



Equalization Department

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Staff Report for Abatement 4513 - 4515

Thursday, January 20, 2022

City: Fargo

Appellant: Emerald Hospitality, LLC – Represented by Fredrikson & Byron, P.A.

Location: 4041 17th Ave S

Parcel Number: 01-8652-00200-000

Issue: Applicant is requesting a reduction in value for the taxable years 2021, 2020, & 2019

Summary

The property, more commonly known as the Candlewood Suites, is a 57,964 square foot hotel built in 2015 with 96 rooms. The land was purchased in 2015 for \$1,550,000 and the declared construction costs, including the land, is \$8,950,000. The appellant supplied an income approach in support of a reduced value as well as industry performance reports.

The abatement requests were denied by the city of Fargo commission on a 5-0 vote.

2019 – From \$5,837,000 down to \$3,610,000

2020 – From \$5,837,000 down to \$3,426,215

2021 – From \$4,961,500 down to \$2,757,217

Analysis

The income analysis provided by the appellant is property specific and does not reflect how similar properties would produce. For an income analysis to effectively work for mass appraisal purposes, consideration must be given to local market rates (e.g. vacancy, room, expenses, etc.). No consideration was given to the cost approach or sales approach to value.

The city of Fargo assessment office supplied supporting information through a sales and cost analysis of the property, which demonstrated that the assessed value of the property is a fair and equitable representation of value in each of the three abatement years.

Suggested motion

Deny the requests for abatements 4513-4515

City of Fargo Supporting Information



January 27, 2022

Board of City Commissioners
City Hall
Fargo, ND 58102

Dear Commissioners:

Attached is the *Application for Abatement or Refund of Taxes* prepared by David Tibbals of Fredrikson & Byron, PA. The application is for the Candlewood Suites hotel, under the ownership of Emerald Hospitality, LLC, located at 4014 17 Ave S. and is requesting a value reduction for three years:

2019 – From \$5,837,000 down to \$3,610,000

2020 – From \$5,837,000 down to \$3,426,215

2021 – From \$4,961,500 down to \$2,757,217

The appellant presented an income approach as support for a reduction, but no market evidence was provided.

Information regarding our valuation has been included for this property, including a market comparison and equity analysis.

SUGGESTED MOTION:

Denial of the Application of Abatement or Refund of Taxes on 4017 17 Ave S. and retain the 2019 value.

Denial of the Application of Abatement or Refund of Taxes on 4017 17 Ave S. and retain the 2020 value.

Denial of the Application of Abatement or Refund of Taxes on 4017 17 Ave S. and retain the 2021 value.

Sincerely,

Michael Splonskowski
Fargo City Assessor

Candlewood Suites

Parcel Number: 01-8652-00200-000

4014 17 Ave S

Owner: Emerald Hospitality LLC

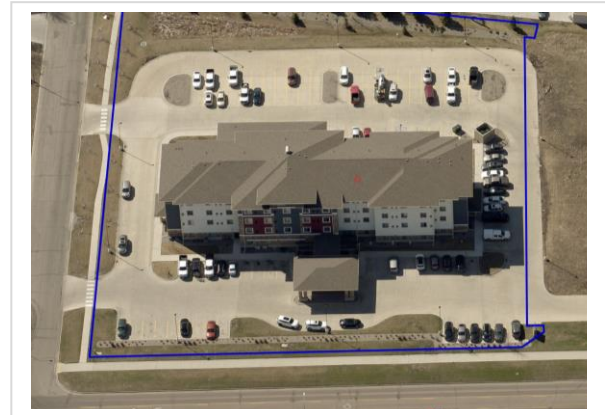
Appeal of Assessment for Year(s): 2019, 2020, 2021

Name of Applicant: Emerald Hospitality, LLC
 Representative: Michael Raum & David Tibbals, Fredrikson & Byron, P.A.

Assessed Value(s)	2019	\$ 5,837,000	
	2020	\$ 5,837,000	
	2021	\$ 4,961,500	
Applicants Requested Value(s)	2019	\$ 3,610,000	-38%
	2020	\$ 3,426,215	-41%
	2021	\$ 2,757,217	-44%

General Property Information

Property Type	Hotel
Year Built	2015
Mortgage Amount (11/2015)	\$ 8,692,575
Declared Construction Cost (w/land)	\$ 8,950,000
Land Sale Price (11/2015, \$13.66 / SF)	\$ 1,550,000



Summary

Applicant provided financial statements, an industry performance report, and an income approach to value as support for the requested value. We are concerned with a lack of market evidence in applicant's supporting documentation. No comparable sales are provided as support. Applicant's requested value is significantly (60-69%) under the relatively recent declared construction cost of the facility. City staff utilizes recent comparable sales as support for the True & Full Value. We also use a market driven cost model (est \$6.0 – 7.2M) and recent construction cost. Applicant provided similar information to the City Board of Equalization for 2021. The City Board upheld the 2021 value on May 11, 2021. The County Board upheld the 2021 value on June 21, 2021.

Comparable Sales Summary

Property Name/Type	Address	Sale Date / Tax Year	Contract Price	Adjusted Price	Year Built	Total \$/Room	Total \$/ SF
Holiday Inn Express	1040 40 St S	03/01/2016	\$ 9,000,000	\$ 7,681,000	1993	\$ 99,753	\$ 190.46
Holiday Inn Express	4711 19 Ave S	06/08/2017	\$ 14,224,000	\$ 12,113,300	2013	\$ 110,120	\$ 172.69
Four Points by Sheraton	5064 23 Ave S	03/26/2019	\$ 9,040,000	\$ 7,805,400	2013	\$ 86,727	\$ 121.43
Subject	4014 17 Ave S	2019			2015	\$ 60,175	\$ 100.70
		2020				\$ 60,175	\$ 100.70
		2021				\$ 51,149	\$ 85.60

Competing Properties (Assessed Values) Summary

To test for uniformity among assessments, we studied the assessed valuations of similar properties. The sample set consists of hotel and motel properties that are 'suite style facilities'. We limited our search to those classed above "Economy" per STR research group. There are 9 such properties within Fargo. We found the assessed value range reasonably brackets the subject property. We feel the subject is equalized and fairly valued relative to its competitors.

	2019 & 2020		2021	
	Per Room	Per SF	Per Room	Per SF
<i>Maximum</i>	\$ 74,726	\$ 100.70	\$ 63,518	\$ 85.60
<i>3rd Quartile</i>	\$ 62,764	\$ 97.06	\$ 53,350	\$ 82.50
<i>Median</i>	\$ 60,175	\$ 92.38	\$ 51,149	\$ 78.52
<i>1st Quartile</i>	\$ 51,227	\$ 81.96	\$ 43,544	\$ 69.66
<i>Minimum</i>	\$ 45,250	\$ 78.06	\$ 38,463	\$ 66.35
Subject	\$ 60,175	\$ 100.70	\$ 51,149	\$ 85.60

Recommended Action: Deny the request for abatement for tax years 2019, 2020, and 2021

Appellant Supporting Information



Commercial Property Tax Division

▼ PROPERTY TAX ▼ APPRAISAL ▼ COST SEGREGATION

Property Description: Candlewood Suites

Property Address: 4014 17th Ave S

County and State: Cass County, ND

Real Property Account: 01-8652-00200-000

Notice Value: \$5,837,000

Tax Year: 2019

2019 Tax Year Appeal Evidence

A. Income Approach Valuation

Income Analysis based on Industry model: **\$3,950,000**

Income Analysis based on Stabilized model: **\$3,610,000**

OPINION OF VALUE: \$3,610,000

INCOME ANALYSIS - Industry Income Model

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2019
LOCATION:	4014 17th Ave S	Cass
ACCT #	01-8652-00200-000	2018 Final Value
# of ROOMS	96	2019 Noticed Value
YEAR BUILT	2015	Gross Revenue Multiplier
Class	Limited Service	Value per room

\$5,837,000
\$5,837,000

	2018	2017	2016
Room Revenue	\$1,870,775	\$1,547,045	Partial
OCCUPANCY	71.5%	60.3%	Partial
Average Daily Rate (ADR)	\$ 74.70	\$ 73.27	Partial
REVENUE PER AVAILABLE ROOM (RevPAR)	\$53.59	\$44.15	Partial

INCOME

Gross Room Rental Income		\$ 1,870,775
Less Hotel Occupancy Taxes (if included in revenue)		\$ -
Plus Other Income	2.00%	\$ 37,415
Effective Gross Rental Income		\$ 1,908,190
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)	9.33%	\$178,034
Adjusted taxable portion of revenue		\$1,730,156

EXPENSES (Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others	Industry 38.4% to 45.2%	
Administrative & General	Industry 7.8% to 7.9%	
Marketing	Industry 4.7% to 6.6%	
Utilities	Industry 3.2% to 4.5%	
Property Operation & Maintenance	Industry 4.2% to 4.9%	
Management Fees	Industry 3.0% to 3.3%	
Franchise Fees - Royalties portion (per flag)	Industry average 4.8%	
Insurance (depends on area)	Industry 0.9% to 1.0%	
Property Taxes (per location)		
Total expense of effective gross income	68.00%	\$1,297,569
Reserves for Replacement & FF&E (depends on age)	3.00%	\$ 57,246
TOTAL EXPENSES	excluding tax	\$1,354,815
NET OPERATING INCOME		\$375,341
CAP RATE (loaded)	CBRE 9.50%	9.50%

MARKET VALUE (Rounded)	\$3,950,000
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DEFERRED MAINTENANCE

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE

\$3,950,000

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

INCOME ANALYSIS - Stabilized Revenue

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2019
LOCATION:	4014 17th Ave S	Cass
ACCT #	01-8652-00200-000	2018 Final Value
# of ROOMS	96	2019 Noticed Value
YEAR BUILT	2015	Gross Revenue Multiplier
Class	Limited Service	Value per room

\$5,837,000
\$5,837,000
3.12
\$60,802

	2018	2017	2016
Stabilized Revenue	\$1,870,775	\$1,547,045	Partial
OCCUPANCY	71.5%	60.3%	Partial
Average Daily Rate (ADR)	\$74.70	\$73.27	Partial
REVENUE PER AVAILABLE ROOM (RevPAR)	\$53.59	\$44.15	Partial

INCOME

Gross Room Rental Income		\$ 1,708,910
Less Hotel Occupancy Taxes (if included in revenue)		\$ -
Plus Other Income	2.00%	\$ 34,178
Effective Gross Rental Income		\$ 1,743,088
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)	9.33%	\$162,630
Adjusted taxable portion of revenue		\$1,580,458

EXPENSES (Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others	Industry 38.4% to 45.2%	
Administrative & General	Industry 7.8% to 7.9%	
Marketing	Industry 4.7% to 6.6%	
Utilities	Industry 3.2% to 4.5%	
Property Operation & Maintenance	Industry 4.2% to 4.9%	
Management Fees	Industry 3.0% to 3.3%	
Franchise Fees - Royalties portion (per flag)	Industry average 4.8%	
Insurance (depends on area)	Industry 0.9% to 1.0%	
Property Taxes (per location)		
Total expense of effective gross income	68.00%	\$1,185,300
Reserves for Replacement & FF&E (depends on age)	3.00%	\$ 52,293

TOTAL EXPENSES	excluding tax	\$1,237,593
NET OPERATING INCOME		\$342,865
CAP RATE (loaded)	CBRE 9.50%	9.50%

MARKET VALUE (Rounded)	\$3,610,000
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DEFERRED MAINTENANCE

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE

\$3,610,000

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo

Split Income Statement/OC

As of 12/31/2018

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud
Revenue													
74.70	1,870,774.67	98.07%	2,016,560.64	98.62%	-145,785.97	1,547,045.47	92.55%	Room Revenue	70.79	145,333.54	97.66%	73.02	141,211.20
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue	0.00	0.00	0.00%	0.00	0.00
1.47	36,846.89	1.93%	28,250.00	1.38%	8,596.89	124,508.44	7.45%	Miscellaneous Revenue	1.69	3,476.47	2.34%	0.94	1,825.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Telephone Revenue	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue	0.00	0.00	0.00%	0.00	0.00
76.17	1,907,621.56	100.00%	2,044,810.64	100.00%	-137,189.08	1,671,553.91	100.00%	Total Revenue	72.48	148,810.01	100.00%	73.96	143,036.20
Departmental Expenses													
25.31	633,848.54	33.88%	620,350.89	30.76%	13,497.65	604,038.07	39.04%	Rooms	23.67	48,589.76	33.43%	24.81	47,990.76
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage	0.00	0.00	0.00%	0.00	0.00
0.93	23,390.80	0.00%	22,200.00	0.00%	1,190.80	22,980.09	0.00%	Telephone	0.87	1,784.30	0.00%	0.96	1,850.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Laundry	0.00	0.00	0.00%	0.00	0.00
0.49	12,288.74	0.64%	11,870.00	0.58%	418.74	10,889.96	0.65%	Other	0.72	1,469.84	0.99%	0.35	675.00
26.73	669,528.08	35.10%	654,420.89	32.00%	15,107.19	637,908.12	38.16%	Total Departmental Expenses	25.25	51,843.90	34.84%	26.12	50,515.76
49.44	1,238,093.48	64.90%	1,390,389.75	68.00%	-152,296.27	1,033,645.79	61.84%	Gross Operating Profit	47.23	96,966.11	65.16%	47.84	92,520.44
Operating Expenses													
7.88	197,255.96	10.34%	193,266.05	9.45%	3,989.91	162,123.15	9.70%	Administrative	9.51	19,532.68	13.13%	8.27	15,994.20
3.75	93,911.24	4.92%	100,828.03	4.93%	-6,916.79	43,768.39	2.62%	Franchise Fees	3.54	7,266.68	4.88%	3.65	7,060.56
1.59	39,728.90	2.08%	30,000.00	1.47%	9,728.90	24,658.98	1.48%	Marketing	2.15	4,407.45	2.96%	1.29	2,500.00
2.74	68,647.10	3.60%	71,158.90	3.48%	-2,511.80	63,272.08	3.79%	Sales	2.20	4,526.24	3.04%	3.11	6,017.82
3.59	89,904.80	4.71%	78,510.44	3.84%	11,394.36	81,322.25	4.87%	Property Operations	4.87	10,003.71	6.72%	3.29	6,354.70
5.13	128,551.68	6.74%	104,400.00	5.11%	24,151.68	111,716.72	6.68%	Energy	6.69	13,742.40	9.23%	5.82	11,250.00
1.78	44,656.20	2.34%	71,568.37	3.50%	-26,912.17	55,163.97	3.30%	Management Fee	1.45	2,977.49	2.00%	2.59	5,006.27
26.46	662,655.88	34.74%	649,731.79	31.77%	12,924.09	542,025.54	32.43%	Total Operating Expenses	30.42	62,456.65	41.97%	28.02	54,183.55
22.98	575,437.60	30.17%	740,657.96	36.22%	-165,220.36	491,620.25	29.41%	House Profit	16.81	34,509.46	23.19%	19.82	38,336.88

Fixed Expenses

3.04	76,157.60	3.99%	73,320.00	3.59%	2,837.60	76,415.97	4.57%	Property Taxes & Specials	2.24	4,599.80	3.09%	3.16	6,110.00
1.05	26,221.04	1.37%	27,260.55	1.33%	-1,039.51	21,650.28	1.30%	Insurance	1.06	2,185.12	1.47%	1.22	2,361.15
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense	0.00	0.00	0.00%	0.00	0.00

4.09	102,378.64	5.37%	100,580.55	4.92%	1,798.09	98,066.25	5.87%	Total Fixed Expenses	3.30	6,784.92	4.56%	4.38	8,471.15
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18.89	473,058.96	24.80%	640,077.41	31.30%	-167,018.45	393,554.00	23.54%	Operating Income B/4 Interest/Other	13.50	27,724.54	18.63%	15.44	29,865.73
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Interest Income/Expense

18.63	466,668.80	24.46%	424,393.90	20.75%	42,274.90	464,224.30	27.77%	Interest Expense	19.16	39,336.00	26.43%	18.37	35,527.04
0.00	-15.81	0.00%	0.00	0.00%	-15.81	-224.58	-0.01%	Interest Income	0.00	-1.67	0.00%	0.00	0.00

18.63	466,652.99	24.46%	424,393.90	20.75%	42,259.09	463,999.72	27.76%	Total Interest Income/Expense	19.16	39,334.33	26.43%	18.37	35,527.04
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Other Income/Expense

0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense	0.00	0.00	0.00%	0.00	0.00
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Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo

Split Income Statement/OC

As of 12/31/2018

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud
0.26	6,405.97	0.34%	215,683.51	10.55%	-209,277.54	-70,445.72	-4.21%	Net Operating Income	-5.66	-11,609.79	-7.80%	-2.93	-5,661.31
Owner Expenses													
1.41	35,347.81	1.85%	0.00	0.00%	35,347.81	138,276.46	8.27%	Owner Expense	1.47	3,016.25	2.03%	0.00	0.00
27.59	691,054.68	36.23%	691,054.68	33.80%	0.00	677,575.78	40.54%	Depreciation and Amortization	28.20	57,890.33	38.90%	29.93	57,890.33
29.01	726,402.49	38.08%	691,054.68	33.80%	35,347.81	815,852.24	48.81%	Total Owner Expense	29.67	60,906.58	40.93%	29.93	57,890.33
-28.75	-719,996.52	-37.74%	-475,371.17	-23.25%	-244,625.35	-886,297.96	-53.02%	Total Net Income	-35.32	-72,516.37	-48.73%	-32.86	-63,551.64
1.00	25,044.00		25,724.00		-680.00	21,114.00		Occupied Rooms - Total	1.00	2,053.00		1.00	1,934.00
1	35,040		35,040		0	35,040		Available Rooms	1	2,976		2	2,976
0.00%	71.47%		73.41%		-1.94%	60.26%		Occupancy	0.03%	68.99%		0.03%	64.99%
0.00	74.70		78.39		-3.69	73.27		Average Daily Rate (ADR)	0.03	70.79		0.04	73.02
0.00	53.39		57.55		-4.16	44.15		Revenue per Available Room (REVPAR)	0.02	48.84		0.02	47.45

5/15/2020 at 1:02:19 PM

Company: Emerald Hospitality, LLC Property: Candlewood Suites - Fargo

Split Income Statement/OC

As of 12/31/2017

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud	%	Var	CM Last Year	%
									Revenue								
73.27	1,547,045.47	92.55%	2,107,934.40	99.38%	-560,888.93	80,771.10	97.17%	Room Revenue	72.41	135,336.66	90.99%	86.98	155,347.20	99.41%	20,010.54	72,633.07	97.16%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
5.90	124,508.44	7.45%	13,200.00	0.62%	111,308.44	2,352.44	2.83%	Miscellaneous Revenue	7.17	13,394.98	9.01%	0.52	925.00	0.59%	12,469.98	2,124.99	2.84%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Telephone Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
79.17	1,671,553.91	100.00%	2,121,134.40	100.00%	-449,580.49	83,123.54	100.00%	Total Revenue	79.58	148,731.64	100.00%	87.50	156,272.20	100.00%	-7,540.56	74,758.06	100.00%
									Departmental Expenses								
28.61	604,038.07	39.04%	592,759.83	28.12%	11,278.24	56,632.29	70.11%	Rooms	29.46	55,060.48	40.68%	25.60	45,720.65	29.43%	9,339.83	41,486.39	57.12%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
1.09	22,980.09	0.00%	16,800.00	0.00%	6,180.09	3,939.66	0.00%	Telephone	0.98	1,823.38	0.00%	0.78	1,400.00	0.00%	423.38	3,461.90	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Laundry	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.52	10,889.96	0.65%	5,110.00	0.24%	5,779.96	1,119.31	1.35%	Other	0.82	1,528.31	1.03%	0.20	350.00	0.22%	1,178.31	1,119.31	1.50%
30.21	637,908.12	38.16%	614,669.83	28.98%	23,238.29	61,691.26	74.22%	Total Departmental Expenses	31.25	58,412.17	39.27%	26.58	47,470.65	30.38%	10,941.52	46,067.60	61.62%
48.96	1,033,645.79	61.84%	1,506,464.57	71.02%	-472,818.78	21,432.28	25.78%	Gross Operating Profit	48.33	90,319.47	60.73%	60.92	108,801.55	69.62%	18,482.08	28,690.46	38.38%
									Operating Expenses								
7.68	162,123.15	9.70%	196,410.82	9.26%	-34,287.67	50,700.14	60.99%	Administrative	8.35	15,601.08	10.49%	9.75	17,417.87	11.15%	-1,816.79	17,536.06	23.46%
2.07	43,768.39	2.62%	62,336.45	2.94%	-18,568.06	3,230.85	3.89%	Franchise Fees	3.62	6,766.83	4.55%	3.48	6,213.89	3.98%	552.94	2,905.32	3.89%
1.17	24,658.98	1.48%	15,000.00	0.71%	9,658.98	227.24	0.27%	Marketing	-0.19	-363.69	-0.24%	0.67	1,200.00	0.77%	-1,563.69	227.24	0.30%
3.00	63,272.08	3.79%	69,307.60	3.27%	-6,035.52	26,259.63	31.59%	Sales	2.72	5,079.06	3.41%	3.28	5,863.80	3.75%	-784.74	6,882.48	9.21%
3.85	81,322.25	4.87%	94,700.00	4.46%	-13,377.75	16,021.08	19.27%	Property Operations	2.81	5,257.58	3.53%	4.70	8,388.83	5.37%	-3,131.25	9,461.17	12.66%
5.29	111,716.72	6.68%	94,850.00	4.47%	16,866.72	17,409.19	20.94%	Energy	7.08	13,235.00	8.90%	4.54	8,100.00	5.18%	5,135.00	16,867.84	22.56%
2.61	55,163.97	3.30%	84,845.38	4.00%	-29,681.41	21,000.00	25.26%	Management Fee	2.59	4,842.26	3.26%	3.50	6,250.89	4.00%	-1,408.63	7,000.00	9.36%
25.67	542,025.54	32.43%	617,450.24	29.11%	-75,424.70	134,848.13	162.23%	Total Operating Expenses	26.98	50,418.12	33.90%	29.92	53,435.28	34.19%	-3,017.16	60,880.11	81.44%
23.28	491,620.25	29.41%	889,014.33	41.91%	-397,394.08	-113,415.85	-136.44%	House Profit	21.35	39,901.35	26.83%	31.00	55,366.27	35.43%	15,464.92	-32,189.65	-43.06%
									Fixed Expenses								
3.62	76,415.97	4.57%	100,000.00	4.71%	-23,584.03	22,151.60	26.65%	Property Taxes & Specials	4.93	9,205.97	6.19%	4.67	8,333.33	5.33%	872.64	14,880.12	19.90%
1.03	21,650.28	1.30%	26,459.00	1.25%	-4,808.72	2,542.00	3.06%	Insurance	1.17	2,185.04	1.47%	1.28	2,292.00	1.47%	-106.96	1,271.00	1.70%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
4.64	98,066.25	5.87%	126,459.00	5.96%	-28,392.75	24,693.60	29.71%	Total Fixed Expenses	6.09	11,391.01	7.66%	5.95	10,625.33	6.80%	765.68	16,151.12	21.60%
18.64	393,554.00	23.54%	762,555.33	35.95%	-369,001.33	-138,109.45	-166.15%	Operating Income B/4 Interest/Other	15.25	28,510.34	19.17%	25.05	44,740.93	28.63%	16,230.59	-48,340.77	-64.66%
									Interest Income/Expense								
21.99	464,224.30	27.77%	471,506.45	22.23%	-7,282.15	17,079.86	20.55%	Interest Expense	36.01	67,297.18	45.25%	21.99	39,282.72	25.14%	28,014.46	5,857.30	7.84%
-0.01	-224.58	-0.01%	0.00	0.00%	-224.58	-1,261.25	-1.52%	Interest Income	0.00	-0.79	0.00%	0.00	0.00	0.00%	-0.79	-51.15	-0.07%
21.98	463,999.72	27.76%	471,506.45	22.23%	-7,506.73	15,818.61	19.03%	Total Interest Income/Expense	36.01	67,296.39	45.25%	21.99	39,282.72	25.14%	28,013.67	5,806.15	7.77%
									Other Income/Expense								
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Guarantor Payments	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	100,000.00	133.76%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	100,000.00	133.76%

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud	%	Var	CM Last Year	%
-3.34	-70,445.72	-4.21%	291,048.88	13.72%	-361,494.60	-153,928.06	-185.18%	Net Operating Income	-20.75	-38,786.05	-26.08%	3.06	5,458.21	3.49%	44,244.26	45,853.08	61.34%
6.55	138,276.46	8.27%	0.00	0.00%	138,276.46	306,325.27	368.52%	Owner Expenses	29.87	55,831.07	37.54%	0.00	0.00	0.00%	55,831.07	291,062.82	389.34%
32.09	677,575.78	40.54%	667,582.80	31.47%	9,992.98	70,589.26	84.92%	Owner Expense	35.11	65,624.90	44.12%	31.15	55,631.90	35.60%	9,993.00	70,589.26	94.42%
								Depreciation and Amortization									
38.64	815,852.24	48.81%	667,582.80	31.47%	148,269.44	376,914.53	453.44%	Total Owner Expense	64.98	121,455.97	81.66%	31.15	55,631.90	35.60%	65,824.07	361,652.08	483.76%
-41.98	-886,297.96	-53.02%	-376,533.92	-17.75%	-509,764.04	-530,842.59	-638.62%	Total Net Income	-85.74	160,242.02	-107.74%	-28.09	-50,173.69	-32.11%	10,068.33	315,799.00	422.43%
1.00	21,114.00		23,770.00		-2,656.00	1,105.00		Occupied Rooms - Total	1.00	1,869.00		1.00	1,786.00		83.00	1,091.00	
2	35,040		35,040		0	35,136		Available Rooms	2	2,976		2	2,976		0	2,976	
0.00%	60.26%		67.84%		-7.58%	3.14%		Occupancy	0.03%	62.80%		0.03%	60.01%		2.79%	36.66%	
0.00	73.27		88.68		-15.41	73.10		Average Daily Rate (ADR)	0.04	72.41		0.05	86.98		-14.57	66.57	
0.00	44.15		60.16		-16.01	2.30		Revenue per Available Room (REVPAR)	0.02	45.48		0.03	52.20		-6.72	24.41	

Company: Emerald Hospitality, LLC Property: Candlewood Suites - Fargo

Split Income Statement/OC

As of 12/31/2016

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud	%	Var	CM Last Year	%
								Revenue									
73.10	80,771.10	97.17%	0.00	0.00%	80,771.10	0.00	0.00%	Room Revenue	66.57	72,633.07	97.16%	0.00	0.00	0.00%	72,633.07	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
2.13	2,352.44	2.83%	0.00	0.00%	2,352.44	0.00	0.00%	Miscellaneous Revenue	1.95	2,124.99	2.84%	0.00	0.00	0.00%	2,124.99	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Telephone Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
75.22	83,123.54	100.00%	0.00	0.00%	83,123.54	0.00	0.00%	Total Revenue	68.52	74,758.06	100.00%	0.00	0.00	0.00%	74,758.06	0.00	0.00%
								Departmental Expenses									
51.25	56,632.29	70.11%	0.00	0.00%	56,632.29	0.00	0.00%	Rooms	38.03	41,486.39	57.12%	0.00	0.00	0.00%	41,486.39	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
3.57	3,939.66	0.00%	0.00	0.00%	3,939.66	0.00	0.00%	Telephone	3.17	3,461.90	0.00%	0.00	0.00	0.00%	3,461.90	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Laundry	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
1.01	1,119.31	1.35%	0.00	0.00%	1,119.31	0.00	0.00%	Other	1.03	1,119.31	1.50%	0.00	0.00	0.00%	1,119.31	0.00	0.00%
55.83	61,691.26	74.22%	0.00	0.00%	61,691.26	0.00	0.00%	Total Departmental Expenses	42.23	46,067.60	61.62%	0.00	0.00	0.00%	46,067.60	0.00	0.00%
19.40	21,432.28	25.78%	0.00	0.00%	21,432.28	0.00	0.00%	Gross Operating Profit	26.30	28,690.46	38.38%	0.00	0.00	0.00%	28,690.46	0.00	0.00%
								Operating Expenses									
45.88	50,700.14	60.99%	0.00	0.00%	50,700.14	826.90	0.00%	Administrative	16.07	17,536.06	23.46%	0.00	0.00	0.00%	17,536.06	735.00	0.00%
2.92	3,230.85	3.89%	0.00	0.00%	3,230.85	0.00	0.00%	Franchise Fees	2.66	2,905.32	3.89%	0.00	0.00	0.00%	2,905.32	0.00	0.00%
0.21	227.24	0.27%	0.00	0.00%	227.24	0.00	0.00%	Marketing	0.21	227.24	0.30%	0.00	0.00	0.00%	227.24	0.00	0.00%
23.76	26,259.63	31.59%	0.00	0.00%	26,259.63	0.00	0.00%	Sales	6.31	6,882.48	9.21%	0.00	0.00	0.00%	6,882.48	0.00	0.00%
14.50	16,021.08	19.27%	0.00	0.00%	16,021.08	85.05	0.00%	Property Operations	8.67	9,461.17	12.66%	0.00	0.00	0.00%	9,461.17	0.00	0.00%
15.75	17,409.19	20.94%	0.00	0.00%	17,409.19	0.00	0.00%	Energy	15.46	16,867.84	22.56%	0.00	0.00	0.00%	16,867.84	0.00	0.00%
19.00	21,000.00	25.26%	0.00	0.00%	21,000.00	0.00	0.00%	Management Fee	6.42	7,000.00	9.36%	0.00	0.00	0.00%	7,000.00	0.00	0.00%
122.03	134,848.13	162.23%	0.00	0.00%	134,848.13	911.95	0.00%	Total Operating Expenses	55.80	60,880.11	81.44%	0.00	0.00	0.00%	60,880.11	735.00	0.00%
-102.64	-113,415.85	-136.44%	0.00	0.00%	-113,415.85	-911.95	0.00%	House Profit	-29.50	-32,189.65	-43.06%	0.00	0.00	0.00%	32,189.65	-735.00	0.00%
								Fixed Expenses									
20.05	22,151.60	26.65%	0.00	0.00%	22,151.60	0.00	0.00%	Property Taxes & Specials	13.64	14,880.12	19.90%	0.00	0.00	0.00%	14,880.12	0.00	0.00%
2.30	2,542.00	3.06%	0.00	0.00%	2,542.00	0.00	0.00%	Insurance	1.16	1,271.00	1.70%	0.00	0.00	0.00%	1,271.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
22.35	24,693.60	29.71%	0.00	0.00%	24,693.60	0.00	0.00%	Total Fixed Expenses	14.80	16,151.12	21.60%	0.00	0.00	0.00%	16,151.12	0.00	0.00%
-124.99	-138,109.45	-166.15%	0.00	0.00%	-138,109.45	-911.95	0.00%	Operating Income B/4 Interest/Other	-44.31	-48,340.77	-64.66%	0.00	0.00	0.00%	48,340.77	-735.00	0.00%
								Interest Income/Expense									
15.46	17,079.86	20.55%	0.00	0.00%	17,079.86	0.00	0.00%	Interest Expense	5.37	5,857.30	7.84%	0.00	0.00	0.00%	5,857.30	0.00	0.00%
-1.14	-1,261.25	-1.52%	0.00	0.00%	-1,261.25	-484.30	0.00%	Interest Income	-0.05	-51.15	-0.07%	0.00	0.00	0.00%	-51.15	-228.15	0.00%
14.32	15,818.61	19.03%	0.00	0.00%	15,818.61	-484.30	0.00%	Total Interest Income/Expense	5.32	5,806.15	7.77%	0.00	0.00	0.00%	5,806.15	-228.15	0.00%
								Other Income/Expense									
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Guarantor Payments	-91.66	100,000.00	-133.76%	0.00	0.00	0.00%	00,000.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense	-91.66	100,000.00	-133.76%	0.00	0.00	0.00%	00,000.00	0.00	0.00%

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud	%	Var	CM Last Year	%
-139.30	-153,928.06	-185.18%	0.00	0.00%	-153,928.06	-427.65	0.00%	Net Operating Income	42.03	45,853.08	61.34%	0.00	0.00	0.00%	45,853.08	-506.85	0.00%
277.22	306,325.27	368.52%	0.00	0.00%	306,325.27	727.05	0.00%	Owner Expenses									
63.88	70,589.26	84.92%	0.00	0.00%	70,589.26	0.00	0.00%	Owner Expense	266.79	291,062.82	389.34%	0.00	0.00	0.00%	91,062.82	727.05	0.00%
								Depreciation and Amortization	64.70	70,589.26	94.42%	0.00	0.00	0.00%	70,589.26	0.00	0.00%
341.10	376,914.53	453.44%	0.00	0.00%	376,914.53	727.05	0.00%	Total Owner Expense	331.49	361,652.08	483.76%	0.00	0.00	0.00%	61,652.08	727.05	0.00%
-480.40	-530,842.59	-638.62%	0.00	0.00%	-530,842.59	-1,154.70	0.00%	Total Net Income	-289.46	315,799.00	-422.43%	0.00	0.00	0.00%	15,799.00	-1,233.90	0.00%
1.00	1,105.00		0.00		1,105.00	0.00		Occupied Rooms - Total	1.00	1,091.00		0.00	0.00		1,091.00	0.00	
32	35,136		0		35,136	6,659		Available Rooms	3	2,976		0	0		2,976	2,976	
0.00%	3.14%		0.00%		3.14%	0.00%		Occupancy	0.03%	36.66%		0.00%	0.00%		36.66%	0.00%	
0.07	73.10		0.00		73.10	0.00		Average Daily Rate (ADR)	0.06	66.57		0.00	0.00		66.57	0.00	
0.00	2.30		0.00		2.30	0.00		Revenue per Available Room (REVPAR)	0.02	24.41		0.00	0.00		24.41	0.00	

STR # 65913 / Created January 17, 2020



Monthly STAR Report : Hawthorn Suites by Wyndham Fargo

For the Month of: December 2019

Currency: US Dollar / Competitive Set Data Excludes Subject Property

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Tab 2 - Monthly Performance at a Glance - My Property vs. Competitive Set

Hawthorn Suites by Wyndham Fargo 4014 17th Ave S Fargo, ND 58103-3584 Phone: (701) 282-6006

STR # 65913 ChainID: 49677 MgtCo: National Hospitality Services Owner: None

For the Month of: December 2019 Date Created: January 17, 2020 Monthly Competitive Set Data Excludes Subject Property

December 2019

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	61.6	57.7	106.9	68.71	85.13	80.7	42.34	49.10	86.2
Year To Date	66.4	66.7	99.6	75.30	89.96	83.7	49.97	59.97	83.3
Running 3 Month	66.1	61.7	107.1	70.50	86.83	81.2	46.59	53.56	87.0
Running 12 Month	66.4	66.7	99.6	75.30	89.96	83.7	49.97	59.97	83.3

December 2019 vs. 2018 Percent Change (%)

	Occupancy			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	-15.2	6.2	-20.2	2.3	-1.2	3.5	-13.3	4.9	-17.4
Year To Date	-7.6	-2.8	-4.9	1.3	0.8	0.5	-6.4	-2.1	-4.4
Running 3 Month	-12.4	-3.1	-9.6	0.5	-0.2	0.7	-12.0	-3.3	-8.9
Running 12 Month	-7.6	-2.8	-4.9	1.3	0.8	0.5	-6.4	-2.1	-4.4

STR # 65913 / Created January 18, 2018

Monthly STAR Report : Hawthorn Suites by Wyndham Fargo

For the Month of: December 2017

Currency: US Dollar / Competitive Set Data Excludes Subject Property



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Tab 2 - Monthly Performance at a Glance - My Property vs. Competitive Set

Hawthorn Suites by Wyndham Fargo 4014 17th Ave S Fargo, ND 58103-3584 Phone: (701) 282-6006

STR # 65913 ChainID: 49677 MgtCo: National Hospitality Services Owner: None

For the Month of: December 2017 Date Created: January 18, 2018 Monthly Competitive Set Data Excludes Subject Property

December 2017

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	62.8	52.2	120.4	72.41	85.43	84.8	45.48	44.55	102.1
Year To Date	60.3	67.6	89.2	73.44	89.88	81.7	44.25	60.72	72.9
Running 3 Month	56.3	59.3	95.0	74.09	86.61	85.5	41.73	51.38	81.2
Running 12 Month	60.3	67.6	89.2	73.44	89.88	81.7	44.25	60.72	72.9

December 2017 vs. 2016 Percent Change (%)

	Occupancy			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	71.3	-13.6	98.3	8.8	-1.5	10.4	86.3	-14.9	119.0
Year To Date	116.0	-5.8	129.4	9.6	-2.1	12.0	136.7	-7.8	156.8
Running 3 Month	101.9	-12.2	129.9	10.5	-4.0	15.2	123.2	-15.7	164.7
Running 12 Month	116.0	-5.8	129.4	9.6	-2.1	12.0	136.7	-7.8	156.8

STR # 65913 / Created January 18, 2018

Monthly STAR Report : Hawthorn Suites by Wyndham Fargo

For the Month of: December 2017

Currency: US Dollar / Competitive Set Data Excludes Subject Property



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	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	62.8	52.2	120.4	72.41	85.43	84.8	45.48	44.55	102.1
Year To Date	60.3	67.6	89.2	73.44	89.88	81.7	44.25	60.72	72.9
Running 3 Month	56.3	59.3	95.0	74.09	86.61	85.5	41.73	51.38	81.2
Running 12 Month	60.3	67.6	89.2	73.44	89.88	81.7	44.25	60.72	72.9

December 2017 vs. 2016 Percent Change (%)

	Occupancy			ADR			RevPAR		
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Commercial Property Tax Division

▼ PROPERTY TAX ▼ APPRAISAL ▼ COST SEGREGATION

Property Description: Candlewood Suites

Property Address: 4014 17th Ave S

County and State: Cass County, ND

Real Property Account: 01-8652-00200-000

Notice Value: \$5,837,000

Tax Year: 2020

2020 Tax Year Appeal Evidence

A. Income Approach Valuation

Income Analysis based on Industry model:	<u>\$3,500,000</u>
Income Analysis based on Stabilized model:	<u>\$3,450,000</u>
Income Analysis – 3-year Stabilized Occupancy:	<u>\$3,426,215</u>

OPINION OF VALUE: \$3,426,215

INCOME ANALYSIS - Industry Income Model

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2020
LOCATION:	4014 17th Ave S	Cass
ACCT #	01-8652-00200-000	2019 Final Value
# of ROOMS	96	2020 Noticed Value
YEAR BUILT	2015	Gross Revenue Multiplier
Class	Limited Service	Value per room

\$5,837,000
\$5,837,000

	2019	2018	2017
Room Revenue	\$1,746,596	\$1,870,775	\$1,547,045
OCCUPANCY	66.4%	71.5%	60.26%
Average Daily Rate (ADR)	\$ 75.30	\$ 74.70	\$ 73.27
REVENUE PER AVAILABLE ROOM (RevPAR)	\$49.97	\$53.59	\$44.15

INCOME

Gross Room Rental Income		\$ 1,746,596
Less Hotel Occupancy Taxes (if included in revenue)		\$ -
Plus Other Income	2.00%	\$ 34,932
Effective Gross Rental Income		<u>\$ 1,781,527</u>
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)	9.33%	<u>\$166,217</u>
Adjusted taxable portion of revenue		<u>\$1,615,311</u>

EXPENSES (Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others	Industry 38.4% to 45.2%	
Administrative & General	Industry 7.8% to 7.9%	
Marketing	Industry 4.7% to 6.6%	
Utilities	Industry 3.2% to 4.5%	
Property Operation & Maintenance	Industry 4.2% to 4.9%	
Management Fees	Industry 3.0% to 3.3%	
Franchise Fees - Royalties portion (per flag)	Industry average 4.8%	
Insurance (depends on area)	Industry 0.9% to 1.0%	
Property Taxes (per location)		
Total expense of effective gross income	<u>68.00%</u>	Industry 67% to 78.2%
Reserves for Replacement & FF&E (depends on age)	4.00%	Industry 2% to 6%

TOTAL EXPENSES		<u>\$1,282,700</u>
NET OPERATING INCOME		<u>\$332,611</u>

CAP RATE (loaded)	CBRE 9.50%	9.50%
--------------------------	------------	-------

MARKET VALUE (Rounded)	<u>\$3,500,000</u>
-------------------------------	---------------------------

DEFERRED MAINTENANCE

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE

\$3,500,000

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

INCOME ANALYSIS - Stabilized Revenue

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2020
LOCATION:	4014 17th Ave S	Cass
ACCT #	01-8652-00200-000	2019 Final Value
# of ROOMS	96	2020 Noticed Value
YEAR BUILT	2015	Gross Revenue Multiplier
Class	Limited Service	Value per room

\$5,837,000
\$5,837,000
3.34
\$60,802

	2019	2018	2017
Stabilized Revenue	\$1,746,596	\$1,870,775	\$1,547,045
OCCUPANCY	66.4%	71.5%	60.26%
Average Daily Rate (ADR)	\$75.30	\$74.70	\$73.27
REVENUE PER AVAILABLE ROOM (RevPAR)	\$49.97	\$53.59	\$44.15

INCOME

Gross Room Rental Income		\$ 1,721,472
Less Hotel Occupancy Taxes (if included in revenue)		\$ -
Plus Other Income	2.00%	\$ 34,429
Effective Gross Rental Income		\$ 1,755,901
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)	9.33%	\$163,826
Adjusted taxable portion of revenue		\$1,592,076

EXPENSES (Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others	Industry 38.4% to 45.2%	
Administrative & General	Industry 7.8% to 7.9%	
Marketing	Industry 4.7% to 6.6%	
Utilities	Industry 3.2% to 4.5%	
Property Operation & Maintenance	Industry 4.2% to 4.9%	
Management Fees	Industry 3.0% to 3.3%	
Franchise Fees - Royalties portion (per flag)	Industry average 4.8%	
Insurance (depends on area)	Industry 0.9% to 1.0%	
Property Taxes (per location)		
Total expense of effective gross income	68.00%	\$1,194,013
Reserves for Replacement & FF&E (depends on age)	4.00%	\$ 70,236
TOTAL EXPENSES	excluding tax	\$1,264,249
NET OPERATING INCOME		\$327,827
CAP RATE (loaded)	CBRE 9.50%	9.50%

MARKET VALUE (Rounded) **\$3,450,000**

DEFERRED MAINTENANCE

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE

\$3,450,000

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

INCOME ANALYSIS - Lease Up 3 yr Stabilized Occupancy

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2020
LOCATION:	4014 17th Ave S	Cass
ACCT #	312/00315-106-004	2020 Final Value
# of ROOMS	96	2021 Noticed Value
YEAR BUILT	2015	Gross Revenue Multiplier
Class	Limited Service	Value per room
		2020
Room Revenue	\$1,746,596	2019
OCCUPANCY	66.4%	2018
Average Daily Rate (ADR)	\$75.30	
REVENUE PER AVAILABLE ROOM (RevPAR)	\$49.97	

INCOME

Gross Potential Revenue	\$75.30	ADR x # of rooms x 365 days	\$2,638,512
Stabilized occupancy (3 yr average)	66.0%	Stabilized Vacancy	\$ (895,951)
Gross Room Rental Income (Stabilized)			\$1,742,561
Other Income			
Effective Gross Rental Income		Adjusted stabilized Revenue 2020	\$1,742,561
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)		9.33%	-\$162,581
Adjusted taxable portion of revenue			\$1,579,980

EXPENSES (Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others		Industry 38.4% to 45.2%	
Administrative & General		Industry 7.8% to 7.9%	
Marketing		Industry 4.7% to 6.6%	
Utilities		Industry 3.2% to 4.5%	
Property Operation & Maintenance		Industry 4.2% to 4.9%	
Management Fees		Industry 3.0% to 3.3%	
Franchise Fees - Royalties portion (per flag)		Industry average 4.8%	
Insurance (depends on area)		Industry 0.9% to 1.0%	
Property Taxes (per location)			
Total expenses excluding tax & reserves	68.00%	Industry 67% to 78.2%	\$1,184,942
Reserves for Replacement & FF&E (depends on age)	4.00%	Industry 2% to 6%	\$69,702
TOTAL EXPENSES		excluding tax	\$1,254,644
NET OPERATING INCOME			\$325,336
CAP RATE (loaded)	CBRE 9.50%		9.50%
MARKET VALUE (Rounded)			\$3,420,000
Rent Loss	-0.4%		\$ 6,215

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE (ROUNDED)

\$3,426,215

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo
Split Income Statement/OC
As of 12/31/2019

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%	
Revenue								
75.73	1,746,595.54	97.67%	2,059,598.30	97.60%	-313,002.76	1,870,774.67	98.07%	Room Revenue
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue
1.80	41,450.28	2.32%	50,600.00	2.40%	-9,149.72	36,846.89	1.93%	Miscellaneous Revenue
0.01	240.00	0.01%	0.00	0.00%	240.00	0.00	0.00%	Telephone Revenue
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue
77.54	1,788,285.82	100.00%	2,110,198.30	100.00%	-321,912.48	1,907,621.56	100.00%	Total Revenue
Departmental Expenses								
27.40	631,921.61	36.18%	629,648.96	30.57%	2,272.66	633,848.54	33.88%	Rooms
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage
0.98	22,544.94	9,393.73%	22,470.00	0.00%	74.94	23,390.80	0.00%	Telephone
0.00	0.00	0.00%	0.01	0.00%	-0.01	0.00	0.00%	Laundry
0.40	9,115.28	0.51%	19,190.00	0.91%	-10,074.72	12,288.74	0.64%	Other
28.77	663,581.83	37.11%	671,308.96	31.81%	-7,727.13	669,528.08	35.10%	Total Departmental Expenses
48.77	1,124,703.99	62.89%	1,438,889.34	68.19%	-314,185.35	1,238,093.48	64.90%	Gross Operating Profit
Operating Expenses								
7.52	173,351.24	9.69%	181,106.87	8.58%	-7,755.63	197,255.96	10.34%	Administrative
3.82	88,175.99	4.93%	103,691.92	4.91%	-15,515.93	93,911.24	4.92%	Franchise Fees
1.73	40,001.28	2.24%	42,000.00	1.99%	-1,998.72	39,728.90	2.08%	Marketing
2.16	49,766.41	2.78%	72,556.00	3.44%	-22,789.59	68,647.10	3.60%	Sales
4.25	97,938.45	5.48%	114,564.33	5.43%	-16,625.88	89,904.80	4.71%	Property Operations
5.39	124,352.62	6.95%	123,150.00	5.84%	1,202.62	128,551.68	6.74%	Energy
1.55	35,760.92	2.00%	73,856.94	3.50%	-38,096.02	44,656.20	2.34%	Management Fee
26.42	609,346.91	34.07%	710,926.05	33.69%	-101,579.14	662,655.88	34.74%	Total Operating Expenses
22.35	515,357.08	28.82%	727,963.29	34.50%	-212,606.21	575,437.60	30.17%	House Profit

Fixed Expenses

3.65	84,259.72	4.71%	81,715.33	3.87%	2,544.39	76,157.60	3.99%	Property Taxes & Specials
1.10	25,393.57	1.42%	27,750.50	1.32%	-2,356.93	26,221.04	1.37%	Insurance
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense

4.75	109,653.29	6.13%	109,465.83	5.19%	187.46	102,378.64	5.37%	Total Fixed Expenses
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17.59	405,703.79	22.69%	618,497.46	29.31%	-212,793.67	473,058.96	24.80%	Operating Income B/4 Interest/Other
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Interest Income/Expense

18.58	428,393.33	23.96%	409,961.49	19.43%	18,431.84	466,668.80	24.46%	Interest Expense
-0.01	-238.69	-0.01%	0.00	0.00%	-238.69	-15.81	0.00%	Interest Income

18.57	428,154.64	23.94%	409,961.49	19.43%	18,193.15	466,652.99	24.46%	Total Interest Income/Expense
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Other Income/Expense

0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense
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Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo
Split Income Statement/OC
As of 12/31/2019

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%	
-0.97	-22,450.85	-1.26%	208,535.97	9.88%	-230,986.82	6,405.97	0.34%	Net Operating Income
Owner Expenses								
3.78	87,157.14	4.87%	44,882.88	2.13%	42,274.26	35,347.81	1.85%	Owner Expense
30.12	694,683.96	38.85%	694,683.96	32.92%	0.00	691,054.68	36.23%	Depreciation and Amortization
33.90	781,841.10	43.72%	739,566.84	35.05%	42,274.26	726,402.49	38.08%	Total Owner Expense
-34.88	-804,291.95	-44.98%	-531,030.87	-25.16%	-273,261.08	-719,996.52	-37.74%	Total Net Income
1.00	23,062.00		25,918.00		-2,856.00	25,044.00		Occupied Rooms - Total
0.00	54.00		0.00		-54.00	0.00		Complimentary Rooms
0.00	112.00		0.00		-112.00	0.00		Out of Order Rooms
0.00	38.00		0.00		-38.00	0.00		No Show Rooms
2	35,040		35,040		0	35,040		Available Rooms
0.00%	65.82%		73.97%		-8.15%	71.47%		Occupancy
0.00	75.73		79.47		-3.73	74.70		Average Daily Rate (ADR)
0.00	49.85		58.78		-8.93	53.39		Revenue per Available Room (REVPAR)

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Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo

Split Income Statement/OC

As of 12/31/2018

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud
Revenue													
74.70	1,870,774.67	98.07%	2,016,560.64	98.62%	-145,785.97	1,547,045.47	92.55%	Room Revenue	70.79	145,333.54	97.66%	73.02	141,211.20
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue	0.00	0.00	0.00%	0.00	0.00
1.47	36,846.89	1.93%	28,250.00	1.38%	8,596.89	124,508.44	7.45%	Miscellaneous Revenue	1.69	3,476.47	2.34%	0.94	1,825.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Telephone Revenue	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue	0.00	0.00	0.00%	0.00	0.00
76.17	1,907,621.56	100.00%	2,044,810.64	100.00%	-137,189.08	1,671,553.91	100.00%	Total Revenue	72.48	148,810.01	100.00%	73.96	143,036.20
Departmental Expenses													
25.31	633,848.54	33.88%	620,350.89	30.76%	13,497.65	604,038.07	39.04%	Rooms	23.67	48,589.76	33.43%	24.81	47,990.76
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage	0.00	0.00	0.00%	0.00	0.00
0.93	23,390.80	0.00%	22,200.00	0.00%	1,190.80	22,980.09	0.00%	Telephone	0.87	1,784.30	0.00%	0.96	1,850.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Laundry	0.00	0.00	0.00%	0.00	0.00
0.49	12,288.74	0.64%	11,870.00	0.58%	418.74	10,889.96	0.65%	Other	0.72	1,469.84	0.99%	0.35	675.00
26.73	669,528.08	35.10%	654,420.89	32.00%	15,107.19	637,908.12	38.16%	Total Departmental Expenses	25.25	51,843.90	34.84%	26.12	50,515.76
49.44	1,238,093.48	64.90%	1,390,389.75	68.00%	-152,296.27	1,033,645.79	61.84%	Gross Operating Profit	47.23	96,966.11	65.16%	47.84	92,520.44
Operating Expenses													
7.88	197,255.96	10.34%	193,266.05	9.45%	3,989.91	162,123.15	9.70%	Administrative	9.51	19,532.68	13.13%	8.27	15,994.20
3.75	93,911.24	4.92%	100,828.03	4.93%	-6,916.79	43,768.39	2.62%	Franchise Fees	3.54	7,266.68	4.88%	3.65	7,060.56
1.59	39,728.90	2.08%	30,000.00	1.47%	9,728.90	24,658.98	1.48%	Marketing	2.15	4,407.45	2.96%	1.29	2,500.00
2.74	68,647.10	3.60%	71,158.90	3.48%	-2,511.80	63,272.08	3.79%	Sales	2.20	4,526.24	3.04%	3.11	6,017.82
3.59	89,904.80	4.71%	78,510.44	3.84%	11,394.36	81,322.25	4.87%	Property Operations	4.87	10,003.71	6.72%	3.29	6,354.70
5.13	128,551.68	6.74%	104,400.00	5.11%	24,151.68	111,716.72	6.68%	Energy	6.69	13,742.40	9.23%	5.82	11,250.00
1.78	44,656.20	2.34%	71,568.37	3.50%	-26,912.17	55,163.97	3.30%	Management Fee	1.45	2,977.49	2.00%	2.59	5,006.27
26.46	662,655.88	34.74%	649,731.79	31.77%	12,924.09	542,025.54	32.43%	Total Operating Expenses	30.42	62,456.65	41.97%	28.02	54,183.55
22.98	575,437.60	30.17%	740,657.96	36.22%	-165,220.36	491,620.25	29.41%	House Profit	16.81	34,509.46	23.19%	19.82	38,336.88

Fixed Expenses

3.04	76,157.60	3.99%	73,320.00	3.59%	2,837.60	76,415.97	4.57%	Property Taxes & Specials	2.24	4,599.80	3.09%	3.16	6,110.00
1.05	26,221.04	1.37%	27,260.55	1.33%	-1,039.51	21,650.28	1.30%	Insurance	1.06	2,185.12	1.47%	1.22	2,361.15
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense	0.00	0.00	0.00%	0.00	0.00

4.09	102,378.64	5.37%	100,580.55	4.92%	1,798.09	98,066.25	5.87%	Total Fixed Expenses	3.30	6,784.92	4.56%	4.38	8,471.15
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18.89	473,058.96	24.80%	640,077.41	31.30%	-167,018.45	393,554.00	23.54%	Operating Income B/4 Interest/Other	13.50	27,724.54	18.63%	15.44	29,865.73
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Interest Income/Expense

18.63	466,668.80	24.46%	424,393.90	20.75%	42,274.90	464,224.30	27.77%	Interest Expense	19.16	39,336.00	26.43%	18.37	35,527.04
0.00	-15.81	0.00%	0.00	0.00%	-15.81	-224.58	-0.01%	Interest Income	0.00	-1.67	0.00%	0.00	0.00

18.63	466,652.99	24.46%	424,393.90	20.75%	42,259.09	463,999.72	27.76%	Total Interest Income/Expense	19.16	39,334.33	26.43%	18.37	35,527.04
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Other Income/Expense

0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense	0.00	0.00	0.00%	0.00	0.00
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Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo

Split Income Statement/OC

As of 12/31/2018

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud
0.26	6,405.97	0.34%	215,683.51	10.55%	-209,277.54	-70,445.72	-4.21%	Net Operating Income	-5.66	-11,609.79	-7.80%	-2.93	-5,661.31
Owner Expenses													
1.41	35,347.81	1.85%	0.00	0.00%	35,347.81	138,276.46	8.27%	Owner Expense	1.47	3,016.25	2.03%	0.00	0.00
27.59	691,054.68	36.23%	691,054.68	33.80%	0.00	677,575.78	40.54%	Depreciation and Amortization	28.20	57,890.33	38.90%	29.93	57,890.33
29.01	726,402.49	38.08%	691,054.68	33.80%	35,347.81	815,852.24	48.81%	Total Owner Expense	29.67	60,906.58	40.93%	29.93	57,890.33
-28.75	-719,996.52	-37.74%	-475,371.17	-23.25%	-244,625.35	-886,297.96	-53.02%	Total Net Income	-35.32	-72,516.37	-48.73%	-32.86	-63,551.64
1.00	25,044.00		25,724.00		-680.00	21,114.00		Occupied Rooms - Total	1.00	2,053.00		1.00	1,934.00
1	35,040		35,040		0	35,040		Available Rooms	1	2,976		2	2,976
0.00%	71.47%		73.41%		-1.94%	60.26%		Occupancy	0.03%	68.99%		0.03%	64.99%
0.00	74.70		78.39		-3.69	73.27		Average Daily Rate (ADR)	0.03	70.79		0.04	73.02
0.00	53.39		57.55		-4.16	44.15		Revenue per Available Room (REVPAR)	0.02	48.84		0.02	47.45

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Company: Emerald Hospitality, LLC Property: Candlewood Suites - Fargo

Split Income Statement/OC

As of 12/31/2017

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud	%	Var	CM Last Year	%
									Revenue								
73.27	1,547,045.47	92.55%	2,107,934.40	99.38%	-560,888.93	80,771.10	97.17%	Room Revenue	72.41	135,336.66	90.99%	86.98	155,347.20	99.41%	20,010.54	72,633.07	97.16%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
5.90	124,508.44	7.45%	13,200.00	0.62%	111,308.44	2,352.44	2.83%	Miscellaneous Revenue	7.17	13,394.98	9.01%	0.52	925.00	0.59%	12,469.98	2,124.99	2.84%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Telephone Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
79.17	1,671,553.91	100.00%	2,121,134.40	100.00%	-449,580.49	83,123.54	100.00%	Total Revenue	79.58	148,731.64	100.00%	87.50	156,272.20	100.00%	-7,540.56	74,758.06	100.00%
									Departmental Expenses								
28.61	604,038.07	39.04%	592,759.83	28.12%	11,278.24	56,632.29	70.11%	Rooms	29.46	55,060.48	40.68%	25.60	45,720.65	29.43%	9,339.83	41,486.39	57.12%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
1.09	22,980.09	0.00%	16,800.00	0.00%	6,180.09	3,939.66	0.00%	Telephone	0.98	1,823.38	0.00%	0.78	1,400.00	0.00%	423.38	3,461.90	0.00%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Laundry	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
0.52	10,889.96	0.65%	5,110.00	0.24%	5,779.96	1,119.31	1.35%	Other	0.82	1,528.31	1.03%	0.20	350.00	0.22%	1,178.31	1,119.31	1.50%
30.21	637,908.12	38.16%	614,669.83	28.98%	23,238.29	61,691.26	74.22%	Total Departmental Expenses	31.25	58,412.17	39.27%	26.58	47,470.65	30.38%	10,941.52	46,067.60	61.62%
48.96	1,033,645.79	61.84%	1,506,464.57	71.02%	-472,818.78	21,432.28	25.78%	Gross Operating Profit	48.33	90,319.47	60.73%	60.92	108,801.55	69.62%	18,482.08	28,690.46	38.38%
									Operating Expenses								
7.68	162,123.15	9.70%	196,410.82	9.26%	-34,287.67	50,700.14	60.99%	Administrative	8.35	15,601.08	10.49%	9.75	17,417.87	11.15%	-1,816.79	17,536.06	23.46%
2.07	43,768.39	2.62%	62,336.45	2.94%	-18,568.06	3,230.85	3.89%	Franchise Fees	3.62	6,766.83	4.55%	3.48	6,213.89	3.98%	552.94	2,905.32	3.89%
1.17	24,658.98	1.48%	15,000.00	0.71%	9,658.98	227.24	0.27%	Marketing	-0.19	-363.69	-0.24%	0.67	1,200.00	0.77%	-1,563.69	227.24	0.30%
3.00	63,272.08	3.79%	69,307.60	3.27%	-6,035.52	26,259.63	31.59%	Sales	2.72	5,079.06	3.41%	3.28	5,863.80	3.75%	-784.74	6,882.48	9.21%
3.85	81,322.25	4.87%	94,700.00	4.46%	-13,377.75	16,021.08	19.27%	Property Operations	2.81	5,257.58	3.53%	4.70	8,388.83	5.37%	-3,131.25	9,461.17	12.66%
5.29	111,716.72	6.68%	94,850.00	4.47%	16,866.72	17,409.19	20.94%	Energy	7.08	13,235.00	8.90%	4.54	8,100.00	5.18%	5,135.00	16,867.84	22.56%
2.61	55,163.97	3.30%	84,845.38	4.00%	-29,681.41	21,000.00	25.26%	Management Fee	2.59	4,842.26	3.26%	3.50	6,250.89	4.00%	-1,408.63	7,000.00	9.36%
25.67	542,025.54	32.43%	617,450.24	29.11%	-75,424.70	134,848.13	162.23%	Total Operating Expenses	26.98	50,418.12	33.90%	29.92	53,435.28	34.19%	-3,017.16	60,880.11	81.44%
23.28	491,620.25	29.41%	889,014.33	41.91%	-397,394.08	-113,415.85	-136.44%	House Profit	21.35	39,901.35	26.83%	31.00	55,366.27	35.43%	15,464.92	-32,189.65	-43.06%
									Fixed Expenses								
3.62	76,415.97	4.57%	100,000.00	4.71%	-23,584.03	22,151.60	26.65%	Property Taxes & Specials	4.93	9,205.97	6.19%	4.67	8,333.33	5.33%	872.64	14,880.12	19.90%
1.03	21,650.28	1.30%	26,459.00	1.25%	-4,808.72	2,542.00	3.06%	Insurance	1.17	2,185.04	1.47%	1.28	2,292.00	1.47%	-106.96	1,271.00	1.70%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%
4.64	98,066.25	5.87%	126,459.00	5.96%	-28,392.75	24,693.60	29.71%	Total Fixed Expenses	6.09	11,391.01	7.66%	5.95	10,625.33	6.80%	765.68	16,151.12	21.60%
18.64	393,554.00	23.54%	762,555.33	35.95%	-369,001.33	-138,109.45	-166.15%	Operating Income B/4 Interest/Other	15.25	28,510.34	19.17%	25.05	44,740.93	28.63%	16,230.59	-48,340.77	-64.66%
									Interest Income/Expense								
21.99	464,224.30	27.77%	471,506.45	22.23%	-7,282.15	17,079.86	20.55%	Interest Expense	36.01	67,297.18	45.25%	21.99	39,282.72	25.14%	28,014.46	5,857.30	7.84%
-0.01	-224.58	-0.01%	0.00	0.00%	-224.58	-1,261.25	-1.52%	Interest Income	0.00	-0.79	0.00%	0.00	0.00	0.00%	-0.79	-51.15	-0.07%
21.98	463,999.72	27.76%	471,506.45	22.23%	-7,506.73	15,818.61	19.03%	Total Interest Income/Expense	36.01	67,296.39	45.25%	21.99	39,282.72	25.14%	28,013.67	5,806.15	7.77%
									Other Income/Expense								
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Guarantor Payments	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	100,000.00	133.76%
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	100,000.00	133.76%

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud	%	Var	CM Last Year	%
-3.34	-70,445.72	-4.21%	291,048.88	13.72%	-361,494.60	-153,928.06	-185.18%	Net Operating Income	-20.75	-38,786.05	-26.08%	3.06	5,458.21	3.49%	44,244.26	45,853.08	61.34%
6.55	138,276.46	8.27%	0.00	0.00%	138,276.46	306,325.27	368.52%	Owner Expenses	29.87	55,831.07	37.54%	0.00	0.00	0.00%	55,831.07	291,062.82	389.34%
32.09	677,575.78	40.54%	667,582.80	31.47%	9,992.98	70,589.26	84.92%	Owner Expense	35.11	65,624.90	44.12%	31.15	55,631.90	35.60%	9,993.00	70,589.26	94.42%
								Depreciation and Amortization									
38.64	815,852.24	48.81%	667,582.80	31.47%	148,269.44	376,914.53	453.44%	Total Owner Expense	64.98	121,455.97	81.66%	31.15	55,631.90	35.60%	65,824.07	361,652.08	483.76%
-41.98	-886,297.96	-53.02%	-376,533.92	-17.75%	-509,764.04	-530,842.59	-638.62%	Total Net Income	-85.74	160,242.02	-107.74%	-28.09	-50,173.69	-32.11%	10,068.33	315,799.00	422.43%
1.00	21,114.00		23,770.00		-2,656.00	1,105.00		Occupied Rooms - Total	1.00	1,869.00		1.00	1,786.00		83.00	1,091.00	
2	35,040		35,040		0	35,136		Available Rooms	2	2,976		2	2,976		0	2,976	
0.00%	60.26%		67.84%		-7.58%	3.14%		Occupancy	0.03%	62.80%		0.03%	60.01%		2.79%	36.66%	
0.00	73.27		88.68		-15.41	73.10		Average Daily Rate (ADR)	0.04	72.41		0.05	86.98		-14.57	66.57	
0.00	44.15		60.16		-16.01	2.30		Revenue per Available Room (REVPAR)	0.02	45.48		0.03	52.20		-6.72	24.41	

STR # 65913 / Created January 17, 2020



Monthly STAR Report : Hawthorn Suites by Wyndham Fargo

For the Month of: December 2019

Currency: US Dollar / Competitive Set Data Excludes Subject Property

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Tab 2 - Monthly Performance at a Glance - My Property vs. Competitive Set

Hawthorn Suites by Wyndham Fargo 4014 17th Ave S Fargo, ND 58103-3584 Phone: (701) 282-6006

STR # 65913 ChainID: 49677 MgtCo: National Hospitality Services Owner: None

For the Month of: December 2019 Date Created: January 17, 2020 Monthly Competitive Set Data Excludes Subject Property

December 2019

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	61.6	57.7	106.9	68.71	85.13	80.7	42.34	49.10	86.2
Year To Date	66.4	66.7	99.6	75.30	89.96	83.7	49.97	59.97	83.3
Running 3 Month	66.1	61.7	107.1	70.50	86.83	81.2	46.59	53.56	87.0
Running 12 Month	66.4	66.7	99.6	75.30	89.96	83.7	49.97	59.97	83.3

December 2019 vs. 2018 Percent Change (%)

	Occupancy			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	-15.2	6.2	-20.2	2.3	-1.2	3.5	-13.3	4.9	-17.4
Year To Date	-7.6	-2.8	-4.9	1.3	0.8	0.5	-6.4	-2.1	-4.4
Running 3 Month	-12.4	-3.1	-9.6	0.5	-0.2	0.7	-12.0	-3.3	-8.9
Running 12 Month	-7.6	-2.8	-4.9	1.3	0.8	0.5	-6.4	-2.1	-4.4

Tab 5 - Response Report

Hawthorn Suites by Wyndham Fargo 4014 17th Ave S Fargo, ND 58103-3584 Phone: (701) 282-6006
 STR # 65913 ChainID: 49677 MgtCo: National Hospitality Services Owner: None
 For the Month of: December 2019 Date Created: January 17, 2020

This Year

- Dec 23rd - First Day of Hanukkah
- Dec 24th - Christmas Eve
- Dec 25th - Christmas Day
- Dec 26th - First Day of Kwanzaa
- Dec 31st - New Year's Eve

December 2019 (This Year)

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

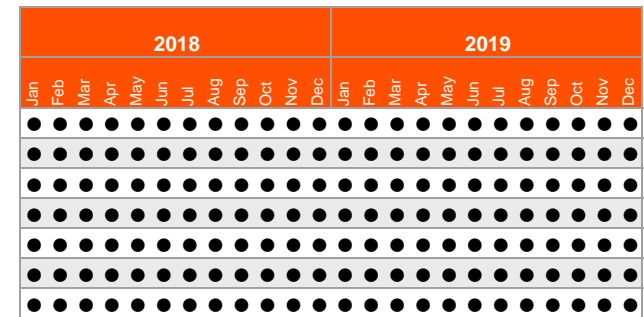
December 2018 (Last Year)

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Last Year

- Dec 3rd - First Day of Hanukkah
- Dec 24th - Christmas Eve
- Dec 25th - Christmas
- Dec 26th - First Day of Kwanzaa
- Dec 31st - New Year's Eve

STR#	Name	City, State	Zip	Phone	Rooms	Open Date
65913	Hawthorn Suites by Wyndham Fargo	Fargo, ND	58103-3584	(701) 282-6006	96	201611
39508	Wingate By Wyndham Fargo	Fargo, ND	58103-7198	(701) 281-9133	83	199912
42877	MainStay Suites I 94 Medical Park Fargo	Fargo, ND	58103-7145	(701) 277-4627	66	200108
54182	Candlewood Suites Fargo North Dakota State Univ	Fargo, ND	58102-5704	(701) 235-8200	90	200604
54308	Staybridge Suites Fargo	Fargo, ND	58103-4434	(701) 281-4900	80	200609
62746	Comfort Suites Medical Center Fargo	Fargo, ND	58104-8788	(701) 277-5576	82	201307
63089	Home2 Suites by Hilton Fargo	Fargo, ND	58103	(701) 492-4502	107	201405
					604	



Data received:

- = Monthly Only
- = Monthly & Daily

STR # 65913 / Created January 18, 2018

Monthly STAR Report : Hawthorn Suites by Wyndham Fargo

For the Month of: December 2017

Currency: US Dollar / Competitive Set Data Excludes Subject Property



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Tab 2 - Monthly Performance at a Glance - My Property vs. Competitive Set

Hawthorn Suites by Wyndham Fargo 4014 17th Ave S Fargo, ND 58103-3584 Phone: (701) 282-6006

STR # 65913 ChainID: 49677 MgtCo: National Hospitality Services Owner: None

For the Month of: December 2017 Date Created: January 18, 2018 Monthly Competitive Set Data Excludes Subject Property

December 2017

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	62.8	52.2	120.4	72.41	85.43	84.8	45.48	44.55	102.1
Year To Date	60.3	67.6	89.2	73.44	89.88	81.7	44.25	60.72	72.9
Running 3 Month	56.3	59.3	95.0	74.09	86.61	85.5	41.73	51.38	81.2
Running 12 Month	60.3	67.6	89.2	73.44	89.88	81.7	44.25	60.72	72.9

December 2017 vs. 2016 Percent Change (%)

	Occupancy			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	71.3	-13.6	98.3	8.8	-1.5	10.4	86.3	-14.9	119.0
Year To Date	116.0	-5.8	129.4	9.6	-2.1	12.0	136.7	-7.8	156.8
Running 3 Month	101.9	-12.2	129.9	10.5	-4.0	15.2	123.2	-15.7	164.7
Running 12 Month	116.0	-5.8	129.4	9.6	-2.1	12.0	136.7	-7.8	156.8



Commercial Property Tax Division

▼ PROPERTY TAX ▼ APPRAISAL ▼ COST SEGREGATION

Property Description: Candlewood Suites

Property Address: 4014 17th Ave S

County and State: Cass County, ND

Real Property Account: 01-8652-00200-000

Notice Value: \$4,961,500

Tax Year: 2021

2021 Tax Year Appeal Evidence

A. Income Approach Valuation

Income Analysis based on Industry model:	<u>\$2,420,000</u>
Income Analysis based on Stabilized model:	<u>\$3,220,000</u>
Income Analysis – 3-year Stabilized Occupancy:	<u>\$2,757,217</u>

OPINION OF VALUE: \$2,757,217

INCOME ANALYSIS - Industry Income Model

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2021
LOCATION:	4014 17th Ave S	Cass
ACCT #	01-8652-00200-000	2020 Final Value
# of ROOMS	96	2021 Noticed Value
YEAR BUILT	2015	Gross Revenue Multiplier
Class	Limited Service	Value per room

		2018
Room Revenue	\$1,207,295	\$1,870,775
OCCUPANCY	50.6%	71.47%
Average Daily Rate (ADR)	\$ 67.93	\$ 74.70
REVENUE PER AVAILABLE ROOM (RevPAR)	\$34.35	\$53.59

INCOME

Gross Room Rental Income		\$ 1,207,295
Less Hotel Occupancy Taxes (if included in revenue)		\$ -
Plus Other Income	2.00%	\$ 24,146
Effective Gross Rental Income		\$ 1,231,441
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)	9.33%	\$114,893
Adjusted taxable portion of revenue		\$1,116,547

EXPENSES

(Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others		Industry 38.4% to 45.2%
Administrative & General		Industry 7.8% to 7.9%
Marketing		Industry 4.7% to 6.6%
Utilities		Industry 3.2% to 4.5%
Property Operation & Maintenance		Industry 4.2% to 4.9%
Management Fees		Industry 3.0% to 3.3%
Franchise Fees - Royalties portion (per flag)		Industry average 4.8%
Insurance (depends on area)		Industry 0.9% to 1.0%
Property Taxes (per location)		
Total expense of effective gross income	68.00%	Industry 67% to 78.2%
Reserves for Replacement & FF&E (depends on age)	4.00%	Industry 2% to 6%
TOTAL EXPENSES		\$886,637
NET OPERATING INCOME		\$229,910
CAP RATE (loaded)	CBRE 9.50%	9.50%

MARKET VALUE (Rounded)

\$2,420,000

DEFERRED MAINTENANCE

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE

\$2,420,000

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

INCOME ANALYSIS - Stabilized Revenue

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2021
LOCATION:	4014 17th Ave S	Cass
ACCT #	01-8652-00200-000	2020 Final Value
# of ROOMS	96	2021 Noticed Value
YEAR BUILT	2015	Gross Revenue Multiplier
Class	Limited Service	Value per room

\$5,837,000
\$4,961,500
4.11
\$51,682

	2020	2019	2018
Stabilized Revenue	\$1,207,295	\$1,746,596	\$1,870,775
OCCUPANCY	50.6%	66.4%	71.47%
Average Daily Rate (ADR)	\$67.93	\$75.30	\$74.70
REVENUE PER AVAILABLE ROOM (RevPAR)	\$34.35	\$49.97	\$53.59

INCOME

Gross Room Rental Income		\$ 1,608,222
Less Hotel Occupancy Taxes (if included in revenue)		\$ -
Plus Other Income	2.00%	\$ 32,164
Effective Gross Rental Income		\$ 1,640,386
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)	9.33%	\$153,048
Adjusted taxable portion of revenue		\$1,487,338

EXPENSES (Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others	Industry 38.4% to 45.2%	
Administrative & General	Industry 7.8% to 7.9%	
Marketing	Industry 4.7% to 6.6%	
Utilities	Industry 3.2% to 4.5%	
Property Operation & Maintenance	Industry 4.2% to 4.9%	
Management Fees	Industry 3.0% to 3.3%	
Franchise Fees - Royalties portion (per flag)	Industry average 4.8%	
Insurance (depends on area)	Industry 0.9% to 1.0%	
Property Taxes (per location)		
Total expense of effective gross income	68.00%	\$1,115,463
Reserves for Replacement & FF&E (depends on age)	4.00%	\$ 65,615

TOTAL EXPENSES	excluding tax	\$1,181,078
NET OPERATING INCOME		\$306,260
CAP RATE (loaded)	CBRE 9.50%	9.50%

MARKET VALUE (Rounded)	\$3,220,000
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DEFERRED MAINTENANCE

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE

\$3,220,000

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

INCOME ANALYSIS - Lease Up 3 yr Stabilized Occupancy

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PROPERTY DESCRIPTION:	Candlewood Suites	Tax Year 2021
LOCATION:	4014 17th Ave S	Cass
ACCT #	312/00315-106-004	2020 Final Value
# of ROOMS	96	\$5,837,000
YEAR BUILT	2015	2021 Noticed Value
Class	Limited Service	\$4,961,500
	Gross Revenue Multiplier	4.11
	Value per room	\$51,682
	2020	2019
Room Revenue	\$1,207,295	\$1,746,596
OCCUPANCY	50.6%	66.4%
Average Daily Rate (ADR)	\$67.93	\$75.30
REVENUE PER AVAILABLE ROOM (RevPAR)	\$34.35	\$49.97
		2018
		\$1,870,775
		71.5%
		\$74.70
		\$53.59

INCOME

Gross Potential Revenue	\$67.93	ADR x # of rooms x 365 days	\$2,380,267
Stabilized occupancy (3 yr average)	62.8%	Stabilized Vacancy	\$ (884,904)
Gross Room Rental Income (Stabilized)			\$1,495,363
Other Income			
Effective Gross Rental Income		Adjusted stabilized Revenue 2020	\$1,495,363
Less Intangible BEV (Net Gain after deducting franchise fees - see attached)		9.33%	-\$139,517
Adjusted taxable portion of revenue			\$1,355,846

EXPENSES (Sources - HVS and STR Analytics survey of 5400+ hotels, and various CAD manuals)

Rooms, Food & Beverage, telephones, others		Industry 38.4% to 45.2%	
Administrative & General		Industry 7.8% to 7.9%	
Marketing		Industry 4.7% to 6.6%	
Utilities		Industry 3.2% to 4.5%	
Property Operation & Maintenance		Industry 4.2% to 4.9%	
Management Fees		Industry 3.0% to 3.3%	
Franchise Fees - Royalties portion (per flag)		Industry average 4.8%	
Insurance (depends on area)		Industry 0.9% to 1.0%	
Property Taxes (per location)			
Total expenses excluding tax & reserves	68.00%	Industry 67% to 78.2%	\$1,016,847
Reserves for Replacement & FF&E (depends on age)	4.00%	Industry 2% to 6%	\$59,815
TOTAL EXPENSES		excluding tax	\$1,076,662
NET OPERATING INCOME			\$279,184
CAP RATE (loaded)	CBRE	9.50%	9.50%
MARKET VALUE (Rounded)			\$2,940,000
Rent Loss	12.2%		\$ (182,783)

BUSINESS PERSONAL PROPERTY (Included in income model)

ADJUSTED MARKET VALUE (ROUNDED)

\$2,757,217

A significant portion of a hotel's value lies in its flag which provides name recognition, national marketing campaign, reservation system, management, and quality control. These are Intangible Business Enterprise Value (BEV) that must be deducted in order to derive at the taxable real property value. BEV is the Net increase in revenue derived from the flag, less fees paid to the franchise. The Rushmore Approach deducts franchise fees but not additional BEV is under the misconception that intangible Business Value is equal to the fees paid to the franchise. No one would purchase a franchise to have a Net Zero Gain!

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud	%	Var	CM Last Year	%
-10.23	-181,993.74	-14.70%	-132,091.27	-8.14%	-49,902.47	-22,450.85	-1.26%	Net Operating Income	31.98	39,723.25	52.39%	-30.83	-35,424.72	-34.51%	75,147.97	9,918.10	7.62%
5.27	93,826.00	7.58%	46,589.88	2.87%	47,236.12	87,157.14	4.87%	Owner Expenses	13.11	16,284.83	21.48%	3.60	4,132.49	4.03%	12,152.34	4,749.58	3.65%
40.14	714,329.43	57.68%	684,384.08	42.19%	29,945.35	694,683.96	38.85%	Owner Expense	46.55	57,814.08	76.24%	50.32	57,813.98	56.32%	0.10	57,890.33	44.50%
								Depreciation and Amortization									
45.41	808,155.43	65.26%	730,973.96	45.06%	77,181.47	781,841.10	43.72%	Total Owner Expense	59.66	74,098.91	97.72%	53.91	61,946.47	60.35%	12,152.44	62,639.91	48.15%
-55.63	-990,149.17	-79.95%	-863,065.23	-53.21%	-127,083.94	-804,291.95	-44.98%	Total Net Income	-27.68	-34,375.66	-45.33%	-84.74	-97,371.19	-94.86%	62,995.53	-52,721.81	-40.52%
1.00	17,798.00		19,686.00		-1,888.00	23,062.00		Occupied Rooms - Total	1.00	1,242.00		1.00	1,149.00		93.00	1,834.00	
0.00	57.00		0.00		-57.00	54.00		Complimentary Rooms	0.01	10.00		0.00	0.00		-10.00	37.00	
0.34	6,096.00		0.00		-6,096.00	112.00		Out of Order Rooms	0.40	503.00		0.00	0.00		-503.00	54.00	
0.01	95.00		0.00		-95.00	38.00		No Show Rooms	0.00	4.00		0.00	0.00		-4.00	11.00	
2	35,136		35,136		0	35,040		Available Rooms	2	2,976		3	2,976		0	2,976	
0.00%	50.65%		56.03%		-5.37%	65.82%		Occupancy	0.03%	41.73%		0.03%	38.61%		3.13%	61.63%	
0.00	67.83		80.43		-12.60	75.73		Average Daily Rate (ADR)	0.05	59.31		0.08	87.00		-27.69	68.71	
0.00	34.36		45.06		-10.70	49.85		Revenue per Available Room (REVPAR)	0.02	24.75		0.03	33.59		-8.84	42.34	

Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo
Split Income Statement/OC
As of 12/31/2019

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%	
Revenue								
75.73	1,746,595.54	97.67%	2,059,598.30	97.60%	-313,002.76	1,870,774.67	98.07%	Room Revenue
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue
1.80	41,450.28	2.32%	50,600.00	2.40%	-9,149.72	36,846.89	1.93%	Miscellaneous Revenue
0.01	240.00	0.01%	0.00	0.00%	240.00	0.00	0.00%	Telephone Revenue
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue
77.54	1,788,285.82	100.00%	2,110,198.30	100.00%	-321,912.48	1,907,621.56	100.00%	Total Revenue
Departmental Expenses								
27.40	631,921.61	36.18%	629,648.96	30.57%	2,272.66	633,848.54	33.88%	Rooms
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage
0.98	22,544.94	9,393.73%	22,470.00	0.00%	74.94	23,390.80	0.00%	Telephone
0.00	0.00	0.00%	0.01	0.00%	-0.01	0.00	0.00%	Laundry
0.40	9,115.28	0.51%	19,190.00	0.91%	-10,074.72	12,288.74	0.64%	Other
28.77	663,581.83	37.11%	671,308.96	31.81%	-7,727.13	669,528.08	35.10%	Total Departmental Expenses
48.77	1,124,703.99	62.89%	1,438,889.34	68.19%	-314,185.35	1,238,093.48	64.90%	Gross Operating Profit
Operating Expenses								
7.52	173,351.24	9.69%	181,106.87	8.58%	-7,755.63	197,255.96	10.34%	Administrative
3.82	88,175.99	4.93%	103,691.92	4.91%	-15,515.93	93,911.24	4.92%	Franchise Fees
1.73	40,001.28	2.24%	42,000.00	1.99%	-1,998.72	39,728.90	2.08%	Marketing
2.16	49,766.41	2.78%	72,556.00	3.44%	-22,789.59	68,647.10	3.60%	Sales
4.25	97,938.45	5.48%	114,564.33	5.43%	-16,625.88	89,904.80	4.71%	Property Operations
5.39	124,352.62	6.95%	123,150.00	5.84%	1,202.62	128,551.68	6.74%	Energy
1.55	35,760.92	2.00%	73,856.94	3.50%	-38,096.02	44,656.20	2.34%	Management Fee
26.42	609,346.91	34.07%	710,926.05	33.69%	-101,579.14	662,655.88	34.74%	Total Operating Expenses
22.35	515,357.08	28.82%	727,963.29	34.50%	-212,606.21	575,437.60	30.17%	House Profit

Fixed Expenses

3.65	84,259.72	4.71%	81,715.33	3.87%	2,544.39	76,157.60	3.99%	Property Taxes & Specials
1.10	25,393.57	1.42%	27,750.50	1.32%	-2,356.93	26,221.04	1.37%	Insurance
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense

4.75	109,653.29	6.13%	109,465.83	5.19%	187.46	102,378.64	5.37%	Total Fixed Expenses
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17.59	405,703.79	22.69%	618,497.46	29.31%	-212,793.67	473,058.96	24.80%	Operating Income B/4 Interest/Other
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Interest Income/Expense

18.58	428,393.33	23.96%	409,961.49	19.43%	18,431.84	466,668.80	24.46%	Interest Expense
-0.01	-238.69	-0.01%	0.00	0.00%	-238.69	-15.81	0.00%	Interest Income

18.57	428,154.64	23.94%	409,961.49	19.43%	18,193.15	466,652.99	24.46%	Total Interest Income/Expense
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Other Income/Expense

0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense
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Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo
Split Income Statement/OC
As of 12/31/2019

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%	
-0.97	-22,450.85	-1.26%	208,535.97	9.88%	-230,986.82	6,405.97	0.34%	Net Operating Income
Owner Expenses								
3.78	87,157.14	4.87%	44,882.88	2.13%	42,274.26	35,347.81	1.85%	Owner Expense
30.12	694,683.96	38.85%	694,683.96	32.92%	0.00	691,054.68	36.23%	Depreciation and Amortization
33.90	781,841.10	43.72%	739,566.84	35.05%	42,274.26	726,402.49	38.08%	Total Owner Expense
-34.88	-804,291.95	-44.98%	-531,030.87	-25.16%	-273,261.08	-719,996.52	-37.74%	Total Net Income
1.00	23,062.00		25,918.00		-2,856.00	25,044.00		Occupied Rooms - Total
0.00	54.00		0.00		-54.00	0.00		Complimentary Rooms
0.00	112.00		0.00		-112.00	0.00		Out of Order Rooms
0.00	38.00		0.00		-38.00	0.00		No Show Rooms
2	35,040		35,040		0	35,040		Available Rooms
0.00%	65.82%		73.97%		-8.15%	71.47%		Occupancy
0.00	75.73		79.47		-3.73	74.70		Average Daily Rate (ADR)
0.00	49.85		58.78		-8.93	53.39		Revenue per Available Room (REVPAR)

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Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo

Split Income Statement/OC

As of 12/31/2018

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud
Revenue													
74.70	1,870,774.67	98.07%	2,016,560.64	98.62%	-145,785.97	1,547,045.47	92.55%	Room Revenue	70.79	145,333.54	97.66%	73.02	141,211.20
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food Revenue	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage Revenue	0.00	0.00	0.00%	0.00	0.00
1.47	36,846.89	1.93%	28,250.00	1.38%	8,596.89	124,508.44	7.45%	Miscellaneous Revenue	1.69	3,476.47	2.34%	0.94	1,825.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Telephone Revenue	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Revenue	0.00	0.00	0.00%	0.00	0.00
76.17	1,907,621.56	100.00%	2,044,810.64	100.00%	-137,189.08	1,671,553.91	100.00%	Total Revenue	72.48	148,810.01	100.00%	73.96	143,036.20
Departmental Expenses													
25.31	633,848.54	33.88%	620,350.89	30.76%	13,497.65	604,038.07	39.04%	Rooms	23.67	48,589.76	33.43%	24.81	47,990.76
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Food	0.00	0.00	0.00%	0.00	0.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Beverage	0.00	0.00	0.00%	0.00	0.00
0.93	23,390.80	0.00%	22,200.00	0.00%	1,190.80	22,980.09	0.00%	Telephone	0.87	1,784.30	0.00%	0.96	1,850.00
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Laundry	0.00	0.00	0.00%	0.00	0.00
0.49	12,288.74	0.64%	11,870.00	0.58%	418.74	10,889.96	0.65%	Other	0.72	1,469.84	0.99%	0.35	675.00
26.73	669,528.08	35.10%	654,420.89	32.00%	15,107.19	637,908.12	38.16%	Total Departmental Expenses	25.25	51,843.90	34.84%	26.12	50,515.76
49.44	1,238,093.48	64.90%	1,390,389.75	68.00%	-152,296.27	1,033,645.79	61.84%	Gross Operating Profit	47.23	96,966.11	65.16%	47.84	92,520.44
Operating Expenses													
7.88	197,255.96	10.34%	193,266.05	9.45%	3,989.91	162,123.15	9.70%	Administrative	9.51	19,532.68	13.13%	8.27	15,994.20
3.75	93,911.24	4.92%	100,828.03	4.93%	-6,916.79	43,768.39	2.62%	Franchise Fees	3.54	7,266.68	4.88%	3.65	7,060.56
1.59	39,728.90	2.08%	30,000.00	1.47%	9,728.90	24,658.98	1.48%	Marketing	2.15	4,407.45	2.96%	1.29	2,500.00
2.74	68,647.10	3.60%	71,158.90	3.48%	-2,511.80	63,272.08	3.79%	Sales	2.20	4,526.24	3.04%	3.11	6,017.82
3.59	89,904.80	4.71%	78,510.44	3.84%	11,394.36	81,322.25	4.87%	Property Operations	4.87	10,003.71	6.72%	3.29	6,354.70
5.13	128,551.68	6.74%	104,400.00	5.11%	24,151.68	111,716.72	6.68%	Energy	6.69	13,742.40	9.23%	5.82	11,250.00
1.78	44,656.20	2.34%	71,568.37	3.50%	-26,912.17	55,163.97	3.30%	Management Fee	1.45	2,977.49	2.00%	2.59	5,006.27
26.46	662,655.88	34.74%	649,731.79	31.77%	12,924.09	542,025.54	32.43%	Total Operating Expenses	30.42	62,456.65	41.97%	28.02	54,183.55
22.98	575,437.60	30.17%	740,657.96	36.22%	-165,220.36	491,620.25	29.41%	House Profit	16.81	34,509.46	23.19%	19.82	38,336.88

Fixed Expenses

3.04	76,157.60	3.99%	73,320.00	3.59%	2,837.60	76,415.97	4.57%	Property Taxes & Specials	2.24	4,599.80	3.09%	3.16	6,110.00
1.05	26,221.04	1.37%	27,260.55	1.33%	-1,039.51	21,650.28	1.30%	Insurance	1.06	2,185.12	1.47%	1.22	2,361.15
0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Lease Expense	0.00	0.00	0.00%	0.00	0.00

4.09	102,378.64	5.37%	100,580.55	4.92%	1,798.09	98,066.25	5.87%	Total Fixed Expenses	3.30	6,784.92	4.56%	4.38	8,471.15
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18.89	473,058.96	24.80%	640,077.41	31.30%	-167,018.45	393,554.00	23.54%	Operating Income B/4 Interest/Other	13.50	27,724.54	18.63%	15.44	29,865.73
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Interest Income/Expense

18.63	466,668.80	24.46%	424,393.90	20.75%	42,274.90	464,224.30	27.77%	Interest Expense	19.16	39,336.00	26.43%	18.37	35,527.04
0.00	-15.81	0.00%	0.00	0.00%	-15.81	-224.58	-0.01%	Interest Income	0.00	-1.67	0.00%	0.00	0.00

18.63	466,652.99	24.46%	424,393.90	20.75%	42,259.09	463,999.72	27.76%	Total Interest Income/Expense	19.16	39,334.33	26.43%	18.37	35,527.04
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Other Income/Expense

0.00	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	Total Other Income/Expense	0.00	0.00	0.00%	0.00	0.00
------	------	-------	------	-------	------	------	-------	----------------------------	------	------	-------	------	------

Company: Emerald Hospitality, LLC Property: Hawthorn Suites - Fargo

Split Income Statement/OC

As of 12/31/2018

CY POR	CY Act	%	CY Bud	%	Var	CY Last Year	%		CM POR	CM Act	%	CM Bud POR	CM Bud
0.26	6,405.97	0.34%	215,683.51	10.55%	-209,277.54	-70,445.72	-4.21%	Net Operating Income	-5.66	-11,609.79	-7.80%	-2.93	-5,661.31
Owner Expenses													
1.41	35,347.81	1.85%	0.00	0.00%	35,347.81	138,276.46	8.27%	Owner Expense	1.47	3,016.25	2.03%	0.00	0.00
27.59	691,054.68	36.23%	691,054.68	33.80%	0.00	677,575.78	40.54%	Depreciation and Amortization	28.20	57,890.33	38.90%	29.93	57,890.33
29.01	726,402.49	38.08%	691,054.68	33.80%	35,347.81	815,852.24	48.81%	Total Owner Expense	29.67	60,906.58	40.93%	29.93	57,890.33
-28.75	-719,996.52	-37.74%	-475,371.17	-23.25%	-244,625.35	-886,297.96	-53.02%	Total Net Income	-35.32	-72,516.37	-48.73%	-32.86	-63,551.64
1.00	25,044.00		25,724.00		-680.00	21,114.00		Occupied Rooms - Total	1.00	2,053.00		1.00	1,934.00
1	35,040		35,040		0	35,040		Available Rooms	1	2,976		2	2,976
0.00%	71.47%		73.41%		-1.94%	60.26%		Occupancy	0.03%	68.99%		0.03%	64.99%
0.00	74.70		78.39		-3.69	73.27		Average Daily Rate (ADR)	0.03	70.79		0.04	73.02
0.00	53.39		57.55		-4.16	44.15		Revenue per Available Room (REVPAR)	0.02	48.84		0.02	47.45

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STR # 65913 / Created January 16, 2021



Monthly STAR Report : Candlewood Suites Fargo

For the Month of: December 2020

Currency: US Dollar / Competitive Set Data Excludes Subject Property

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Tab 2 - Monthly Performance at a Glance - My Property vs. Competitive Set

Candlewood Suites Fargo 4014 17th Ave S Fargo, ND 58103-3584 Phone: (701) 282-6006

STR # 65913 ChainID: 20922 MgtCo: National Hospitality Services Owner: None

For the Month of: December 2020 Date Created: January 16, 2021 Monthly Competitive Set Data Excludes Subject Property

December 2020

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	42.1	53.0	79.4	58.92	69.34	85.0	24.79	36.74	67.5
Year To Date	50.6	53.1	95.3	67.93	78.22	86.8	34.35	41.52	82.7
Running 3 Month	54.4	59.8	91.0	62.38	73.35	85.0	33.92	43.83	77.4
Running 12 Month	50.6	53.1	95.3	67.93	78.22	86.8	34.35	41.52	82.7

December 2020 vs. 2019 Percent Change (%)

	Occupancy			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	-31.7	-5.7	-27.6	-14.3	-15.5	1.5	-41.5	-20.4	-26.5
Year To Date	-23.8	-20.9	-3.7	-9.8	-8.7	-1.2	-31.3	-27.8	-4.8
Running 3 Month	-17.7	-3.9	-14.3	-11.5	-11.7	0.2	-27.2	-15.2	-14.1
Running 12 Month	-23.8	-20.9	-3.7	-9.8	-8.7	-1.2	-31.3	-27.8	-4.8

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STR # 65913 / Created January 17, 2020



Monthly STAR Report : Hawthorn Suites by Wyndham Fargo

For the Month of: December 2019

Currency: US Dollar / Competitive Set Data Excludes Subject Property

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Tab 2 - Monthly Performance at a Glance - My Property vs. Competitive Set

Hawthorn Suites by Wyndham Fargo 4014 17th Ave S Fargo, ND 58103-3584 Phone: (701) 282-6006

STR # 65913 ChainID: 49677 MgtCo: National Hospitality Services Owner: None

For the Month of: December 2019 Date Created: January 17, 2020 Monthly Competitive Set Data Excludes Subject Property

December 2019

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	61.6	57.7	106.9	68.71	85.13	80.7	42.34	49.10	86.2
Year To Date	66.4	66.7	99.6	75.30	89.96	83.7	49.97	59.97	83.3
Running 3 Month	66.1	61.7	107.1	70.50	86.83	81.2	46.59	53.56	87.0
Running 12 Month	66.4	66.7	99.6	75.30	89.96	83.7	49.97	59.97	83.3

December 2019 vs. 2018 Percent Change (%)

	Occupancy			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	-15.2	6.2	-20.2	2.3	-1.2	3.5	-13.3	4.9	-17.4
Year To Date	-7.6	-2.8	-4.9	1.3	0.8	0.5	-6.4	-2.1	-4.4
Running 3 Month	-12.4	-3.1	-9.6	0.5	-0.2	0.7	-12.0	-3.3	-8.9
Running 12 Month	-7.6	-2.8	-4.9	1.3	0.8	0.5	-6.4	-2.1	-4.4

Article

How to Calculate the Intangible Value of a Franchised Hotel

by

Andrew Choy

Director of National Hotel Property Tax Division

Senior Property Tax Consultant

O'Connor & Associates

Houston, Texas

November 17, 2020

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Franchises

In almost every line of business, there are franchise opportunities for investors. Successful franchises such as McDonald's fast food, Century 21 real estate, Marriott hotels, etc. are not only very costly, but virtually impossible to acquire in desirable locations. Most established franchises are constantly in high demand because they have a proven track record of high profitability.

Hotels & Lodging

In the hotel and lodging industry, a significant portion of a hotel's value lies in its flag (e.g. Hilton, Marriott, Holiday Inn, Motel 6, etc.). The franchises provide name recognition, a customer base, national marketing campaigns, reservation systems, loyalty programs, management skills, and quality control which bring reliability. Without the benefits of the flag, room rates and occupancy would most likely be dropped significantly.

Uniform Standard of Professional Appraisal Practice

The value associated with franchises, trademarks, contracts, goodwill, etc. are defined as "intangible" assets, as distinguished from physical assets. The value contribution of the total intangible assets of a continuing business enterprise is defined as Business Enterprise Value. Fair Market Value ("FMV") for income producing properties is typically derived by net income capitalization method. The market value derived by income capitalization method includes the value of real properties (land and improvements), tangible personal properties (Furniture, Fixture & Equipment) and intangible personal properties.

Intangible assets are exempt from ad valorem taxation

If the intent of the appraisal is for ad valorem taxation purposes, then the value of intangible assets must be separated from its realty value because intangible personal properties such as franchises and goodwill are exempt from ad valorem taxation according to property tax codes of most states (Exhibit "A" - Appraisal Institute articles and applicable state Property Code).

Property taxes are intended to tax real properties such as land, improvements and tangible business personal properties. Intangible assets may have significant value but it cannot be touched or seen; they are not real properties. The deduction of intangible value from total FMV by no means reduces the FMV in terms of acquisition or financing. It merely removes the non-taxable portion of the FMV for ad valorem purposes.

Due to difficulties in calculating the intangible business value of a hotel's flag, most tax assessors and property tax consultants either misinterpret the law or miscalculate the value of intangible assets.

Rushmore Approach - Most tax assessors apply the *Rushmore Approach* to value a hotel or lodging property. Over the years, this has drawn frequent challenges in court for possible violation of the law. According to Stephen Rushmore, the author of the *Rushmore Approach*, by deducting franchise and management fee expenses from the total property income, it has removed the intangible business value from the assessment. Rushmore does not provide for adjustments to the gross income for intangible business value prior to making those expense deductions. The *Rushmore Approach* fails to account for an economic **return on investment** because no rational investor would franchise their business or hire management to earn merely a **return of their investment**; they do so to earn a profit on their investment. In simple terms, why would any investor invest in a franchise if there is Net Zero in gain!

Court Opinions - According to an opinion issued on August 7, 2020 by Florida Fifth District Court of Appeal on Case No. 2016-CA-005297-O Walt Disney Parks v. Orange County Tax Assessors (Exhibit "B" - excerpts of the court opinion, pages 7-10, 19), "We agreed with the trial court that the Appraiser, in the manner in which he applied the Rushmore method, impermissibly included the value of Disney's intangible business assets in the assessment. That application requires franchise and management fee expenses to be deducted from the total property income, which purportedly removes the business value from the assessment. However, it does not provide for adjustments to the gross income for intangible business value prior to making those expense deductions. By taking a percentage out of a business's net income for management and franchise fee expenses, without first removing

intangible business value from that gross income stream, the Rushmore method does not remove all business value from an assessment. The case was remanded to the trial court, with instructions that it remand to appraiser for a reassessment of the Property consistent with the court's opinion."

In *SHC Half Moon Bay v. County of San Mateo, California*, the California Court of Appeals stated: "the assessor used the Rushmore method to assess a hotel and admitted that it did not attempt to identify or make reductions for intangible business value prior to conducting its assessment. The assessor's expert conceded that deducting management and franchise fee expenses did not account for the intangible value of the property. The Court concluded that the assessment, conducted using the Rushmore method, failed to exclude certain intangible assets, which violated California law".

Stephen Rushmore, in his own defense of the *Rushmore Approach* (see Exhibit "C" – In Defense of the *Rushmore Approach*, page 1), stated "I have been asked by many of my appraiser colleagues who specialize in the valuation of hotels and motels and view the "new" *Business Enterprise Approach* (developed by David Lennhoff) as a real threat to the future of asset-based hotel mortgage financing to write this defense of the *Rushmore Approach*. *Business Enterprise Approach* utilizes a methodology that essentially moves much of a hotel's total property value into areas such as tangible and intangible personal property. **The real issue is not the huge reduction in the value of the real property components used for tax assessment purposes**, but the possible reduction in mortgage asset-based security that lenders rely upon when making hotel loans. If the *Business Enterprise Approach* is universally mandated for all hotel appraisals, it could severely restrict hotel owners from leveraging their acquisitions, which could lead to a significant decline in hotel values. During my 30-year career as a hotel appraiser and investor, I have worked with thousands of hotel owners, operators, and lenders. I do not know of any industry participant who utilizes the procedure set forth in the *Business Enterprise Approach* for evaluating a hotel acquisition or determining market value for purchase or financing. It appears that the *Business Enterprise Approach* is simply an academically contrived procedure used for the sole purpose of lowering property tax assessments for hotel owners"

Ironically, the above statements made by Rushmore in his own defense are correct to some extent. Total market value of a hotel includes the value of real property, tangible and intangible personal properties. If the intended use of the appraisal is for hotel acquisition or financing, the value of intangible personal properties should not be deducted. The net income capitalization method would have been correct. However, if the intended use of the appraisal is for ad valorem taxation purposes, separating intangible personal property values is necessary to comply with the law. By no means the *Business Enterprise Approach* reduces the total market value of a hotel; it merely separating nontaxable non-realty value from taxable real property value.

To value hotel and lodging properties, tax assessors across the nation have either a) used the Rushmore Approach, b) used modified versions of the Rushmore Approach, or c) simply ignored the law altogether. Here are some common misconceptions:

- (a) *The Rushmore Approach* – By deducting fees paid to the franchise, it has already accounted for the intangible value of the flag. Any further deduction would be “double dipping.” The flaw in such theory is that there is no net benefit derived from buying a franchise. If the gain is equal to the cost of the franchise, why would anyone want to buy a Hilton franchise, or a McDonald’s franchise for that matter? There is no “double dipping” if it is calculated correctly as illustrated below.
- (b) Modified versions of the Rushmore Approach – Excluding franchise fees and management fees from operating expenses, capitalizing to a market value, and then deducting intangible business value below the line. This version mistakenly inflates the Net Operating Income (“NOI”) by excluding valid operating expenses such as franchise fees and management fees. When such inflated NOI is capitalized, the indicated market value is significantly distorted. Even though intangible business value is then deducted, it is not capitalized. This version would have been correct if the intangible business value was deducted from the gross income.

- (c) Ignoring the law – Some assessors simply choose to completely ignore the law based on their own theories that (i) since hotels get most of their bookings through various hotel search booking websites, there is no such thing as intangible business value associated with the Flag; or (ii) hotels are almost always full in their cities, there is no difference whether the hotel has a Flag or not. These theories failed to recognize that people still search for the Flags they prefer based on reliability, quality, price, amenities, or loyalty rewards program. Even if hotels are fully occupied in a city at a certain period of time, the daily rates are significantly different among the Flags which reflect the intangible business value created by the Flags.

The **Choy Methodology** - Intangible Business Value of a Hotel Flag Can Be Measured

In the lodging industry, investors or buyers value a hotel based on its stabilized revenue and average occupancy rate. To be specific, a hotel's market value is typically measured by its RevPAR (Revenue per Available Room):

$$\text{RevPAR} = \text{Average Daily Rate ("ADR")} \times \text{average occupancy rate}$$

Revenue Increase - When a hotel or motel acquires a franchise flag, both ADR and occupancy will likely go up. RevPAR or revenue may increase from 20% to 50% depending on the class, type and location. For example, a Motel 6 flag may increase a motel's revenue by 20%, while a Hilton hotel flag may increase a hotel's revenue by as much as 40+%.

Expense Increase (franchise fees) – There are a lot of expenses a franchisor requires a franchisee to pay, such as initial fees, royalty fees, marketing fees, loyalty fees, sales fees, management and other miscellaneous fees. Most of these expenses are annual fees tied to revenue. In aggregate, they are referred to as total franchise fees.

Intangible Business Value of a franchise is measured by the Net Increase in Revenue less Net Increase in Expenses associated with the flag.

For example, a hotel RevPAR increased by 21.7% after acquiring a Hampton Inn franchise. Total franchise fees payable to Hilton is 12.2%. Net Intangible Business Value: $21.7\% - 12.2\% = 9.5\%$.

Net Intangible Business Value is not “double dipping” since it is derived from Total Intangible Business Value (21.7%) less Total Franchise Fees (12.2%) payment.

Data Sources - In the lodging industry, the most recognized and reliable hotel data publications are Smith Travel Research (STR), Hotel Valuation Service (HVS), CBRE Hotel, etc. Every franchised hotel is required by its franchisor to submit weekly reports of room revenue, ADR, occupancy rate, RevPAR, etc. This data is assembled by STR to track hotel performance in every regional market or sub-markets. STR then issues STAR reports to hotel owners, franchisors, hotel and lodging associations, etc. They are also available for purchase. HVS publishes an annual Franchise Fee Guide as well as a Host Almanac report that tracks hotel performance, operating expenses, and construction costs. Large hotel and lodging associations also monitor ADR, occupancy and RevPAR from its members regularly.

When this reliable data is assembled and computed, intangible business value can be calculated. The difference in revenue as measured by RevPAR is then converted into a percentage of revenue. After deducting a percentage of revenue for franchise fees, the Net Gain in percentage of revenue is the Net Intangible Business Value. For assessment purposes, such intangible business value must be removed from gross revenue before applying the income capitalization valuation model.

Aside from measuring the intangible business value of a hotel and lodging property, a similar application can be applied to measure the intangible business value of other franchised properties such as self-storage facilities, day care centers, restaurants, car washes, senior housing, convenience stores, golf courses, senior housings, hospitals, etc. As long as one can track the revenue increase after acquiring the franchise, less franchise fees paid, the Net Gain is the Intangible Business Value.

Here are illustrations of the Intangible Business Value calculation of different classes of hotels using the *Choy Methodology*:

Summary of National Hotel Industry averages

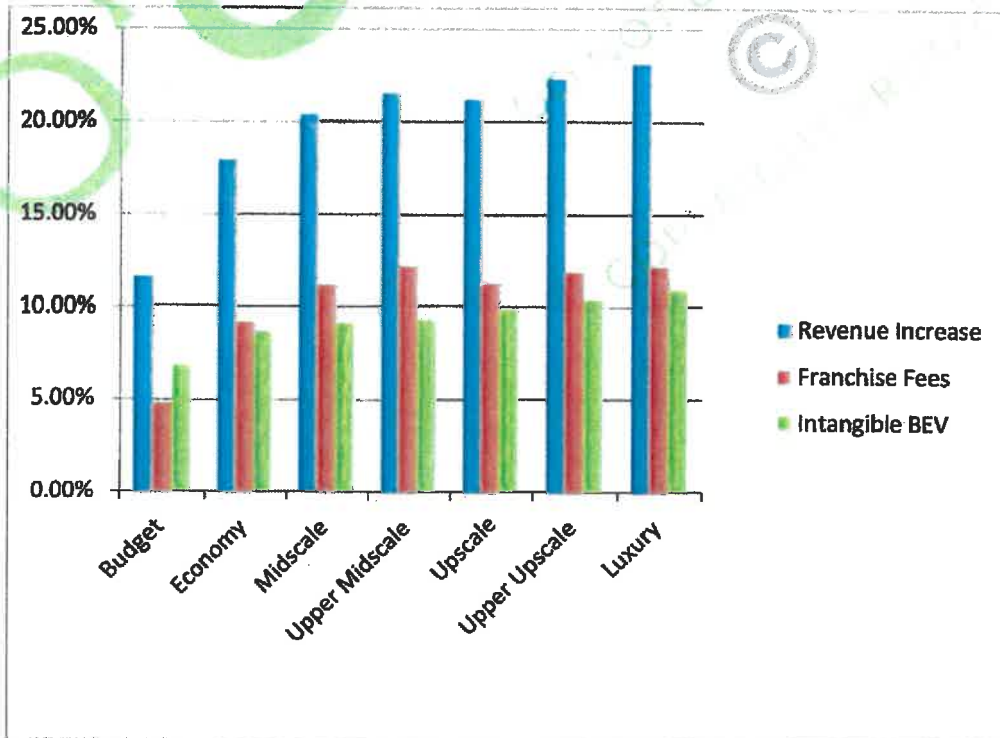
Class	ADR	Occupancy	RevPAR	Revenue Increase with Flag	Average Total Franchise Fees *	Intangible Business Value associated with Flag, Net of Franchise Fees **
Independent motels	\$35	50%	\$17.5	N/A	N/A	N/A
Budget - limited service	\$49	53%	\$26.0	11.63%	4.80%	6.83%
Economy - limited service	\$62	59%	\$36.6	17.91%	9.20%	8.71%
Midscale - limited & select service	\$82	65%	\$53.3	20.34%	11.20%	9.14%
Upper Midscale - limited & select service	\$106	66%	\$70.0	21.53%	12.20%	9.33%
Upscale - select and full service	\$129	69%	\$89.0	21.19%	11.30%	9.89%
Upper Upscale - select and full service	\$168	70%	\$117.6	22.32%	11.90%	10.42%
Luxury Full Service & Luxury Boutique Independent	\$299	71%	\$212.3	23.15%	12.20%	10.95%

* Total franchise fees = cost of the franchise investment. (From 2019 HVS Franchise Fee Guide)

Deducting franchise and management fee expenses is merely a return of investment.

** Return on the Investment is the Net Gain from the franchise investment (Intangible business value)

Intangible business enterprise value (BEV) = Net increase in revenue less net payment to franchisee.

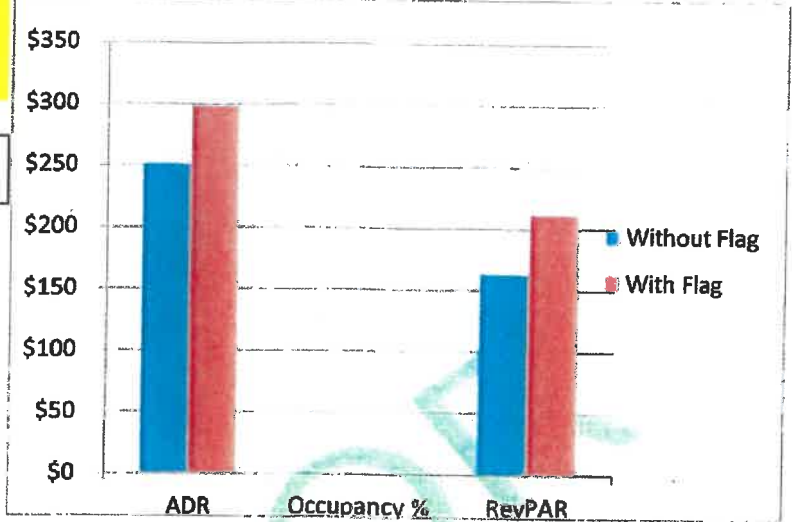


Average ADR, Occupancy & RevPAR for each class is derived from STR, Hotel Associations, owners, etc.

Luxury Full Service Hotels
Average with or without Flag
including Luxury independent boutique Hotels

	Without Flag	With Flag	% of Revenue
ADR	\$251	\$299	
Occupancy %	65%	71%	
RevPAR	\$163.15	\$212.29	
Average Revenue Increase		\$49.14	

ADR = Base Year Average Daily Rate
Occupancy = Stabilized occupancy %
RevPAR = ADR x Occupancy %
Total Revenue = RevPAR x # of rooms x 365 days



	RevPAR	% of total revenue
Revenue increase with Flag \$49.14	\$49.14	23.15%
2019 Franchise fees for Flag \$25.9	\$25.90	12.20%
Net Gain = Net Intangible Business Value \$23.24	\$23.24	10.95%

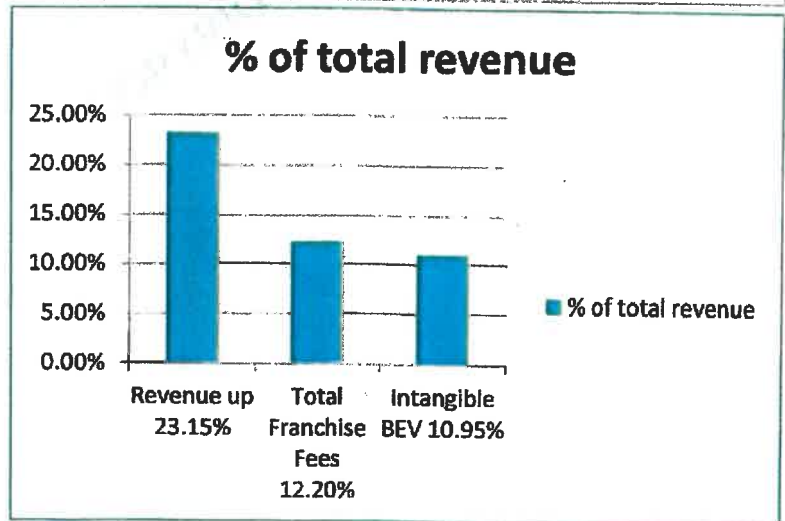
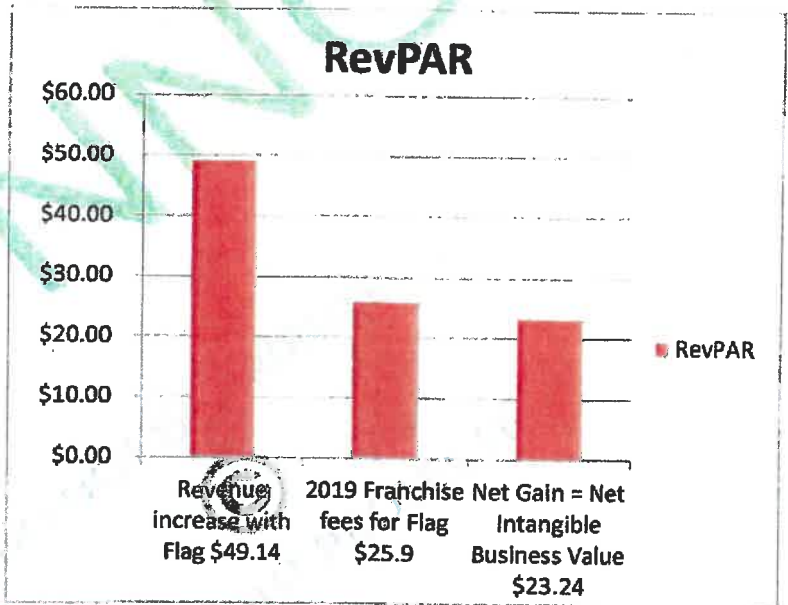
Total franchise fees include royalty fees, marketing fees, frequent traveler program, sales/reservation fees, initial fee, & misc fees

BEV = Intangible Business Enterprise Value

Data Sources:

- STR
- HVS
- CBRE Hotel
- Enriched Data
- Source Strategies
- Hotel Associations
- Owner Surveys

Data is based on 2019 pre-COVID-19 for accuracy



Upper Upscale / First Class Hotels
Average with / without Flag

	Without Flag	With Flag	% of Revenue
ADR	\$145	\$168	22.32%
Occupancy %	63%	70%	
RevPAR	\$91.35	\$117.60	
Average Revenue Increase	\$26.25		

ADR = Base Year Average Daily Rate
 Occupancy = Stabilized occupancy %
 RevPAR = ADR x Occupancy %
 Total Revenue = RevPAR x # of rooms x 365 days

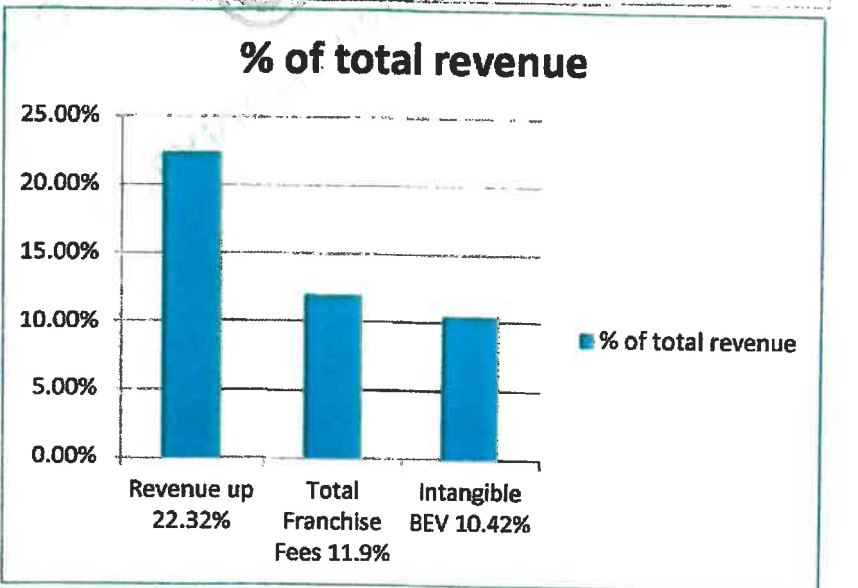
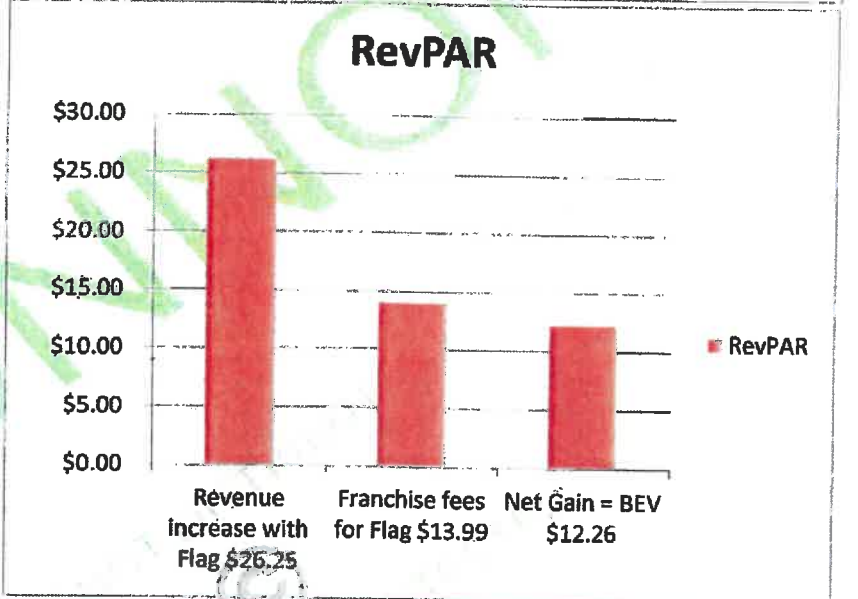
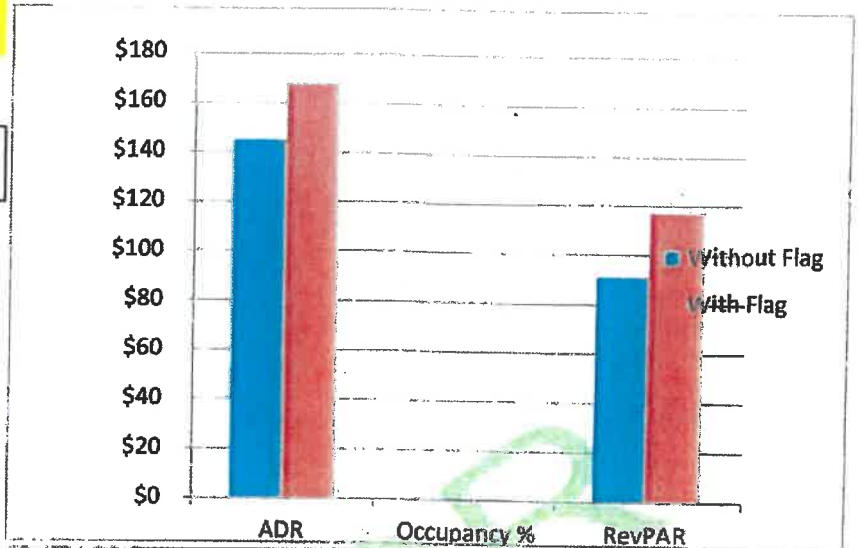
	RevPAR	% of total revenue
Revenue increase with Flag \$26.25	\$26.25	22.32%
Franchise fees for Flag \$13.99	\$13.99	11.90%
Net Gain = BEV \$12.26	\$12.26	10.42%

Total franchise fees include marketing fees, sales/reservation fees, initial fees, etc.

BEV = Nontaxable Intangible Business Value

Data Source:
 STR
 HVS
 CBRE Hotel
 Enriched Data
 Source Strategies
 Hotel Associations
 Owner Surveys

Data is based on 2019 pre-COVID-19 for accuracy



Upscale Hotels
Average with / without Flag

	Without Flag	With Flag	% of Revenue
ADR	\$115	\$129	21.19%
Occupancy %	61%	69%	
RevPAR	\$70.15	\$89.01	
Average Revenue Increase	\$18.86		

ADR = Base Year Average Daily Rate
 Occupancy = Stabilized occupancy %
 RevPAR = ADR x Occupancy %
 Total Revenue = RevPAR x # of rooms x 365 days

	RevPAR	% of total revenue
Revenue increase with Flag \$18.86	\$18.86	21.2%
Franchise fees for Flag \$10.06	\$10.06	11.3%
Net Gain = BEV \$8.80	\$8.80	9.9%

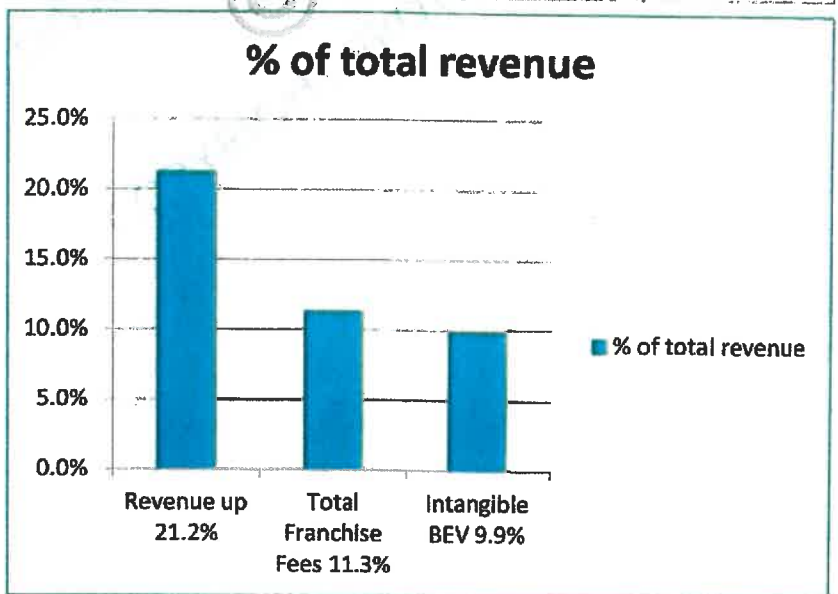
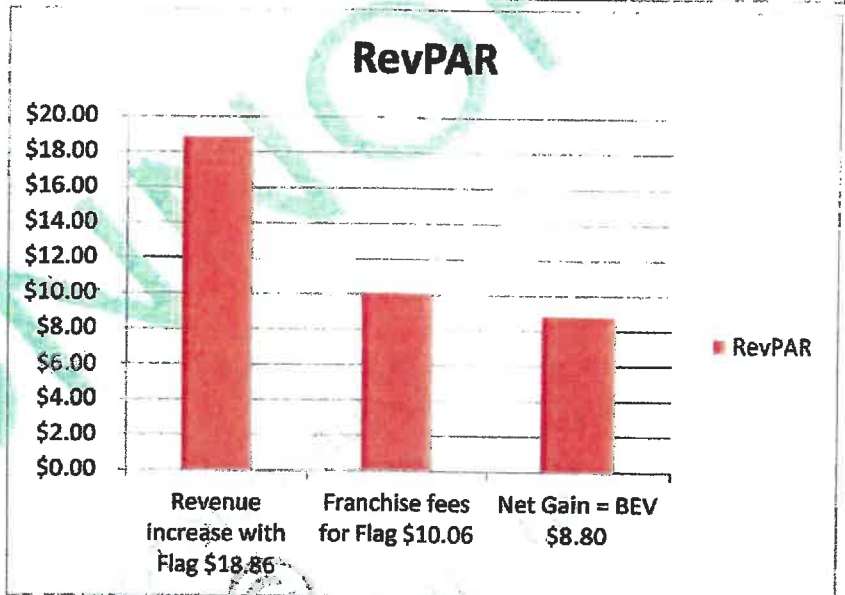
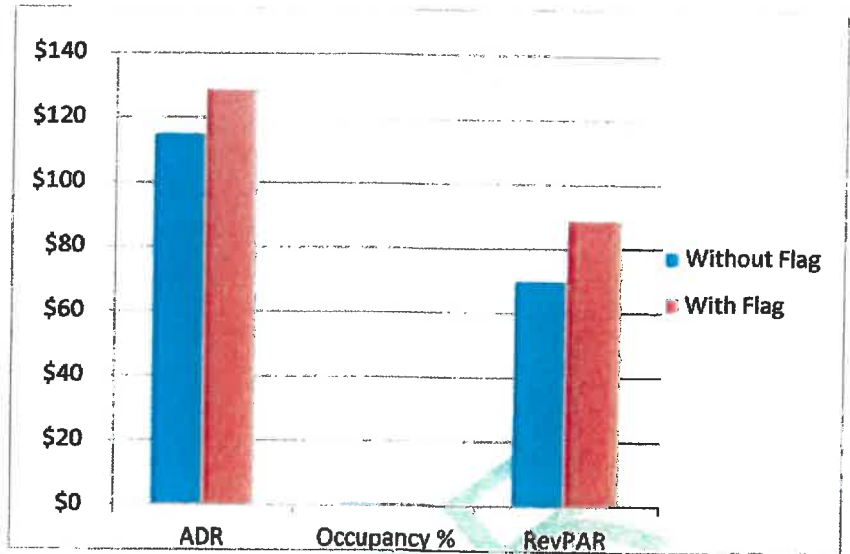
Total franchise fees include royalty fees, marketing fees, frequent traveler program, sales/reservation fees, initial fee & misc fees

BEV = Nontaxable Intangible Business Value

Data Source:

- STR
- HVS
- CBRE Hotel
- Enriched Data
- Source Strategies
- Hotel Associations
- Owner Surveys

Data is based on 2019 pre-COVID-19 for accuracy



**Upper Midscale Hotels
Average with / without Flag**

	Without Flag	With Flag	% of Revenue
ADR	\$90	\$106	21.53%
Occupancy %	61%	66%	
RevPAR	\$54.90	\$69.96	
Average Revenue Increase		\$15.06	

ADR = Base Year Average Daily Rate

Occupancy = Stabilized occupancy %

RevPAR = ADR x Occupancy %

Total Revenue = RevPAR x # of rooms x 365 days

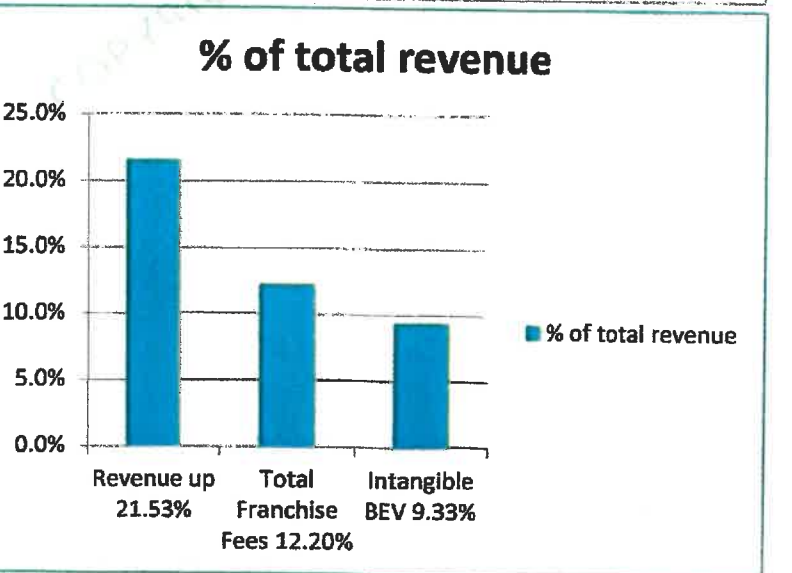
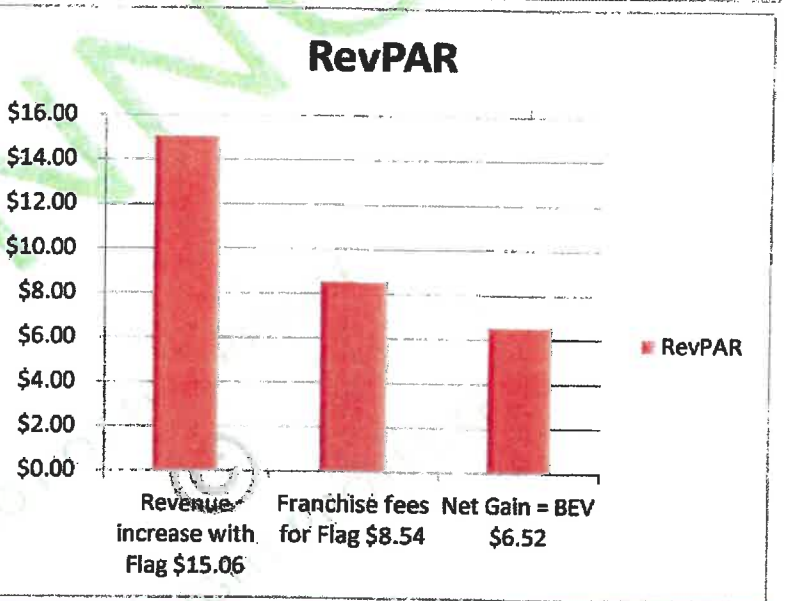
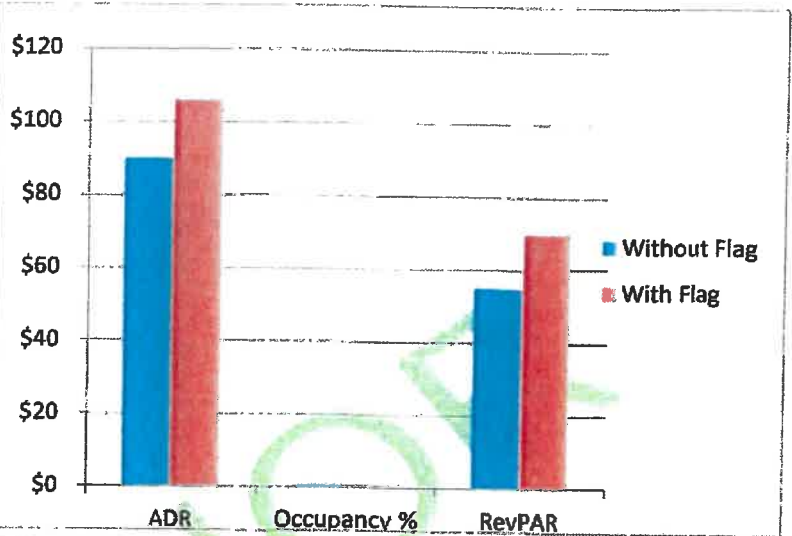
	RevPAR	% of total revenue
Revenue increase with Flag \$15.06	\$15.06	21.53%
Franchise fees for Flag \$8.54	\$8.54	12.2%
Net Gain = BEV \$6.52	\$6.52	9.33%

Total franchise fees include royalty fees, marketing fees, frequent traveler program, sales/reservation fees, initial fee & misc fees

BEV = Nontaxable Intangible Business Value

Data Source:

- STR
- HVS
- CBRE Hotel
- Enriched Data
- Source Strategies
- Hotel Associations
- Owner Surveys



Data is based on 2019 pre-COVID-19 for accuracy

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Midscale Hotels / Motels
Average with / without Flag

	Without Flag	With Flag	% of Revenue
ADR	\$71	\$82	20.34%
Occupancy %	60%	65%	
RevPAR	\$42.46	\$53.30	
Average Revenue Increase		\$10.84	

ADR = Base Year Average Daily Rate
 Occupancy = Stabilized occupancy %
 RevPAR = ADR x Occupancy %
 Total Revenue = RevPAR x # of rooms x 365 days

	RevPAR	% of total revenue
Revenue increase with Flag \$11.02	\$10.84	20.34%
Franchise fees for Flag \$6.06	\$5.97	11.20%
Net Gain = BEV \$4.96	\$4.87	9.14%

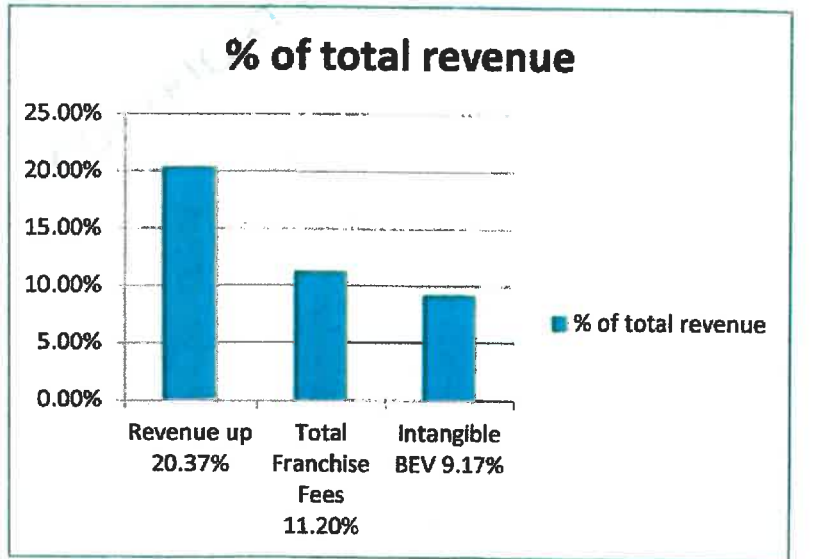
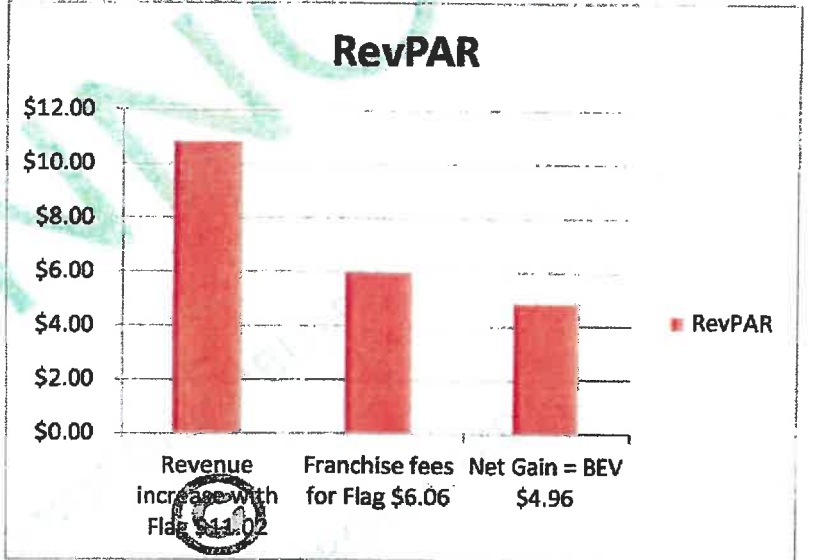
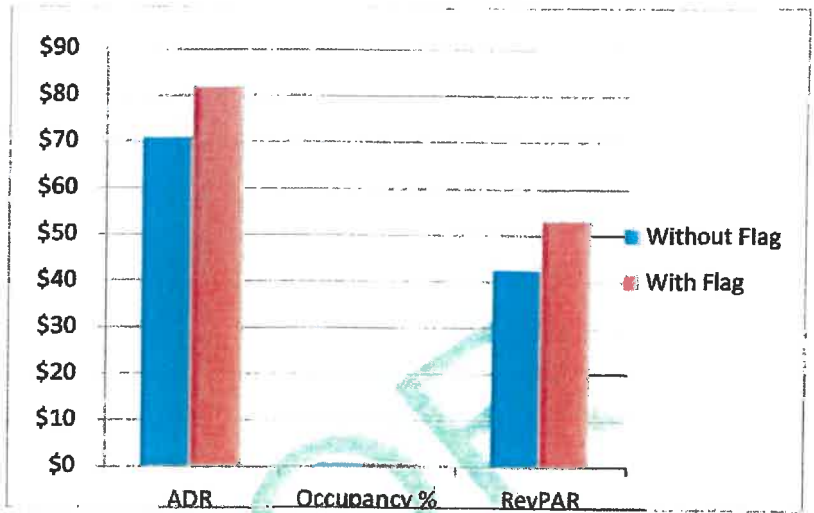
Total franchise fees include royalty fees, marketing fees, frequent traveler program, sales/reservation fees, initial fee & misc fees

BEV = Nontaxable Intangible Business Value

Data Source:
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 HVS
 CBRE Hotel
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 Hotel Associations
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Update: 1/1/21



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Economy Motels (upper brands)
Average with / without Flag

	Without Flag	With Flag	% of Revenue
ADR	\$55	\$62	
Occupancy %	54.6%	59%	
RevPAR	\$30.03	\$36.58	
Average Revenue Increase		\$6.55	17.91%

ADR = Base Year Average Daily Rate
 Occupancy = Stabilized occupancy %
 RevPAR = ADR x Occupancy %
 Total Revenue = RevPAR x # of rooms x 365 days

	RevPAR	% of total revenue
Revenue increase with Flag \$7.22	\$6.55	17.9%
Franchise fees for Flag \$3.70	\$3.37	9.2%
Net Gain = BEV \$3.52	\$3.18	8.7%

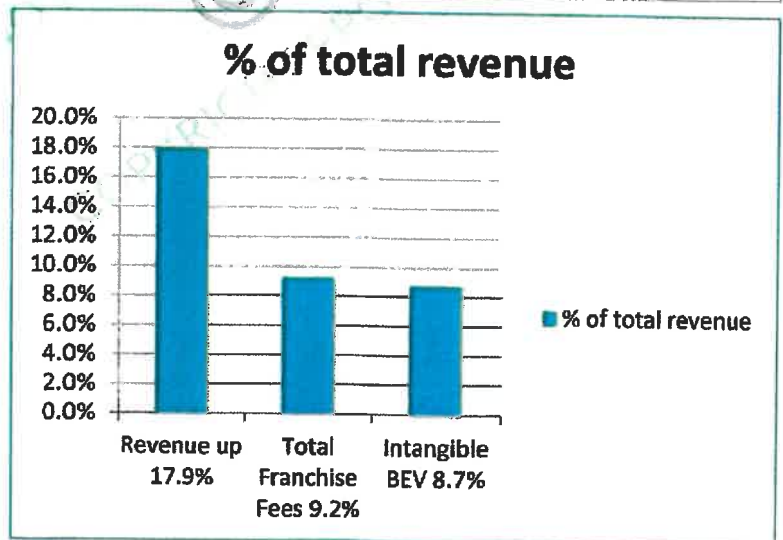
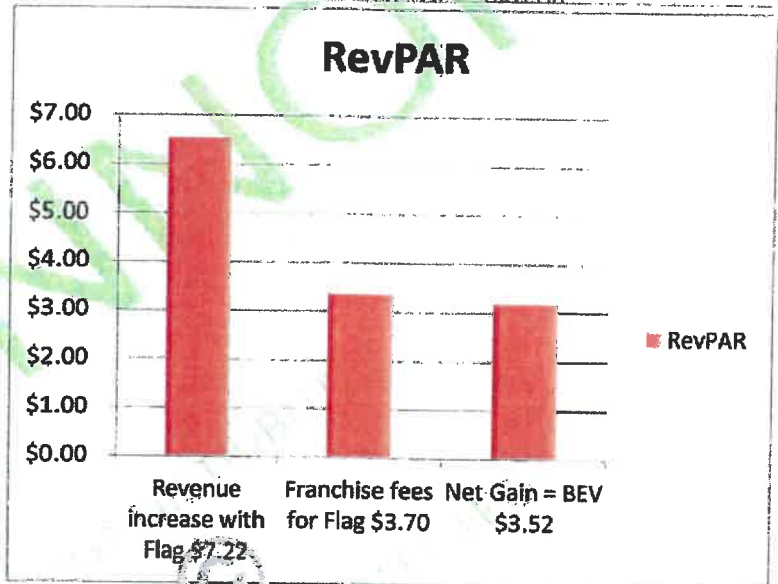
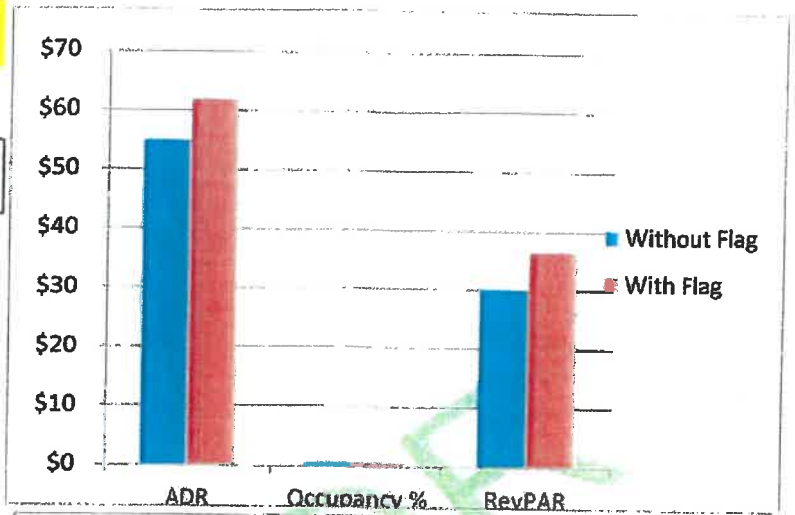
Total franchise fees include royalty fees, marketing fees, frequent traveller program, sales/reservation fees, initial fee & misc fees

BEV = Nontaxable Intangible Business Value

Data Source:

- STR
- HVS
- CBRE Hotel Enriched Data
- Source Strategies
- Hotel Associations
- Owner Surveys

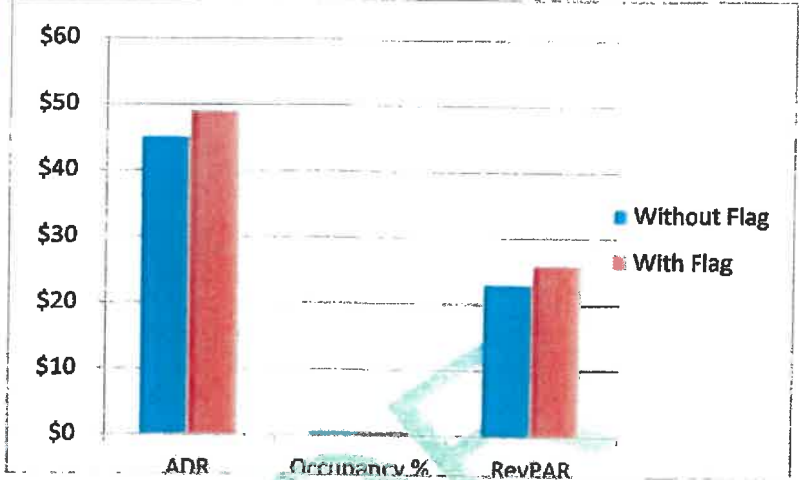
Data is based on 2019 pre-COVID-19 for accuracy



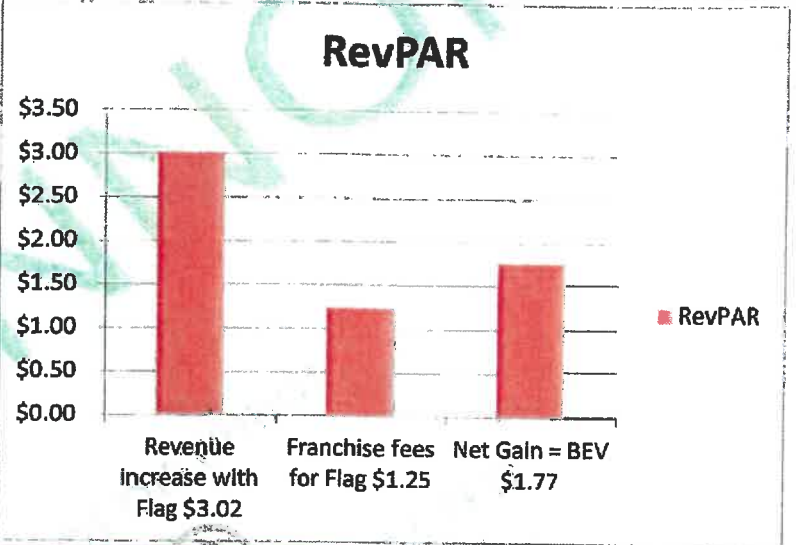
Budget Motels (lower brands)
Average with / without Flag

	Without Flag	With Flag	% of Revenue
ADR	\$45	\$49	11.63%
Occupancy %	51%	53%	
RevPAR	\$23.0	\$26.0	
Average Revenue Increase		\$3.02	

ADR = Base Year Average Daily Rate
 Occupancy = Stabilized occupancy %
 RevPAR = ADR x Occupancy %
 Total Revenue = RevPAR x # of rooms x 365 days



	RevPAR	% of total revenue
Revenue increase with Flag \$3.02	\$3.02	11.6%
Franchise fees for Flag \$1.25	\$1.25	4.8%
Net Gain = BEV \$1.77	\$1.77	6.8%

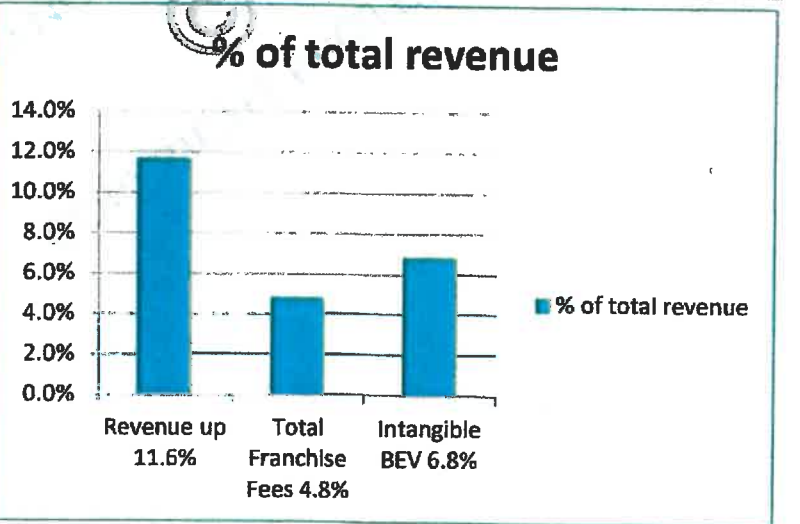


Total franchise fees include royalty fees, marketing fees, frequent traveller program, sales/reservation fees, initial fee & misc fees

BEV = Nontaxable Intangible Business Value

Data Source:

- STR
- HVS
- CBRE Hotel
- Enriched Data
- Source Strategies
- Hotel Associations
- Owner Surveys



Data is based on 2019 pre-COVID-19 for accuracy



Separating Business Enterprise Value From Real Estate Value

Presented at the IMA-IPTI Webinar

Date: December 15, 2020

By: John Glen and Carlos Resendes



Interpartnership Program by Tax Institute



Business Enterprise Property Typology

- ▶ Hotels
- ▶ Resorts
- ▶ Golf Courses
- ▶ Casinos
- ▶ Marinas
- ▶ Ski Hills
- ▶ Theatre Venues
- ▶ Sports Stadiums
- ▶ Amusement Parks
- ▶ Exhibition/Observation
- ▶ Racetracks

Leisure Property

Entertainment Property

Business Enterprise Value

Going-Concern Value

Leisure Property Valuations reflect Business Enterprise Value which include three components

- ▶ Real Property (Tangible)
- ▶ Personal Property (Tangible)
- ▶ Business Enterprise Value (Intangible)



International Property Tax Institute

Business Property/Intangible Assets Relating to Going Concerns



- ▶ The value of the going concern includes the incremental value associated with the business operation, which is distinct from the value of the real property.
- ▶ The value of the going concern includes intangible enhancement of the value of the operating business enterprise, which is produced by the assemblage of
 - land
 - buildings
 - labor (including trained workforce)
 - equipment
 - marketing operation



International Property Tax Institute

Why Business Enterprise Value (BEV) Allocation is Important?

- ▶ Property Taxes are based on Real Estate Value Only
- ▶ BEV Property Financing may require full BEV
- ▶ Sales of BEV Properties include Non-Realty Items
- ▶ Income Approach Values more than Real Estate
- ▶ Cost Approach does allocate for new properties



Appraisal Institute®

Professionals Providing Real Estate Solutions

Going Concern Forum
Valuation Issues in Appraising
Realty and Non-Realty Components

Going Concern Appraisals Definitions



Appraisal
Institute
*Professional Valuation
And Estate Solutions*

Intangible Assets

“nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts, as distinguished from physical assets such as facilities and equipment.”

2010-2011 USPAP



Business Enterprise Value

The value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled workforce, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer base, and operating agreements.

Dictionary of Real Estate Appraising, 5th Edition, The Appraisal Institute, Chicago, IL, page 25



Guide Note 5

Division of Realty and Non-realty Components

- May be required given the intended use of the appraisal
- Examples
 - ad valorem taxation
 - eminent domain
 - real estate lending
- Appraiser must ascertain whether the assignment calls for a mere allocation of the value of the entirety among the various components, or
- whether value opinions are to be developed separately for each component

Going Concern Appraisals Asset Types with Business Considerations



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Institute**

*Professionals Providing
Real Estate Solutions*

Generally Have Business Considerations

Lodging
Hospitals, Surgical Facilities
Seniors Housing
Restaurants
Convenience Store
Full Service Car Wash
Bowling Alley
Lube Center
Golf Course
Marina
Day Care Center

Gray Area

Regional mall
Self-Service or "Laser" Car Wash
Student Housing
Self-Storage facility

Going Concern Appraisals Guidance Note 5



Appraisal
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Professionally Providing
Real Estate Solutions

- The valuation of personal property, business property, or intangible assets requires specific expertise.
- Before accepting an appraisal or appraisal review involving such assets, an appraiser must ascertain that she or he has the expertise to complete the assignment competently
- The expertise of a personal property or business appraiser may be needed in some cases.

Going Concern Appraisals Property Types



Appraisal
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Real Estate Solutions



Hotels



Motels



Time-share resorts

Exhibit “B”

**Applicable State laws
and
Case Law Opinions
regarding
Intangible Personal Properties**

IN THE DISTRICT COURT OF APPEAL OF THE STATE OF FLORIDA
FIFTH DISTRICT

NOT FINAL UNTIL TIME EXPIRES TO
FILE MOTION FOR REHEARING AND
DISPOSITION THEREOF IF FILED

RICK SINGH, AS PROPERTY APPRAISER,

Appellant/Cross-Appellee,

v.

Case No. 5D18-2927

WALT DISNEY PARKS AND RESORTS US, INC.,
SCOTT RANDOLPH, AS TAX COLLECTOR,
REEDY CREEK IMPROVEMENT DISTRICT,
A POLITICAL SUBDIVISION OF THE STATE
OF FLORIDA, AND LEON BIEGALSKI, ET AL.,

Appellees/Cross-Appellants.

Opinion filed August 7, 2020

Appeal from the Circuit Court
for Orange County,
Thomas W. Turner, Judge.

John H. Pelzer, of Greenspoon Marder,
LLP, Ft. Lauderdale, for Appellant/Cross-
Appellee.

Ashley H. Lukis, of Gray Robinson, P.A.,
Tallahassee, and Thomas J. Wilkes and
Rachael M. Crews, of Gray Robinson, P.A.,
Orlando, for Amicus Curiae, David
Johnson, as Seminole County Property
Appraiser.

Raoul G. Cantero and David P. Draigh, of
White & Case LLP, Miami, and Robert E.V.
Kelley, Jr., and Patrick J. Risch, of Hill,
Ward & Henderson, P.A., Tampa, for

Exhibit "B" 1 of 8

business value, thereby overestimating the remaining value of the real estate.⁶ Dr. Fishkind opined that the Rushmore method ignored certain aspects of the hotel business, such as goodwill,⁷ loyal customers, and an assembled workforce. He gave examples of the Disney brand, characters, ability to use the theme parks, character breakfasts, transportation, and high-quality service as some of the values not recognized by the Rushmore method.

Additionally, Dr. Fishkind disagreed with the way the Rushmore method valued furniture, fixtures, and equipment because he believed it only accounted for a return of investment, not a return on investment. Likewise, he opined that **the Rushmore method failed to account for an economic return on investment because no rational economic actor would franchise their business or hire management to earn merely a return of their investment; they would do so to earn a profit on their investment.** To Dr. Fishkind, the Rushmore method needed to include a normalized risk adjusted return on those expenses—but even doing so would not account for a business's goodwill, loyal customers, know-how, reputation, and other like things. Overall, he opined that **there was no scenario in which simply deducting franchise and management fee expenses would remove all of the intangible values of a business operation from an assessment.**

The trial court concluded that the main reason for the increase in the Property's assessment from the previous year was that Appraiser's assessment included

⁶ Dr. Fishkind testified that there were no empirical tests which showed that the Rushmore method of identifying and isolating a business value by deducting franchise and management fees is accurate.

⁷ Dr. Fishkind explained that goodwill is the excess amount that a hotel buyer will pay above the assets and values, as well as the excess amount a guest will pay to stay at a hotel.

approximately \$74,000,000 of ancillary income from the sale of food, beverages, merchandise, and other goods and services on the Property. It noted that the parties agreed that Appraiser considered all eight factors in section 193.011 but relied exclusively on factor 7, the income from the Property, in making its assessment.

The trial court found that Appraiser improperly considered income from the business activities conducted on the Property in establishing the just value of the Property. It also rejected Appraiser's contention that the intangible assets identified by Disney did not qualify as intangible property. It held that Appraiser was "essentially asking this Court to unlawfully expand the statutory definition of 'real property' to include something other than 'land, buildings, fixtures, and other improvements to land,'" as described in section 192.001(12), Florida Statutes (2015). Moreover, it ruled that even if the Rushmore method was a professionally accepted appraisal practice, it could not be used in a manner that violated Florida law. The trial court concluded that by including value attributable to Disney business activities on the Property, Appraiser applied the Rushmore method in a way that violated Florida law.

The trial court found that the testimony demonstrated that the restaurants and retail spaces operated independently from the room rentals. Thus, it adopted Appraiser's effective gross room income but used Disney's figure for the value of the Property based on the restaurant, retail, and spa spaces. Accordingly, the trial court replaced Disney's ancillary income figure—\$73,727,719—with Disney's rental income of the restaurants,

retail, and spa—\$1,743,408—and reassessed the Property.⁸ It concluded that the just value of the Property was \$209,156,074.⁹

On appeal, Appraiser argues that the trial court erroneously rejected its use of the Rushmore method for assessing ancillary income and relatedly, its assessment of the ancillary income on the Property. Appraiser also argues that the trial court erroneously assessed the Property because its assessment was not based on a professionally accepted appraisal practice and was not supported by competent substantial evidence. Appraiser argues that instead of performing its own assessment, the trial court should have remanded to it for a reassessment.

Pursuant to article VII, section 4 of the Florida Constitution, “[b]y general law regulations shall be prescribed which shall secure a just valuation of all property for ad valorem taxation[.]” Art. VII, § 4, Fla. Const. “[T]axes can be lawfully levied, assessed, and collected only in the express method pointed out by statute.” State ex rel. Seaboard Air Line R. R. v. Gay, 35 So. 2d 403, 409 (Fla. 1948) (citing 51 Am. Jur. Taxation § 651 (1948)). “No assessment shall exceed just value.” Art. VII, § 4(d)(2), Fla. Const. “Just valuation has been determined by the Florida Supreme Court to be synonymous with fair

⁸ Disney moved to amend the final judgment, pointing out that the trial court made two calculation errors inconsistent with Jones’s testimony: (1) the trial court applied Tuck’s 80% expense rate against Jones’s restaurant, retail, and spa rental income figure, instead of only the room rentals, despite that the hypothetical restaurant, retail, and spa leases were triple net leases; and (2) the trial court subtracted the actual tangible personal property assessment of \$15,973,391 instead of the lesser figure adopted by Jones, \$10,140,014, which accounted for the fact that some of the retail and restaurant fixtures and equipment would be owned by the tenants. The trial court entered an amended order fixing the calculation errors.

⁹ The assessed value for ad valorem tax purposes nevertheless remained at \$169,652,408. See § 193.1554(3), Fla. Stat.

market value, to-wit, the amount a purchaser willing but not obliged to buy, would pay a seller who is willing but not obliged to sell." Holly Ridge Ltd. P'ship v. Pritchett, 936 So. 2d 694, 696 (Fla. 5th DCA 2006) (citations omitted).

The Florida Constitution specifically prohibits counties from levying ad valorem taxes on intangible personal property. Art. VII, § 9, Fla. Const.; Pritchett, 936 So. 2d at 699 ("The power to tax intangible personal property is available only to the state." (citations omitted)). "Intangible personal property" is "money, all evidences of debt owed to the taxpayer, all evidences of ownership in a corporation or other business organization having multiple owners, and all other forms of property where value is based upon that which the property represents rather than its own intrinsic value." § 192.001(11)(b), Fla. Stat. In contrast, "real property" is "land, buildings, fixtures, and all other improvements to land." § 192.001(12), Fla. Stat.

We agree with the trial court that Appraiser, in the manner in which he applied the Rushmore method, impermissibly included the value of Disney's intangible business assets in its assessment. That application requires franchise and management fee expenses to be deducted from the total property income, which purportedly removes the business value from the assessment. However, it does not provide for adjustments to the gross business income for intangible business value prior to making those expense deductions. Jones testified that the deductions for franchise and management fee expenses removed all intangible business value, such as cash/working capital, favorable operating licenses, assembled workforce, brand, copyright, and goodwill. By taking a percentage out of a business's net income for management and franchise fee expenses, without first removing intangible business value from that gross income stream, the

Rushmore method does not remove all business value from an assessment. We find, on this record, that the Appraiser did not establish that the trial court erred in its determination that the Rushmore method ignores the fact that an intangible business value may be directly benefiting a business's income stream.

We find SHC Half Moon Bay v. County of San Mateo, 171 Cal. Rptr. 3d 893, 911 (Ct. App. 2014), to be instructive. Like Florida, California prohibits appraisers from assessing the value of intangible business assets in a property assessment. Cal. Rev. & Tax. Code § 110(d)(1); SHC, 171 Cal. Rptr. 3d at 903 (“Put another way, [s]ection 110(d)(1) prevents *the value* of intangible assets from enhancing or being reflected in the valuation of taxable property.” (quoting Elk Hills Power, LLC v. Bd. of Equalization, 304 P.3d 1052 (Cal. 2013))). In SHC, the assessor used the Rushmore method to assess a hotel and admitted that it did not attempt to identify or make reductions for intangible business value prior to conducting its assessment. 171 Cal. Rptr. 3d at 910. The assessor's expert conceded that deducting management and franchise fee expenses did not account for the intangible value of the property. Id. at 911. The court concluded that the assessor ignored the hotel's credible evidence and testimony that certain intangible assets were necessary to the beneficial and productive use of the property and were subsumed in the valuation. Id. at 910. Additionally, the court found that the assessor had failed to explain how the deduction of management and franchise fees removed the value of the majority of the intangible property from the assessment. Id. In all, it concluded that the assessment, conducted using the Rushmore method, failed to exclude certain intangible assets, which violated California law. Id. at 911.

right to require information specific to the Property rather than relying on the DOR data, which consisted only of combined information on all of Disney's hotels. However, as a matter of fundamental fairness, Appraiser should have put Disney on notice of this change in policy.

While we would have preferred drafting an opinion that would resolve the parties' dispute, we find the record evidence is insufficient for us to do so. Accordingly, we reverse and remand to the trial court, with instructions that it remand to Appraiser for a reassessment of the Property consistent with this opinion.

MOTION GRANTED; REVERSED and REMANDED with instructions.

LAMBERT and EDWARDS, JJ., concur.

SALT Shaker - Coverage & Commentary on State and Local Tax Developments

Published By Sutherland Law Firm

California Court of Appeal Broadens Exemption for Intangible Assets

Posted by Sutherland SALT on June 15, 2014

By Douglas Mo and Zachary Atkins

The California Court of Appeal held that the San Mateo County Assessor illegally assessed the intangible assets of the Ritz-Carlton Half Moon Bay Hotel. This is the first appellate decision to follow *Elk Hills Power, LLC v. Board of Equalization*, 57 Cal.4th 593, 304 P.3d 1052 (2013) (reported by Sutherland [this legal alert](#)). The court reaffirmed the exempt nature of intangibles and ruled that the assessor's use of the "Rushmore Approach," which simply calls for the deduction of the expenses associated with intangibles, failed to remove the value of the taxpayer's intangibles when performing an income approach to value. In rejecting the assessor's use of the Rushmore Approach, the court quoted with approval the California State Board of Equalization's Assessors' Handbook. The Assessors' Handbook, the court noted, rejects the "Rushmore Approach" because it allows only a return *of* the investment in the intangibles and not a return *on* the intangibles. The court singled out intangibles such as work force, a leasehold interest and an operating agreement as assets that were not removed from the assessment of the taxable real property. Of note, the court rejected the taxpayer's claim that the assessor illegally taxed goodwill, as the taxpayer employed a residual method to value goodwill. The court stated that the taxpayer did not refute the assessor's evidence that the deduction of the management and franchise fee from the income stream fully accounted for the value of the taxpayer's goodwill. *SFC Half Moon Bay v. County of San Mateo*, No. A137218, 2014 WL 2126637 (Cal. Ct. App. May 22, 2014).

The Court of Appeal's decision is helpful for all California businesses that possess significant intangible assets, and it is a landmark decision for the hospitality industry in rejecting the use of the "Rushmore Approach"—an approach that has gained widespread acceptance in the assessment community. That said, the decision is a cautionary tale for the exclusion of value for goodwill. Taxpayers would be best served to rely on more than a residual approach to support their claim to a goodwill value.

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Austin

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Exhibit "B" 8 of 8

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U.S. Master™ Property Tax Guide



Intangible Property

For purposes of this chart, the term "taxable" applies only in those jurisdictions in which the authority to tax intangible property has been exercised, while the term "exempt" applies both to jurisdictions that have enacted specific exemptions for intangible property, and to those that have the authority to tax intangible property but have not done so.

Jurisdiction	Intangible Property	Comment
Alabama	Taxable	Specified intangibles, such as certain bonds and hoarded money, are taxable.
Alaska	Exempt	
Arizona	Exempt	
Arkansas	Exempt	Intangible property of taxpayers subject to assessment by the Arkansas Public Service Commission is not included in the general exemption on intangible property.
California	Exempt	Taxable property may be assessed and valued by assuming the presence of intangible assets or rights necessary to put taxable property to beneficial or productive use.
Colorado	Exempt	
Connecticut	Exempt	
Delaware	Exempt	
District of Columbia	Exempt	
Florida	Exempt	A non-reoccurring tax is imposed on notes, bonds, or other obligations of money that are secured by a mortgage deed or other lien of real property. A recurring tax on the lease of real property owned by a government and leased to a nongovernmental entity is also due with rental payments.
Georgia	Exempt	A separate intangible recording tax applies only to long-term notes secured by real estate.
Hawaii	Hawaii County, Honolulu County, Kauai County, and Maui County generally do not tax personal property.	No specific ordinances on topic. However, "property" definition generally excludes personal property.
Idaho	Exempt	
Illinois	Exempt	Personal property tax is not levied on any personal property with a situs in Illinois.
Indiana	Exempt	
Iowa	Exempt	
Kansas	Exempt	
Kentucky	Exempt	All intangible property except that assessed under the financial institution deposit tax or corporation and public utility taxes is exempt from state and local ad valorem tax.

Jurisdiction	Intangible Property	Comment
Louisiana	Exempt	Public service properties, bank stocks, and credit assessments on premiums written in the state by insurance companies and loan and finance companies are taxable.
Maine	Exempt	There is an excise tax, as opposed to an ad valorem tax, on the assets of financial institutions to meet the administrative costs of supervision.
Maryland	Exempt	
Massachusetts	Exempt	
Michigan	Exempt	
Minnesota	Exempt	
Mississippi	Taxable	Money on hand and evidence of indebtedness bearing interest in excess of the maximum rate allowed by law are taxable. Statutory exemptions exist for most other categories.
Missouri	Exempt	
Montana	Exempt	
Nebraska	Exempt	
Nevada	Exempt	
New Hampshire	Exempt	
New Jersey	Exempt	
New Mexico	Exempt	
New York	Exempt	
North Carolina	Exempt	Leasehold interests in exempted real property taxable.
North Dakota	Exempt	
Ohio	Taxable	Due to a phase-out of the underlying tax base initiated in 2005, the tax effectively on personal property has become moot, except as it relates to certain utilities. The tax has not been repealed, but its tax basis, in most instances, has been reduced to 0%. Intangible property of certain charities is exempt.
Oklahoma	Exempt	
Oregon	Exempt	
Pennsylvania	Taxable	County option tax can be imposed on specific intangibles owned by resident individuals and corporations.
Rhode Island	Exempt	
South Carolina	Exempt	
South Dakota	Exempt	

Jurisdiction	Intangible Property	Comment
Tennessee	Exempt	Only certain intangibles of insurance companies and loan and investment companies are taxable.
Texas	Exempt	Only certain intangibles of insurance companies and savings and loan associations are taxable.
Utah	Exempt	
Vermont	Exempt	
Virginia	Exempt	
Washington	Exempt	
West Virginia	Exempt	
Wisconsin	Exempt	
Wyoming	Exempt	Water rights and reservoir rights are subject to tax.

Exhibit "C"

In Defense of

Rushmore Approach

by

Stephen Rushmore

In Defense of the “Rushmore Approach” for Valuing the Real Property Component of a Hotel

by

Stephen Rushmore MAI, FRICS, CHA

Does it sound reasonable that the real property component for a hotel accounts for only 36% of the hotel’s total property value?

While the results cited above seem extremely low to me, this is typical of what will be achieved if you utilize the “new” approach for separating the real property component from a hotel’s total property value. The so-called “business enterprise approach” espoused by a prominent member of the Appraisal Institute utilizes a methodology that essentially moves much of a hotel’s total property value into areas such as tangible and intangible personal property, thus deflating the value of the real property component and significantly reducing a hotel’s ad valorem tax assessment.

As you might know, I have written all five textbooks for the Appraisal Institute on the valuation of hotels and motels. My procedure for separating the real property component from a hotel’s overall value has been termed by a number of tax courts around the United States as the “Rushmore Approach.” It has been utilized by both hotel property owners and taxing jurisdictions for the past 20 years. During this time, I have represented an almost equal number of owners and jurisdictions in property tax disputes, indicating the universal acceptance of my approach by both parties.

I have been asked by many of my appraiser colleagues who specialize in the valuation of hotels and motels and view the business enterprise approach as a real threat to the future of asset-based hotel mortgage financing to write this defense of the Rushmore Approach. **The real issue is not the huge reduction in the value of the real property component used for tax assessment purposes, but the possible reduction in mortgage asset security that lenders rely upon when making hotel loans.** If the business enterprise approach is universally mandated for all hotel appraisals, it could severely restrict hotel owners from leveraging their acquisitions, which could lead to a significant decline in hotel values.

During my 30-year career as a hotel appraiser and investor, I have worked with thousands of hotel owners, operators, and lenders. I do not know of any industry participant who utilizes the procedures set forth in the business enterprise approach for evaluating a hotel acquisition or determining market value for purchase or financing. It appears that the business enterprise approach is simply an academically contrived procedure used for the sole purpose of lowering property tax assessments for hotel owners.

So let me lay out the facts and arguments for both approaches, demonstrate the results in a side-by-side example, and let you decide which approach produces the most reasonable findings.

Hotel Valuation

Samples of Data Sources

Exhibit "D"

Hotel Class, Flag, Type, Franchise Fee, Intangible Business Values, Cap Rate studies

Data based on 2019 represents a normal year operation. 2020 data are unreliable due to COVID-19 pandemic.

Data Sources: CBRE, HVS, STR, PWC, Source Strategies, Hotel Associations, hotel owners survey

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Updated: 1/1/21

P.1

Hotel Motel Class	Hotel Flag / Brand	ADR 2019 nationwide Avg Daily Rate	2019 TTL Franchise Fees %	TYPE				Franchise Hotel Group	Intangible Bus. Value		AVG Cap Rate
				Full Service	Select Service	Limited Service	Extended Stay		total	Net	
Luxury Class	Edition Hotels	\$ 475		X				Marriott			7.5%
	Fairmont	\$ 219		X				AccorHotels			7.5%
	Four Seasons	\$ 289		X				Four Seasons			7.5%
	Gaylord	\$ 262		X				Marriott			7.5%
	Grand Hyatt	\$ 276		X				Hyatt			7.5%
	JW Marriott	\$ 263		X				Marriott			7.5%
	Kimpton Hotels	\$ 255	11.20%	X				IHG			7.5%
	Ritz-Carlton	\$ 419		X				Marriott			7.5%
	Shangri-La Hotels	\$ 308		X				Shangri-La			7.5%
	St. Regis	\$ 387		X				Marriott			7.5%
	Sofitel	\$ 258		X				AccorHotels			7.5%
	W Hotels	\$ 270		X				Marriott			7.5%
	Waldorf Astoria	\$ 302	11.60%	X				Hilton			7.5%
	Za Za Hotels	\$ 255		X				Za Za Hotels			7.5%
	Luxury Boutiques	\$ 251		X							8.5%
Average	\$ 299	12.20%						23.15%	10.95%	7.5%	
Upper Upscale First Class	Autograph Collection	\$ 149	10.60%	X				Marriott			8.0%
	Conrad Hotels	\$ 166		X				Hilton			8.0%
	Curio by Hilton	\$ 169	12.30%	X				Hilton			8.0%
	Embassy Suite	\$ 158	13.40%	X				Hilton			8.0%
	Gaylord Hotels	\$ 175		X				Marriott			8.0%
	Hilton	\$ 164	12.60%	X				Hilton			8.0%
	Hyatt	\$ 180	11.50%	X				Hyatt			8.0%
	Hyatt Centric	\$ 168	11.20%	X				Hyatt			8.0%
	Hyatt Regency	\$ 165	12.10%	X				Hyatt			8.0%
	Intercontinental	\$ 179	10.60%	X				IHG			8.0%
	Le Meridien	\$ 167	11.90%	X				Marriott			8.0%
	Loews Hotels	\$ 179		X				Loews			8.0%
	Luxury Collection	\$ 158	11.20%	X				Marriott			8.0%
	Marriott	\$ 161	12.80%	X				Marriott			8.0%
	Novotel	\$ 183		X				AccorHotels			8.0%
	Omni	\$ 173		X				Omni			8.0%
	Pullman	\$ 151		X				AccorHotels			8.0%
	Radisson Blu	\$ 189		X				Radisson			8.0%
	Renaissance	\$ 153	11.50%	X				Marriott			8.0%
	Sheraton Grand	\$ 179		X				Sheraton			8.0%
	Westin Hotels	\$ 182	14.40%	X				Marriott			8.0%
Independents	\$ 145		X							9.0%	
Average	\$ 168	11.90%						22.32%	10.42%	8.0%	

Hotel Class, Flag, Type, Franchise Fee, Intangible Business Values, Cap Rate studies

Data based on 2019 represents a normal year operation. 2020 data are unreliable due to COVID-19 pandemic.

Data Sources: CBRE, HVS, STR, PWC, Source Strategies, Hotel Associations, hotel owners survey

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Updated: 1/1/21

P.2

Hotel Motel Class	Hotel Flag / Brand	ADR 2019 nationwide Avg Daily Rate	Total Franchise Fees %	TYPE				Franchise Hotel Group	Intangible Bus. Value		Cap Rate 2019
				Full Service	Select Service	Limited Service	Extended Stay		total	Net	
Upscale	AC Hotels by Marriott	\$ 143						Marriott			8.5%
	Aloft Hotel	\$ 142	11.40%		X			Marriott			8.5%
	Ascend Collection	\$ 121	10.50%	X				Choice			8.5%
	BW Premier	\$ 128	7.30%		X			Best West			8.5%
	Canopy by Hilton	\$ 128			X			Hilton			8.5%
	Courtyard	\$ 125	12.20%		X			Marriott			8.5%
	Delta Hotels	\$ 126						Marriott			8.5%
	Dolce Wyndham	\$ 132						Wyndham			8.5%
	Doubletree	\$ 129	13.20%	X				Hilton			8.5%
	Element Hotels	\$ 138	10.70%				X	Marriott			8.5%
	EVEN hotels	\$ 120						IHG			8.5%
	Four Points	\$ 121	11.40%		X			Sheraton			8.5%
	Hilton Garden Inn	\$ 133	13.90%		X			Hilton			8.5%
	Holiday Inn Select	\$ 126	13.70%	X				IHG			8.5%
	Hotel RL	\$ 109	5.90%		X			Red Lion H			8.5%
	Homewood Ste	\$ 135	13.50%				X	Hilton			8.5%
	Hotel Indigo	\$ 142	12.20%		X			IHG			8.5%
	Hyatt House	\$ 129	11.60%				X	Hyatt			8.5%
	Hyatt Place	\$ 123	12.10%		X			Hyatt			8.5%
	Residence Inn	\$ 131	10.30%				X	Marriott			8.5%
	Sheraton	\$ 137	12.40%	X				Sheraton			8.5%
	Sofitel	\$ 139		X				Accor			8.5%
	Sonesta Hotel	\$ 128		X				Sonesta			8.5%
Springhill Ste	\$ 123	12.00%		X			Marriott			8.5%	
Staybridge Ste	\$ 122	10.60%				X	IHG			8.5%	
Wyndham	\$ 120	10.10%	X				Wyndham			8.5%	
Independents	\$ 115			X						9.5%	
Average	\$ 129	11.30%						21.20%	9.90%	8.5%	

Hotel Class, Flag, Type, Franchise Fee, Intangible Business Values, Cap Rate studies

Data based on 2019 represents a normal year operation. 2020 data are unreliable due to COVID-19 pandemic.

Data Sources: CBRE, HVS, STR, PWC, Source Strategies, Hotel Associations, hotel owners survey

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Hotel Motel Class	Hotel Flag / Brand	ADR 2019 nationwide Avg Daily Rate	Total Franchise Fees %	TYPE				Franchise Hotel Group	Intangible Bus. Value		Cap Rate 2019
				Full Service	Select Service	Limited Service	Extended Stay		total	Net	
Upper Midscale	Americinn	\$ 102	11.60%			X		Wyndham			9.0%
	Best West Plus	\$ 109	7.50%			X		Best W			9.0%
	Cambria Hotels	\$ 115			X			Choice			9.0%
	Comfort Suites	\$ 95	13.10%			X		Choice			9.0%
	Country Inn Suite	\$ 94	12.10%			X		Radisson			9.0%
	Crowne Plaza	\$ 99	11.30%	X				IHG			9.0%
	Drury Inn	\$ 117				X		Drury			9.0%
	Fairfield	\$ 103	12.00%			X		Marriott			9.0%
	Hampton Inn	\$ 119	14.80%			X		Hilton			9.0%
	Holiday Inn	\$ 102	12.40%	X				IHG			9.0%
	Holiday Inn Express	\$ 105	14.50%			X		IHG			9.0%
	Home2 Suites	\$ 120	13.20%				X	Hilton			9.0%
	La Quinta	\$ 99	12.80%			X		Wyndham			9.0%
	Moxy Hotels	\$ 110		X				Marriott			9.0%
	Novotel	\$ 111			X			Accor			9.0%
	Park Inn by Raission	\$ 107	10.40%			X		Radisson			9.0%
	Radisson	\$ 118	12.70%	X				Radisson			9.0%
	Red Lion Hotels	\$ 96	9.40%	X				Red Lion H			9.0%
	Towneplace Ste	\$ 108	11.10%				X	Marriott			9.0%
	TRYP by Wyndham	\$ 99				X		Wyndham			9.0%
	Wyndham Garden	\$ 103	10.30%		X			Wyndham			9.0%
Independents	\$ 90				X					10.0%	
Average	\$ 106	12.20%						21.53%	9.33%	9.0%	
Midscale	Baymont Inn Ste	\$ 78	11.70%			X		Wyndham			9.5%
	Best Western	\$ 88	7.70%			X		Best West.			9.5%
	Clarion Inn	\$ 79	10.40%		X			Choice			9.5%
	Candlewood Ste	\$ 84	12.10%				X	IHG			9.5%
	Comfort Inn	\$ 82	13.10%			X		Choice			9.5%
	Hawthorn Ste	\$ 86	10.90%				X	Wyndham			9.5%
	Glo by Best West	\$ 83			X			Best West.			9.5%
	Magnuson Grand	\$ 87			X			Magnuson			9.5%
	Mainstay Ste	\$ 89	12.20%				X	Choice			9.5%
	Master Hosts	\$ 85		X				Hospitality			9.5%
	Quality Inn	\$ 76	12.20%			X		Choice			9.5%
	Quality Suites	\$ 77	12.20%			X		Choice			9.5%
	Ramada Inn Ste	\$ 78	10.90%		X			Wyndham			9.5%
	Red Lion Inn & Ste	\$ 82	9.90%		X			Red Lion H			9.5%
	Sleep Inn	\$ 79	12.70%			X		Choice			9.5%
	Tru by Hilton	\$ 89				X		Hilton			9.5%
	Wingate	\$ 79	11.40%			X		Wyndham			9.5%
	Independents	\$ 71									10.5%
	Average	\$ 82	11.20%						20.34%	9.14%	9.5%

Hotel Class, Flag, Type, Franchise Fee, Intangible Business Values, Cap Rate studies

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Hotel Motel Class	Hotel Flag / Brand	ADR 2019 nationwide Avg Daily Rate	Total Franchise Fees %	TYPE				Franchise Hotel Group	Intangible Bus. Value		Cap Rate 2019
				Full Service	Select Service	Limited Service	Extended Stay		total	Net	
Economy (name brand)	Budget Host Inn	\$ 65	5.90%			X		Budget Host			10%
	Days Inn	\$ 62	12.70%			X		Wyndham			10%
	Extend Stay Am	\$ 62	10.00%				X	Ext Stay			10%
	Howard Johnson	\$ 60	11.40%			X		Wyndham			10%
	Intown Suites	\$ 58				X		Intown			10%
	Maguson Hotels	\$ 62	5.90%			X		Magnuson			10%
	Microtel Inn Ste	\$ 63	11.80%			X		Wyndham			10%
	Motel 6	\$ 67	9.30%			X		G6			10%
	Palace Inn	\$ 62	6.90%			X		Palace Inn			10%
	Red Roof Inn	\$ 61	11.00%			X		Red Roof			10%
	Studio 6	\$ 64	8.00%				X	G6			10%
	Suburban Ext Stay	\$ 63	11.80%				X	Choice			10%
	Super 8	\$ 63	12.40%			X		Wyndham			10%
	Sure Stay	\$ 60	9.50%			X		Best West.			10%
	Woodspring Suites	\$ 65	7.90%				X	Choice			10%
	Independents	\$ 55									11%
Average	\$ 62	9.20%						17.90%	8.70%	10%	
Budget (low end)	Am Best Value Inn	\$ 48	4.30%			X		Red Lion			10.5%
	Budget Suites	\$ 50				X		Budget Ste			10.5%
	Country Hearth Inn	\$ 50	5.10%			X		Red Lion H			10.5%
	Econo Lodge	\$ 49	11.20%			X		Choice			10.5%
	Guesthouse Int'l	\$ 51	4.40%			X		Red Lion H			10.5%
	Knights Inn	\$ 48	4.90%			X		Red Lion			10.5%
	M-Star Hotels	\$ 48						Magnuson			10.5%
	OYO	\$ 48				X		OYO			10.5%
	Passport Inn	\$ 47				X		Hospitality			10.5%
	Red Carpet Inn	\$ 51				X		Hospitality			10.5%
	Rodeway Inn	\$ 45	12.40%			X		Choice			10.5%
	Scottish Inn	\$ 49				X		Hospitality			10.5%
	Travelodge	\$ 46	11.50%			X		Wyndham			10.5%
	Value Place	\$ 49				X		Choice			10.5%
Independents	\$ 45									11.5%	
Average	\$ 48	4.80%						11.60%	6.80%	10.5%	

HIGH-PRICED BRAND PERFORMANCE RESULTS

Year Ending December 31, 2019

[^=Change from prior year
(actual value unless marked percentage)]

Brands/ Segments	% Occupancy ⁵			Est. \$ ADR			\$ REVPAR ⁶			REVPAR Index ⁷		
	2018	2019	^	2018	2019	%^	2018	2019	^	2018	2019	^
Fairmont	79.8	79.5	-0.3	\$181.85	\$218.78	20.3%	\$145.06	\$173.97	\$28.91	208	249	41
Four Seasons	76.7	73.8	-2.9	\$283.04	\$286.60	2.0%	\$217.17	\$213.07	-\$4.10	312	305	-7
JW Marriott	73.5	75.3	1.8	\$251.19	\$253.11	0.8%	\$184.56	\$190.61	\$6.05	265	273	8
Ritz Carlton	80.7	83.7	3.0	\$416.47	\$419.41	0.7%	\$336.12	\$350.95	\$14.83	482	502	20
W Hotel	79.7	79.1	-0.6	\$272.26	\$269.95	-0.8%	\$217.11	\$213.56	-\$3.55	311	306	-5
Za Za	70.1	73.0	2.9	\$233.80	\$226.53	-3.1%	\$163.87	\$165.39	\$1.52	235	237	2
Other Luxury	0.0	10.8	10.8	\$0.00	\$294.37	-	\$0.00	\$31.68	\$31.68	-	45	-
Luxury Segment	75.5	75.9	0.4	\$248.01	\$255.04	2.8%	\$187.17	\$193.68	\$6.51	269	277	8
Gaylord	75.5	78.4	2.9	\$249.24	\$262.29	5.2%	\$188.17	\$205.58	\$17.41	270	294	24
Hilton	71.6	71.5	-0.1	\$165.58	\$163.55	-1.2%	\$118.55	\$117.01	-\$1.54	170	167	-3
Hyatt	73.1	74.1	1.0	\$178.71	\$179.94	0.7%	\$130.63	\$133.35	\$2.72	187	191	4
InterContinental	85.3	67.7	-17.6	\$240.18	\$179.01	-25.5%	\$204.78	\$121.24	-\$83.54	294	174	-120
Marriott	69.7	71.6	1.9	\$163.38	\$161.07	-1.4%	\$113.84	\$115.27	\$1.43	163	165	2
Omni	71.8	71.5	-0.3	\$182.35	\$173.23	-5.0%	\$130.98	\$123.84	-\$7.14	188	177	-11
Renaissance	72.2	72.7	0.5	\$147.39	\$150.70	2.2%	\$106.43	\$109.51	\$3.08	153	157	4
Westin	71.4	72.8	1.4	\$185.80	\$181.53	-2.3%	\$132.71	\$132.07	-\$0.64	190	189	-1
Other Upscale	76.4	72.7	-3.7	\$204.06	\$217.67	6.7%	\$155.86	\$158.20	\$2.34	224	226	2
Upscale Segment	71.7	72.4	0.7	\$174.22	\$172.53	-1.0%	\$124.85	\$124.86	\$0.01	179	179	0
Element	65.0	68.2	3.2	\$151.34	\$137.49	-9.2%	\$98.30	\$93.71	-\$4.59	141	134	-7
Embassy	73.0	75.2	2.2	\$155.36	\$158.09	1.8%	\$113.48	\$118.87	\$5.39	163	170	7
Homewood	71.4	72.7	1.3	\$135.57	\$134.90	-0.5%	\$96.84	\$98.12	\$1.28	139	140	1
Hyatt House	71.9	70.0	-1.9	\$127.64	\$128.78	0.9%	\$91.83	\$90.21	-\$1.62	132	129	-3
Residence Inn	70.9	71.7	0.8	\$131.91	\$130.42	-1.1%	\$93.46	\$93.45	-\$0.01	134	134	0
Staybridge	70.3	71.0	0.7	\$116.11	\$114.50	-1.4%	\$81.68	\$81.27	-\$0.41	117	116	-1
Other Suites	69.9	71.8	1.9	\$151.80	\$150.38	-0.9%	\$106.12	\$107.93	\$1.81	152	154	2
Suites Segment	71.2	72.4	1.2	\$137.26	\$136.77	-0.4%	\$97.76	\$98.97	\$1.21	140	142	2
Four Points	62.3	61.8	-0.5	\$112.99	\$106.35	-5.9%	\$70.35	\$65.76	-\$4.59	101	94	-7
AC by Marriott	64.3	65.1	0.8	\$149.53	\$142.94	-4.4%	\$96.18	\$93.09	-\$3.09	138	133	-5
Aloft	72.6	73.7	1.1	\$141.52	\$141.73	0.1%	\$102.74	\$104.43	\$1.69	147	149	2
Courtyard	68.9	70.1	1.2	\$123.52	\$122.72	-0.6%	\$85.11	\$86.03	\$0.92	122	123	1
Crown Plaza	58.4	57.0	-1.4	\$94.94	\$91.32	-3.8%	\$55.44	\$52.06	-\$3.38	80	75	-5
Doubletree	71.8	70.9	-0.9	\$134.30	\$129.34	-3.7%	\$96.46	\$91.68	-\$4.78	138	131	-7
Hilton Garden	69.9	70.6	0.7	\$134.57	\$132.63	-1.4%	\$94.09	\$93.59	-\$0.50	135	134	-1
Holiday Inn	64.6	64.2	-0.4	\$104.05	\$100.64	-3.3%	\$67.25	\$64.85	-\$2.60	96	93	-3
Hyatt Place	69.6	69.0	-0.6	\$128.50	\$123.33	-4.0%	\$89.42	\$85.10	-\$4.32	128	122	-6
Indigo	74.4	74.2	-0.2	\$143.66	\$142.34	-0.9%	\$106.90	\$105.56	-\$1.34	153	151	-2
Radisson	66.1	57.6	-8.5	\$89.70	\$86.80	-3.2%	\$59.29	\$50.01	-\$9.28	85	72	-13
Sheraton	68.5	72.1	3.6	\$120.92	\$121.19	0.2%	\$82.86	\$87.43	\$4.57	119	125	6
Sonesta	69.4	71.5	2.1	\$131.94	\$125.88	-4.7%	\$91.57	\$89.85	-\$1.72	131	129	-2
Wyndham	62.6	59.8	-2.8	\$117.36	\$109.78	-6.5%	\$73.41	\$65.61	-\$7.80	105	94	-11
Other Mid/Upscale	61.9	58.3	-3.6	\$123.92	\$105.90	-14.5%	\$76.70	\$61.69	-\$15.01	110	88	-22
Mid/Upscale Segment	67.7	67.7	0.0	\$122.46	\$119.81	-2.2%	\$82.91	\$81.15	-\$1.76	119	118	-3
Mid and LP Segments												
Mini-Suites Segment	66.4	68.3	-0.1	\$100.33	\$98.46	-1.9%	\$68.64	\$67.21	-\$1.43	98	96	-2
LS/Midscale Segment	66.4	66.5	0.1	\$100.48	\$97.39	-3.1%	\$66.69	\$64.78	-\$1.91	96	93	-3
Extended Stay Segment	68.9	69.0	0.1	\$52.89	\$51.45	-2.7%	\$36.42	\$35.48	-\$0.94	52	51	-1
Budget Segment	60.1	59.1	-1.0	\$56.82	\$54.65	-3.8%	\$34.14	\$32.28	-\$1.86	49	46	-3
Total Chain Hotels	66.9	66.9	0.0	\$108.04	\$106.48	-1.4%	\$72.28	\$71.27	-\$0.99	104	102	-2
Independents												
\$100+ ADR	67.6	68.5	0.9	\$185.29	\$184.15	-0.6%	\$125.30	\$126.11	\$0.81	180	181	1
\$60-\$99.99	59.3	59.1	-0.2	\$81.42	\$81.02	-0.5%	\$48.25	\$47.88	-\$0.37	69	69	0
Under \$60	56.8	53.7	-3.1	\$39.85	\$40.81	2.4%	\$22.62	\$21.91	-\$0.71	32	31	-1
Total Independent Hotels	59.8	58.2	-1.6	\$65.96	\$69.11	3.7%	\$51.37	\$51.87	\$0.50	74	74	0
Total Other Lodging	51.2	50.8	-0.6	\$167.97	\$188.10	12.0%	\$85.96	\$95.17	\$9.21	123	136	13
Total Market	65.1	64.7	-0.4	\$107.10	\$107.99	0.8%	\$69.70	\$69.86	\$0.16	100	100	

5. Roomnights sold divided by roomnights available (times 100). Roomnights sold equals room revenues divided by estimated average daily rate (ADR).

6. Room revenue, per available room per day (equals occupancy % times ADR). 7. Market average equals 100.

MID/LOW-PRICED BRAND PERFORMANCE RESULTS

Year Ending December 31, 2019

[*=Change from prior year
(actual value unless marked percentage)]

Brands/ Segments	% Occupancy ⁵			Est. \$ ADR			\$ REVPAR ⁶			REVPAR Index ⁷		
	2018	2019	Δ	2018	2019	%Δ	2018	2019	Δ	2018	2019	Δ
High-Priced Segments												
Luxury Segment	75.5	75.9	0.4	\$248.01	\$255.04	2.8%	\$187.17	\$193.88	\$6.51	269	277	6
Upscale Segment	71.7	72.4	0.7	\$174.22	\$172.53	-1.0%	\$124.85	\$124.88	\$0.01	179	179	0
Suites Segment	71.2	72.4	1.2	\$137.26	\$136.77	-0.4%	\$97.76	\$98.97	\$1.21	140	142	2
Mid/Upscale Segment	67.7	67.7	0.0	\$122.46	\$119.81	-2.2%	\$82.91	\$81.15	-\$1.76	119	116	-3
Cambria	67.4	69.5	2.1	\$109.28	\$114.78	5.0%	\$73.81	\$79.74	\$6.13	106	114	8
Candlewood	69.5	67.1	-2.4	\$87.58	\$84.04	-4.0%	\$60.91	\$56.43	-\$4.48	87	81	-6
Comfort Suites	65.9	65.9	0.0	\$88.44	\$83.32	-5.8%	\$58.28	\$54.90	-\$3.36	84	79	-5
Hawthorn	68.2	66.8	-1.4	\$88.99	\$86.15	-3.2%	\$60.71	\$57.51	-\$3.20	87	82	-5
Home2 Suites	70.3	70.5	0.2	\$122.04	\$119.89	-1.8%	\$85.82	\$84.55	-\$1.27	123	121	-2
Quality Suites	57.4	61.6	4.2	\$59.61	\$69.51	0.0%	\$34.15	\$36.68	\$2.53	49	53	4
SpringHill Suites	70.4	71.0	0.6	\$114.85	\$112.86	-1.8%	\$80.90	\$80.11	-\$0.79	116	115	-1
Towneplace	69.3	69.5	0.2	\$109.99	\$107.67	-2.1%	\$76.18	\$74.78	-\$1.40	109	107	-2
Other Mini-Suites	59.3	62.6	3.3	\$76.53	\$78.01	1.9%	\$45.38	\$48.85	\$3.47	65	70	5
Mini-Suites Segment	68.4	68.3	-0.1	\$100.33	\$98.45	-1.9%	\$68.64	\$67.21	-\$1.43	98	96	-2
Best Western	65.5	65.4	-0.1	\$91.80	\$87.98	-4.3%	\$60.19	\$57.66	-\$2.63	86	82	-4
Country Inn	67.9	66.2	-1.7	\$82.03	\$81.39	-0.8%	\$55.73	\$53.89	-\$1.84	80	77	-3
Comfort Inn	64.2	64.8	0.6	\$82.28	\$77.57	-5.7%	\$52.83	\$50.27	-\$2.56	76	72	-4
Drury Inn	68.8	68.7	-0.1	\$112.55	\$109.94	-2.3%	\$77.39	\$75.66	-\$1.83	111	108	-3
Fairfield Inn	67.3	67.7	0.4	\$103.19	\$100.61	-2.5%	\$69.41	\$68.08	-\$1.33	100	97	-3
Hampton Inn	67.9	69.1	1.2	\$119.23	\$117.95	-1.1%	\$81.00	\$81.55	\$0.55	118	117	-1
Holiday Express	66.6	67.3	0.7	\$108.03	\$104.98	-2.8%	\$71.90	\$70.87	-\$1.23	103	101	-2
La Quinta	65.7	64.4	-1.3	\$90.52	\$85.98	-5.0%	\$59.48	\$56.41	-\$3.07	85	79	-6
Sleep Inn	66.1	65.6	-0.5	\$84.90	\$77.08	-9.2%	\$56.11	\$50.66	-\$5.55	81	72	-9
Tru	62.5	63.4	0.9	\$86.57	\$88.92	2.7%	\$54.13	\$56.37	\$2.24	78	81	3
Wingate	61.3	64.7	3.4	\$79.23	\$76.43	-3.5%	\$48.54	\$49.43	\$0.89	70	71	1
LS/Midscale Segment	66.4	66.6	0.1	\$100.48	\$97.39	-3.1%	\$66.69	\$64.78	-\$1.91	96	93	-3
Budget Suites America	73.9	77.6	3.7	\$46.24	\$48.06	3.9%	\$34.16	\$37.29	\$3.13	49	53	4
Extended Stay America	71.1	71.7	0.6	\$59.62	\$57.78	-3.1%	\$42.42	\$41.42	-\$1.00	61	59	-2
Intown Suites	68.1	68.8	0.7	\$46.40	\$45.60	-1.7%	\$31.58	\$31.37	-\$0.21	45	45	0
MainStay Suites	69.5	64.4	-5.1	\$107.87	\$90.54	-16.1%	\$74.83	\$68.31	-\$16.62	108	83	-25
Studio 6	64.7	65.1	0.4	\$51.49	\$50.51	-1.9%	\$33.31	\$32.87	-\$0.44	48	47	-1
WoodSpring	66.4	64.6	-1.8	\$51.60	\$48.60	-5.8%	\$34.27	\$31.38	-\$2.81	49	45	-4
Other LP Extended Stay	69.8	68.0	-1.8	\$53.43	\$53.04	-0.7%	\$37.28	\$35.01	-\$2.28	54	50	-4
Extended Stay Segment	68.9	69.0	0.1	\$52.89	\$51.45	-2.7%	\$36.42	\$35.48	-\$0.94	62	61	-1
Baymont	59.8	59.8	0.0	\$77.27	\$67.69	-12.5%	\$46.22	\$40.43	-\$5.79	66	58	-8
Best Value	57.1	55.1	-2.0	\$46.18	\$46.04	-0.3%	\$26.35	\$25.38	-\$0.97	38	36	-2
Clarion	54.3	49.4	-4.9	\$57.67	\$58.50	1.4%	\$31.34	\$28.88	-\$2.46	45	41	-4
Days Inn	60.5	60.6	0.1	\$57.99	\$56.44	-2.7%	\$35.09	\$34.17	-\$0.92	50	49	-1
Econo Lodge	54.3	55.9	1.6	\$48.24	\$47.33	-1.9%	\$26.22	\$26.47	\$0.25	38	39	0
Howard Johnson	58.6	58.1	-0.5	\$66.29	\$65.64	-1.2%	\$33.00	\$32.33	-\$0.67	47	46	-1
Knights Inn	57.9	53.2	-4.7	\$41.64	\$42.13	1.2%	\$24.13	\$22.42	-\$1.71	35	32	-3
Magnuson	57.4	56.0	-1.4	\$64.38	\$54.54	-15.3%	\$36.96	\$30.53	-\$6.43	53	44	-9
Microtel	67.4	64.8	-2.6	\$78.82	\$70.71	-10.3%	\$53.14	\$45.84	-\$7.30	76	66	-10
Motel 6	63.0	62.1	-0.9	\$51.69	\$51.69	0.2%	\$32.52	\$32.09	-\$0.43	47	46	-1
Palace Inn	61.1	60.2	-0.9	\$57.26	\$54.60	-4.6%	\$35.00	\$32.89	-\$2.11	60	47	-13
Quality Inn	62.8	61.8	-1.0	\$68.80	\$64.33	-6.6%	\$43.17	\$39.77	-\$3.40	62	57	-5
Ramada Inn	59.6	59.0	-0.6	\$70.74	\$70.47	-0.4%	\$42.13	\$41.61	-\$0.52	60	60	0
Red Roof Inn	59.9	60.6	0.6	\$55.18	\$53.29	-3.4%	\$33.07	\$32.25	-\$0.82	47	48	1
Rodeway	51.6	49.7	-1.8	\$43.62	\$42.80	-1.9%	\$22.46	\$21.26	-\$1.20	32	30	-2
Scottish Inn	59.0	57.0	-2.0	\$48.86	\$46.94	-3.9%	\$28.81	\$26.76	-\$2.05	41	38	-3
Super 8	61.1	59.8	-1.3	\$59.02	\$55.06	-6.7%	\$36.03	\$32.92	-\$3.11	52	47	-5
Sure Stay	58.7	58.6	-0.1	\$47.33	\$50.34	6.4%	\$27.79	\$29.49	\$1.70	40	42	2
Travelodge	54.5	52.0	-2.5	\$46.42	\$45.70	-1.6%	\$26.37	\$23.77	-\$2.60	38	34	-4
Other Budgets	55.4	50.8	-4.6	\$49.49	\$46.95	-5.1%	\$27.44	\$23.87	-\$3.57	39	34	-5
Budget Segment	60.1	59.1	-1.0	\$56.82	\$54.65	-3.8%	\$34.14	\$32.28	-\$1.86	49	46	-3
Total Chain Hotels	66.9	66.9	0.0	\$108.04	\$106.49	-1.4%	\$72.26	\$71.27	-\$0.99	104	102	-2
Total Independent Hotels	59.8	58.2	-1.6	\$85.95	\$89.11	3.7%	\$51.37	\$51.87	\$0.50	74	74	0
Total Other Lodging	51.2	50.8	-0.6	\$167.97	\$188.10	12.0%	\$85.96	\$95.17	\$9.21	123	136	13
Total Market	65.1	64.7	-0.4	\$107.10	\$107.99	0.8%	\$69.70	\$69.86	\$0.16	100	100	0

5. Roomnights sold divided by roomnights available (times 100). Roomnights sold equals room revenues divided by estimated average daily rate (ADR).
6. Room revenue, per available room per day (equals occupancy % times ADR). 7. Market average equals 100.



FALL 2019 | PRICE \$595

2019 UNITED STATES HOTEL FRANCHISE FEE GUIDE

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Economy	Midscale	Upper Midscale	Upscale	First Class
Extended Stay	Extended Stay	Extended Stay	Extended Stay	Full Service
Studio 6	Candlewood Suites	Home2 Suites	Element	Autograph
Suburban Extended Stay	Hawthorn Suites	TownePlace Suites	Homewood Suites	Curio
Limited Service	MainStay Suites	Limited Service	Hyatt House	Embassy Suites
Americas Best Value Inn	Limited Service	Best Western Plus	Residence Inn	Hilton
Country Hearth Inn	AmeriInn	Comfort Inn & Suites	Staybridge Suites	Hyatt Centric
Days Inn	Baymont Inn & Suites	Country Inn & Suites	Select Service	Hyatt Regency
Econo Lodge	Best Western	Fairfield Inn	Aloft	InterContinental Hotels
GuestHouse	Quality Inn	Hampton Inn & Suites	Best Western Premier	Kimpton
Howard Johnson	Sleep Inn	Holiday Inn Express	Courtyard	Le Méridien
Knights Inn	Wingate	La Quinta Inn & Suites	Four Points	Luxury Collection
Microtel Inn & Suites	Select Service	Select Service	Hilton Garden Inn	Marriott
Motel 6	Ramada Inn	Clarion	Hotel Indigo	Renaissance
Rodeway Inn	Red Lion Hotel, Inn & Suite	Wyndham Garden	Hyatt Place	Sheraton
Super 8			SpringHill Suites	Waldorf Astoria
SureStay			Full Service	Westin
Travelodge			Ascend Collection	Wyndham
			Crowne Plaza	
			DoubleTree	
			Holiday Inn	
			Hotel RL	
			Radisson	

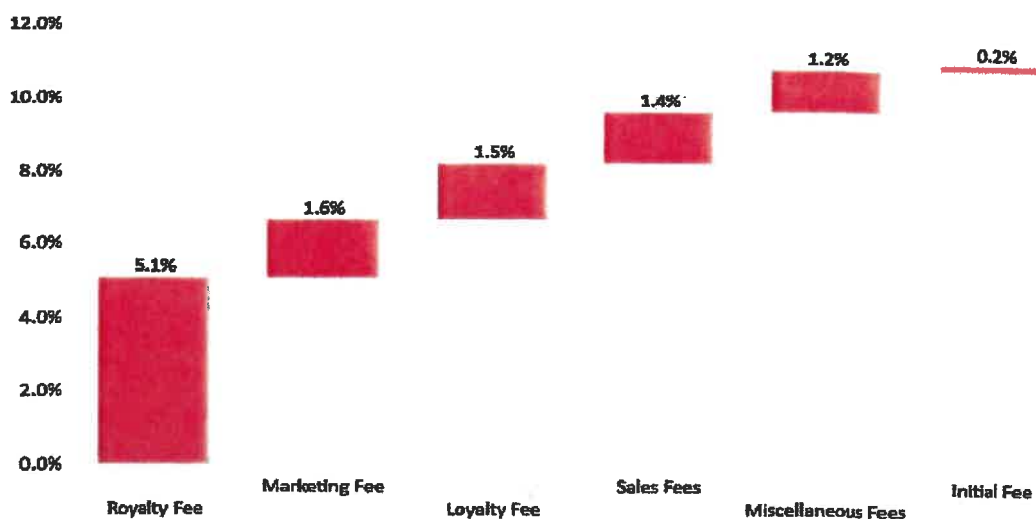
Key Findings

The following results were derived from the analysis.

AVERAGE FRANCHISE COST TO ROOMS REVENUE

The following chart illustrates the separate components of an overall franchise cost. HVS has concluded an overall average franchise cost of 10.9%, as well as the average percentage of the initial fee, royalty fee, marketing fee, loyalty fee, sales fees, and miscellaneous fees in rooms revenue.

On Average, Initial Fee and Continuous Franchise Costs Total Nearly 10.9% of Rooms Revenue



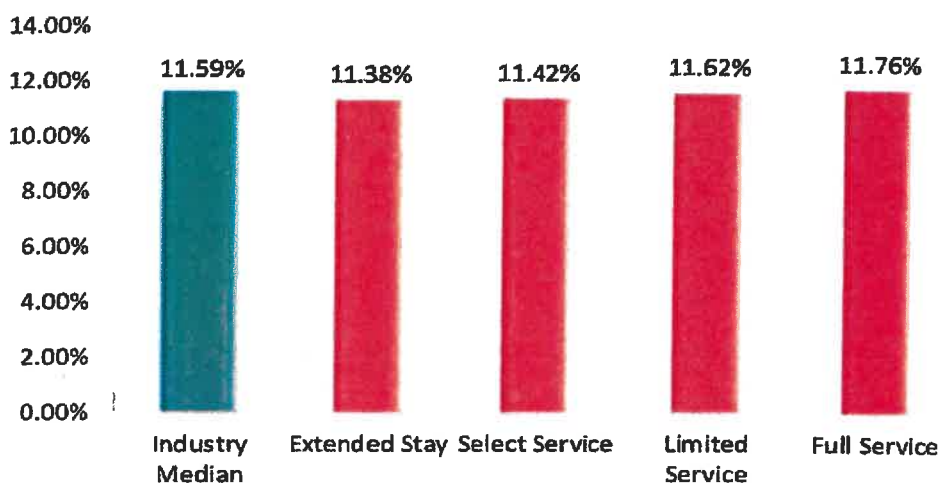
On average, franchise costs comprise 10.9% of rooms revenue over an initial ten years of operations. The royalty fee comprises the largest portion of the collective franchise costs, followed in decreasing order by the sales fees, marketing fee, loyalty fee,



MEDIAN FRANCHISE COST COMPARISON

The industry median for a typical franchise cost equaled 11.6%. The following graph illustrates how the median franchise cost compares to each product type reviewed in this report.

Minimal Variance in Median Franchise Cost per Product Type



The extended-stay and select-service product type recorded the lowest median costs (as a percentage of rooms revenue), while the highest median cost ratios were recorded by limited-service and full-service hotels.

However, the spread between the medians per product type is minimal; the median full-service franchise cost (the highest) is just 0.4% more than the median cost to franchise an extended-stay brand (the lowest). While these ratios automatically adjust for RevPAR differences between product types, we note that the costs across product types are generally similar. In addition, despite the fact that a few full-service brands charge royalty fees for F&B facilities, franchise fees for select-service and full-service hotels are generally equitable.

FRANCHISE COSTS ACROSS CHAIN SCALES

Franchise cost as a percentage of rooms revenue varies across hotel chain scales. The average economy hotel franchise cost as a percentage of rooms revenue was 9.2% (the lowest), somewhat higher for midscale hotels at 11.2%, followed by upscale at 11.3%; however, the upper-midscale and first-class categories led the pack, registering 12.2% and 11.9%, respectively. We note that there is not one particular variable contributing to the upper-midscale's higher franchise costs.

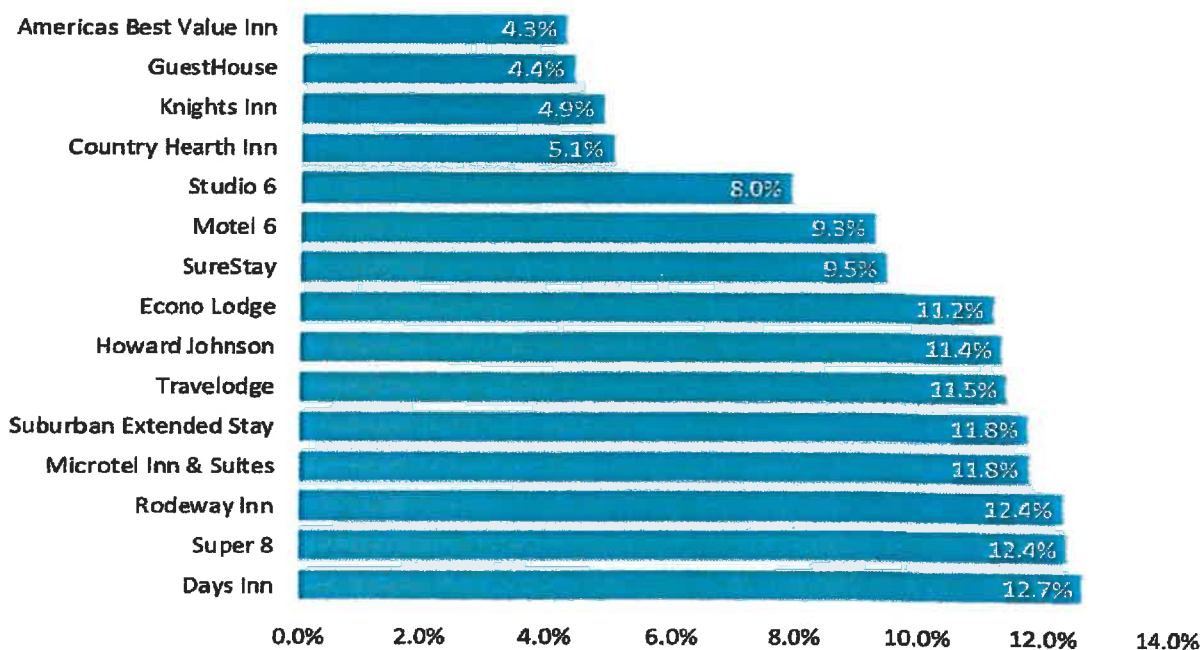




ECONOMY

The 15 economy hotel brands that participated in this report had an average total franchise cost relative to rooms revenue of 9.4%.

Percentage Gaps Between Brands are Highest among Economy Brands



Among all asset classes, the economy hotels averaged the smallest franchise cost relative to rooms revenue, as mentioned above. RLH Corporations' economy brands, which include Country Hearth Inn, Americas Best Value Inn, GuestHouse, and Knights Inn, had the lowest franchise-fee percentage, less than 6.0% this year, followed by Studio 6 and Motel 6 by G6 Hospitality and SureStay by Best Western. Although SureStay by Best Western has relatively low franchise fees among economy hotels, the brand's overall franchise cost is relatively high due to its higher marketing fee. The brands from RLH Corporation and G6 Hospitality do not charge frequent-traveler program fees, which contributed to their lower franchise-fee percentages. In addition, Country Hearth Inn and GuestHouse do not charge marketing fees as well. Conversely, Choice and Wyndham brands mark franchise fees at more than 11.0% to rooms revenue. This percentage gap between brands is largely influenced by the loyalty-fee percentage. Parent companies like Choice and Wyndham have a greater loyalty participation rate that may result in a higher loyalty-fee percentage.

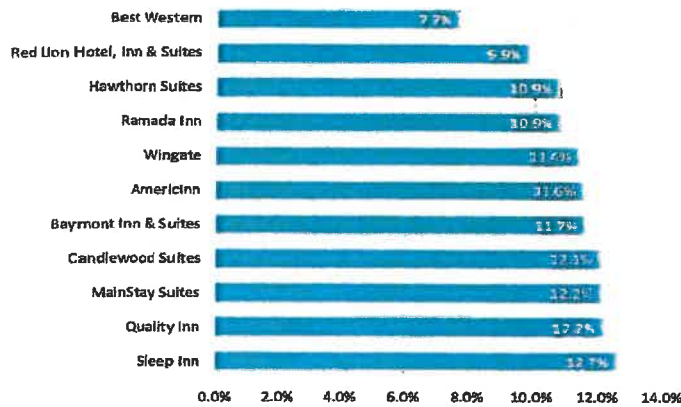


MIDSCALE AND UPPER-MIDSCALE BRANDS

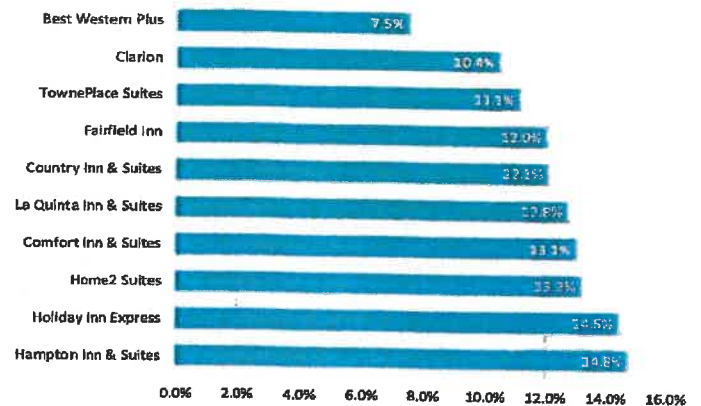
Eleven midscale and ten upper-midscale hotel brands participated in this study. The average franchise cost versus rooms revenue was 11.6% for the midscale brands and 12.7% for the upper-midscale brands.

Total Franchise Costs to Rooms Revenue

Midscale Brands



Upper-Midscale Brands



The midscale brands Best Western and Red Lion Hotel, Inn & Suites had the lowest franchise-fee percentages, partly because these brands require minimal or no loyalty fees. Midscale hotels affiliated with IHG, Wyndham, and Choice had higher total franchise fees when compared to rooms revenue.

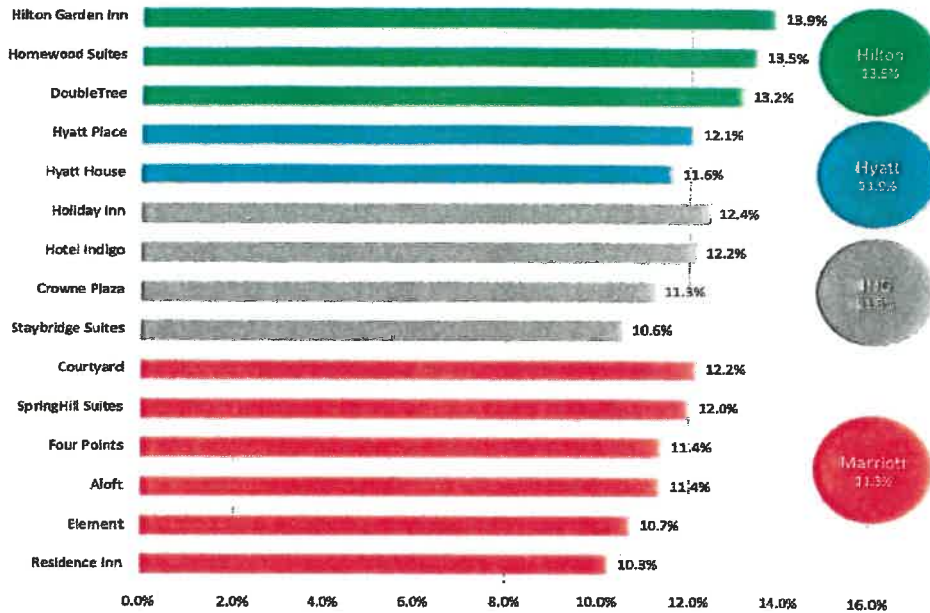
Among the upper-midscale hotels, Holiday Inn Express (IHG) and Hampton Inn (Hilton) exhibited the highest costs relative to rooms revenue, while Best Western Plus had the lowest franchise-cost percentages. The difference can be attributed in part to the higher loyalty- and marketing-fee percentages charged by hotel companies that are more established than others.



UPSCALE BRANDS

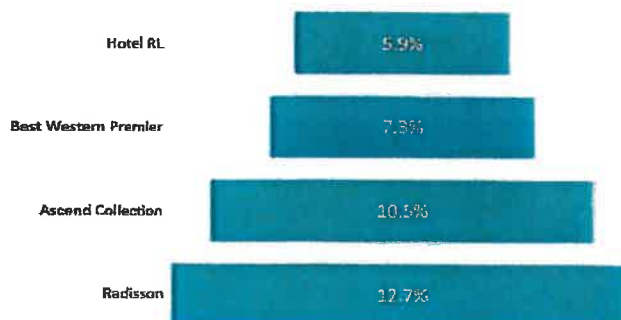
Fifteen upscale hotel brands participated in this study, with most brands under the Hyatt, Hilton, Marriott, and IHG umbrellas. The findings of brands affiliated with the top four parent companies are exhibited below.

Upscale Brands from Hyatt, Hilton, IHG, and Marriott Require Fees Over 11.0% to Rooms Revenue



We note that Hilton had the highest franchise costs out of the four major parent companies, due primarily to Hilton's relatively large program fee. All participating Hilton brands, aside from two extended-stay brands (i.e., Home2 Suites and Homewood Suites), impose a program fee of 4% of rooms revenue. Meanwhile, the IHG brands' service contribution fees generally range from 2.5% to 3.0% of rooms revenue. Furthermore, service/fund-contribution fees for all Marriott's participating brands, as well as Hyatt House and Hyatt Place, are also less than 4.0% of rooms revenue.

However, it is important to note that OTA fees have not been quantitatively considered in our analysis given the limitation of data disclosed in the FDDs. Moreover, we note that the former Starwood brands' OTA fees were increased from the previous year, which are not reflected in the graph above. Franchisees should review and compare OTA fees across various brands, as the OTA charges may have a substantial impact on overall reservation fees.



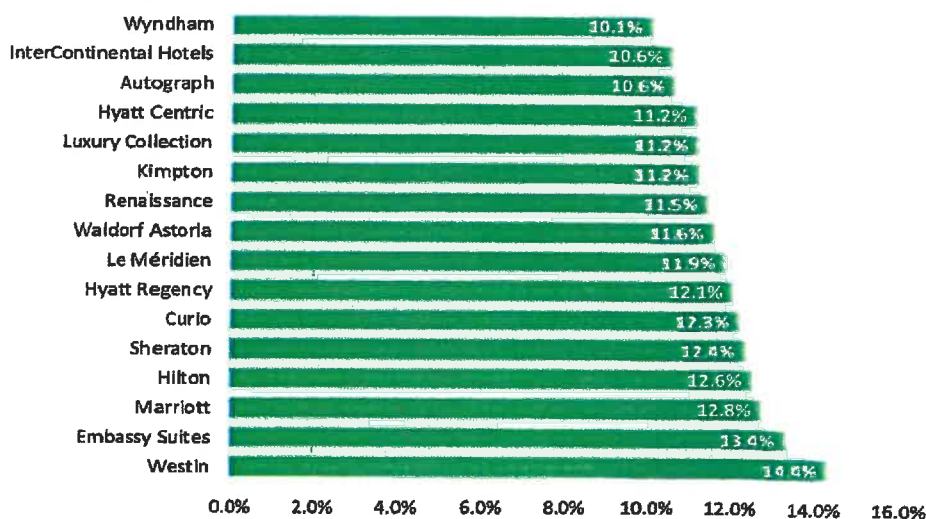


Radisson reported franchise fees close to 13.0%, while Ascend Collection by Choice Hotels also registered franchise fees higher than 10.0%. Hotel RL and Best Western reported the lowest franchise fees in the upscale category.

FIRST-CLASS BRANDS

First-class hotel brands exhibited the highest overall franchise-cost percentage compared to the brands belonging to lower chain scales. Among the 13 first-class brands that participated in this study, the average franchise cost percentage (to rooms revenue) was 12.2%.

Franchise Cost Percentage to Rooms Revenue



The median was also 12.2%, and all individual brands were generally near this level. Wyndham had the lowest franchise-fee costs for its affiliation with Wyndham Hotels & Resorts. Marriott, Le Méridien, Westin, Hilton, and Hyatt Regency charge a separate F&B royalty fee, which resulted in a higher total cost percentage (to rooms revenue). We note that Westin had the highest franchise costs of all participating brands, largely attributed to its royalty fee, which is 7.0% of rooms revenue.

DESCRIPTIONS OF INDIVIDUAL FRANCHISE FEE COMPONENTS

The following section provides details on the various franchise-fee components, including the initial fee; royalty, marketing, and loyalty fees; reservations fee; and miscellaneous fees.

INITIAL FEE

Typically, the initial fee takes the form of a minimum dollar amount based on a hotel's room count. Because the initial fee is paid at the time the franchise application is submitted, HVS calculated the initial fee percentage against first-year rooms revenue, which is a product of the first year's average rate (a base-year estimate grown by 2.0%) and occupancy (85% of the stabilized occupancy estimate). Total average initial fees were between \$1,500 (Country Hearth Inn) and \$275,285 (Hyatt Regency), though we note that fees can range beyond these figures depending on a given property's total room count.



October 2020 CALIFORNIA OCCUPANCY & RATE REPORT

	9/2019 to 10/2020 - October 2020 vs October 2019										10/2019 to 10/2020 - October 2020 vs October 2019													
	Occ %		ADR		RevPAR		Occ		ADR		RevPAR		Occ %		ADR		RevPAR		Occ		ADR		RevPAR	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
United States	48.3	69.1	87.61	133.36	47.13	92.13	30.1	-26.8	-48.8	-50.0	-2.2	-31.6	45.2	67.7	105.26	132.07	47.56	89.39	-33.2	-20.3	-46.8	-48.9	-3.9	-35.9
Pacific	50.4	75.2	119.70	169.48	60.33	127.42	-33.0	-29.4	-52.7	-55.3	-5.7	-36.8	48.7	75.2	132.56	172.93	64.52	130.11	-35.3	-23.3	-60.4	-54.2	-7.7	-40.3
California	53.1	77.3	126.36	173.68	67.09	134.20	-31.3	-27.2	-50.0	-52.3	-4.5	-34.4	50.6	76.5	134.22	173.69	67.87	132.88	-33.9	-22.7	-48.9	-52.4	-6.7	-38.4
Long Beach, CA	52.7	76.1	125.15	158.48	66.00	120.55	-30.7	-21.0	-45.3	-51.8	-12.0	-39.0	50.3	77.9	134.84	162.24	67.80	126.46	-35.5	-16.9	-46.4	-51.2	-9.0	-41.3
Custom Los Angeles+	44.4	81.5	168.73	234.58	74.99	191.19	-45.5	-28.1	-60.8	-82.2	-3.7	-47.5	47.1	81.6	166.75	237.48	87.94	193.77	-42.3	-21.4	-54.6	-58.4	-8.4	-47.2
San Luis Obispo/Passo Robles, CA	64.6	71.6	173.60	194.05	112.15	110.24	-9.7	12.7	1.7	3.9	2.1	-7.8	51.9	69.9	159.55	160.92	82.80	112.48	-25.7	-0.9	-26.4	-23.3	4.2	-22.6
Monterey/Salinas, CA	56.7	77.4	210.43	227.84	119.29	176.46	-26.8	-7.6	-32.4	-34.4	-3.0	-29.0	49.1	74.6	179.78	234.89	88.28	175.30	-34.2	-23.5	-49.6	-52.3	-5.3	-37.7
San Francisco/San Mateo, CA	39.2	86.9	125.43	262.94	49.16	228.80	-54.9	-52.3	-78.5	-93.4	-22.9	-95.2	43.3	83.4	186.58	253.90	80.87	211.73	-48.0	-26.5	-61.8	-70.1	-21.7	-59.3
San Jose/Santa Cruz, CA	43.3	76.5	111.42	203.48	48.21	165.60	-43.4	-45.2	-69.0	-69.9	-2.7	-44.9	42.1	74.9	140.54	201.20	59.10	150.63	-43.8	-30.1	-60.8	-61.9	-2.9	-45.4
Custom Anaheim/Denver/land+	32.7	87.0	87.58	184.27	28.61	160.40	-62.5	-52.5	-82.2	-86.6	-24.7	-71.7	41.3	81.5	135.43	172.95	55.96	140.91	-49.3	-21.7	-60.3	-69.4	-22.9	-60.9
Santa Barbara/Santa Maria, CA	60.9	72.1	217.73	210.50	132.68	151.71	-15.4	3.4	-12.5	-13.2	-0.8	-16.1	49.3	71.1	193.30	211.86	95.22	150.63	-30.7	-8.8	-36.8	-37.3	-0.7	-31.2
Sacramento, CA	58.9	74.0	101.98	127.88	60.09	94.65	-20.4	-20.3	-36.5	-36.8	-0.4	-20.7	54.6	74.3	105.84	126.98	57.75	94.29	-26.5	-16.6	-38.8	-39.9	-1.8	-27.9

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Income Approach

Operating Expenses

CBRE HOTELS RESEARCH

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LIMITED-SERVICE HOTELS

FIGURE 13A
SUMMARY OPERATING STATEMENT – BY RATE GROUPS

	Under \$75				\$75 to \$115			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 14,278	(3.5)%	99.2 %	\$ 65.38	\$ 24,755	(1.4)%	97.9 %	\$ 97.99
Other Operated Departments	39	(9.8)	0.3	0.18	331	5.7	1.3	1.31
Miscellaneous Income	74	13.2	0.5	0.34	191	26.1	0.8	0.76
Total Operating Revenue	\$ 14,390	(3.4)%	100.0 %	\$ 65.90	\$ 25,277	(1.1)%	100.0 %	\$ 100.06
Departmental Expenses*								
Rooms	\$ 5,295	1.8 %	37.1 %	\$ 24.25	\$ 7,387	0.8 %	29.8 %	\$ 29.24
Other Operated Departments	30	(20.7)	76.6	0.14	228	16.5	69.0	0.90
Total Departmental Expenses	\$ 5,324	1.7 %	37.0 %	\$ 24.38	\$ 7,616	1.2 %	30.1 %	\$ 30.15
Total Departmental Profit	\$ 9,066	(6.2)%	63.0%	\$ 41.51	\$ 17,661	(2.1)%	69.9%	\$ 69.91
Undistributed Operating Expenses								
Administrative and General	\$ 1,743	(0.2)%	12.1 %	\$ 7.98	\$ 2,448	0.1 %	9.7 %	\$ 9.69
Information and Telecommunications Systems	250	9.2	1.7	1.15	382	1.8	1.5	1.51
Sales and Marketing	1,503	2.3	10.4	6.88	3,192	3.5	12.6	12.64
Property, Operations and Maintenance	1,098	2.2	7.6	5.03	1,373	3.0	5.4	5.43
Utilities	877	0.5	6.1	4.02	1,093	(1.7)	4.3	4.33
Total Undistributed Expenses	\$ 5,472	1.5 %	38.0 %	\$ 25.06	\$ 8,488	1.7 %	33.6 %	\$ 33.60
Gross Operating Profit	\$ 3,594	(15.8)%	25.0%	\$ 16.46	\$ 9,174	(5.4)%	36.3%	\$ 36.31
Management Fees	\$ 673	13.0%	4.7%	\$ 3.08	\$ 959	4.5%	3.8%	\$ 3.80
Income Before Non-Operating Income and Expenses	\$ 2,921	(20.5)%	20.3%	\$ 13.38	\$ 8,215	(6.4)%	32.5%	\$ 32.52
Non-Operating Income and Expenses								
Income	\$ 62	N/C	0.4 %	\$ 0.28	\$ 26	N/C	0.1 %	\$ 0.10
Rent	65	(49.9)%	0.5	0.30	1,801	(5.4)%	7.1	7.13
Property and Other Taxes	695	(0.8)	4.8	3.18	890	5.4	3.5	3.52
Insurance	367	(2.9)	2.5	1.68	345	1.8	1.4	1.36
Other	(30)	N/C	(0.2)	(0.14)	(125)	N/C	(0.5)	(0.49)
Total Non-Operating Income and Expenses	\$ 1,035	(15.8)%	7.2 %	\$ 4.74	\$ 2,885	(9.9)%	11.4 %	\$ 11.42
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 1,887	(22.9)%	13.1%	\$ 8.64	\$ 5,329	(4.4)%	21.1%	\$ 21.10
Percent of Occupancy	59.8 %	(0.6)%			69.2 %	(0.7)%		
Average Daily Rate	\$ 65.38	(2.9)%			\$ 97.99	(0.7)%		
RevPAR	\$ 39.11	(3.5)%			\$ 67.80	(1.4)%		
Average Size (Rooms)	113	—			103	—		

* Expressed as a percent of departmental revenue.
N/C — Data not comparable.

86.9%
expense

78.9
Expense

LIMITED-SERVICE HOTELS

FIGURE 13A (CONTINUED)
SUMMARY OPERATING STATEMENT – BY RATE GROUPS

	Over \$115			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues				
Rooms	\$ 42,720	0.2 %	95.7 %	\$ 151.63
Other Operated Departments	1,251	9.1	2.8	4.44
Miscellaneous Income	668	13.4	1.5	2.37
Total Operating Revenue	\$ 44,639	0.6 %	100.0 %	\$ 158.44
Departmental Expenses*				
Rooms	\$ 10,646	1.7 %	24.9 %	\$ 37.79
Other Operated Departments	603	4.7	48.2	2.14
Total Departmental Expenses	\$ 11,249	1.9 %	25.2 %	\$ 39.93
Total Departmental Profit	\$ 33,390	0.1%	74.8%	\$ 118.52
Undistributed Operating Expenses				
Administrative and General	\$ 3,389	2.0 %	7.6 %	\$ 12.03
Information and Telecommunications Systems	510	0.3	1.1	1.81
Sales and Marketing	5,604	1.5	12.6	19.89
Property Operations and Maintenance	1,757	3.6	3.9	6.24
Utilities	1,361	(1.7)	3.0	4.83
Total Undistributed Expenses	\$ 12,620	1.5 %	28.3 %	\$ 44.79
Gross Operating Profit	\$ 20,770	(0.7)%	46.5%	\$ 73.72
Management Fees	\$ 1,445	(1.5)%	3.2%	\$ 5.13
Income Before Non-Operating Income and Expenses	\$ 19,325	(0.6)%	43.3%	\$ 68.59
Non-Operating Income and Expenses				
Income	\$ 55	16.4 %	0.1 %	\$ 0.20
Rent	2,357	(1.3)	5.3	8.37
Property and Other Taxes	1,929	2.6	4.3	6.85
Insurance	398	9.3	0.9	1.41
Other	234	(25.7)	0.5	0.83
Total Non-Operating Income and Expenses	\$ 4,862	(0.7)%	10.9 %	\$ 17.26
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 14,463	(0.6)%	32.4%	\$ 51.34
Percent of Occupancy	77.2 %	(0.1)%		
Average Daily Rate	\$ 151.63	0.2 %	67.6	
RevPAR	\$ 117.00	0.2 %	expense	
Average Size (Rooms)	120	—		

* Expressed as a percent of departmental revenue.

LIMITED-SERVICE HOTELS

FIGURE 13B
SUMMARY OPERATING STATEMENT – BY GEOGRAPHIC REGIONS

	New England and Middle Atlantic				North Central			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 39,397	(1.4)%	97.0 %	\$ 143.60	\$ 26,689	(1.5)%	97.5 %	\$ 108.28
Other Operated Departments	723	5.8	1.8	2.64	478	11.3	1.7	1.94
Miscellaneous Income	496	39.4	1.2	1.81	208	10.0	0.8	0.84
Total Operating Revenue	\$ 40,616	(1.0)%	100.0 %	\$ 148.04	\$ 27,374	(1.2)%	100.0 %	\$ 111.06
Departmental Expenses*								
Rooms	\$ 10,562	1.4 %	26.8 %	\$ 38.50	\$ 7,339	0.2 %	27.5 %	\$ 29.78
Other Operated Departments	456	18.2	63.1	1.66	260	4.5	54.5	1.06
Total Departmental Expenses	\$ 11,018	2.0 %	27.1 %	\$ 40.16	\$ 7,599	0.3 %	27.8 %	\$ 30.83
Total Departmental Profit	\$ 29,598	(2.0)%	72.9%	\$ 107.88	\$ 19,774	(1.8)%	72.2%	\$ 80.23
Undistributed Operating Expenses								
Administrative and General	\$ 3,260	3.4 %	8.0 %	\$ 11.88	\$ 2,559	0.7 %	9.3 %	\$ 10.38
Information and Telecommunications Systems	491	3.2	1.2	1.79	435	(4.1)	1.6	1.76
Sales and Marketing	4,982	0.3	12.3	18.16	3,696	4.7	13.5	15.00
Property Operations and Maintenance	1,758	2.0	4.3	6.41	1,375	5.2	5.0	5.58
Utilities	1,465	(3.1)	3.6	5.34	1,113	(2.0)	4.1	4.52
Total Undistributed Expenses	\$ 11,957	1.1 %	29.4 %	\$ 43.58	\$ 9,177	2.3 %	33.5 %	\$ 37.23
Gross Operating Profit	\$ 17,641	(4.0)%	43.4%	\$ 64.30	\$ 10,597	(5.2)%	38.7%	\$ 42.99
Management Fees	\$ 1,282	0.8%	3.2%	\$ 4.67	\$ 930	(1.7)%	3.4%	\$ 3.77
Income Before Non-Operating Income and Expenses	\$ 16,359	(4.4)%	40.3%	\$ 59.63	\$ 9,667	(5.5)%	35.3%	\$ 39.22
Non-Operating Income and Expenses								
Income	\$ 140	17.8 %	0.3 %	\$ 0.51	\$ 11	(6.1)%	—	\$ 0.04
Rent	2,304	(5.6)	5.7	8.40	2,238	(3.7)	8.2 %	9.08
Property and Other Taxes	2,703	3.6	6.7	9.85	1,054	5.0	3.9	4.28
Insurance	365	5.0	0.9	1.33	245	0.6	0.9	0.99
Other	282	(2.6)	0.7	1.03	156	(15.4)	0.6	0.63
Total Non-Operating Income and Expenses	\$ 5,513	(1.0)%	13.6 %	\$ 20.10	\$ 3,681	(1.6)%	13.4 %	\$ 14.94
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 10,846	(6.0)%	26.7%	\$ 39.53	\$ 5,985	(7.7)%	21.9%	\$ 24.28
Percent of Occupancy	75.1 %	(0.6)%			67.5 %	(0.6)%		
Average Daily Rate	\$ 143.60	(0.9)%	73.3/		\$ 108.28	(1.0)%	78.1/	
RevPAR	\$ 107.91	(1.5)%	Expense		\$ 73.08	(1.5)%	Expense	
Average Size (Rooms)	121	0.8 %			93	—		

* Expressed as a percent of departmental revenue.

LIMITED-SERVICE HOTELS

FIGURE 13B (CONTINUED)
SUMMARY OPERATING STATEMENT – BY GEOGRAPHIC REGIONS

	South Atlantic				South Central			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 29,057	(0.9)%	97.1 %	\$ 111.48	\$ 26,920	(1.0)%	96.6 %	\$ 106.58
Other Operated Departments	572	13.9	1.9	2.20	733	6.5	2.6	2.90
Miscellaneous Income	298	13.1	1.0	1.14	225	8.1	0.8	0.89
Total Operating Revenue	\$ 29,927	(0.6)%	100.0 %	\$ 114.82	\$ 27,878	(0.7)%	100.0 %	\$ 110.37
Departmental Expenses*								
Rooms	\$ 7,854	0.9 %	27.0 %	\$ 30.14	\$ 7,413	1.7 %	27.5 %	\$ 29.35
Other Operated Departments	345	17.5	60.3	1.32	338	(4.5)	46.1	1.34
Total Departmental Expenses	\$ 8,200	1.5 %	27.4 %	\$ 31.46	\$ 7,751	1.4 %	27.8 %	\$ 30.69
Total Departmental Profit	\$ 21,727	(1.3)%	72.6%	\$ 83.36	\$ 20,126	(1.5)%	72.2%	\$ 79.69
Undistributed Operating Expenses								
Administrative and General	\$ 2,593	—	8.7 %	\$ 9.95	\$ 2,490	0.8 %	8.9 %	\$ 9.86
Information and Telecommunications Systems	361	4.2 %	1.2	1.39	390	0.3	1.4	1.55
Sales and Marketing	3,848	1.3	12.9	14.77	3,657	2.0	13.1	14.48
Property Operations and Maintenance	1,575	2.6	5.3	6.04	1,339	2.8	4.8	5.30
Utilities	1,201	(1.0)	4.0	4.61	1,060	(1.7)	3.8	4.20
Total Undistributed Expenses	\$ 9,579	1.0 %	32.0 %	\$ 36.75	\$ 8,936	1.2 %	32.1 %	\$ 35.38
Gross Operating Profit	\$ 12,149	(3.1)%	40.6%	\$ 46.61	\$ 11,190	(3.7)%	40.1%	\$ 44.31
Management Fees	\$ 1,112	2.9%	3.7%	\$ 4.27	\$ 1,011	3.3%	3.6%	\$ 4.00
Income Before Non-Operating Income and Expenses	\$ 11,037	(3.6)%	36.9%	\$ 42.35	\$ 10,180	(4.3)%	36.5%	\$ 40.30
Non-Operating Income and Expenses								
Income	\$ 20	N/C	0.1 %	\$ 0.08	\$ 33	N/C	0.1 %	\$ 0.13
Rent	1,602	(5.3)%	5.4	6.15	1,488	(5.8)%	5.3	5.89
Property and Other Taxes	908	3.3	3.0	3.49	1,116	(0.8)	4.0	4.42
Insurance	439	7.3	1.5	1.68	373	1.4	1.3	1.48
Other	(97)	N/C	(0.3)	(0.37)	(63)	N/C	(0.2)	(0.25)
Total Non-Operating Income and Expenses	\$ 2,832	(9.3)%	9.5 %	\$ 10.87	\$ 2,881	(11.0)%	10.3 %	\$ 11.41
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 8,204	(1.5)%	27.4%	\$ 31.48	\$ 7,299	(1.3)%	26.2%	\$ 28.90
Percent of Occupancy	71.4 %	(1.0)%			69.2 %	(0.4)%		
Average Daily Rate	\$ 111.48	0.1 %	72.6 %		\$ 106.58	(0.6)%	73.8 %	
RevPAR	\$ 79.58	(0.9)%	expense		\$ 73.75	(1.0)%	expense	
Average Size (Rooms)	116	—			109	—		

* Expressed as a percent of departmental revenue.
N/C – Data not comparable.

LIMITED-SERVICE HOTELS

FIGURE 13B (CONTINUED)
SUMMARY OPERATING STATEMENT – BY GEOGRAPHIC REGIONS

	Mountain and Pacific			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues				
Rooms	\$ 36,392	1.3 %	95.9 %	\$ 131.46
Other Operated Departments	862	6.1	2.3	3.11
Miscellaneous Income	700	14.2	1.8	2.53
Total Operating Revenue	\$ 37,955	1.6 %	100.0 %	\$ 137.11
Departmental Expenses*				
Rooms	\$ 10,200	2.1 %	28.0 %	\$ 36.85
Other Operated Departments	434	9.3	50.3	1.57
Total Departmental Expenses	\$ 10,634	2.4 %	28.0 %	\$ 38.41
Total Departmental Profit	\$ 27,320	1.3%	72.0%	\$ 98.69
Undistributed Operating Expenses				
Administrative and General	\$ 3,115	0.6 %	8.2 %	\$ 11.25
Information and Telecommunications Systems	460	4.4	1.2	1.66
Sales and Marketing	4,223	3.7	11.1	15.25
Property Operations and Maintenance	1,570	3.8	4.1	5.67
Utilities	1,176	(0.1)	3.1	4.25
Total Undistributed Expenses	\$ 10,544	2.4 %	27.8 %	\$ 38.09
Gross Operating Profit	\$ 16,777	0.6%	44.2%	\$ 60.60
Management Fees	\$ 1,368	2.3%	3.6%	\$ 4.94
Income Before Non-Operating Income and Expenses	\$ 15,408	0.5%	40.6%	\$ 55.66
Non-Operating Income and Expenses				
Income	\$ 34	N/C	0.1 %	\$ 0.12
Rent	1,936	2.2 %	5.1	6.99
Property and Other Taxes	1,159	7.1	3.1	4.19
Insurance	406	6.8	1.1	1.47
Other	(17)	N/C	—	(0.06)
Total Non-Operating Income and Expenses	\$ 3,451	(2.9)%	9.1 %	\$ 12.47
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 11,958	1.5%	31.5%	\$ 43.20
Percent of Occupancy	75.8 %	0.4 %		
Average Daily Rate	\$ 131.46	0.9 %	69.5%	
RevPAR	\$ 99.68	1.3 %	expense	
Average Size (Rooms)	120	—		

* Expressed as a percent of departmental revenue.
N/C — Data not comparable.

LIMITED-SERVICE HOTELS

FIGURE 13C
SUMMARY OPERATING STATEMENT – BY PROPERTY SIZE CLASSIFICATIONS

	Under 100 Rooms				100 to 150 Rooms			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 28,757	(0.8)%	97.6 %	\$ 112.07	\$ 29,695	(1.2)%	97.3 %	\$ 114.58
Other Operated Departments	416	5.1	1.4	1.62	549	11.0	1.8	2.12
Miscellaneous Income	297	32.0	1.0	1.16	271	12.3	0.9	1.05
Total Operating Revenue	\$ 29,470	(0.5)%	100.0 %	\$ 114.85	\$ 30,515	(0.9)%	100.0 %	\$ 117.74
Departmental Expenses*								
Rooms	\$ 7,887	(0.8)%	27.4 %	\$ 30.74	\$ 8,149	1.5 %	27.4 %	\$ 31.44
Other Operated Departments	263	5.9	63.2	1.03	324	19.2	59.0	1.25
Total Departmental Expenses	\$ 8,150	(0.6)%	27.7 %	\$ 31.76	\$ 8,472	2.1 %	27.8 %	\$ 32.69
Total Departmental Profit	\$ 21,320	(0.5)%	72.3%	\$ 83.09	\$ 22,043	(2.0)%	72.2%	\$ 85.05
Undistributed Operating Expenses								
Administrative and General	\$ 2,977	2.2 %	10.1 %	\$ 11.60	\$ 2,536	(1.1)%	8.3 %	\$ 9.79
Information and Telecommunications Systems	505	(7.3)	1.7	1.97	377	7.5	1.2	1.46
Sales and Marketing	3,713	4.3	12.6	14.47	3,900	1.6	12.8	15.05
Property Operations and Maintenance	1,418	4.0	4.8	5.52	1,482	3.0	4.9	5.72
Utilities	1,140	(2.7)	3.9	4.44	1,156	(0.9)	3.8	4.46
Total Undistributed Expenses	\$ 9,751	2.1 %	33.1 %	\$ 38.00	\$ 9,452	1.0 %	31.0 %	\$ 36.47
Gross Operating Profit	\$ 11,569	(2.6)%	39.3%	\$ 45.09	\$ 12,591	(4.1)%	41.3%	\$ 48.58
Management Fees	\$ 988	(2.1)%	3.4%	\$ 3.85	\$ 1,113	3.7%	3.6%	\$ 4.29
Income Before Non-Operating Income and Expenses	\$ 10,580	(2.6)%	35.9%	\$ 41.23	\$ 11,478	(4.8)%	37.6%	\$ 44.29
Non-Operating Income and Expenses								
Income	\$ 31	19.2 %	0.1 %	\$ 0.12	\$ 42	N/C	0.1 %	\$ 0.16
Rent	2,986	(2.0)	10.1	11.64	1,393	(6.8)%	4.6	5.37
Property and Other Taxes	869	1.8	2.9	3.39	1,239	4.7	4.1	4.78
Insurance	330	4.9	1.1	1.28	373	2.7	1.2	1.44
Other	303	N/C	1.0	1.18	(41)	N/C	(0.1)	(0.16)
Total Non-Operating Income and Expenses	\$ 4,456	1.9 %	15.1 %	\$ 17.37	\$ 2,921	(8.4)%	9.6 %	\$ 11.27
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 6,124	(5.6)%	20.8%	\$ 23.87	\$ 8,557	(3.5)%	28.0%	\$ 33.02
Percent of Occupancy	70.2 %	(1.3)%			71.0 %	(0.4)%		
Average Daily Rate	\$ 112.07	0.5 %	79.2% expense		\$ 114.58	(0.8)%	72% expense	
RevPAR	\$ 78.73	(0.9)%			\$ 81.35	(1.2)%		
Average Size (Rooms)	77	—			121	—		

* Expressed as a percent of departmental revenue.
N/C — Data not comparable.

LIMITED-SERVICE HOTELS

FIGURE 13C (CONTINUED)
SUMMARY OPERATING STATEMENT – BY PROPERTY SIZE CLASSIFICATIONS

	Over 150 Rooms			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues				
Rooms	\$ 37,904	0.8%	94.6%	\$ 138.74
Other Operated Departments	1,393	6.7	3.5	5.10
Miscellaneous Income	753	12.5	1.9	2.76
Total Operating Revenue	\$ 40,050	1.2%	100.0%	\$ 146.60
Departmental Expenses*				
Rooms	\$ 10,372	3.3%	27.4%	\$ 37.96
Other Operated Departments	604	(3.9)	43.4	2.21
Total Departmental Expenses	\$ 10,976	2.9%	27.4%	\$ 40.18
Total Departmental Profit	\$ 29,074	0.6%	72.6%	\$ 106.42
Undistributed Operating Expenses				
Administrative and General	\$ 3,036	4.1%	7.6%	\$ 11.11
Information and Telecommunications Systems	412	5.1	1.0	1.51
Sales and Marketing	4,727	1.8	11.8	17.30
Property Operations and Maintenance	1,682	3.0	4.2	6.16
Utilities	1,308	(1.4)	3.3	4.79
Total Undistributed Expenses	\$ 11,165	2.3%	27.9%	\$ 40.87
Gross Operating Profit	\$ 17,909	(0.4)%	44.7%	\$ 65.55
Management Fees	\$ 1,377	1.9%	3.4%	\$ 5.04
Income Before Non-Operating Income and Expenses	\$ 16,531	(0.6)%	41.3%	\$ 60.51
Non-Operating Income and Expenses				
Income	\$ 54	N/C	0.1%	\$ 0.20
Rent	1,431	0.6%	3.6	5.24
Property and Other Taxes	2,058	2.4	5.1	7.53
Insurance	413	8.3	1.0	1.51
Other	(191)	N/C	(0.5)	(0.70)
Total Non-Operating Income and Expenses	\$ 3,658	(9.8)%	9.1%	\$ 13.39
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 12,874	2.3%	32.1%	\$ 47.12
Percent of Occupancy	74.8%	0.8%		
Average Daily Rate	\$ 138.74	0.1%		
RevPAR	\$ 103.84	0.8%		
Average Size (Rooms)	188	—		

67.97.
expense

* Expressed as a percent of departmental revenue.
 N/C — Data not comparable.

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16
SUMMARY OPERATING STATEMENT – DOLLARS PER AVAILABLE AND OCCUPIED ROOM

	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues				
Rooms	\$ 45,847	(0.4)%	78.9 %	\$ 163.67
Food and Beverage	9,511	(0.1)	16.4	33.95
Other Operated Departments	1,866	6.8	3.2	6.66
Miscellaneous Income	860	11.6	1.5	3.07
Total Operating Revenue	\$ 58,085	0.1 %	100.0 %	\$ 207.35
Departmental Expenses*				
Rooms	\$ 11,647	1.0 %	25.4 %	\$ 41.58
Food and Beverage	6,023	1.8	63.3	21.50
Other Operated Departments	893	(5.2)	47.8	3.19
Total Departmental Expenses	\$ 18,563	0.9 %	32.0 %	\$ 66.27
Total Departmental Profit	\$ 39,522	(0.3)%	68.0%	\$ 141.09
Undistributed Operating Expenses				
Administrative and General	\$ 4,414	2.0 %	7.6 %	\$ 15.76
Information and Telecommunications Systems	618	1.9	1.1	2.21
Sales and Marketing	7,282	1.0	12.5	25.99
Property Operations and Maintenance	2,428	1.8	4.2	8.67
Utilities	2,022	(0.8)	3.5	7.22
Total Undistributed Expenses	\$ 16,763	1.2 %	28.9 %	\$ 59.84
Gross Operating Profit	\$ 22,759	(1.4)%	39.2%	\$ 81.25
Management Fees	\$ 1,817	(0.3)%	3.1%	\$ 6.49
Income Before Non-Operating Income and Expenses	\$ 20,942	(1.5)%	36.1%	\$ 74.76
Non-Operating Income and Expenses				
Income	\$ 59	N/C	0.1 %	\$ 0.21
Rent	1,836	3.5 %	3.2	6.55
Property and Other Taxes	1,801	1.2	3.1	6.43
Insurance	404	9.6	0.7	1.44
Other	283	(40.0)	0.5	1.01
Total Non-Operating Income and Expenses	\$ 4,264	(2.3)%	7.3 %	\$ 15.22
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 16,677	(1.3)%	28.7%	\$ 59.53
Percent of Occupancy	76.7 %	(1.0)%		
Average Daily Rate	\$ 163.67	0.6 %	71.3	
RevPAR	\$ 125.60	(0.4)%	expense	
Average Size (Rooms)	234	—		

* Expressed as a percent of departmental revenue.
N/C — Data not comparable.

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16A
SUMMARY OPERATING STATEMENT – BY RATE GROUPS

	Under \$120				\$120 to \$170			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 28,765	0.8 %	85.2 %	\$ 114.84	\$ 39,592	(1.1)%	77.5 %	\$ 144.86
Food and Beverage	4,022	(8.7)	11.9	16.06	9,699	—	19.0	35.49
Other Operated Departments	767	22.1	2.3	3.06	1,176	8.9	2.3	4.30
Miscellaneous Income	208	2.6	0.6	0.83	632	11.7	1.2	2.31
Total Operating Revenue	\$ 33,762	—	100.0 %	\$ 134.79	\$ 51,099	(0.6)%	100.0 %	\$ 186.97
Departmental Expenses*								
Rooms	\$ 8,587	2.9 %	29.9 %	\$ 34.28	\$ 10,293	0.3 %	26.0 %	\$ 37.66
Food and Beverage	3,077	2.0	76.5	12.28	5,822	1.3	60.0	21.30
Other Operated Departments	231	4.3	30.1	0.92	589	(7.5)	50.1	2.15
Total Departmental Expenses	\$ 11,895	2.7 %	35.2 %	\$ 47.49	\$ 16,704	0.4 %	32.7 %	\$ 61.12
Total Departmental Profit	\$ 21,867	(1.4)%	64.8%	\$ 87.30	\$ 34,394	(1.0)%	67.3%	\$ 125.85
Undistributed Operating Expenses								
Administrative and General	\$ 3,047	6.4 %	9.0 %	\$ 12.16	\$ 4,070	0.5 %	8.0 %	\$ 14.89
Information and Telecommunications Systems	639	3.9	1.9	2.55	551	1.6	1.1	2.02
Sales and Marketing	4,629	5.5	13.7	18.48	6,780	0.1	13.3	24.81
Property Operations and Maintenance	1,747	4.9	5.2	6.97	2,258	1.2	4.4	8.26
Utilities	1,421	0.4	4.2	5.67	1,904	(2.0)	3.7	6.97
Total Undistributed Expenses	\$ 11,482	4.9 %	34.0 %	\$ 45.84	\$ 15,563	0.1 %	30.5 %	\$ 56.95
Gross Operating Profit	\$ 10,385	(7.6)%	30.8%	\$ 41.46	\$ 18,831	(2.0)%	36.9%	\$ 68.90
Management Fees	\$ 1,013	1.1%	3.0%	\$ 4.05	\$ 1,535	0.8%	3.0%	\$ 5.62
Income Before Non-Operating Income and Expenses	\$ 9,372	(8.4)%	27.8%	\$ 37.42	\$ 17,296	(2.2)%	33.8%	\$ 63.28
Non-Operating Income and Expenses								
Income	\$ (24)	—	(0.1)%	\$ (0.10)	\$ 45	(7.0)%	0.1 %	\$ 0.17
Rent	818	15.1 %	2.4	3.26	1,893	6.1	3.7	6.92
Property and Other Taxes	1,321	0.5	3.9	5.27	1,535	0.4	3.0	5.62
Insurance	339	7.7	1.0	1.35	397	10.6	0.8	1.45
Other	455	(8.7)	1.3	1.82	165	N/C	0.3	0.61
Total Non-Operating Income and Expenses	\$ 2,957	4.2 %	8.8 %	\$ 11.81	\$ 3,945	(3.6)%	7.7 %	\$ 14.43
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 6,414	(13.3)%	19.0%	\$ 25.61	\$ 13,351	(1.8)%	26.1%	\$ 48.85
Percent of Occupancy	68.6 %	(0.8)%			74.9 %	(1.5)%		
Average Daily Rate	\$ 114.84	1.7 %	91%		\$ 144.86	0.4 %	73.9%	
RevPAR	\$ 78.81	0.8 %	expense		\$ 108.47	(1.1)%	expense	
Average Size (Rooms)	188	—			230	—		

* Expressed as a percent of departmental revenue.
N/C — Data not comparable.

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16A (CONTINUED)
SUMMARY OPERATING STATEMENT – BY RATE GROUPS

	Over \$170			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues				
Rooms	\$ 59,252	0.6 %	80.4 %	\$ 200.11
Food and Beverage	9,847	0.4	13.4	33.26
Other Operated Departments	3,249	5.2	4.4	10.97
Miscellaneous Income	1,353	11.8	1.8	4.57
Total Operating Revenue	\$ 73,702	0.9 %	100.0 %	\$ 248.91
Departmental Expenses*				
Rooms	\$ 14,470	1.8 %	24.4 %	\$ 48.87
Food and Beverage	6,748	2.6	68.5	22.79
Other Operated Departments	1,524	(3.7)	46.9	5.15
Total Departmental Expenses	\$ 22,742	1.6 %	30.9 %	\$ 76.81
Total Departmental Profit	\$ 50,959	0.6%	69.1%	\$ 172.11
Undistributed Operating Expenses				
Administrative and General	\$ 5,205	3.9 %	7.1 %	\$ 17.58
Information and Telecommunications Systems	736	2.1	1.0	2.49
Sales and Marketing	8,515	2.0	11.6	28.76
Property Operations and Maintenance	2,818	2.5	3.8	9.52
Utilities	2,307	1.0	3.1	7.79
Total Undistributed Expenses	\$ 19,581	2.4 %	26.6 %	\$ 66.13
Gross Operating Profit	\$ 31,379	(0.5)%	42.6%	\$ 105.98
Management Fees	\$ 2,426	(1.7)%	3.3%	\$ 8.19
Income Before Non-Operating Income and Expenses	\$ 28,953	(0.4)%	39.3%	\$ 97.78
Non-Operating Income and Expenses				
Income	\$ 94	N/C	0.1 %	\$ 0.32
Rent	1,859	(1.7)%	2.5	6.28
Property and Other Taxes	2,341	2.2	3.2	7.91
Insurance	423	8.3	0.6	1.43
Other	474	0.5	0.6	1.60
Total Non-Operating Income and Expenses	\$ 5,003	(0.8)%	6.8 %	\$ 16.90
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 23,950	(0.3)%	32.5%	\$ 80.89
Percent of Occupancy	81.1 %	(0.1)%		
Average Daily Rate	\$ 200.11	0.7 %		
RevPAR	\$ 162.32	0.5 %		
Average Size (Rooms)	249	—		

* Expressed as a percent of departmental revenue.
N/C – Data not comparable.

*67.5%
Expense*

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16B
SUMMARY OPERATING STATEMENT – BY GEOGRAPHIC REGIONS

	New England and Middle Atlantic				North Central			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 52,674	(1.1)%	83.7 %	\$ 182.45	\$ 40,711	(3.7)%	80.0 %	\$ 153.89
Food and Beverage	6,385	(5.0)	10.1	22.11	8,300	(5.0)	16.3	31.37
Other Operated Departments	2,307	3.6	3.7	7.99	1,344	2.6	2.6	5.08
Miscellaneous Income	1,572	10.7	2.5	5.44	537	6.6	1.1	2.03
Total Operating Revenue	\$ 62,938	(1.1)%	100.0 %	\$ 218.00	\$ 50,892	(3.7)%	100.0 %	\$ 192.37
Departmental Expenses*								
Rooms	\$ 14,911	1.6 %	28.3 %	\$ 51.65	\$ 10,938	(2.3)%	26.9 %	\$ 41.34
Food and Beverage	5,193	(0.7)	81.3	17.99	4,980	(1.2)	60.0	18.82
Other Operated Departments	1,711	(4.7)	74.2	5.93	682	(10.1)	50.7	2.58
Total Departmental Expenses	\$ 21,815	0.5 %	34.7 %	\$ 75.56	\$ 16,599	(2.3)%	32.6 %	\$ 62.74
Total Departmental Profit	\$ 41,123	(1.9)%	65.3%	\$ 142.44	\$ 34,293	(4.3)%	67.4 %	\$ 129.63
Undistributed Operating Expenses								
Administrative and General	\$ 4,560	1.2 %	7.2 %	\$ 15.80	\$ 4,164	(0.5)%	8.2 %	\$ 15.74
Information and Telecommunications Systems	683	11.8	1.1	2.37	587	1.5	1.2	2.22
Sales and Marketing	7,668	1.6	12.2	26.56	6,881	(1.1)	13.5	26.01
Property Operations and Maintenance	2,605	0.4	4.1	9.02	2,270	4.1	4.5	8.58
Utilities	2,229	0.1	3.5	7.72	1,941	(1.9)	3.8	7.34
Total Undistributed Expenses	\$ 17,747	1.5 %	28.2 %	\$ 61.47	\$ 15,845	(0.2)%	31.1 %	\$ 59.89
Gross Operating Profit	\$ 23,376	(4.4)%	37.1%	\$ 80.97	\$ 18,448	(7.6)%	36.3%	\$ 69.73
Management Fees	\$ 1,865	(5.1)%	3.0%	\$ 6.46	\$ 1,332	(2.5)%	2.6%	\$ 5.03
Income Before Non-Operating Income and Expenses	\$ 21,512	(4.3)%	34.2%	\$ 74.51	\$ 17,116	(7.9)%	33.6%	\$ 64.70
Non-Operating Income and Expenses								
Income	\$ 10	N/C	—	\$ 0.03	\$ 60	N/C	0.1 %	\$ 0.23
Rent	2,656	(12.7)%	4.2 %	9.20	1,880	18.7 %	3.7	7.11
Property and Other Taxes	2,136	2.7	3.4	7.40	3,258	1.1	6.4	12.32
Insurance	293	3.5	0.5	1.01	392	15.3	0.8	1.48
Other	146	N/C	0.2	0.51	543	(22.5)	1.1	2.05
Total Non-Operating Income and Expenses	\$ 5,221	(9.9)%	8.3 %	\$ 18.09	\$ 6,014	3.2 %	11.8 %	\$ 22.73
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 16,290	(2.4)%	25.9%	\$ 56.43	\$ 11,103	(13.0)%	21.8%	\$ 41.97
Percent of Occupancy	79.1 %	(0.7)%			72.5 %	(3.1)%		
Average Daily Rate	\$ 182.45	(0.4)%	74.1 %		\$ 153.89	(0.6)%	78.2 %	
RevPAR	\$ 144.31	(1.1)%	expense		\$ 111.54	(3.7)%	expense	
Average Size (Rooms)	227	1.3 %			234	—		

* Expressed as a percent of departmental revenue.
N/C — Data not comparable.

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16B (CONTINUED)

SUMMARY OPERATING STATEMENT – BY GEOGRAPHIC REGIONS

	South Atlantic				South Central			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 45,170	(1.7)%	78.0 %	\$ 160.53	\$ 40,403	0.9 %	76.6 %	\$ 151.16
Food and Beverage	9,924	(3.0)	17.1	35.27	10,020	6.8	19.0	37.48
Other Operated Departments	1,706	4.9	2.9	6.06	1,623	11.5	3.1	6.07
Miscellaneous Income	1,086	1.1	1.9	3.86	673	20.2	1.3	2.52
Total Operating Revenue	\$ 57,886	(1.7)%	100.0 %	\$ 205.73	\$ 52,719	2.5 %	100.0 %	\$ 197.23
Departmental Expenses*								
Rooms	\$ 11,380	0.2 %	25.2 %	\$ 40.44	\$ 9,872	2.0 %	24.4 %	\$ 36.93
Food and Beverage	6,173	(0.6)	62.2	21.94	5,634	6.4	56.2	21.08
Other Operated Departments	860	(8.1)	50.4	3.06	756	(7.0)	46.6	2.83
Total Departmental Expenses	\$ 18,413	(0.5)%	31.8 %	\$ 65.44	\$ 16,261	3.0 %	30.8 %	\$ 60.84
Total Departmental Profit	\$ 39,474	(2.3)%	68.2%	\$ 140.29	\$ 36,457	2.3%	69.2%	\$ 136.39
Undistributed Operating Expenses								
Administrative and General	\$ 4,312	1.7 %	7.4 %	\$ 15.32	\$ 4,097	1.7 %	7.8 %	\$ 15.33
Information and Telecommunications Systems	574	(2.3)	1.0	2.04	597	4.9	1.1	2.23
Sales and Marketing	7,246	(0.5)	12.5	25.75	6,790	0.7	12.9	25.40
Property Operations and Maintenance	2,465	0.6	4.3	8.76	2,267	1.0	4.3	8.48
Utilities	2,099	(2.9)	3.6	7.46	1,956	0.9	3.7	7.32
Total Undistributed Expenses	\$ 16,696	(0.1)%	28.8 %	\$ 59.34	\$ 15,708	1.2 %	29.8 %	\$ 58.76
Gross Operating Profit	\$ 22,778	(3.8)%	39.4%	\$ 80.95	\$ 20,750	3.1%	39.4%	\$ 77.63
Management Fees	\$ 1,853	(0.5)%	3.2%	\$ 6.58	\$ 1,630	2.5%	3.1%	\$ 6.10
Income Before Non-Operating Income and Expenses	\$ 20,925	(4.1)%	36.1 %	\$ 74.37	\$ 19,119	3.2%	36.3%	\$ 71.53
Non-Operating Income and Expenses								
Income	\$ 83	N/C	0.1 %	\$ 0.30	\$ 20	(26.6)%	—	\$ 0.07
Rent	1,280	7.9 %	2.2	4.55	1,295	11.2	2.5 %	4.85
Property and Other Taxes	1,371	0.5	2.4	4.87	1,815	1.5	3.4	6.79
Insurance	464	8.7	0.8	1.65	411	14.6	0.8	1.54
Other	287	(47.2)	0.5	1.02	219	N/C	0.4	0.82
Total Non-Operating Income and Expenses	\$ 3,318	(4.6)%	5.7 %	\$ 11.79	\$ 3,720	(2.9)%	7.1 %	\$ 13.92
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 17,607	(4.0)%	30.4%	\$ 62.58	\$ 15,399	4.8%	29.2%	\$ 57.61
Percent of Occupancy	77.1 %	(2.3)%			73.2 %	0.2 %		
Average Daily Rate	\$ 160.53	0.6 %	69.6%		\$ 151.16	0.8 %	70.8%	
RevPAR	\$ 123.74	(1.7)%	expense		\$ 110.69	0.9 %	expense	
Average Size (Rooms)	227	—			241	—		

* Expressed as a percent of departmental revenue.
N/C – Data not comparable.

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16B (CONTINUED)

SUMMARY OPERATING STATEMENT – BY GEOGRAPHIC REGIONS

	Mountain and Pacific			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues				
Rooms	\$ 51,589	1.7 %	79.1 %	\$ 174.47
Food and Beverage	10,496	1.0	16.1	35.50
Other Operated Departments	2,361	8.0	3.6	7.99
Miscellaneous Income	750	24.6	1.2	2.54
Total Operating Revenue	\$ 65,196	2.0 %	100.0 %	\$ 220.49
Departmental Expenses*				
Rooms	\$ 12,645	2.2 %	24.5 %	\$ 42.77
Food and Beverage	7,102	2.8	67.7	24.02
Other Operated Departments	874	0.6	37.0	2.96
Total Departmental Expenses	\$ 20,621	2.3 %	31.6 %	\$ 69.74
Total Departmental Profit	\$ 44,575	1.9%	68.4 %	\$ 150.75
Undistributed Operating Expenses				
Administrative and General	\$ 4,865	4.1 %	7.5 %	\$ 16.45
Information and Telecommunications Systems	670	—	1.0	2.27
Sales and Marketing	7,821	3.2	12.0	26.45
Property Operations and Maintenance	2,557	2.8	3.9	8.65
Utilities	1,980	0.1	3.0	6.70
Total Undistributed Expenses	\$ 17,892	2.9 %	27.4 %	\$ 60.51
Gross Operating Profit	\$ 26,683	1.2%	40.9%	\$ 90.24
Management Fees	\$ 2,204	0.3%	3.4%	\$ 7.45
Income Before Non-Operating Income and Expenses	\$ 24,479	1.3%	37.5%	\$ 82.79
Non-Operating Income and Expenses				
Income	\$ 86	45.0 %	0.1 %	\$ 0.29
Rent	2,480	(0.4)	3.8	8.39
Property and Other Taxes	1,225	0.6	1.9	4.14
Insurance	388	5.3	0.6	1.31
Other	231	(11.0)	0.4	0.78
Total Non-Operating Income and Expenses	\$ 4,238	(0.9)%	6.5 %	\$ 14.33
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 20,241	1.8%	31.0%	\$ 68.45
Percent of Occupancy	81.0 %	0.3 %		
Average Daily Rate	\$ 174.47	1.5 %	697-	
RevPAR	\$ 141.33	1.7 %	expense	
Average Size (Rooms)	238	—		

* Expressed as a percent of departmental revenue.

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16C

SUMMARY OPERATING STATEMENT – BY PROPERTY SIZE CLASSIFICATIONS

	Under 200 Rooms				200 to 300 Rooms			
	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues								
Rooms	\$ 45,383	2.4 %	85.7 %	\$ 158.69	\$ 43,422	(1.2)%	77.7 %	\$ 158.35
Food and Beverage	4,817	(2.7)	9.1	16.84	9,997	(0.4)	17.9	36.46
Other Operated Departments	1,618	(0.9)	3.1	5.66	1,743	7.5	3.1	6.36
Miscellaneous Income	1,136	15.2	2.1	3.97	694	13.5	1.2	2.53
Total Operating Revenue	\$ 52,955	2.0 %	100.0 %	\$ 185.17	\$ 55,856	(0.6)%	100.0 %	\$ 203.69
Departmental Expenses*								
Rooms	\$ 10,835	1.2 %	23.9 %	\$ 37.89	\$ 11,122	0.4 %	25.6 %	\$ 40.56
Food and Beverage	3,863	(0.3)	80.2	13.51	6,342	1.7	63.4	23.13
Other Operated Departments	1,186	(4.6)	73.3	4.15	776	(4.8)	44.5	2.83
Total Departmental Expenses	\$ 15,884	0.4 %	30.0 %	\$ 55.54	\$ 18,240	0.6 %	32.7 %	\$ 66.52
Total Departmental Profit	\$ 37,070	2.8%	70.0%	\$ 129.63	\$ 37,616	(1.2)%	67.3%	\$ 137.18
Undistributed Operating Expenses								
Administrative and General	\$ 4,319	1.6 %	8.2 %	\$ 15.10	\$ 4,365	2.0 %	7.8 %	\$ 15.92
Information and Telecommunications Systems	571	7.1	1.1	2.00	633	0.3	1.1	2.31
Sales and Marketing	6,609	3.3	12.5	23.11	7,138	1.2	12.8	26.03
Property Operations and Maintenance	2,293	5.3	4.3	8.02	2,407	1.8	4.3	8.78
Utilities	1,800	(2.8)	3.4	6.29	2,027	(0.6)	3.6	7.39
Total Undistributed Expenses	\$ 15,591	2.5 %	29.4 %	\$ 54.52	\$ 16,570	1.2 %	29.7 %	\$ 60.43
Gross Operating Profit	\$ 21,479	2.9%	40.6%	\$ 75.11	\$ 21,046	(3.1)%	37.7%	\$ 76.75
Management Fees	\$ 1,811	1.0%	3.4%	\$ 6.33	\$ 1,734	(0.5)%	3.1%	\$ 6.32
Income Before Non-Operating Income and Expenses	\$ 19,668	3.1%	37.1%	\$ 68.77	\$ 19,312	(3.3)%	34.6%	\$ 70.43
Non-Operating Income and Expenses								
Income	\$ 39	N/C	0.1 %	\$ 0.14	\$ 51	25.4 %	0.1 %	\$ 0.18
Rent	1,447	(1.7)%	2.7	5.06	1,787	5.6	3.2	6.52
Property and Other Taxes	1,361	1.9	2.6	4.76	1,657	1.1	3.0	6.04
Insurance	400	11.4	0.8	1.40	396	8.9	0.7	1.44
Other	355	24.1	0.7	1.24	292	N/C	0.5	1.06
Total Non-Operating Income and Expenses	\$ 3,525	2.3 %	6.7 %	\$ 12.32	\$ 4,081	(3.8)%	7.3 %	\$ 14.88
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 16,143	3.3%	30.5%	\$ 56.45	\$ 15,231	(3.2)%	27.3%	\$ 55.55
Percent of Occupancy	78.4 %	1.6 %			75.1 %	(1.9)%		
Average Daily Rate	\$ 158.69	0.8 %	69.5%		\$ 158.35	0.7 %	72.7%	
RevPAR	\$ 124.34	2.4 %	expense		\$ 118.96	(1.2)%	expense	
Average Size (Rooms)	150	0.7 %			247	—		

* Expressed as a percent of departmental revenue.
N/C – Data not comparable.

SUITE HOTELS WITH FOOD AND BEVERAGE

FIGURE 16C (CONTINUED)
SUMMARY OPERATING STATEMENT – BY PROPERTY SIZE CLASSIFICATIONS

Over 300 Rooms

	2019 Dollars Per Available Room	Change From Prior Year	2019 Percent of Revenue	2019 Dollars Per Occupied Room
Revenues				
Rooms	\$ 54,413	(0.2)%	77.4 %	\$ 184.77
Food and Beverage	12,242	2.2	17.4	41.57
Other Operated Departments	2,511	10.4	3.6	8.53
Miscellaneous Income	1,160	5.1	1.6	3.94
Total Operating Revenue	\$ 70,326	0.6 %	100.0 %	\$ 238.80
Departmental Expenses*				
Rooms	\$ 14,161	2.4 %	26.0 %	\$ 48.09
Food and Beverage	6,960	3.4	56.9	23.63
Other Operated Departments	1,014	(7.3)	40.4	3.44
Total Departmental Expenses	\$ 22,135	2.2 %	31.5 %	\$ 75.16
Total Departmental Profit	\$ 48,191	(0.1)%	68.5 %	\$ 163.64
Undistributed Operating Expenses				
Administrative and General	\$ 4,667	2.2 %	6.6 %	\$ 15.85
Information and Telecommunications Systems	612	3.3	0.9	2.08
Sales and Marketing	8,390	(1.2)	11.9	28.49
Property Operations and Maintenance	2,620	(0.9)	3.7	8.90
Utilities	2,211	—	3.1	7.51
Total Undistributed Expenses	\$ 18,500	—	26.3 %	\$ 62.82
Gross Operating Profit	\$ 29,691	(0.1)%	42.2%	\$ 100.82
Management Fees	\$ 2,102	(0.9)%	3.0%	\$ 7.14
Income Before Non-Operating Income and Expenses	\$ 27,589	—	39.2%	\$ 93.68
Non-Operating Income and Expenses				
Income	\$ 104	N/C	0.1 %	\$ 0.35
Rent	2,361	1.2	3.4	8.02
Property and Other Taxes	2,693	1.3	3.8	9.14
Insurance	433	10.5	0.6	1.47
Other	186	(26.7)	0.3	0.63
Total Non-Operating Income and Expenses	\$ 5,568	(0.9)%	7.9 %	\$ 18.91
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	\$ 22,022	0.2 %	31.3%	\$ 74.78
Percent of Occupancy	80.7 %	(0.5)%		
Average Daily Rate	\$ 184.77	0.3 %	68.7%	
RevPAR	\$ 149.08	(0.2)%	expense	
Average Size (Rooms)	357	—		

* Expressed as a percent of departmental revenue.
 N/C – Data not comparable.

Hotel Operating Expenses including property tax but excluding reserves (Percentage of Revenue)

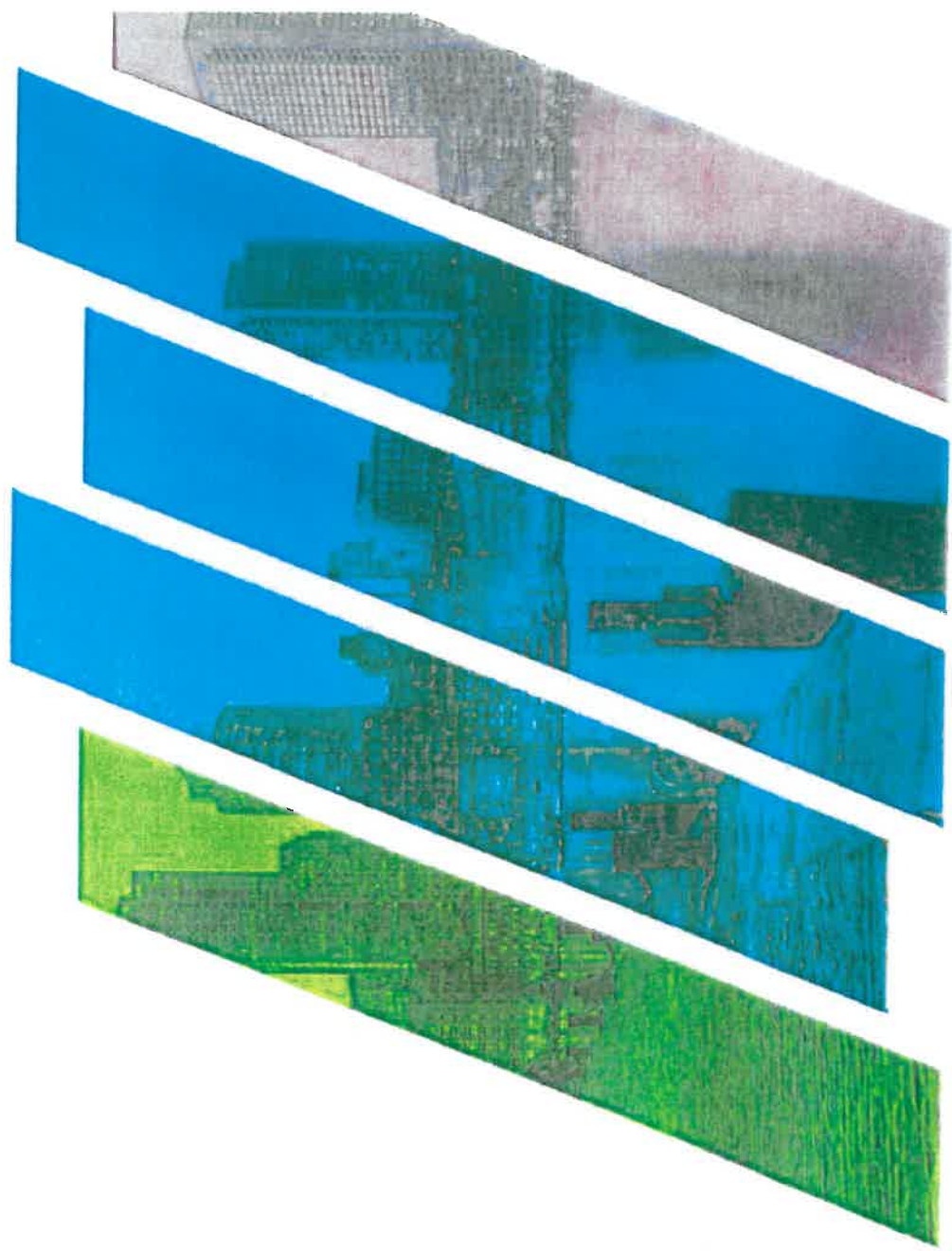
Types of Hotel	Revenue	Operating Expenses without property tax and reserves	Property and other taxes	Total Operating Expenses including property tax but excluding reserves	EBITDA (Earnings Before Interest, Income Taxes, Depreciation & Amortization) or NOI (Net Operating Income excluding Reserves)
Source: STR (2020 Host Almanac)					
Average - Total U.S.	100%	67.90%	3.80%	71.70%	28.30%
Average - Franchised Affiliated	100%	67.60%	3.80%	71.40%	28.60%
Average - Independent	100%	70.40%	4.00%	74.40%	25.60%
Source: CBRE Hotels					
Limited Service					
South Central	100%	69.90%	4.10%	74.00%	26.00%
South Atlantic	100%	67.90%	3.10%	71.00%	29.00%
North Central	100%	72.80%	4.80%	77.60%	22.40%
Mountain & Pacific	100%	66.30%	3.10%	69.40%	30.60%
New England & Middel Atlantic	100%	66.20%	7.10%	73.30%	26.70%
Full Service					
South Central	100%	70.60%	3.40%	74.00%	26.00%
South Atlantic	100%	71.30%	3.10%	74.40%	25.60%
North Central	100%	74.10%	4.80%	78.90%	21.10%
Mountain & Pacific	100%	69.90%	2.60%	72.50%	27.50%
New England & Middel Atlantic	100%	66.20%	5.80%	77.00%	23.00%
Source: HVS					
Urban	100%	69.40%	4.30%	73.70%	26.30%
Suburban	100%	68.70%	2.90%	71.60%	28.40%
Airport	100%	68.10%	3.20%	71.30%	28.70%
Interstate	100%	73.70%	2.90%	76.60%	23.40%
Resort	100%	70.40%	2.50%	72.90%	27.10%
Small Metro/Town	100%	74.60%	2.20%	76.80%	23.20%
Luxury	100%	73.80%	3.40%	77.20%	22.80%
Upper Upscale	100%	68.40%	3.40%	71.80%	28.20%
Upscale	100%	65.00%	3.70%	68.70%	31.30%
Upper Midscale	100%	72.30%	3.10%	75.40%	24.60%
Midscale/Exconomy	100%	75.70%	2.40%	78.10%	21.90%



2020

HOST Almanac

For the year 2019



2020 STR - Host ALMANAC

	Total U.S. Summary		Chain-Affiliated		Independent		Total U.S.
	Ratio-to-Sales	Per Occupied Room Night	Ratio-to-Sales	Per Available Room	Ratio-to-Sales	Per Available Room	Same Store Analysis
REVENUE							2019 Variance from 2018
Rooms	68.1%	\$180.99	68.8%	\$48,646	61.6%	\$57,208	\$213.43
Food	14.8	39.37	14.7	10,405	15.9	14,723	54.93
Beverage	4.7	12.49	4.5	3,189	6.6	6,133	22.88
Other Food & Beverage	4.9	12.97	5.0	3,557	3.4	3,180	11.86
Other Operated Departments	4.0	2,913	3.8	2,656	6.7	6,250	23.32
Miscellaneous Income	3.4	2,479	3.2	2,260	5.7	5,329	19.88
Total Revenue	100.0%	\$72,291	100.0%	\$70,713	100.0%	\$92,823	\$346.30
DEPARTMENTAL EXPENSES							
Rooms	26.4%	\$47.72	25.9%	\$12,605	31.4%	\$17,965	\$67.02
Food & Beverage	71.9	46.59	71.4	12,253	75.8	18,226	68.00
Other Operated Departments	69.9	7.48	71.7	1,904	60.2	3,760	14.03
Total Departmental Expenses	38.3%	\$101.79	37.8%	\$26,761	43.0%	\$39,951	\$149.05
Total Departmental Profit	61.7%	\$44,588	62.2%	\$43,952	57.0%	\$52,873	\$197.26
UNDISTRIBUTED OPERATING EXPENSES							
Administrative & General	8.1%	\$21.55	8.0%	\$5,671	9.0%	\$8,379	\$31.26
Information & Telecommunications Systems	1.4	3.61	1.4	964	1.3	1,226	4.57
Marketing	6.8	18.10	6.9	4,881	5.9	5,516	20.58
Franchise Fees	1.7	4.58	1.9	1,327	0.2	211	0.79
Utility Costs	2.9	7.83	3.0	2,092	2.9	2,660	9.92
Property Operations & Maintenance	4.2	11.09	4.2	2,943	4.3	3,976	14.83
Total Undistributed Operating Expenses	25.1%	\$66.76	25.3%	\$17,878	23.7%	\$21,967	\$81.95

2020 STR - Host ALMANAC

Summary

	Total U.S.	Chain-Affiliated	Independent	Total U.S.
Occupancy (of Sample)	74.7%	74.8%	73.6%	
Average Size of Property (Rooms)	216	217	207	
Average Daily Rate	\$180.99	\$178.54	\$213.43	
	Ratio-to-Sales	Per Occupied Room Night	Ratio-to-Sales	Per Occupied Room Night
GROSS OPERATING PROFIT	36.5%	\$26,419	33.3%	\$115.30
Management Fees	3.5	2,502	2.6	8.85
INCOME BEFORE FIXED CHARGES	33.1%	\$23,917	30.7%	\$105.45
Selected Fixed Charges				
Taxes	3.8%	\$2,775	4.0%	\$13.83
Insurance	0.9	683	1.2	4.13
EBITDA	28.3%	\$20,458	25.6%	\$85.48
Reserve for Replacement	2.5%	\$1,795	1.7%	\$5.90

For more detailed data on Full-service, Limited service, class, region, location type and labor, please see the Excel companion file delivered with this report.

71.7% EXPENSES

71.4% EXPENSES

74.4% EXPENSES

NOTES: Ratio-to-Sales (RTS) based on Total Revenue, except Departmental Expenses. Per Available Room (PAR) based on total number of hotel rooms. Per Occupied Room night (POR) based on total number of occupied rooms. EBITDA shown only includes property taxes and insurance, not all fixed expenses or non-operating expenses included. Refer to page 5 for notes on this year's same-store analysis.

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HVS

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Location Type

Class

	Urban	Suburban	Airport	Interstate	Resort	Small Metro/ Town	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale/ Economy
Occupancy (of Sample)	75.9%	71.6%	78.2%	64.2%	73.5%	65.3%	73.5%	74.7%	74.0%	70.7%	71.3%
Average Size of Property (Rooms)	368	207	289	126	379	154	294	391	182	226	267
Average Daily Rate	\$212.06	\$160.45	\$145.63	\$128.76	\$233.15	\$167.95	\$333.36	\$187.33	\$141.48	\$120.37	\$81.12
REVENUE											
Rooms	68.0%	68.1%	70.4%	67.4%	63.8%	58.0%	56.4%	63.5%	80.6%	76.1%	66.6%
Food	16.2	16.5	16.1	15.8	20.3	19.7	19.5	18.3	10.2	13.1	18.9
Beverage	5.1	4.7	4.0	5.1	6.8	6.6	7.4	5.1	2.9	3.1	5.1
Other Food & Beverage	5.9	5.7	5.3	3.1	5.5	4.7	6.2	6.4	2.4	2.1	2.2
Other Operated Departments	2.6	3.1	2.4	6.9	8.0	7.3	7.0	3.4	2.3	3.9	3.0
Miscellaneous Income	2.3	1.9	1.7	1.8	5.5	3.7	3.5	3.2	1.6	1.7	4.2
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DEPARTMENTAL EXPENSES											
Rooms	27.4%	24.5%	26.5%	24.8%	25.7%	25.1%	28.0%	26.1%	23.9%	29.4%	31.8%
Food & Beverage	74.9	69.4	67.9	75.8	68.1	72.7	76.1	68.3	76.0	80.4	75.7
Other Operated Departments	69.3	69.0	64.6	75.1	85.9	85.8	85.2	74.6	68.1	46.6	59.8
Total Departmental Expenses	40.7%	37.5%	37.3%	40.1%	43.3%	43.3%	47.0%	39.5%	32.3%	38.9%	42.9%
Total Departmental Profit	59.3%	62.5%	62.7%	59.9%	56.7%	56.7%	53.0%	60.5%	67.7%	61.1%	57.1%
UNDISTRIBUTED OPERATING EXPENSES											
Administrative & General	7.7%	8.1%	7.9%	8.6%	7.0%	8.5%	7.8%	7.2%	8.6%	9.1%	11.4%
Information & Telecommunications Systems	1.6	1.4	1.7	1.5	1.4	1.4	1.5	1.6	1.1	1.1	0.7
Marketing	7.1	7.0	7.1	6.9	6.3	6.5	6.3	7.1	7.0	6.7	4.6
Franchise Fees	1.2	2.9	2.3	3.5	0.7	2.3	0.3	1.5	3.9	3.1	1.5
Utility Costs	2.8	3.3	3.0	4.2	3.0	3.4	2.6	3.0	3.5	4.1	4.6
Property Operations & Maintenance	4.0	4.3	4.1	4.8	4.3	4.8	4.1	4.1	4.2	4.9	6.5
Total Undistributed Operating Expenses	24.4%	27.1%	26.0%	29.6%	22.6%	26.9%	22.6%	24.6%	28.3%	29.1%	29.5%
GROSS OPERATING PROFIT	34.9%	35.4%	36.7%	30.4%	34.1%	29.8%	30.4%	35.9%	39.4%	32.0%	27.7%
Management Fees	3.5	3.2	3.8	3.0	3.3	3.1	3.3	3.5	3.4	3.1	2.0
INCOME BEFORE FIXED CHARGES	31.4%	32.2%	32.8%	27.3%	30.8%	26.7%	27.2%	32.4%	36.0%	28.9%	25.6%
Selected Fixed Charges											
Taxes	4.5%	2.5%	3.2%	2.9%	2.5%	2.2%	3.4%	3.4%	3.7%		
Insurance	0.8	0.8	0.9	1.1	1.2	1.3	1.0	0.0	1.0	1.2	1.3
EBITDA	26.3%	28.4%	28.7%	23.6%	27.1%	23.2%	22.8%	28.2%	31.3%	24.6%	21.0%
Reserve for Replacement	2.0%	2.3%	2.5%	1.7%	2.2%	1.9%	2.5%	2.0%	2.3%	1.1%	0.0%

TOTAL EXPENSES
BEFORE RESERVES

75.4% 78.1%

NOTES: Ratios based on Total Revenue, except Departmental Expenses. Economy and Midscale Classes combined for isolation purposes. EBITDA shown only includes property taxes and insurance, not all fixed expenses or non-operating expenses included.

Income Approach

Cap Rates

2020 Hotel Cap Rates (rounded to 0.25%)

Source: CBRE Hotels

Region	Market Tier	Cities (market Tier)	Economy Class (independent + 0.5%)		Limited Service Midscale Class		Select Service Upper Midscale		Full Service Upscale		Luxury boutique	
			CBD	Suburb	CBD	Suburb	CBD	Suburb	CBD	Suburb	CBD	Suburb
South Central	3	Oklahoma City	10.50%	10.50%	9.50%	9.75%	8.50%	9.00%	8.75%	9.00%	8.50%	8.50%
	2	Dallas	9.00%	9.75%	8.50%	9.25%	8.00%	8.50%	8.25%	8.25%	8.00%	8.00%
	2	Houston	9.75%	10.00%	9.00%	9.25%	8.00%	8.50%	8.00%	8.50%	8.00%	8.00%
	2	Austin	9.25%	10.25%	8.75%	9.75%	8.50%	9.00%	8.00%	8.50%	7.25%	7.75%
	3	San Antonio	9.00%	9.50%	8.25%	9.25%	7.50%	8.25%	7.25%	8.00%	7.00%	7.75%
	3	New Orleans	8.50%	9.00%	8.25%	8.75%	8.00%	8.50%	8.00%	8.50%	7.50%	8.00%
			South Central Average	9.50%	10.00%	8.75%	9.50%	8.25%	8.75%	8.00%	8.50%	7.75%
Mountain	2	Denver	8.75%	9.00%	8.00%	8.50%	7.50%	8.00%	7.25%	8.50%	5.75%	7.25%
	3	Salt Lake City	8.50%	9.00%	8.25%	8.50%	7.75%	8.00%	8.50%	8.75%	6.75%	7.25%
	2	Phoenix	9.00%	9.50%	8.25%	8.75%	7.50%	7.75%	7.75%	8.00%	6.25%	6.75%
	3	Albuquerque	10.00%	10.00%	9.25%	9.50%	8.50%	8.75%	8.50%	8.50%	7.75%	8.25%
			Mountain Average	9.25%	9.50%	8.50%	9.00%	8.25%	8.50%	8.00%	8.25%	7.00%
West Pacific Coast	2	Las Vegas	9.50%	9.50%	9.25%	9.25%	8.75%	8.75%	8.25%	8.25%	7.50%	7.75%
	3	Sacramento	9.25%	9.25%	8.75%	8.75%	8.00%	8.00%	8.50%	9.50%	8.25%	9.75%
	1	San Francisco	9.50%	10.50%	9.00%	10.25%	8.50%	10.00%	10.00%	8.50%	6.50%	7.50%
	1	San Jose	10.50%	10.50%	10.00%	9.50%	9.50%	8.50%	8.50%	7.50%	8.00%	8.00%
	1	Oakland	10.50%	10.50%	10.00%	9.50%	9.50%	8.50%	8.50%	7.50%	8.00%	8.00%
	1	Los Angeles	8.50%	8.50%	8.00%	8.00%	7.50%	7.75%	7.25%	7.50%	7.00%	7.25%
	1	Orange County	8.50%	8.50%	8.00%	8.25%	7.50%	7.75%	7.50%	7.50%	7.00%	7.25%
	1	San Diego	8.50%	8.75%	8.00%	8.25%	7.50%	7.75%	7.50%	7.50%	7.00%	7.25%
	1	CA - Inland Empire	9.50%	9.50%	9.00%	9.00%	8.50%	8.50%	8.75%	8.75%	8.25%	8.25%
	1	Seattle	9.00%	10.00%	7.75%	9.00%	6.75%	8.00%	6.75%	8.00%	6.25%	7.00%
	2	Portland	9.50%	10.00%	8.50%	9.25%	7.50%	8.75%	7.75%	8.50%	7.75%	8.25%
			West Average	9.50%	9.75%	8.75%	9.00%	8.25%	8.50%	8.00%	8.25%	7.50%

HOTEL CAP RATES

2019 Hotel/Motel Effective Room Rate Multiplier Study – Tarrant County, Texas
Page 9

In the *limited service* segment, 18 capitalization rates were considered; the range was from 7.7% to 12%, with an average of 9.9%. No specific trend is apparent from this array, although two of the three highest rates were for Dallas County motels that were either reported to or appeared to have been rebranded.

In the *full service* segment, seven rates were considered; the range was from 6.9% to 10.2%, with an average of just less than eight percent. While fewer rates were observed, the two lowest rates were for older, centrally located hotels; the lowest was for the Hilton in downtown Fort Worth, and the next lowest for a hotel near the Dallas Market Center. The highest rate was for a Hilton in Rockwall County.

These rates are compared to the following surveyed rates:

Data Source	Average/Stated Rate	Range
PwC – 2019 1st Quarter - National Full Service	7.43%	6.0% - 9.0%
PwC – 2019 1st Quarter - National Limited Service	9.05%	7.5% - 11.0%
PwC – 2019 1st Quarter - National Luxury Segment	7.05%	4.0% - 9.0%
PwC – 2019 1st Quarter - National Select-Service	8.31%	7.0% - 10.0%
ACLII - 2018 4th Quarter – National Hotel/Motel	6.87%	-
ACLI – 2018 - Annual - National Hotel/Motel	6.84%	6.62% - 7.1%
ACLI – 2018 - Annual - West South Central Region Hotel/Motel	8.07%	-
Henry S. Miller Trends – 2018 - Current	7.6% - 10.0%	7.0% - 10.5%
Henry S. Miller Trends – 2018 - Reversion	8.2% - 10.9%	8.0% - 11.0%
IRR Viewpoint 2019 - Full Service	8.10%	-
IRR Viewpoint 2019 - Limited Service	8.80%	-
RealtyRates.com – 2018 4th Quarter – Lodging Facilities	10.60%	6.2% - 15.9%

PwC segments the limited service market into lower and upper tiers, and separates the luxury segment from full service. The ranges well-support the local data. Of note, RealtyRates.com is typically at the upper end of most cap rate ranges. ACLI and PwC tend to be oriented more toward investment-grade properties.

I appreciate the opportunity to be of service. If I can be of further assistance, please do not hesitate to contact me.

Respectfully submitted,



Glenn Garoon, MAI, CCIM

GG/hs
Attachments



H2 2019

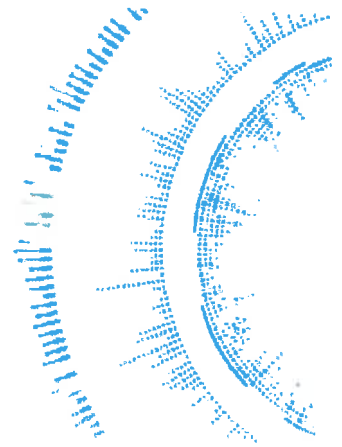


CBRE is pleased to present its semiannual U.S. Hotel Cap Rate Survey for H2 2019, which reveals cap rates and pricing trends for hotel property types in major markets across the U.S.

DOWNLOAD REPORT

HOTEL SUMMARY

	CBD	SUBURBAN
OVERALL	▼ 1 BPS TO 7.99%	0 BPS TO 8.55%
LUXURY	▼ 4 BPS TO 7.01%	0 BPS TO 7.61%
FULL SERVICE	0 BPS TO 7.76%	▲ 2 BPS TO 8.28%
SELECT SERVICE	▼ 3 BPS TO 8.00%	▼ 2 BPS TO 8.50%
ECONOMY	▲ 1 BPS TO 9.22%	▲ 2 BPS TO 9.76%



Luxury/Full Service Key Rates

Tier I Markets



Luxury ✓

Full Service

Search

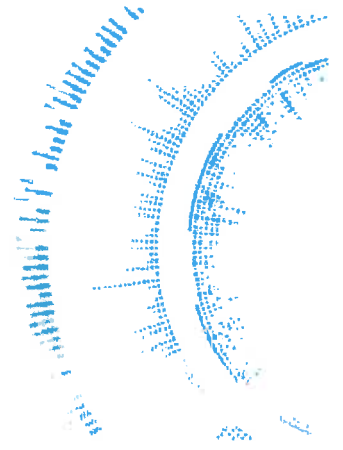
CBD

SUBURBAN

	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)
Boston	4.00 - 6.50		6.50 - 7.50
Chicago	7.00 - 7.75	▲	7.75 - 9.00
N. CA: Oakland	7.50 - 8.50		7.50 - 8.50
N. CA: San Francisco	6.00 - 7.00		7.00 - 8.00
N. CA: San Jose	7.50 - 8.50		7.50 - 8.50
NY: N. New Jersey	6.25 - 6.75		7.00 - 7.75
NY: New York City	4.00 - 5.00	▼	6.25 - 7.50
S. CA: Inland Empire	7.25 - 9.00		7.25 - 9.00
S. CA: Los Angeles	5.75 - 8.00		6.25 - 8.00
S. CA: Orange County	6.00 - 8.00	▲	6.25 - 8.00
S. FL: Ft. Lauderdale	7.00 - 8.00		7.50 - 8.50
S. FL: Miami	6.25 - 7.00		7.00 - 7.75
S. FL: West Palm Beach	8.00 - 8.50		8.25 - 9.00
San Diego	6.00 - 8.00	▲	6.25 - 8.00
Seattle	6.00 - 6.50		6.50 - 7.50

HOTEL SUMMARY

	CBD	SUBURBAN
OVERALL	▼ 1 BPS TO 7.99%	0 BPS TO 8.55%
LUXURY	▼ 4 BPS TO 7.01%	0 BPS TO 7.61%
FULL SERVICE	0 BPS TO 7.76%	▲ 2 BPS TO 8.28%
SELECT SERVICE	▼ 3 BPS TO 8.00%	▼ 2 BPS TO 8.50%
ECONOMY	▲ 1 BPS TO 9.22%	▲ 2 BPS TO 9.76%



Luxury/Full Service Key Rates

Tier I Markets

Tier I Tier II T

Luxury

Full Service ✓

Search

CBD

SUBURBAN

	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)
Boston	5.50 - 7.00		7.50 - 8.00
Chicago	7.25 - 9.00	▲	8.50 - 10.50
N. CA: Oakland	8.00 - 9.00		7.00 - 8.00
N. CA: San Francisco	7.00 - 8.00		8.00 - 9.00
N. CA: San Jose	8.00 - 9.00		7.00 - 8.00
NY: N. New Jersey	6.75 - 8.25		7.50 - 9.00
NY: New York City	6.50 - 7.50		7.50 - 9.00
S. CA: Inland Empire	7.75 - 9.50	▲	7.75 - 9.50
S. CA: Los Angeles	6.50 - 8.00		6.75 - 8.00
S. CA: Orange County	6.75 - 8.00		6.75 - 8.25
S. FL: Ft. Lauderdale	7.75 - 8.50		8.25 - 9.25
S. FL: Miami	6.75 - 7.75		7.75 - 8.75
S. FL: West Palm Beach	8.00 - 8.50		8.50 - 9.50
San Diego	6.75 - 8.00		6.75 - 8.25
Seattle	6.25 - 7.00		7.50 - 8.25

Select-Service/Economy Key Rates

Tier I Markets

Tier I Tier II T

Select-Service ✓

Economy

Search

CBD

SUBURBAN

CBD CAP RATES FOR STABILIZED PROPERTIES (%)

CHANGE*

SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)

Market	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)
Boston	6.50 - 7.50		7.50 - 8.50
Chicago	7.50 - 8.50	▲	8.50 - 9.50
N. CA: Oakland	8.50 - 10.50		8.00 - 9.00
N. CA: San Francisco	8.00 - 9.00		9.50 - 10.50
N. CA: San Jose	8.50 - 10.50		8.00 - 9.00
NY: N. New Jersey	7.75 - 8.75		7.75 - 9.00
NY: New York City	6.75 - 8.00		7.75 - 9.50
S. CA: Inland Empire	7.50 - 9.25		7.50 - 9.25
S. CA: Los Angeles	6.75 - 8.00		7.00 - 8.25
S. CA: Orange County	6.75 - 8.00		7.00 - 8.50
S. FL: Ft. Lauderdale	8.25 - 9.00		8.50 - 9.50
S. FL: Miami	8.00 - 8.25		8.50 - 9.00
S. FL: West Palm Beach	8.25 - 9.00	▼	8.75 - 9.75
San Diego	7.00 - 8.00		7.00 - 8.50
Seattle	6.50 - 7.00	▼	7.50 - 8.25
Washington, D.C.	6.50 - 7.50		7.50 - 9.00

Explore the Cap Rate Survey by Product

San Antonio 7.00 - 8.00
 St. Louis 8.00 - 9.50

7.50 - 8.50
 8.25 - 9.50



Select-Service/Economy Key Rates

Tier I Markets

Tier I Tier II T

Select-Service

Economy ✓

Q Search

CBD
 CBD CAP RATES FOR STABILIZED PROPERTIES (%)

CHANGE*

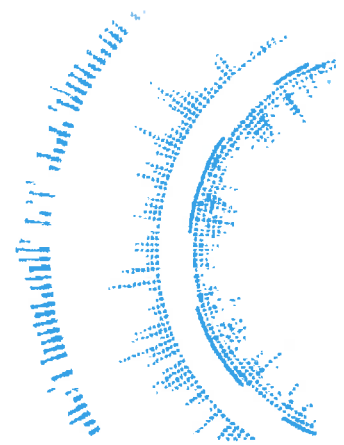
SUBURBAN
 SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)

Market	CBD CAP RATES (%)	CHANGE*	SUBURBAN CAP RATES (%)
Boston	-	-	8.00 - 9.00
Chicago	9.75 - 11.00	▲	10.25 - 12.25
N. CA: Oakland	9.50 - 11.50	-	9.50 - 11.50
N. CA: San Francisco	8.50 - 10.50	-	9.50 - 11.50
N. CA: San Jose	9.50 - 11.50	-	9.50 - 11.50
NY: N. New Jersey	8.00 - 9.00	-	9.00 - 10.50
NY: New York City	8.00 - 9.00	-	9.00 - 11.00
S. CA: Inland Empire	8.25 - 10.50	▲	8.25 - 10.50
S. CA: Los Angeles	7.75 - 9.00	-	7.75 - 9.00
S. CA: Orange County	7.75 - 9.00	-	7.75 - 9.00
S. FL: Ft. Lauderdale	9.25 - 10.25	▲	9.50 - 10.50
S. FL: Miami	9.00 - 10.00	-	9.50 - 10.25
S. FL: West Palm Beach	9.00 - 10.00	-	9.50 - 10.50
San Diego	7.75 - 9.00	-	8.00 - 9.25
Seattle	8.50 - 9.25	-	9.50 - 10.50
Washington, D.C.	7.00 - 8.00	-	8.50 - 9.50

Explore the Cap Rate Survey by Product

HOTEL SUMMARY

	CBD	SUBURBAN
OVERALL	▼ 1 BPS TO 7.99%	0 BPS TO 8.55%
LUXURY	▼ 4 BPS TO 7.01%	0 BPS TO 7.61%
FULL SERVICE	0 BPS TO 7.76%	▲ 2 BPS TO 8.28%
SELECT SERVICE	▼ 3 BPS TO 8.00%	▼ 2 BPS TO 8.50%
ECONOMY	▲ 1 BPS TO 9.22%	▲ 2 BPS TO 9.76%



Luxury/Full Service Key Rates

Tier II Markets



Luxury ✓

Full Service

Search

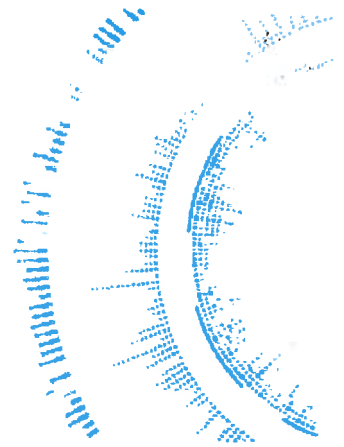
CBD

SUBURBAN

	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)
Atlanta	6.50 - 8.00		7.00 - 8.25
Austin	6.50 - 8.00		7.00 - 8.25
Baltimore	6.50 - 7.50		8.00 - 9.00
Dallas/Ft. Worth	7.50 - 8.50		7.50 - 8.50
Denver	5.50 - 6.00	▼	7.00 - 7.50
Houston	7.50 - 8.50		7.50 - 8.50
Las Vegas	7.00 - 8.00		7.25 - 8.25
Minneapolis/St. Paul	7.25 - 8.00		7.50 - 8.50
Nashville	7.25 - 8.00		7.75 - 8.25
Orlando	6.00 - 7.25		6.50 - 7.75
Philadelphia	6.00 - 6.50		6.50 - 7.00
Phoenix	6.00 - 6.50	▼	6.50 - 6.75
Portland	7.00 - 8.25		8.25 - 8.50
Tampa	6.25 - 7.50		6.50 - 7.75

HOTEL SUMMARY

	CBD	SUBURBAN
OVERALL	▼ 1 BPS TO 7.99%	0 BPS TO 8.55%
LUXURY	▼ 4 BPS TO 7.01%	0 BPS TO 7.61%
FULL SERVICE	0 BPS TO 7.76%	▲ 2 BPS TO 8.28%
SELECT SERVICE	▼ 3 BPS TO 8.00%	▼ 2 BPS TO 8.50%
ECONOMY	▲ 1 BPS TO 9.22%	▲ 2 BPS TO 9.76%



Luxury/Full Service Key Rates

Tier II Markets



Luxury

Full Service ✓
SUBURBAN

Q Search

CBD

CAP RATES FOR STABILIZED PROPERTIES (%)

CHANGE*

EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)

Atlanta	7.25 - 8.50		7.75 - 9.00
Austin	7.25 - 8.50		7.75 - 9.00
Baltimore	7.50 - 8.50		8.00 - 9.00
Dallas/Ft. Worth	7.75 - 8.75		7.75 - 8.75
Denver	7.00 - 7.50		8.00 - 8.75
Houston	7.50 - 8.50		8.00 - 9.00
Las Vegas	7.75 - 8.75		7.75 - 8.75
Minneapolis/St. Paul	7.50 - 8.50		8.50 - 10.00
Nashville	7.75 - 8.25		8.25 - 9.50
Orlando	6.75 - 7.75		7.00 - 8.25
Philadelphia	7.50 - 8.25		7.75 - 8.50
Phoenix	7.50 - 7.75		7.75 - 8.00
Portland	7.00 - 8.25	▼	8.00 - 8.75
Tampa	7.00 - 8.00		7.25 - 8.50

San Antonio 7.00 - 8.00
 St. Louis 8.00 - 9.50

7.50 - 8.50
 8.25 - 9.50



Select-Service/Economy Key Rates

Tier II Markets



Select-Service ✓

Economy

Q Search

	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)
Atlanta	7.75 - 9.00		8.25 - 9.50
Austin	7.75 - 9.00		8.25 - 9.50
Baltimore	7.50 - 8.50		8.25 - 9.25
Dallas/Ft. Worth	7.50 - 8.25		7.75 - 9.00
Denver	7.00 - 7.75	▼	7.75 - 8.25
Houston	7.50 - 8.50		8.00 - 9.00
Las Vegas	8.00 - 9.50		8.00 - 9.50
Minneapolis/St. Paul	7.75 - 9.00		8.50 - 10.00
Nashville	7.75 - 8.50		8.75 - 9.50
Orlando	7.75 - 8.50	▼	8.00 - 8.75
Philadelphia	7.50 - 8.50		7.75 - 8.50
Phoenix	7.25 - 7.75		7.50 - 8.00
Portland	6.75 - 8.25	▼	8.00 - 9.00
Tampa	8.00 - 8.75		8.25 - 9.00

Explore the Cap Rate Survey by Product

Select-Service/Economy Key Rates

Tier II Markets

Tier I Tier II T

Economy ✓

Select-Service

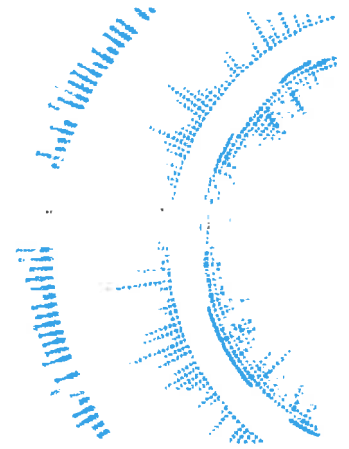
Search

	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)
Atlanta	8.50 - 9.75		9.50 - 11.00
Austin	8.50 - 9.75		9.50 - 11.00
Baltimore	8.00 - 9.50		8.50 - 10.00
Dallas/Ft. Worth	8.00 - 10.00		8.50 - 11.00
Denver	8.25 - 9.00		8.50 - 9.50
Houston	8.50 - 10.75		9.00 - 10.75
Las Vegas	9.00 - 10.00		9.00 - 10.00
Minneapolis/St. Paul	8.50 - 10.50		9.50 - 11.00
Nashville	9.50 - 10.50		10.00 - 10.75
Orlando	9.00 - 10.00		9.25 - 10.00
Philadelphia	8.75 - 9.25		10.00 - 10.50
Phoenix	8.75 - 9.00		9.25 - 9.50
Portland	9.00 - 9.75		9.50 - 10.50
Tampa	9.00 - 10.00		9.25 - 10.00

Explore the Cap Rate Survey by Product

HOTEL SUMMARY

	CBD	SUBURBAN
OVERALL	▼ 1 BPS TO 7.99%	0 BPS TO 8.55%
LUXURY	▼ 4 BPS TO 7.01%	0 BPS TO 7.61%
FULL SERVICE	0 BPS TO 7.76%	▲ 2 BPS TO 8.28%
SELECT SERVICE	▼ 3 BPS TO 8.00%	▼ 2 BPS TO 8.50%
ECONOMY	▲ 1 BPS TO 9.22%	▲ 2 BPS TO 9.76%



Luxury/Full Service Key Rates

Tier III Markets



Luxury ✓

Full Service

Q Search

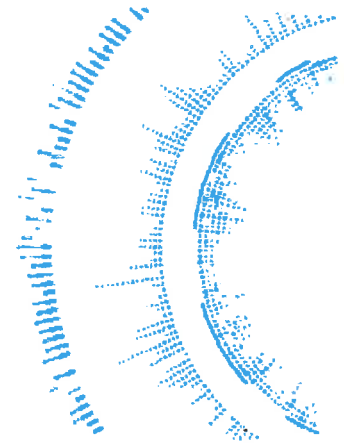
CBD

SUBURBAN

	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)
Albuquerque	7.25 - 8.25		7.75 - 8.50
Charlotte	6.00 - 8.00		6.50 - 8.00
Cincinnati	8.00 - 8.50		8.25 - 8.75
Cleveland	8.00 - 8.50		8.25 - 8.75
Columbus	8.00 - 8.50		8.25 - 8.75
Detroit	7.75 - 8.50		8.00 - 8.75
Honolulu	5.00 - 7.00		-
Indianapolis	7.00 - 8.50		8.00 - 8.75
Jacksonville	6.25 - 7.50		7.00 - 8.00
Kansas City	7.50 - 8.50		8.00 - 8.75
New Orleans	7.25 - 7.75		7.50 - 8.50
Oklahoma City	7.75 - 9.00		8.00 - 9.00
Pittsburgh	7.50 - 8.50		8.25 - 8.75
Sacramento	7.50 - 9.00		-
Salt Lake City	6.25 - 7.25		6.75 - 7.75

HOTEL SUMMARY

	CBD	SUBURBAN
OVERALL	▼ 1 BPS TO 7.99%	0 BPS TO 8.55%
LUXURY	▼ 4 BPS TO 7.01%	0 BPS TO 7.61%
FULL SERVICE	0 BPS TO 7.76%	▲ 2 BPS TO 8.28%
SELECT SERVICE	▼ 3 BPS TO 8.00%	▼ 2 BPS TO 8.50%
ECONOMY	▲ 1 BPS TO 9.22%	▲ 2 BPS TO 9.76%



Luxury/Full Service Key Rates

Tier III Markets

Tier I Tier II Tier III

Luxury

Full Service ✓

SUBURBAN

Search

CBD

CAP RATES FOR STABILIZED PROPERTIES (%)

CHANGE*

EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)

City	Cap Rate Range (%)	Change	Expected Return on Cost (%)
Albuquerque	7.75 - 9.00		7.75 - 9.00
Charlotte	7.00 - 8.00		7.50 - 9.00
Cincinnati	8.50 - 9.00		8.50 - 9.00
Cleveland	8.50 - 9.00		8.50 - 9.00
Columbus	8.50 - 9.00		8.50 - 9.00
Detroit	8.00 - 8.75	▼	8.50 - 9.00
Honolulu	-	-	9.00 - 10.00
Indianapolis	8.00 - 9.00	▲	6.75 - 9.00
Jacksonville	7.00 - 8.00		8.25 - 9.50
Kansas City	8.00 - 9.25		7.50 - 8.50
New Orleans	7.50 - 8.50		8.25 - 9.50
Oklahoma City	8.00 - 9.50		8.00 - 9.00
Pittsburgh	8.50 - 9.00		8.25 - 9.50
Sacramento	8.00 - 9.00		8.50 - 9.00
Salt Lake City	8.00 - 8.75		9.00 - 10.00
			8.25 - 9.00

San Antonio 7.00 - 8.00

7.50 - 8.50

St. Louis 8.00 - 9.50

8.25 - 9.50

Select-Service/Economy Key Rates

Tier III Markets



Select-Service ✓

Economy

Q Search

CBD CAP RATES FOR STABILIZED PROPERTIES (%)

CHANGE*

SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)

	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE*	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)
Albuquerque	8.25 - 9.00		8.25 - 9.25
Charlotte	7.00 - 8.50		7.00 - 9.00
Cincinnati	8.50 - 9.00		8.50 - 9.00
Cleveland	8.50 - 9.00		8.50 - 9.00
Columbus	8.50 - 9.00		8.50 - 9.00
Detroit	8.25 - 9.00		8.50 - 9.00
Honolulu	-		8.50 - 9.50
Indianapolis	7.50 - 8.50		7.25 - 10.25
Jacksonville	8.00 - 8.75		8.25 - 9.25
Kansas City	7.75 - 8.75		8.25 - 9.00
New Orleans	7.50 - 8.50		8.00 - 9.00
Oklahoma City	7.75 - 9.25		8.00 - 9.00
Pittsburgh	8.50 - 9.00		8.25 - 9.50
Sacramento	7.50 - 8.50		8.50 - 9.00
Salt Lake City	7.25 - 8.25		7.50 - 8.50
San Antonio	7.00 - 8.00		7.50 - 8.50
St. Louis	8.00 - 9.25		7.50 - 9.00
			8.25 - 9.50

Explore the Cap Rate Survey by Product

San Antonio 7.00 - 8.00

7.50 - 8.50

St. Louis 8.00 - 9.50

8.25 - 9.50

Select-Service/Economy Key Rates

Tier III Markets

Tier I Tier II T

Select-Service

Economy ✓

Q Search

CBD CAP RATES FOR STABILIZED PROPERTIES (%)

CHANGE*

SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)

City	Cap Rate Range (%)
Albuquerque	9.25 - 10.50
Charlotte	8.25 - 10.00
Cincinnati	9.00 - 10.00
Cleveland	9.00 - 10.00
Columbus	9.00 - 10.00
Detroit	10.00 - 11.00
Honolulu	-
Indianapolis	9.50 - 11.00
Jacksonville	9.25 - 10.00
Kansas City	9.00 - 11.00
New Orleans	8.00 - 9.00
Oklahoma City	9.50 - 11.50
Pittsburgh	9.00 - 10.00
Sacramento	8.50 - 10.00
Salt Lake City	8.00 - 9.00
San Antonio	7.50 - 10.00
St. Louis	9.25 - 11.00

City	Cap Rate Range (%)
Albuquerque	9.25 - 10.50
Charlotte	9.00 - 11.00
Cincinnati	10.00 - 11.00
Cleveland	10.00 - 11.00
Columbus	10.00 - 11.00
Detroit	10.00 - 11.00
Honolulu	10.50 - 11.50
Indianapolis	8.25 - 11.25
Jacksonville	9.75 - 11.00
Kansas City	9.50 - 10.00
New Orleans	9.25 - 11.50
Oklahoma City	8.50 - 9.50
Pittsburgh	9.50 - 11.50
Sacramento	10.00 - 11.00
Salt Lake City	8.50 - 10.00
San Antonio	8.50 - 9.50
St. Louis	8.00 - 11.00
St. Louis	9.50 - 11.00

Explore the Cap Rate Survey by Product

Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.

State of North Dakota Assessment District Fargo
County of Cass Property I.D. No. 01-8652-00200-000
Name Emerald Hospitality LLC Telephone No. (701) 237-8200
Address 4014 17 AVE S., Fargo, North Dakota 58103

Legal description of the property involved in this application:

EKMAN DAKOTA VIEW ADDN LT 2 BLK 1 **9-20-17 REPLAT FRM 0-10520-00051-000 & 01-69
20-00100-000 PER PLAT DOC#1514564 FOR 2017

Total true and full value of the property described
above for the year 2021 is:

Land	\$ <u>1,021,000</u>
Improvements	\$ <u>3,940,500</u>
Total	\$ <u>4,961,500</u>

(1)

Total true and full value of the property described
above for the year 2021 should be:

Land	\$ <u>567,393</u>
Improvements	\$ <u>2,189,824</u>
Total	\$ <u>2,757,217</u>

(2)

The difference of \$ 2,204,283.00 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit (N.D.C.C. § 57-02-08.1) or Disabled Veterans Credit (N.D.C.C. § 57-02-08.8). Attach a copy of the application.
- 10. Other (explain) _____

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ _____ Date of purchase: _____
Terms: Cash _____ Contract _____ Trade _____ Other (explain) _____
Was there personal property involved in the purchase price? _____ Estimated value: \$ _____
yes/no

2. Has the property been offered for sale on the open market? _____ If yes, how long? _____
yes/no
Asking price: \$ _____ Terms of sale: _____

3. The property was independently appraised: _____ Purpose of appraisal: _____
yes/no
Market value estimate: \$ _____
Appraisal was made by whom? _____

4. The applicant's estimate of market value of the property involved in this application is \$ _____

5. The estimated agricultural productive value of this property is excessive because of the following condition(s): _____

Applicant asks that the assessment, which presently exceeds the true and full value of the subject property, be
reduced to \$2,757,217, the actual true and full market value of the property as estimated by the taxpayer.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.


David B. Elling 10-25-2021
Signature of Preparer (if other than applicant) Date Signature of Applicant Date

Recommendation of the Governing Body of the City or Township

Recommendation of the governing board of Fargo

On December 13, 2021, the governing board of this municipality, after examination of this application and the facts, passed a resolution recommending to the Board of County Commissioners that the application be Denied

Dated this 14 day of December, 2021.


City Auditor or Township Clerk

Action by the Board of County Commissioners

Application was _____ by action of _____ County Board of Commissioners.
Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ _____ to \$ _____ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ _____. The Board accepts \$ _____ in full settlement of taxes for the tax year _____.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached. _____

Dated _____,

County Auditor _____ Chairperson _____

Certification of County Auditor

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

County Auditor _____ Date _____

Application For Abatement
Or Refund Of Taxes

Name of Applicant Emerald Hospitality LLC
by Redrikson + Byrnes P.A.
County Auditor's File No. 4515

Date Application Was Filed With The County Auditor 10/26/21

Date County Auditor Mailed Application to Township Clerk or City Auditor 10/27/21
(must be within five business days of filing date)

Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.

State of North Dakota Assessment District Fargo
County of Cass Property I.D. No. 01-8652-00200-000
Name Emerald Hospitality LLC Telephone No. (701) 237-8200
Address 4014 17 AVE S., Fargo, North Dakota 58103

Legal description of the property involved in this application:

EKMAN DAKOTA VIEW ADDN LT 2 BLK 1 **9-20-17 REPLAT FRM 0-10520-00051-000 & 01-69
20-00100-000 PER PLAT DOC#1514564 FOR 2017

Total true and full value of the property described above for the year 2020 is:

Land \$ 1,021,000
Improvements \$ 4,816,000
Total \$ 5,837,000
(1)

Total true and full value of the property described above for the year 2020 should be:

Land \$ 599,309
Improvements \$ 2,826,906
Total \$ 3,426,215
(2)

The difference of \$ 2,410,785.00 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit (N.D.C.C. § 57-02-08.1) or Disabled Veterans Credit (N.D.C.C. § 57-02-08.8). Attach a copy of the application.
- 10. Other (explain) _____

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ _____ Date of purchase: _____
Terms: Cash _____ Contract _____ Trade _____ Other (explain) _____
Was there personal property involved in the purchase price? _____ Estimated value: \$ _____
yes/no
2. Has the property been offered for sale on the open market? _____ If yes, how long? _____
yes/no
Asking price: \$ _____ Terms of sale: _____
3. The property was independently appraised: _____ Purpose of appraisal: _____
yes/no
Market value estimate: \$ _____
Appraisal was made by whom? _____
4. The applicant's estimate of market value of the property involved in this application is \$ _____
5. The estimated agricultural productive value of this property is excessive because of the following condition(s): _____

Applicant asks that the assessment, which presently exceeds the true and full value of the subject property, be
reduced to \$3,426,215, the actual true and full market value of the property as estimated by the taxpayer.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

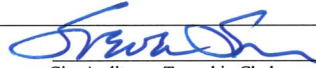
David B. Tilley 10-25-2021 _____
Signature of Preparer (if other than applicant) Date Signature of Applicant

Recommendation of the Governing Body of the City or Township

Recommendation of the governing board of Fargo

On December 13, 2021, the governing board of this municipality, after examination of this application and the facts, passed a resolution recommending to the Board of County Commissioners that the application be Denied

Dated this 14 day of December, 2021.


City Auditor or Township Clerk

Action by the Board of County Commissioners

Application was _____ by action of _____ County Board of Commissioners.
Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ _____ to \$ _____ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ _____. The Board accepts \$ _____ in full settlement of taxes for the tax year _____.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached. _____

Dated _____,

County Auditor _____

Chairperson _____

Certification of County Auditor

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

County Auditor _____

Date _____

Application For Abatement
Or Refund Of Taxes

Name of Applicant Emerald Hospitality LLC
by Fredrikson & Byron P.A.
County Auditor's File No. 4514

Date Application Was Filed With The County Auditor 10/26/21

Date County Auditor Mailed Application to Township Clerk or City Auditor 10/27/21
(must be within five business days of filing date)

Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.

State of North Dakota Assessment District Fargo

County of Cass Property I.D. No. 01-8652-00200-000

Name Emerald Hospitality LLC Telephone No. (701) 237-8200

Address 4014 17 AVE S., Fargo, North Dakota 58103

Legal description of the property involved in this application:

EKMAN DAKOTA VIEW ADDN LT 2 BLK 1 **9-20-17 REPLAT FRM 0-10520-00051-000 & 01-69
20-00100-000 PER PLAT DOC#1514564 FOR 2017

Total true and full value of the property described above for the year 2019 is:

Land	\$ <u>1,021,000</u>
Improvements	\$ <u>4,816,000</u>
Total	\$ <u>5,837,000</u>

(1)

Total true and full value of the property described above for the year 2019 should be:

Land	\$ <u>631,456</u>
Improvements	\$ <u>2,978,544</u>
Total	\$ <u>3,610,000</u>

(2)

The difference of \$ 2,227,000.00 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit (N.D.C.C. § 57-02-08.1) or Disabled Veterans Credit (N.D.C.C. § 57-02-08.8). Attach a copy of the application.
- 10. Other (explain) _____

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ _____ Date of purchase: _____
Terms: Cash _____ Contract _____ Trade _____ Other (explain) _____
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Asking price: \$ _____ Terms of sale: _____
3. The property was independently appraised: _____ Purpose of appraisal: _____
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reduced to \$3,610,000, the actual true and full market value of the property as estimated by the taxpayer.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

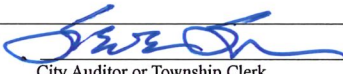
I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

David B. Ebeling Signature of Preparer (if other than applicant) 10-25-2021 Date _____ Signature of Applicant _____ Date

Recommendation of the Governing Body of the City or Township

Recommendation of the governing board of Fargo

On December 13, 2021, the governing board of this municipality, after examination of this application and the facts, passed a resolution recommending to the Board of County Commissioners that the application be Denied

Dated this 14 day of December, 2021. 

 City Auditor or Township Clerk

Action by the Board of County Commissioners

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 Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ _____ to \$ _____ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ _____. The Board accepts \$ _____ in full settlement of taxes for the tax year _____.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached. _____

Dated _____,

 County Auditor Chairperson

Certification of County Auditor

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

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Year	Reduction in Taxable Valuation	Reduction in Taxes

 County Auditor Date

Application For Abatement
 Or Refund Of Taxes

Name of Applicant Emerald Hospitality LLC
 by Frédérison & Byron P.A.
 County Auditor's File No. 4512

Date Application Was Filed With The County Auditor 10/26/21
 Date County Auditor Mailed Application to Township Clerk or City Auditor 10/27/21
(must be within five business days of filing date)