39.4%</b>	<b>\$26,229</b>	<b>\$102.66</b>		<b>\$4,708,000</b>	<b>39.3%</b>	<b>\$26,903</b>	<b>\$105.29</b>		<b>\$4,866,000</b>	<b>39.4%</b>	<b>\$27,806</b>	<b>\$108.83</b>	
MANAGEMENT FEES	\$349,000	3.0%	\$1,994	\$7.81		\$359,000	3.0%	\$2,051	\$8.03		\$370,000	3.0%	\$2,114	\$8.28	
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$4,241,000</b>	<b>36.4%</b>	<b>\$24,235</b>	<b>\$94.85</b>		<b>\$4,349,000</b>	<b>36.3%</b>	<b>\$24,852</b>	<b>\$97.27</b>		<b>\$4,496,000</b>	<b>36.4%</b>	<b>\$25,692</b>	<b>\$100.55</b>	
<b>FIXED CHARGES</b>															
Rent	\$0	0.0%	\$0	\$0.00		\$0	0.0%	\$0	\$0.00		\$0	0.0%	\$0	\$0.00	
Property and Other Taxes	\$476,000	4.1%	\$2,720	\$10.65		\$490,000	4.1%	\$2,800	\$10.96		\$505,000	4.1%	\$2,886	\$11.29	
Insurance	\$127,000	1.1%	\$726	\$2.84		\$130,000	1.1%	\$743	\$2.91		\$134,000	1.1%	\$766	\$3.00	
<b>TOTAL FIXED CHARGED</b>	<b>\$603,000</b>	<b>5.2%</b>	<b>\$3,446</b>	<b>\$13.49</b>		<b>\$620,000</b>	<b>5.2%</b>	<b>\$3,543</b>	<b>\$13.87</b>		<b>\$639,000</b>	<b>5.2%</b>	<b>\$3,652</b>	<b>\$14.29</b>	
<b>NET OPERATING INCOME</b>	<b>\$3,638,000</b>	<b>31.2%</b>	<b>\$20,789</b>	<b>\$81.36</b>		<b>\$3,729,000</b>	<b>31.1%</b>	<b>\$21,309</b>	<b>\$83.40</b>		<b>\$3,857,000</b>	<b>31.2%</b>	<b>\$22,040</b>	<b>\$86.26</b>	
LESS: REPLACEMENT RESERVES	\$466,000	4.0%	\$2,663	\$10.42		\$479,000	4.0%	\$2,737	\$10.71		\$494,000	4.0%	\$2,823	\$11.05	
<b>ADJUSTED NET OPERATING INCOME (2)</b>	<b>\$3,172,000</b>	<b>27.2%</b>	<b>\$18,126</b>	<b>\$70.94</b>		<b>\$3,250,000</b>	<b>27.1%</b>	<b>\$18,572</b>	<b>\$72.69</b>		<b>\$3,363,000</b>	<b>27.2%</b>	<b>\$19,217</b>	<b>\$75.21</b>	

Notes: (1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

## Summary Operating Statement Proposed Conference Hotel, Goleta, CA

	Year 10		Year 11		Year 12
Fiscal Year (Oct - Sept):	2023		2024		2025
Number of Rooms:	175		175		175
Annual # of Available Rooms:	63,875		63,875		63,875
Annual occupancy rate:	70%		70%		70%
Annual # of Occupied Rooms	44,713		44,713		44,713
Average Daily Rate	\$234.00		\$241.00		\$248.00
RevPAR	\$163.80		\$168.70		\$173.60

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
<b>DEPARTMENTAL REVENUES</b>												
Rooms	\$10,463,000	82.2%	\$59,789	\$234.01	\$10,776,000	82.2%	\$61,577	\$241.01	\$11,089,000	82.2%	\$63,366	\$248.01
Food & Beverage	\$1,756,000	13.8%	\$10,034	\$39.27	\$1,808,000	13.8%	\$10,331	\$40.44	\$1,862,000	13.8%	\$10,640	\$41.64
Other Operated Departments	\$257,000	2.0%	\$1,469	\$5.75	\$265,000	2.0%	\$1,514	\$5.93	\$273,000	2.0%	\$1,560	\$6.11
Rentals & Other Income	\$252,000	2.0%	\$1,440	\$5.64	\$260,000	2.0%	\$1,486	\$5.81	\$267,000	2.0%	\$1,526	\$5.97
<b>TOTAL REVENUE</b>	<b>\$12,728,000</b>	<b>100.0%</b>	<b>\$72,732</b>	<b>\$284.66</b>	<b>\$13,109,000</b>	<b>100.0%</b>	<b>\$74,908</b>	<b>\$293.18</b>	<b>\$13,491,000</b>	<b>100.0%</b>	<b>\$77,092</b>	<b>\$301.73</b>
<b>DEPARTMENTAL EXPENSES (1)</b>												
Rooms	\$2,269,000	21.7%	\$12,966	\$50.75	\$2,337,000	21.7%	\$13,354	\$52.27	\$2,407,000	21.7%	\$13,754	\$53.83
Food and Beverage	\$1,492,000	85.0%	\$8,526	\$33.37	\$1,537,000	85.0%	\$8,783	\$34.38	\$1,583,000	85.0%	\$9,046	\$35.40
Other Operated Departments	\$224,000	87.2%	\$1,280	\$5.01	\$231,000	87.2%	\$1,320	\$5.17	\$238,000	87.2%	\$1,360	\$5.32
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>\$3,985,000</b>	<b>31.3%</b>	<b>\$22,772</b>	<b>\$89.12</b>	<b>\$4,105,000</b>	<b>31.3%</b>	<b>\$23,457</b>	<b>\$91.81</b>	<b>\$4,228,000</b>	<b>31.3%</b>	<b>\$24,160</b>	<b>\$94.56</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$8,743,000</b>	<b>68.7%</b>	<b>\$49,960</b>	<b>\$195.54</b>	<b>\$9,004,000</b>	<b>68.7%</b>	<b>\$51,451</b>	<b>\$201.38</b>	<b>\$9,263,000</b>	<b>68.7%</b>	<b>\$52,932</b>	<b>\$207.17</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>												
Administrative and General	\$958,000	7.5%	\$5,474	\$21.43	\$986,000	7.5%	\$5,634	\$22.05	\$1,016,000	7.5%	\$5,806	\$22.72
Sales and Marketing	\$1,707,000	13.4%	\$9,754	\$38.18	\$1,758,000	13.4%	\$10,046	\$39.32	\$1,810,000	13.4%	\$10,343	\$40.48
Property Operations and Maintenance	\$554,000	4.4%	\$3,166	\$12.39	\$571,000	4.4%	\$3,263	\$12.77	\$588,000	4.4%	\$3,360	\$13.15
Utilities	\$504,000	4.0%	\$2,880	\$11.27	\$519,000	4.0%	\$2,966	\$11.61	\$535,000	4.0%	\$3,057	\$11.97
<b>TOTAL UNDISTRIBUTED EXPENSES</b>	<b>\$3,723,000</b>	<b>29.3%</b>	<b>\$21,274</b>	<b>\$83.27</b>	<b>\$3,834,000</b>	<b>29.2%</b>	<b>\$21,909</b>	<b>\$85.75</b>	<b>\$3,949,000</b>	<b>29.3%</b>	<b>\$22,566</b>	<b>\$88.32</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$5,020,000</b>	<b>39.4%</b>	<b>\$28,686</b>	<b>\$112.27</b>	<b>\$5,170,000</b>	<b>39.4%</b>	<b>\$29,542</b>	<b>\$115.63</b>	<b>\$5,314,000</b>	<b>39.4%</b>	<b>\$30,366</b>	<b>\$118.85</b>
MANAGEMENT FEES	\$381,000	3.0%	\$2,177	\$8.52	\$393,000	3.0%	\$2,246	\$8.79	\$404,000	3.0%	\$2,309	\$9.04
<b>INCOME BEFORE FIXED CHARGES</b>	<b>\$4,639,000</b>	<b>36.4%</b>	<b>\$26,509</b>	<b>\$103.75</b>	<b>\$4,777,000</b>	<b>36.4%</b>	<b>\$27,296</b>	<b>\$106.84</b>	<b>\$4,910,000</b>	<b>36.4%</b>	<b>\$28,057</b>	<b>\$109.81</b>
<b>FIXED CHARGES</b>												
Rent	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00
Property and Other Taxes	\$520,000	4.1%	\$2,971	\$11.63	\$536,000	4.1%	\$3,063	\$11.99	\$552,000	4.1%	\$3,154	\$12.35
Insurance	\$138,000	1.1%	\$789	\$3.09	\$142,000	1.1%	\$811	\$3.18	\$147,000	1.1%	\$840	\$3.29
<b>TOTAL FIXED CHARGED</b>	<b>\$658,000</b>	<b>5.2%</b>	<b>\$3,760</b>	<b>\$14.72</b>	<b>\$678,000</b>	<b>5.2%</b>	<b>\$3,874</b>	<b>\$15.16</b>	<b>\$699,000</b>	<b>5.2%</b>	<b>\$3,994</b>	<b>\$15.63</b>
<b>NET OPERATING INCOME</b>	<b>\$3,981,000</b>	<b>31.3%</b>	<b>\$22,749</b>	<b>\$89.04</b>	<b>\$4,099,000</b>	<b>31.3%</b>	<b>\$23,422</b>	<b>\$91.67</b>	<b>\$4,211,000</b>	<b>31.2%</b>	<b>\$24,063</b>	<b>\$94.18</b>
LESS: REPLACEMENT RESERVES	\$509,000	4.0%	\$2,909	\$11.38	\$524,000	4.0%	\$2,994	\$11.72	\$540,000	4.0%	\$3,086	\$12.08
<b>ADJUSTED NET OPERATING INCOME (2)</b>	<b>\$3,472,000</b>	<b>27.3%</b>	<b>\$19,840</b>	<b>\$77.65</b>	<b>\$3,575,000</b>	<b>27.3%</b>	<b>\$20,428</b>	<b>\$79.96</b>	<b>\$3,671,000</b>	<b>27.2%</b>	<b>\$20,977</b>	<b>\$82.10</b>

Notes: (1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

# **Valuation Analysis**

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Proposed Conference Hotel, Goleta, CA			
Discounted Cash Flow Analysis - Upon Opening			
2014			
Year	Net Operating Income	Present Value Factor @ 12.5%	Present Value
1	\$1,982,000	0.888889	\$1,761,778
2	\$2,639,000	0.790123	\$2,085,136
3	\$2,803,000	0.702332	\$1,968,636
4	\$2,904,000	0.624295	\$1,812,953
5	\$2,998,000	0.554929	\$1,663,677
6	\$3,084,000	0.493270	\$1,521,245
7	\$3,172,000	0.438462	\$1,390,803
8	\$3,250,000	0.389744	\$1,266,669
9	\$3,363,000	0.346439	\$1,165,076
10	\$3,472,000	0.307946	\$1,069,189
Present Value of Cash Flows			\$15,705,162
Present Value of Reversion \$36,502,632			x
			0.307946
			\$11,240,845
Calculation of Reversion			
	11 Year Net Operating Income		
\$3,575,000	capitalized @	9.5%	\$37,631,579
Less Cost of Sale/Refinance @		3.0%	(\$1,128,947)
Net Reversion			\$36,502,632
TOTAL NET PRESENT VALUE			\$26,946,007
Rounded			\$26,900,000
Per Room			\$153,714

Source: REVPAR International, Inc.

Proposed Conference Hotel, Goleta, CA			
Discounted Cash Flow Analysis - Upon Stabilization			
2016			
Year	Net Operating Income	Present Value Factor @ 12.5%	Present Value
1	\$2,803,000	0.888889	\$2,491,556
2	\$2,904,000	0.790123	\$2,294,519
3	\$2,998,000	0.702332	\$2,105,591
4	\$3,084,000	0.624295	\$1,925,326
5	\$3,172,000	0.554929	\$1,760,235
6	\$3,250,000	0.493270	\$1,603,128
7	\$3,363,000	0.438462	\$1,474,549
8	\$3,472,000	0.389744	\$1,353,192
9	\$3,575,000	0.346439	\$1,238,521
10	\$3,671,000	0.307946	\$1,130,470
Present Value of Cash Flows			\$17,377,087
Present Value of Reversion \$38,820,421			x
			0.307946
			\$11,954,599
Calculation of Reversion			
	11 Year Net Operating Income		
\$3,802,000	capitalized @	9.5%	\$40,021,053
Less Cost of Sale/Refinance @		3.0%	(\$1,200,632)
Net Reversion			\$38,820,421
TOTAL NET PRESENT VALUE			\$29,331,686
Rounded			\$29,300,000
Per Room			\$167,429

Source: REVPAR International, Inc.

# **Comparable Financial Operating Results**

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## Range of Financial Comparables' Summary of Operating Statements

Comparables	Min	Max	Average
Number of Rooms	100	314	207
Occupancy	65.0%	80.0%	75.0%
Average Daily Rate	\$95.00	\$205.00	\$140.00
RevPAR	\$61.75	\$164.00	\$105.00

	Ratio to Sales Comparables			Per Available Room Comparables			Per Occ. Rm. Night Comparables		
	Min	Max	Average	Min	Max	Average	Min	Max	Average
<b>Revenues</b>									
Rooms	75.3%	97.7%	83.0%	\$21,480	\$61,243	\$38,207	\$92.82	\$207.40	\$140.40
Food & Beverage	0.0%	23.4%	14.4%	\$0	\$9,609	\$6,203	\$0.00	\$35.24	\$23.40
Other Operated Departments	1.2%	4.5%	2.6%	\$345	\$3,139	\$1,306	\$1.49	\$10.63	\$4.72
Rentals and Other	0.0%	0.0%	0.0%	\$0	\$0	\$0	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$28,490</b>	<b>\$69,921</b>	<b>\$45,716</b>	<b>\$123.12</b>	<b>\$236.79</b>	<b>\$168.52</b>
<b>Departmental Expenses (1)</b>									
Rooms	15.4%	28.0%	22.4%	\$4,832	\$9,644	\$8,169	\$20.88	\$39.73	\$30.44
Food & Beverage	0.0%	89.6%	62.5%	\$0	\$6,010	\$4,512	\$0.00	\$24.76	\$17.11
Other Operated Departments	32.6%	207.1%	89.4%	\$287	\$3,924	\$1,353	\$1.06	\$13.29	\$4.73
<b>Total</b>	<b>23.3%</b>	<b>37.6%</b>	<b>31.4%</b>	<b>\$8,836</b>	<b>\$18,323</b>	<b>\$14,035</b>	<b>\$32.63</b>	<b>\$66.62</b>	<b>\$52.28</b>
<b>Departmental Income</b>	<b>62.4%</b>	<b>76.7%</b>	<b>68.6%</b>	<b>\$17,971</b>	<b>\$51,598</b>	<b>\$31,681</b>	<b>\$77.66</b>	<b>\$174.74</b>	<b>\$116.24</b>
<b>Undistributed Operating Expenses</b>									
Administrative and General	7.1%	10.6%	8.6%	\$3,008	\$4,979	\$3,793	\$12.31	\$16.86	\$14.13
Sales and Marketing	12.1%	14.1%	13.3%	\$3,924	\$8,441	\$6,009	\$16.96	\$28.59	\$22.24
Property Operations and Maintenance	4.8%	6.9%	5.6%	\$1,374	\$3,351	\$2,553	\$5.94	\$12.04	\$9.45
Utilities	2.4%	5.6%	4.4%	\$1,584	\$2,406	\$1,881	\$5.77	\$8.82	\$7.04
<b>Total</b>	<b>26.4%</b>	<b>34.8%</b>	<b>31.9%</b>	<b>\$9,889</b>	<b>\$18,474</b>	<b>\$14,237</b>	<b>\$42.74</b>	<b>\$62.56</b>	<b>\$52.87</b>
<b>Gross Operating Profit</b>	<b>28.2%</b>	<b>47.4%</b>	<b>36.8%</b>	<b>\$8,081</b>	<b>\$33,125</b>	<b>\$17,445</b>	<b>\$34.92</b>	<b>\$112.18</b>	<b>\$63.37</b>
<b>Management Fee</b>	<b>2.5%</b>	<b>3.8%</b>	<b>3.1%</b>	<b>\$712</b>	<b>\$2,453</b>	<b>\$1,454</b>	<b>\$3.08</b>	<b>\$8.31</b>	<b>\$5.33</b>
<b>Income Before Fixed Charges</b>	<b>25.2%</b>	<b>43.9%</b>	<b>33.6%</b>	<b>\$7,369</b>	<b>\$30,672</b>	<b>\$15,990</b>	<b>\$31.84</b>	<b>\$103.87</b>	<b>\$58.04</b>
<b>Fixed Charges</b>									
Rent	0.0%	11.1%	1.9%	\$0	\$3,156	\$576	\$0.00	\$13.64	\$2.45
Property and Other Taxes	1.1%	9.1%	4.1%	\$478	\$3,907	\$1,815	\$1.75	\$16.10	\$6.95
Insurance	0.0%	1.8%	0.8%	\$0	\$663	\$342	\$0.00	\$2.45	\$1.28
<b>Total</b>	<b>1.8%</b>	<b>17.7%</b>	<b>6.9%</b>	<b>\$786</b>	<b>\$5,048</b>	<b>\$2,732</b>	<b>\$2.88</b>	<b>\$21.82</b>	<b>\$10.68</b>
<b>Net Operating Income</b>	<b>8.1%</b>	<b>39.8%</b>	<b>26.8%</b>	<b>\$2,320</b>	<b>\$27,826</b>	<b>\$13,258</b>	<b>\$10.03</b>	<b>\$94.23</b>	<b>\$47.36</b>
<b>Less: Reserves for Replacement</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>\$1,140</b>	<b>\$2,797</b>	<b>\$1,829</b>	<b>\$4.92</b>	<b>\$9.47</b>	<b>\$6.74</b>
<b>Adjusted Net Operating Income (2)</b>	<b>4.1%</b>	<b>35.8%</b>	<b>22.8%</b>	<b>\$1,181</b>	<b>\$25,029</b>	<b>\$11,429</b>	<b>\$5.10</b>	<b>\$84.76</b>	<b>\$40.61</b>

Notes: (1) Departmental ratios reflect percentage of department expense to department revenues and will not add to total departmental expenses.  
(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

# **HOST Comparables**

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## Breakdown of Comparables from Smith Travel Research 2010 HOST Study (Reflecting Statements of Operating Income and Expenses for the Year 2009)

With the Following Criterias:

Pacific (Full-Service)  
Suburban (Full-Service)  
Upscale (Full-Service)  
150 to 300 Rooms (Full-Service)

	Ratio to Sales Comparables			Per Available Room Comparables			Per Occ. Rm. Night Comparables		
	Min	Max	Average	Min	Max	Average	Min	Max	Average
<b>REVENUE</b>									
Rooms	62.4%	65.9%	64.9%	\$25,670	\$37,776	\$30,429	\$121.82	\$158.85	\$136.45
Food	17.1%	18.4%	17.7%	\$7,245	\$11,019	\$8,363	\$34.04	\$46.34	\$37.46
Beverage	4.5%	5.5%	5.0%	\$1,808	\$3,358	\$2,381	\$8.58	\$14.12	\$10.63
Other F & B	4.2%	6.1%	5.0%	\$2,050	\$2,560	\$2,289	\$9.35	\$11.35	\$10.31
Telecomm	0.4%	0.6%	0.5%	\$192	\$345	\$233	\$0.87	\$1.45	\$1.04
Other Operating Departments	3.0%	5.9%	4.5%	\$1,189	\$3,558	\$2,201	\$5.64	\$14.97	\$9.76
Rentals & Other Income	1.8%	2.8%	2.1%	\$712	\$1,667	\$1,021	\$3.38	\$7.01	\$4.54
Cancellation Fee	0.3%	0.5%	0.4%	\$102	\$313	\$171	\$0.49	\$1.32	\$0.76
<b>Total</b>	<b>99.8%</b>	<b>100.1%</b>	<b>100.0%</b>	<b>\$39,320</b>	<b>\$60,597</b>	<b>\$47,088</b>	<b>\$186.60</b>	<b>\$254.82</b>	<b>\$210.95</b>
<b>DEPARTMENTAL EXPENSES</b>									
Rooms	26.7%	29.7%	27.9%	\$6,849	\$11,205	\$8,533	\$32.50	\$47.11	\$38.19
Food & Beverage	73.4%	82.9%	78.2%	\$8,398	\$14,035	\$10,254	\$39.85	\$59.02	\$45.85
Telecomm	140.4%	168.0%	155.3%	\$306	\$485	\$356	\$1.41	\$2.04	\$1.59
Other Operatings Departments	2.9%	4.5%	3.8%	\$1,139	\$2,730	\$1,811	\$5.40	\$11.48	\$8.06
<b>Total</b>	<b>42.5%</b>	<b>47.0%</b>	<b>44.2%</b>	<b>\$16,692</b>	<b>\$28,455</b>	<b>\$20,954</b>	<b>\$79.21</b>	<b>\$119.65</b>	<b>\$93.70</b>
Total Departmental Profit	53.1%	57.5%	55.8%	\$22,628	\$32,142	\$26,134	\$107.39	\$135.17	\$117.26
<b>UNDISTRIBUTED OPERATING EXPENSES</b>									
Administrative & General	8.8%	9.9%	9.4%	\$3,797	\$5,352	\$4,410	\$18.02	\$22.50	\$19.79
Marketing	7.0%	8.1%	7.6%	\$3,176	\$4,225	\$3,533	\$14.63	\$17.77	\$15.87
Utility Costs	4.1%	5.1%	4.8%	\$1,971	\$2,503	\$2,226	\$9.35	\$10.53	\$10.01
Property Operations & Maintenance	5.2%	5.4%	5.3%	\$2,124	\$3,133	\$2,481	\$10.08	\$13.18	\$11.12
<b>Total</b>	<b>25.1%</b>	<b>28.1%</b>	<b>27.0%</b>	<b>\$11,068</b>	<b>\$15,212</b>	<b>\$12,649</b>	<b>\$52.53</b>	<b>\$63.98</b>	<b>\$56.79</b>
<b>GROSS OPERATING PROFIT</b>	<b>28.0%</b>	<b>29.4%</b>	<b>28.7%</b>	<b>\$11,560</b>	<b>\$16,929</b>	<b>\$13,485</b>	<b>\$54.86</b>	<b>\$71.20</b>	<b>\$60.47</b>
Franchise Fees	0.6%	1.6%	1.2%	\$378	\$734	\$560	\$1.59	\$3.34	\$2.55
Management Fees	2.6%	3.2%	3.0%	\$1,238	\$1,599	\$1,396	\$5.88	\$6.72	\$6.28
<b>INCOME BEFORE FIXED CHARGES</b>	<b>23.7%</b>	<b>24.9%</b>	<b>24.5%</b>	<b>\$9,689</b>	<b>\$14,952</b>	<b>\$11,528</b>	<b>\$45.98</b>	<b>\$62.88</b>	<b>\$51.65</b>
<b>SELECTED FIXED CHARGES</b>									
Property Taxes	3.4%	3.9%	3.8%	\$1,546	\$2,056	\$1,745	\$7.34	\$8.64	\$7.84
Insurance	1.2%	1.8%	1.4%	\$458	\$1,077	\$673	\$2.17	\$4.53	\$2.99
Reserve for Capital Replacement	1.9%	2.3%	2.1%	\$837	\$1,289	\$982	\$3.80	\$5.42	\$4.40
<b>AMOUNT AVAILABLE FOR DEBT SERVICE &amp; OTHER FIXED CHARGES</b>	<b>16.8%</b>	<b>17.5%</b>	<b>17.2%</b>	<b>\$6,792</b>	<b>\$10,531</b>	<b>\$8,129</b>	<b>\$32.23</b>	<b>\$44.29</b>	<b>\$36.42</b>

Notes: (1) Numbers inflated to present value dollar

# UCSB Survey Results

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# Goleta Hotel and Meeting Space Demand Survey

1. Please enter the information indicated below. Please include your department/program name with your job title.

First Name	94
Last Name	94
Job Title	94
Work Phone	92
Email Address	93

2. Does your department/program use any of the local (Goleta/Santa Barbara) hotels for overnight stays (for visiting professors, lectures/seminars, educational workshops, graduate students, recruiting, events, meetings, trade shows, etc.)?

	Number of Response(s)	Response Ratio
Yes. If yes, please proceed with survey	85	88.5%
No. If no, please go to Question # 9.	11	11.4%
No Responses	0	0.0%
<b>Total</b>	<b>96</b>	<b>100%</b>

3. Please select the hotels that your department/program typically uses or recommends. (Please select all that apply.)

	Number of Response(s)	Response Ratio
Bacara Resorts	4	4.7%
Best Western South Coast	71	83.5%
Hampton Inn	27	31.7%
Holiday Inn	27	31.7%
Pacifica Suites	44	51.7%
Motel 6	4	4.7%
Super 8	4	4.7%
Santa Barbara Hotels (please list the hotels in comments box)	49	57.6%
Other	23	27.0%
<b>Total</b>	<b>85</b>	<b>100%</b>

51 Comment(s)

4. What room rate do you typically pay for hotel accommodations?

selecting the option. Bottom % is percent of the total respondents selecting the option.

	under \$75	\$76-\$100	\$101-\$150	\$151-\$200	\$200+
Academic Year	2 3%	10 13%	62 78%	6 8%	0 0%
Summer	1 2%	6 10%	45 74%	8 13%	1 2%

19 Comment(s)

5. Approximately how many hotel room nights does your department/program generate?

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	1-15	16-30	31-50	51-100	101-300	300+
Fall Semester	58 73%	7 9%	5 6%	3 4%	3 4%	3 4%
Spring Semester	57 72%	6 8%	6 8%	4 5%	2 3%	4 5%
Summer	40 70%	3 5%	2 4%	8 14%	2 4%	2 4%

19 Comment(s)

# Goleta Hotel and Meeting Space Demand Survey

6. What is the average length of stay (number of nights) per hotel use or visit?

	Number of Response(s)	Response Ratio
1-3	78	81.2%
4-6	4	4.1%
7-12	0	0.0%
12+	0	0.0%
No Responses	14	14.5%
<b>Total</b>	<b>96</b>	<b>100%</b>

7. What is your basis for selecting a hotel? (Please select all that apply.)

	Number of Response(s)	Response Ratio
Location to restaurants, entertainment, beach	47	55.9%
Proximity to UCSB campus	73	86.9%
Price	72	85.7%
Facilities	38	45.2%
Brand	3	3.5%
Other	10	11.9%
<b>Total</b>	<b>84</b>	<b>100%</b>

8. What is the main purpose for requiring hotel accommodations? (Please select all that apply.)

	Number of Response(s)	Response Ratio
Sporting events	2	2.3%
Baccalaureate / Commencement	4	4.7%
Special events	36	42.8%
Visiting professors/lecturers	59	70.2%
Faculty/staff recruiting	38	45.2%
Prospective students	20	23.8%
Visiting researchers	18	21.4%
Social events	7	8.3%
Other	29	34.5%
<b>Total</b>	<b>84</b>	<b>100%</b>

9. Does your department/program host meetings/special events?

	Number of Response(s)	Response Ratio
Yes. If yes, please proceed with survey	73	76.0%
No. If no, please go to Question # 20.	22	22.9%
No Responses	1	1.0%
<b>Total</b>	<b>96</b>	<b>100%</b>

# Goleta Hotel and Meeting Space Demand Survey

14. Did you include the lodging demand for these meetings/events into Section A: Hotel Demand?

	Number of Response(s)	Response Ratio
Yes	50	52.0%
No	20	20.8%
No Responses	26	27.0%
<b>Total</b>	<b>96</b>	<b>100%</b>

15. Approximately how many hotel room nights do each of these events generate? (If you host more than 3 events a year, please provide answer in comments box.)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	1-5	6-15	16-30	31-50	51-100	100+
Event 1	36 64%	7 13%	7 13%	2 4%	2 4%	2 4%
Event 2	23 58%	8 20%	4 10%	3 8%	1 3%	1 3%
Event 3	16 50%	8 25%	4 13%	2 6%	1 3%	1 3%

11 Comment(s)

16. When are the events typically held? (If you host more than 3 events a year, please provide answer in comments box.)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	Weekday	Weekend	Weekday & Weekend
Event 1	48 74%	5 8%	12 18%
Event 2	27 57%	8 17%	12 26%
Event 3	19 53%	4 11%	13 36%

10 Comment(s)

17. When are the events typically held? (If you host more than 3 events a year, please provide answer in comments box.)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	Fall Semester	Spring Semester	Summer
Event 1	35 64%	17 31%	3 5%
Event 2	8 20%	30 75%	2 5%
Event 3	5 16%	11 35%	15 48%

30 Comment(s)

18. Do these events require food and beverage service? (If you host more than 3 events a year, please provide answer in comments box.)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	Yes	No
Event 1	57 88%	8 12%
Event 2	39 83%	8 17%
Event 3	30 86%	5 14%

14 Comment(s)

# Goleta Hotel and Meeting Space Demand Survey

## 10. How many events does your department/program host on an annual basis?

	Number of Response(s)	Response Ratio
1	10	10.4%
2	12	12.5%
3	14	14.5%
Other	42	43.7%
No Responses	18	18.7%
<b>Total</b>	<b>96</b>	<b>100%</b>

## 11. How often does your department/program host each event? (If you host more than 3 events a year, please provide answer in comments box.)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	Weekly	Monthly	1-2 times a year	3-4 times a year	5+ times a year
Event 1	4 7%	1 2%	35 63%	13 23%	3 5%
Event 2	4 11%	0 0%	25 68%	5 14%	3 8%
Event 3	1 4%	1 4%	19 68%	4 14%	3 11%

24 Comment(s)

## 12. What is the average number of attendees for each event? (If you host more than 3 events a year, please provide answer in comments box.)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	1-15	16-30	31-50	51-100	101-200	200+
Event 1	19 29%	16 24%	10 15%	11 17%	4 6%	6 9%
Event 2	10 22%	17 37%	5 11%	9 20%	2 4%	3 7%
Event 3	8 23%	10 29%	6 17%	6 17%	3 9%	2 6%

14 Comment(s)

## 13. Do these meetings require hotel rooms? (If you host more than 3 events a year, please provide answer in comments box.)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.

	Yes	No
Event 1	47 73%	17 27%
Event 2	35 74%	12 26%
Event 3	23 66%	12 34%

14 Comment(s)

# Goleta Hotel and Meeting Space Demand Survey

19. Where is the meeting portion of the event typically held? (Please select all that apply.)

	Number of Response(s)	Response Ratio
On-Campus Facility	70	94.5%
Hotel Meeting Space	20	27.0%
Local Schools	0	0.0%
Country Clubs	1	1.3%
Banquet Halls	4	5.4%
Other	7	9.4%
<b>Total</b>	<b>74</b>	<b>100%</b>

20. Do you expect your department/program to host more events/conferences/meetings in the future?

	Number of Response(s)	Response Ratio
Yes	43	44.7%
No	24	25.0%
Maybe	25	26.0%
Other	3	3.1%
No Responses	1	1.0%
<b>Total</b>	<b>96</b>	<b>100%</b>

21. Would your department/program host more events/conferences/meetings if there was a hotel and conference center proximate to UCSB?

	Number of Response(s)	Response Ratio
Yes	15	15.6%
No	39	40.6%
Maybe	37	38.5%
Other	2	2.0%
No Responses	3	3.1%
<b>Total</b>	<b>96</b>	<b>100%</b>

22. Approximately how many hotel room nights annually do you estimate these events will generate?

	Number of Response(s)	Response Ratio
None	13	13.5%
1-5	18	18.7%
6-15	17	17.7%
16-30	9	9.3%
31-50	11	11.4%
51-100	6	6.2%
100+	14	14.5%
No Responses	8	8.3%
<b>Total</b>	<b>96</b>	<b>100%</b>

23. Additional comments/issues/concerns:

19 Response(s)

# Goleta Hotel and Meeting Space Demand Survey

## COMMENTS

### 3. Please select the hotels that your department/program typically uses or recommends. (Please select all that apply.) - Other responses

The Upham  
Harbor View Inn  
UCSB Faculty Club  
Upham Motel  
Ramada  
Upham Hotel  
Faculty Club. UCSB  
Ramada Inn  
Upham  
Franciscan Inn  
The Upham Hotel, DoubleTree  
ucsb faculty club  
Upham, Franciscan Inn  
The Upham  
Upham, Canary  
Fess Parker Doubletree  
West Beach Inn, Upham Hotel  
Canary  
Upham  
see below  
The Upham Hotel/Eagle Inn/The Franciscan Inn  
Eli Prado  
Upham Hotel

### 3. Please select the hotels that your department/program typically uses or recommends. (Please select all that apply.) - Comments

Eagle Inn  
Upham Hotel, other motels downtown, especially those that will direct bill the department  
On occasion we have used Pacific Suites and The Ramada (off of Turnpike).  
Harbor View is currently for special VIP's -- i.e. faculty recruiting  
We use the Upham because of its ambience and location in an attractive part of Santa Barbara. The hotels in Goleta are much more bland than the Upham.  
Eagle Inn

Franciscan Inn  
Harbor View Inn

Ramada Limited  
Ramada Limited, Extended Stay, Best Western Peppertree -- these three and the Best Western SCI are among the most popular with our visitors. We also use the Harbor View  
PepperTree  
The Franciscan Inn

Cabrillo Inn  
Ramada and Upham Hotel  
Upham Hotel  
Casa Del Mar

Franciscan Inn

Upham Hotel

Bath Street Inn  
Upham Hotel  
Upham Hotel & Country House  
Upham

Canary Hotel (for commencement speakers)  
Hotel Mar Monte (now Hyatt Hotel)  
Ramada Inn  
Four Seasons Billmore

The Canary Hotel

The Upham Hotel

Fess Parker Doubletree  
We provide guests with a list of hotels close to campus. We don't promote any one in particular

# Goleta Hotel and Meeting Space Demand Survey

## COMMENTS

Harbor View Inn

Mar Monte

Pepper Tree Inn  
Fess Parker's DoubleTree Resort  
Fess Parker's DoubleTree Resort, Harbor View Inn, Hotel Mar Monte  
Mainly Pacifica Suites. Excellent relationship.  
Casa del Mar  
Hotel Mar Monte (Hyatt)

Hotel Oceana  
Upham Hotel, Franciscan Inn.  
Upham is the best. Good rates. Walking distance to restaurants. Nice hotel.  
hotels by the ocean  
Fess Parker Doubletree Resort  
Upham, Oceana, Presidio  
Harbor View Inn  
Fess Parkers  
The Franciscan Inn  
Harbor View Inn

Hotel Oceana  
Upham Inn  
We have overnight guestrooms. We recommend only if we do not have availability.  
hotel santa barbara

upham

radisson on calle real

canary  
Harbor View Inn

Upham Hotel  
Holiday Inn Express, Eagle Inn  
Upham  
Fess Parker Doubletree, Marmonte, Oceana  
Canary, Harbor View Inn, Fess Parker Doubletree, Upham Hotel  
Upham Hotel  
Franciscan Inn

Upham  
The Upham

Oceano

Presidio  
We have used the Upham for a UC Council of Chiefs meeting.  
El Prado  
Inn by the Harbor  
Airport shuttle and will run folks to campus. This is a plus.  
Upham Inn

#### 4. What room rate do you typically pay for hotel accommodations? - Comments

We typically do not host visitors during the summer.  
rate is for the south coast inn.  
We do not have speakers or conferences during the summer.  
closer to 100, than 150  
our guests will typically pay for their own hotel stays.  
Not sure since guests book their own hotels. They are generally looking in the \$75-100 range  
This is a special rate provided to the University.  
Most of our visitors are military so need the government per diem rate.  
Depending on the time of the month and day of the week. Sometimes we pay more.  
I think their rate is \$106  
Depending on whether or not the events being hosted by the Department of English are during the week or weekend, the prices vary between \$76-\$100(wk) or \$101-\$150(wknd).  
Fess Parker Doubletree: Staff \$129, students \$159, others \$189  
Depends on the day of the week and the nature of the visitor.  
unknown  
For hotels in Santa Barbara, rate is usually higher.

# Goleta Hotel and Meeting Space Demand Survey

## COMMENTS

We have overnight guestrooms. We recommend if we do not have availability, we do not book so I do not really know the rates.

Bacara can be higher but we have a UCSB rate at \$225 per night

I use Priceline whenever I travel to get discounted rates.

We are always looking for better rates for guests.

### 5. Approximately how many hotel room nights does your department/program generate? - Comments

We book on a quarterly basis as UCSB is on a quarter system, not a semester system.

You may want to reconsider rewording the question to FWS QUARTERS and then summer. We are not on semesters.

We host 2 commencement speakers in June.

We host ~1 small conference/workgroup or special visitor.

Not sure but it's likely far more than 300. We host almost 40,000 visitors per year in the visitor center (probably representing 15,000 families).

we do an off-site conference every spring which requires a large room block and a smaller event off-site in Fall.

Many are through recommendations to visiting teams for Intercollegiate Athletics competitions. Not all paid for by UCSB Athletics.

Less than 5

We are not on the semester system.

(Winter Quarter)

Depending on the conferences

Fess Parker: 160

All hotel contracts are sent to my office for approval. We process contracts for 200 departments on campus.

unknown

This number depends on how many conferences that we have during the summer who want to be able to offer to their attendees off-campus accommodations versus just on-campus. If we have a lot of programs requesting that, then we

probably have more room nights for that particular summer.

This varies for us depending on when our workshops/conferences are scheduled and how many people attend.

We only recommend, don't book.

These are visiting teams coming to play our athletic teams, as well as some prospective student-athletes.

My guesstimate, given Parents weekend and other annual parent events that we hold on campus. This is not considering Commencement

this varies greatly, depending on whether we are funding a large conference. for example, fall 2009, we reserved 20+ rooms. usually, 1-15 though per quarter. (exception is summer, rooms for Summer Institute, the guests stay at UCSB dorms:

16-30)

Depends on conference schedule.

### 7. What is your basis for selecting a hotel? (Please select all that apply.) - Other responses

shuttle service

Free shuttle service at South Coast Inn

Shuttle Service

Transportation to UCSB provided by hotel is a big plus

internet/wireless access

Direct Billing

Excellent Customer Service/Relations

Departments usually indicate their preference

Some conferences want properties downtown as well...don't care about being close

transportation to/from campus

### 8. What is the main purpose for requiring hotel accommodations? (Please select all that apply.) - Other responses

conferences

Seminar speakers

Conferences

conferences

Research conferences, meetings, symposia

Conferences

Visiting program officers

Administrative Meetings

accommodations for recruiters

Trustee meetings

academic conference attendees

Recruiting of Potential Student Athletes

Consultants

scientific meetings

workshops

conference presenters

Hosting meetings with UC Colleagues

conferences

professors participating in academic program review

conferences

Program Review meetings, Training

Coming to campus fro job interview

Conferences hosted at UCSB during summer

workshops and conferences

Mutual Aid from other UCPDs

applicants and trustees attending meetings

## Goleta Hotel and Meeting Space Demand Survey

### COMMENTS

Collaboration meetings with other UC campuses  
Mutual Aid from other UC Police Departments  
Hiring and Meetings

#### 10. How many events does your department/program host on an annual basis? - Other responses

Annual and quarterly lectures, etc.  
varies average 5  
dozens  
varies; usually 8-10 conferences, plus other visitors to our programs  
monthly  
6  
New program -- will be several per year at least  
none  
approx. 15-20 seminars/talks  
6-7  
5+  
numerous throughout california  
Our dept. doesn't hold events on an annual basis. We occasionally host meetings.  
We could host the NEES Annual + MCEER meeting  
on an irregular basis  
3-6  
Numerous  
numerous conferences and special lectures  
10  
3 or more  
less than 1  
maybe a dozen  
15  
10-15  
25  
Many, again I process agreements for the entire campus.  
4-5/qtr  
host a number of meetings/yr as well as 1 large conference  
unclear  
75-100 (all of the UCSB summer conferences)  
This varies, probably 6-10/yr  
30  
9 approximately  
Not on an annual basis  
Closer to a dozen  
@ 12-15  
about 1 a month-- seminars, confs  
We do not have "annual" events, but a need for meeting space.  
endowed lectures, conferences, summer institute  
12-15  
law enforcement training  
Likely many more than 3.

#### 11. How often does your department/program host each event? (If you host more than 3 events a year, please provide answer in comments box.) - Comments

events vary we may have a couple of guest lectures - or conferences per year but it depends on planning/funding on the Professors end - it varies from year to year.  
We are the home for three centers and host a variety of events ranging in 1 day symposia to 2 week summer schools  
We generally have 8 or so conferences a year; most last one (5-day) week; We host around 12 ongoing programs a year - short term visitors (less than 18 days) to these programs generally use hotels.  
Our meetings/events are for staff & faculty so they need to be on-campus. we have a couple of conference rooms we use most of the time.  
1 event - commencement dinner - one dinner  
  
1 event - division planning meeting 1/2 day  
  
once the budget improves we would hope to have more events.  
For our regular seminars, twice a week (if we have speakers available)

For our distinguished talks, three times a year (one each quarter)  
We host 6-7 recruitment fairs per year  
Our department may host events occasionally.  
Likely not more than once in four years.  
Multiple sporting events, All Gaucho Reunion, Multiple Donor events. Larger events including 150+ people are once a year. Smaller events are weekly, monthly etc.

# Goleta Hotel and Meeting Space Demand Survey

## COMMENTS

Event 1: Seminar Series (lectures/talks)

Event 2: Professor research conferences

Event 3: Snyder, Key lectures

Event 4: Recruitment, both faculty and grad students

Usually more than one per month conferences

One to two times per year

We have visiting lecturers and 1-3 conferences per year.

We host a variety of receptions, special dinners, and large conferences. Each event occurs 1 time.

The UCSB campus hosts the conferences that come to campus. Some are repeat each year (most all of those staying entirely on campus) and some are here just for one summer.

The Bren School's Office of Development holds 30+ events each year. The Bren School as a whole hosts many more than that.

I have a membership at the University Club in downtown Santa Barbara which I use 6 times per year for Bren School events.

We have a seminar series that meets 2 to 3 times a quarter and an annual Hull Lecture with an outside visiting speaker. Some faculty also bring in guests who require accommodation. We have had conferences and we have special series some years with more visitors.

same for all events, these are annual

Monthly

We may have other campuses come for face to face meetings that require them to stay overnight. This may occur 3-4 times per year.

4-15--once a year

these vary year to year, depending upon our theme; if guest speakers are from out of town, etc. Our once a yr conference is spring quarter. our events are usually weekly, with breaks between quarters.

### 12. What is the average number of attendees for each event? (If you host more than 3 events a year, please provide answer in comments box.) - Comments

Event sizes range from 12 people to 100 people

Most conferences bring in about 30-50 people in addition to those already here for the programs. Programs bring in about 70/week - of these 1-10 would be in hotels

Anywhere from 1 - 100

For our regular seminars, we average between 16-30

For our distinguished talks, we average between 51-100

Most attendees are UCSB faculty/students.

We host a statewide event about every 6 years, with attendance between 30-60 attendees who stay one to two nights at local accommodations. Meals are provided with the conference fee.

Statistically - from small to large. Largest ~300.

16-30 attendees per event, although not all will need hotel accommodations.

Dinners can be as small as 12. Events can be as large as 200.

This completely varies. Can be as low as 20 and as high as 600+.

Depends on the event: anywhere from 10 to 300 (if classes are attending)

Same size for all events

Anywhere from 20 to 60

Capps Center events serve ca. 150 per event

### 13. Do these meetings require hotel rooms? (If you host more than 3 events a year, please provide answer in comments box.) - Comments

We generally use local hotels for shorter 2-7 day events and campus housing for our summer schools and longer programs.

Yes

Yes

We only require hotel rooms for our speakers.

most recruiters stay at least one night

Some do, most do not. Our yearly functions: All Gaucho Reunion, and Hall of Fame may require some rooms.

Yes for all the events, but only one to two hotel rooms for the smaller events.

No

Not usually. Most everyone stays in our residence halls. Just a few want a room block at local hotels for their attendees who do not wish to stay in a residence hall.

The attendees pay for their own rooms and choose based on our recommendation

yes all our out of town attendees

sometimes

assuming by hotel rooms you mean "meeting rooms" and not "sleeping rooms"

Yes, all imported speakers require hotel rooms

### 15. Approximately how many hotel room nights do each of these events generate? (If you host more than 3 events a year, please provide answer in comments box.) - Comments

I would say that we generate at least 1500 room nights a year - some years many more.

Unknown. People are responsible for coming to the events and handling their own arrangements. We know nothing about their accommodations.

1-3 nights per guest per event

1 -2 days max

Most guests are visiting campus for the day. More would stay overnight if hotels in the area were not so expensive.

For recruitment, between 1-5 as well.

We host small events throughout the year and will need approximately one to two hotel rooms per event. For the larger conferences, we usually book eight to ten rooms per conference and there are approximately three of those.

N/A

Our guest speakers 1-2 nights.

## Goleta Hotel and Meeting Space Demand Survey

### COMMENTS

one night  
Same for others

#### 16. When are the events typically held? (If you host more than 3 events a year, please provide answer in comments box.) - Comments

Weekday most of the time  
Weekday & Weekend  
Weekdays  
Recruitments, mostly weekday, sometimes weekend as well.  
see above  
Weekday for the smaller talks and lectures and the big conferences are held during the weekend.  
Weekday  
Summer  
weekdays  
Capps Center--both weekdays and weekends

#### 17. When are the events typically held? (If you host more than 3 events a year, please provide answer in comments box.) - Comments

varies  
Again, we are on a quarter system. It is usually winter quarter & spring quarter.  
Year round  
Again, depends on Faculty extramural funding cycles.  
most events are held through out the year.  
Varies  
Varies  
Fall, Winter and Spring quarters  
Varies  
we have three major fairs in fall, two in winter and oen in spring  
Event 1: Counselor Conferences  
  
Event 2: Campus open house  
  
Event 3: Summer tours for prospective students and counselors  
It varies with scheduling. No specific time of year.  
Event 1: Throughout year.(Weekly Seminar Series) Event 2: Throughout Year. (Professor research conferences)  
  
Event 3: Usually Win/Spr: Snyder, Key lectures  
  
Event 4: Winter Quarter: Recruitment, both faculty and grad students  
varies -- each event held in multiple seasons  
March or October  
Event 2 is winter quarter  
Since we are on the quarter system (Fall, Winter, Spring), our events are held throughout the year, but mostly in the Spring quarter.  
Event 1 is held weekly throughout the academic year  
all seasons  
Throughout the academic year.  
These are intercampus meetings so they rotate among all the campuses  
This varies.  
They are held throughout the year  
Events Fall, Winter, and Spring quarters  
During Academic Year  
throughout the year  
The meetings occur throughout the year as needed.  
Fall, winter, or spring quarters  
one conference in spring.  
  
other events weekly for each quarter, monthly events in each quarter.  
It varies, as needed

#### 18. Do these events require food and beverage service? (If you host more than 3 events a year, please provide answer in comments box.) - Comments

Many do, yes  
Yes  
We only provide food and beverage service for our distinguished lectures.  
We usually provide coffee service and lunches at our fairs  
Event 4 also requires food and beverage service.  
policy requires meals are provide by campus resources first if possible  
Yes  
Yes  
Yes, handled by UCSB Special Events Catering, UCEN Catering or Faculty Club.  
Provided by university on campus  
Varies, often a light lunch. sometimes a reception  
yes to all  
almost always  
Capps Center events usually do not, except for major donors

#### 19. Where is the meeting portion of the event typically held? (Please select all that apply.) - Other responses

## Goleta Hotel and Meeting Space Demand Survey

### COMMENTS

La Casa de Maria  
private homes  
In our office  
Dept. conference room  
University Club of Santa Barbara  
at UCSB rented facility downtown  
Downtown locations for Capps

#### 20. Do you expect your department/program to host more events/conferences/meetings in the future? - Other responses

no more than normal  
not for 2 years  
yes, we'll continue to host public events

#### 21. Would your department/program host more events/conferences/meetings if there was a hotel and conference center proximate to UCSB? - Other responses

Don't know  
no

#### 23. Additional comments/issues/concerns: - Responses

We also recommend the Faculty Club and West Cottages, especially for longer stays. Also, some of the hotels we use offer a weekly rate and that is very helpful.  
The Contracting Services Department does have hearing officers from UCOP that do stay overnight, but less than 5 times a year.  
It is difficult to tell for Q22.

Events the division would host are not revenue generating (e.g. not tied to ticket sales or student programs. Most events are for planning meetings, academic workshops, talks, etc.  
It would be nice to have options for meeting space near or around campus since we are very limited to our indoor meeting spaces for events that have 100+ people.  
It is very desirable feature to have a hotel that has shuttle service to and from the UCSB campus and airport.  
The NEES annual conference, usually is held jointly with Civil and Mechanical and Manufacturing International conference or Pacific Earthquake Engineering Research or MCEER, etc. see <http://www.nees.org/>  
We're very limited to hosting 4-6 visiting lecturers during the year along with one larger symposium. None of these event requires more than a couple of hotel rooms and generally is never more than two nights.  
My answers are atypical since I only host an event requiring overnight accommodations once or twice a decade.  
Clarification: Event 1: we hold a weekly seminar series for students, faculty and researchers. Occasionally we will have an out of town speaker who will stay at the South Coast Inn. We serve soda and pizza at the meetings.

Event 2 is a 4-day international workshop that is held every two years (2009 and 2011) at Fess Parker's Doubletree Resort. Approximately 200 people attend.  
Our department would host systemwide meetings perhaps once every 10 years, as they rotate among the campuses - but with UC budget and travel restrictions, and the cost of traveling to Santa Barbara from some other campuses, this is probably an less frequent possibility in future.  
We have our own conference room, so we don't need hotel meeting space, but if there was a nice hotel near campus, we might want to put visitors there. We do tend to like using the Upham, though, because visitors like to see downtown SB.  
The challenge I have is that I normally host an 800+ conference each June/July. I've run out of capacity to feed/house these folks in a local forum, so am now having to host it in other cities. I'd like to be able to bring it back to SB, but would need a venue that could handle this along with the sustainability requirements we have for the event.  
We are UCSB Campus Conference Services. We host every summer 75-100 conferences/campus to campus. The majority of the guests stay in our residence halls and use our meeting space on campus. We only do room blocks for a small number of our programs that wish accommodations off-campus versus in the residence hall.  
Most of the questions do not apply as we have guestrooms and meeting rooms at our location.  
The major challenge to doing more events is campus parking. Even if we could house more people in Goleta/Santa Barbara, we could not necessarily have more events on campus.

When we have to go off campus it becomes extremely expensive.  
Most of our hotel usage is related to the National Center for Ecological Analysis and Synthesis which is located downtown in the Balboa building. They are heavy users of the hotels in the downtown area that are within walking distance of their building. Their funding will be from multiple sources in the future and I don't know if they will be having more or fewer meetings. Currently they host approximately 100 meetings a year, 7-12 participants per meeting, typically 4-5 days/meeting.  
I have forwarded this survey link to their travel people and asked them to complete it.  
Our dept brings parents to campus for special events. A hotel affiliated with campus and near campus would be IDEAL!  
The survey doesn't ask about events/conferences we might have held at UCSB if a conference hotel was available at the time of planning. I know from meetings with national organizations that UCSB is never seriously considered for conferences because of the inconvenience of hotel logistics.  
Middle east studies hopes to host more visitors if a better hotel on campus is available.

# Glossary of Terms

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## PERFORMANCE TERMINOLOGY

1. **Available Rooms** - The number of rooms at a hotel.
2. **Occupied Room Nights** – The number of rooms rented or in use.
3. **Occupancy** - Occupancy is the percentage of available rooms that were sold during a specified period of time. Occupancy is calculated by dividing the number of rooms sold by rooms available. (Occupancy = Rooms Sold / Rooms Available)
4. **Average Daily Rate (ADR)** – A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold. (ADR = Room Revenue / Rooms Sold)
5. **Revenue per Available Room (RevPAR)** – average revenue generated by all rooms in the hotel calculated by multiplying a hotel's occupancy by the ADR. RevPAR is used throughout the lodging industry to compare the revenue of competing facilities. RevPAR differs from ADR because RevPAR is affected by the amount of unoccupied available rooms, while ADR shows only the average rate of rooms actually sold. (RevPAR = Occupancy x ADR)
6. **Penetration Rate** – An index designed to measure a hotel's share of the segment's (comp set, market, tract, etc.) demand (demand = rooms sold). (Penetration Rate = (Hotel Occupancy / Segment Occupancy) x 100)
7. **ADR Index** - The ADR Index measures a hotel's ADR performance relative to an aggregated grouping of hotels (e.g., competitive set, market, submarket/tract). An ADR Index of 100 equals fair share of ADR, compared to the aggregated group of hotels. An ADR Index greater than 100 represents more than a fair share of the aggregated group's ADR performance. Conversely, an ADR Index below 100 reflects less than a fair share of the aggregated group's ADR performance. (ADR Index = (Hotel ADR / Aggregated group of hotels' ADR) x 100)
8. **Yield** – the percentage relationship of a hotel's average room rate performance relative to a defined competitive set.
9. **STR (Smith Travel Research)** - STR tracks historical performance data for tens of thousands of hotels in the hotel industry and provides market share analysis for all major international hotel chains and brands.
10. **STR (Trend) Report** - A report that displays up to six years of monthly performance data including occupancy, ADR, RevPAR, supply, demand and revenue for a defined market. (No individual hotel data is provided.) Customized Trend Reports are available as well by choosing your own set of hotels.

## FINANCIAL TERMINOLOGY

1. **USALI (Uniform System of Accounts for the Lodging Industry)** - Industry accepted, highly departmentalized system of accounting for hotels, which provides accounting standards and guidelines for financial reporting practices that reflect terminology and activity unique to the hospitality industry.
2. **GRR (Gross Rooms Revenue)** - Total room revenue generated from the sale or rental of rooms.
3. **Revenue** – Rooms, Food and Beverage, Other Operated Departments, and Rentals and Other Income.

4. **Departmental Expenses** – Rooms, Food and Beverage, and Other Operated Departments. According to USALI, these categories relate to an operated department revenue category:
5. **Undistributed Operating Expenses** – Expenses that are considered applicable to the entire property: Administrative and General, Sales and Marketing, Property Operation and Maintenance, and Utilities.
6. **Fixed Expenses** – Rent, Property and Other Taxes, and Insurance.
7. **Gross Operating Profit** = Total Departmental Income - Undistributed Operating Expenses
8. **NOI (Net Operating Income)** = Income Before Fixed Charges – Total Fixed Charges
9. **EBIDTA** (Earnings Before Interest, Taxes, Depreciation and Amortization) - Calculated by taking operating income and adding back interest, depreciation, and amortization expenses. Used to analyze a company's operating profitability before non-operating expense (such as interest and "other" non-core expenses) and non-cash charges (depreciation and amortization.)  
  
This earnings measure is of particular interest in cases where companies have large amounts of fixed assets which are subject to heavy depreciation charges (such as manufacturing companies) or in the case where a company has a large amount of acquired intangible assets on its books and is thus subject to large amortization charges (such as a company that has purchased a brand or a company that has recently made a large acquisition).
10. **STR HOST Report (Hotel Operating Statistics)** – An annual study published by STR that contains information on hotel revenues and expenses broken down by departments including rooms, food and beverage, marketing, utility costs, and maintenance. The results are based on the operating statements of over 5,000 U.S. hotels. Custom HOST Reports are also available for entire states, metropolitan areas or competitive sets.

## VALUATION TERMINOLOGY

1. **Capitalization (Cap) Rate** – Capitalization is the process of converting net income from a property into an expression of overall value for the hotel. It generally indicates the return an investor expects to achieve on his or her investment. Because most hotels are financed by several entities, usually a debt lender and an equity investor, the capitalization rate is actually a weighted average of the desired rates of return. (Cap Rate = Net Income / Sale Price)
  - a. **Going-in Rate** - The capitalization rate computed by dividing the current or 1<sup>st</sup> year's net operating income by the initial price of the property.
  - b. **Terminal/Reversion Rate** - A rate used to estimate the resale value of a property at the end of the holding period. The terminal or reversionary capitalization rate is based on forecasts and estimates and changes based on the person doing the calculation. (Terminal Rate = Expected net operating income (NOI) per year / terminal cap rate)
2. **DCF (Discounted Cash Flow)** – A method of estimating an investment's current value based on the discounting of projected future revenues and costs. The answer derived from the technique is only as accurate as the estimates used, which, in many case, are far from certain.
3. **RRM (Rooms Revenue Multiplier)** – The relationship, or ratio, between sale price and gross rooms revenue. (RRM = Hotel Value / Room Revenues)

4. **DSCR (Debt Service Coverage Ratio)** - The debt coverage ratio is the ratio of the company's operating profit to its expenses. This ratio indicates its ability to cover its expenses using its profits from operations. If it is low, the company might encounter difficulties meeting financial expenses out of its current activities. A high ratio indicates relatively low expenses and a good financial position. (Debt Coverage Ratio = Operating Profit / Finance Expenses)
5. **IRR (Internal Rate of Return)** – The rate of discount on an investment that equates the present value of the investment's cash outflows with the present value of the investment's cash inflows. Internal rate of return is analogous to yield to maturity for a bond.
6. **NPV (Net Present Value)** – The discounted value of an investment's cash inflows minus the discounted value of its cash outflows. To be adequately profitable, an investment should have a net present value greater than zero. For investment in securities, the initial cost is usually the only outflow.
7. **Payback Period** – The time needed to recover the project investment costs. The straight payback period method is the simplest way of determining the investment potential of a major project. Expressed in time, it tells management how many days, months or years it will require to recover the original cash cost of the project. (Payback Period = Cost of project / Annual cash revenues or profit)

### MARKET MIX SEGMENTATION

- **University/College-Related Demand** - Demand generated by universities and colleges located in the market area; as well as demand created by university/college-sponsored activities (i.e., research, special events, graduations, homecoming, move-in, parents' weekend, sporting events.)
- **Corporate/Commercial Transient** - Demand generated by individual business travelers conducting business with companies that have headquarters, regional offices, retail centers, and training centers in the market. Traditionally, corporate travel occurs Sunday through Thursday. Businesses/organizations generating a significant volume of room night demand typically receive discounted or high volume rates.
- **Leisure Transient** - Leisure demand includes independent tourists visiting tourist attractions in market area and interstate travelers using area hotels as a convenient stopover point on the way to their primary destination. Some independent tourists stay in hotels when visiting friends, families, and attending area events or social functions such as weddings, bar/bat mitzvahs, or reunions. Travelers within this market segment are highly seasonal with the majority of visits associated with summer travel occurring May through October.
- **Group** - Group demand consists of those travelers and associated guests who meet as a group to attend conferences, trade shows, and seminars.
- **Government/Military** - Government/military demand consists of those guests who are associated with either the government or military, either on official business or not, but holding government identification or equivalent which entitles them to discounted room rates.
- **Extended-Stay Segment** - Extended-stay demand is generated by travelers who are staying five nights or more at any of the area's competitive hotels. Such demand can be a result of corporate and government training classes, as well as relocation demand.
- **SMERF** - Social, Military, Ethnic, Religious, Fraternal group demand. Guests participating in social (weddings, reunions, etc.), recreational, or religious activities.

## DEFINITIONS OF DEMAND

- **Latent Demand** - demand that is not currently being realized and consists of unaccommodated demand and induced demand
- **Unaccommodated Demand** – demand from individuals who are unable to secure accommodations in a market because all of the local hotels are filled. These travelers end up deferring their trip, settling for less desirable accommodations, or staying at properties outside the market area. If a hotel is reaching occupancy levels of 75% or greater on any given night, it is likely unaccommodated demand exists.
- **Induced Demand** – demand from room nights that are attracted into a market. These room nights can be induced through the opening of a new demand generator such as a convention centre or manufacturing plant, but also through the opening of a hotel. A new hotel can bring a new franchise affiliation and reservations system into a market, or unique facilities, which draw new guests. A new property will also have a sales team, which can target markets that haven't been focused on in the past. All of these factors will bring guests that haven't previously visited into the market.