

HOTEL MARKET AND ECONOMIC DEVELOPMENT STUDY

City of Chelsea, MA

June 5, 2018



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Executive Summary

Pinnacle Advisory Group, working in conjunction with Group One Partners, and Byrne McKinney & Associates, has completed our research and analysis pertaining to the hotel market and economic development engagement for the City of Chelsea. Research and analysis was completed between January and March of 2018. We have completed a comprehensive analysis in order to educate and guide the City on the overall dynamics of the local and regional hotel market, to provide qualitative and quantitative information with regard to maximizing hotel development opportunities in the City, and to provide information and advice with respect to future hotel development opportunities and the resulting economic benefits.

The following is a summary of key recommendations.

- The majority of the rooms supply in Chelsea were built within the last six years and believed to be well maintained and in better than average condition, if not 'like new'. Although priced similarly on average, the existing hotels offer a mix of product types and brands. Three hotel companies are represented among the six existing/proposed hotels; InterContinental Hotel Group, Hilton, and Marriott. As such, we believe the City has an adequate supply of hotel rooms and the right mix of hotel types to service the demand currently being accommodated in the market.
- Considering the City's current supply of hotels, we believe a new hotel, the City's seventh, could be developed as a 125 to 150 room, nationally branded hotel. While we would recommend an upscale or upper upscale hotel product (dependent on the actual site and its overall development), we believe the ultimate product should be determined by the developer basing it on development costs and desired financial return.
- We believe the City's seventh hotel should be developed in conjunction with support amenities in a location proximate to Boston Logan Airport and the new MBTA Silver Line. As such, the neighborhoods most suitable for hotel development in the future are believed to be Chelsea River East and the Mystic Mall Area.
- Based on the recommended hotel positioning and size, matched with the site selections, it is believed that certain zoning restrictions should be altered from their existing form. 1) Hotels should be an allowed use by special permit in the Shopping Center, Waterfront, and Business zones and not allowed elsewhere. 2) The requirements for off street loading of two spaces should be reduced to one. 3) The maximum height in the Waterfront District (W) needs to be adjusted to accommodate the hotel dimensions.

Our projections and recommendations are based upon estimates and assumptions, which are subject to uncertainty and variation. Accordingly, we do not represent them as results that will actually be achieved; however, they have been conscientiously prepared on the basis of information furnished to us, and on our extensive experience in the lodging industry. Furthermore, as in all reports of this type, the estimated operating performance is based upon competent and efficient management and presumes no significant changes in the competitive market from those set forth in this report. Additional limiting conditions and assumptions are presented at the end of the report. Site Design Overview and Recommended Zoning sections have been completed by Group One Partners. The Fiscal Metrics section was completed by Byrne McKinney & Associates Inc.

Methodology of Assessment

The Client is analyzing the viability of future hotel development throughout the City of Chelsea. As such, Pinnacle Advisory Group (“Pinnacle”) has provided this report as an overview of the Greater Boston lodging market as well as the local competitive market. This report presents historic supply and demand, performance metrics including occupancy, average daily rate (ADR), and revenue per available room (RevPAR), and identifies trends related to hotel development.

As part of our analysis we reviewed six neighborhoods within the City of Chelsea in order to make a recommendation for the most suitable location for future hotel development.

Our review of the economic and demographic area included an analysis of the economic climate on a local and regional level. We examined the City of Chelsea and the Boston MSA’s existing employment distribution, tourism trends, commercial infrastructure, and transportation networks. We also reviewed future development projects and assessed the ability to attract new demand to the area.

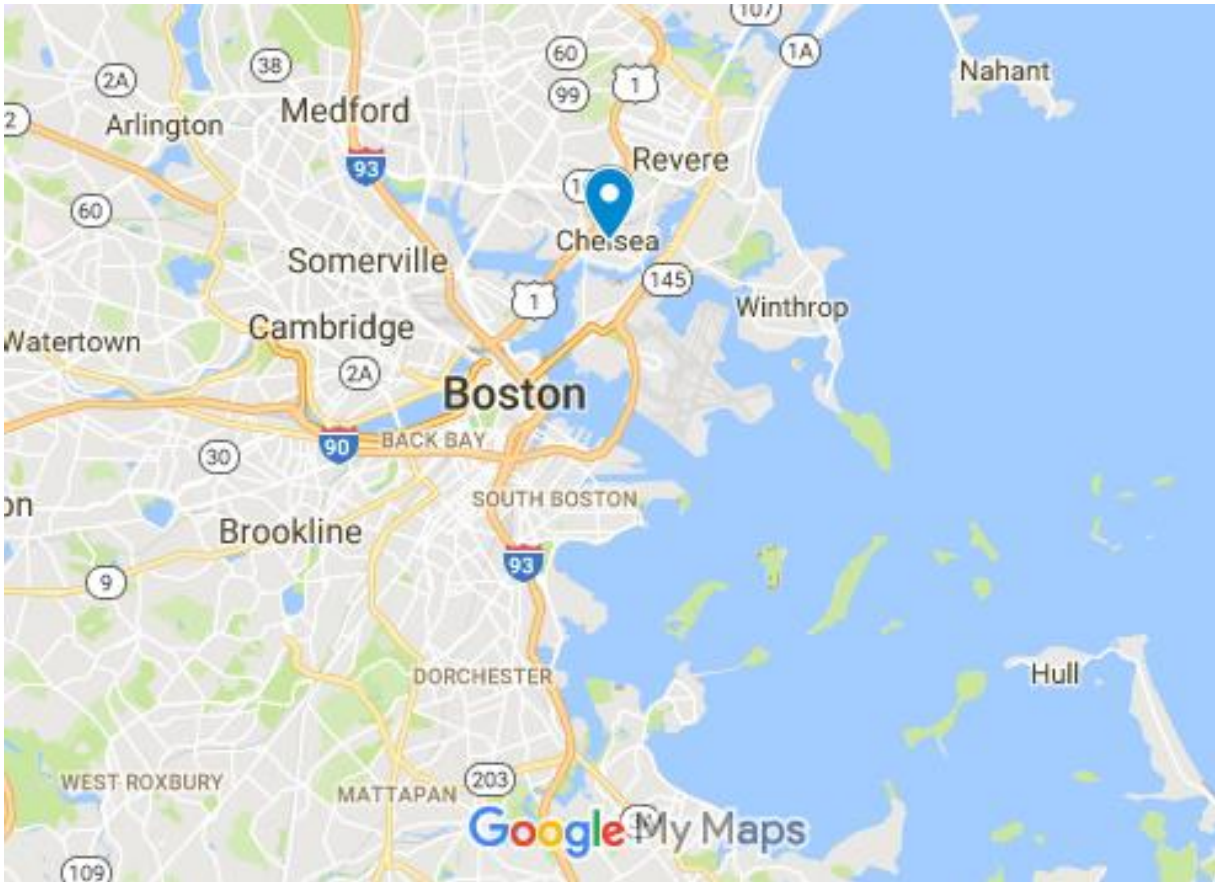
We examined the local hotel supply as well as the greater Boston lodging market. In-person interviews and site inspections were conducted at the facilities deemed of most critical importance to this analysis. These interviews were supplemented with the collection of actual performance levels at the identified hotels. Furthermore, we interviewed city planning officials and developers active in the subject market area to ascertain the status of any on-going or proposed hotel developments. From the data that we collected in the market, we were able to analyze historical growth in lodging demand and made an assessment of future trends.

The primary scope of work completed during our research and analysis included:

1. Examination of six Chelsea neighborhoods and evaluation of the surrounding environs with respect to their suitability for hotel development;
2. Identification, research, and interviews with management of the hotels determined to be competitive with the hotels located in the City of Chelsea;
3. Review of broader-based lodging supply and demand dynamics in the Greater Boston area;
4. Interviews with government officials and other individuals with regard to the area’s lodging market in general as it would relate to the City of Chelsea, including gathering detailed information regarding other proposed commercial developments. Interviews were supplemented with research regarding the area economy and development patterns as well as via collection of economic and demographic data;
5. Preparation of recommendations for the most suitable Chelsea neighborhood for future hotel development and approximately size and price of hotel;
6. Projections of long term occupancy and average rate for the identified competitive market; and
7. Preparation of this comprehensive report detailing our findings, conclusions and assumptions for the City of Chelsea.

Area Analysis

The City of Chelsea is located north of Boston in Suffolk County. The City is approximately 1.8 square miles, making it the smallest City in the Commonwealth of Massachusetts. With its population of approximately 40,000, the City of Chelsea is the second most densely populated city in the state. The City is surrounded by the Chelsea and Mystic Rivers and Everett, Revere, and Boston. Primarily a mix of residential, industrial and commercial uses, the City is bisected by Route-1, which runs north/south connecting it with towns along the north shore and the City of Boston to the south. The economic expansion of the Greater Boston region over the last twenty years has gained national prominence as an ideal location for commercial businesses and industries and has subsequently benefitted towns and cities such as Chelsea.



The Boston Metropolitan Statistical Area (MSA) includes seven counties located in Massachusetts including Bristol, Essex, Middlesex, Norfolk, Plymouth, Suffolk, and Worcester as well as Rockingham County in New Hampshire. The region stretches along the coastline of the Atlantic Ocean approximately 100 miles from Plymouth, Massachusetts up to the border of New Hampshire and Maine. The Boston MSA also extends west approximately 75 miles to the central part of Massachusetts. Due to the overall area's historic and cultural attractions, the Greater Boston region has emerged as a popular destination for conventions, national, and international tourists. The Boston MSA's economy remains fairly diversified with financial services, biotechnology, health care, education and conventions/tourism serving as the five engines of growth.

- **Financial Services:** The Boston MSA is one of the top financial cities in the United States, and is the home to many corporate headquarters such as Liberty Mutual and State Street Corporation.

Boston is also considered to be the premier City for mutual fund companies, including the country's largest, Fidelity Investments.

- **Biotechnology/Pharma:** Because of the presence of higher education in the Boston area, many companies have flocked to Boston and Cambridge including Novartis, Vertex, Biogen, Pfizer, Baxter, etc. The National Institutes of Health provides Boston the highest amount of annual funding for medical research.
- **Health Care:** Greater Boston is an international center of medical care with over 20 hospitals in Boston, many of them medical facilities associated with universities. Some of the City's largest include Tufts Medical Center, Boston Medical Center, Massachusetts General Hospital (MGH), Brigham and Women's Hospital, Children's Hospital, Beth Israel Deaconess Medical Center, and Dana-Farber Cancer Institute.
- **Education:** Greater Boston is home to over 50 colleges and universities, including Harvard University, the Massachusetts Institute of Technology, Boston University and others, which is more than any other metropolitan area in the country.
- **Conventions/Tourism:** In addition to convenient access via automobile, inter-city train and airplane, Boston benefits from its location on the water and reputation as a walking City. The presence of a well-developed transportation infrastructure, which is continually updated and enhanced, continues to make the area a desirable tourist and convention destination. The addition of the Boston Convention and Exhibition Center (BCEC), located in the Seaport District, has dramatically increased the number of travelers coming through Boston. The Hynes Convention Center, located in the Back Bay, is the City's second largest convention center built in 1988.

The following factors are expected to affect the local lodging market over the duration of the projection period.

- Economic indicators project continued moderate growth for Chelsea and the Boston MSA in the areas of employment, population, and average household income through 2022.
- Boston Logan International Airport accommodated over 36 million passengers in 2016, its highest level in history. Much of the airport facility's recent growth is related to its international passenger traffic stemming from its more than 50 international destinations. In 2016, international passenger traffic increased almost 20%, serving 6.6 million travelers from other countries. Boston will continue to be a destination for both corporate and leisure travel, it is expected that passenger statistics will continue to increase further along with the recovery of the national economy. The airport has added several new non-stop international destinations in recent years helping to fuel the airport's growth.
- The Silver Line Gateway Project will be completed and operational in April 2018. The dedicated bus rapid transit (BRT) service will connect the City of Chelsea with East Boston (via MBTA Blue Line's Airport Station) with downtown Boston (via the Blue Line at Airport and the Red Line at South Station) and the Seaport District. The four new BRT stations will be located at Eastern Avenue, Box District, Bellingham Square (at Arlington Street), and Chelsea (at Everett Avenue) adjacent to the FBI Headquarters and Mystic Mall. The project offers faster travel times and the potential for high ridership. Additionally, Chelsea will be the only city outside of Boston with direct public transportation services to both North and South Station.

- As of year-end 2017, the Greater Boston Office Market as defined by Colliers International had an inventory of over 70.1 million square feet. With absorption between 1.4 and 2.1 million annually between 2012 to 2015, the overall commercial office market was extremely active. The last two years, while not as robust, have shown slow and steady growth. There are many large-scale projects which include office, retail and residential components in the approval process throughout Boston, specifically the Seaport and Financial Districts have major office developments being delivered and constructed. Although there is not a substantial amount of office inventory in the City of Chelsea there are a considerable number of significant development projects that have been permitted, two of which are hotels. As these developments deliver additional housing and commercial uses, the surrounding neighborhoods will benefit from the economic spinoff.
- Boston is a major international tourist destination offering world class museums, historical sites, tourist attractions and entertainment. The area will continue to attract millions of visitors year after year.
- The two convention centers located in downtown Boston are the Boston Convention and Exhibition Center (BCEC) and the John B. Hynes Veterans Memorial Convention Center (Hynes Convention Center). The BCEC is located in the Seaport District and contains 516,000 square feet of exhibition space, 160,000 square feet of meeting space, a 40,000 square foot ballroom, and over 300,000 square feet of registration and function space. The Hynes Convention Center located in the Back Bay neighborhood of Boston has approximately 193,000 square feet of exhibition space, 71,600 square feet of meeting space, a 24,500 square foot Grand Ballroom, and 60,000 square feet of registration and function space. The BCEC and the Hynes Convention Center combine to generate over 600,000 hotel room nights a year for the local lodging market. The MCCA, operators of the BCEC, are currently in the process of evaluating a potential expansion of the BCEC.
- Colleges and Universities are often generators of hotel demand from visiting professors and speakers, interviews, trustees, visiting sports teams, visiting parents, prospective students, and visiting for special events (i.e. graduation, reunion, homecoming, etc.). The extent of hotel demand, however, depends on a variety of factors including total enrollment, commuter school vs. non commuter school, academic reputation, strength and size of athletic program, etc.
- Greater Boston is one of the nation's most respected healthcare centers including some of the world's leading medical and research facilities including Tufts New England Medical Center, Boston University Medical Center, Massachusetts General Hospital (MGH), Brigham and Women's Hospital, Children's Hospital, Beth Israel, and Dana-Farber. These hospitals will continue to drive lodging demand from families of patients, visiting physicians, pharmaceutical representatives, and personnel interviews.
- Legislation to allow destination casino developments within the Commonwealth of Massachusetts was signed into law in 2011. The legislation allows for three resort casinos to be located in three geographically-distinct areas. Wynn Resorts was selected by the Massachusetts Gaming Commission for the Region A license for its proposed casino in Everett on a site previously occupied by the Monsanto chemical plant, four miles north of Boston. The Wynn Boston Harbor will be comprised of 3.2 million square feet and include 210,000 square feet of gaming (including 3,200 slot machines and 160 gaming tables), a 24-story glass hotel tower with 629 luxury rooms, and a nightclub, restaurants, retail stores, a spa, and meeting and convention space. Additional facilities include boat docks, water taxi service into Boston and a public harbor walk with an



amphitheater. In addition to on-site facilities, the proposed plans include a \$58 million roadway improvement plan for Everett and surrounding communities. Construction began in June 2016 and is estimated to be completed in the summer of 2019. The casino is approximately 2.0 miles from the center of Chelsea. While the casino will offer a 629-room luxury hotel, we believe that the casino will be viewed as either a destination in itself or as an amenity to those visiting the immediate area. Additionally, resort casinos such as Wynn Boston Harbor typically drive room demand to neighboring hotels, often times lower priced, branded hotels.

Overall, based on our review of the leading economic indicators, we are of the opinion that the long-term prospects for Chelsea and the local economy are positive and poised for continued growth. As vacancies decrease and construction costs and rental rates increase in Boston and Cambridge, developers and employers will seek alternative locations in close proximity to transportation. Given its proximity to Boston Logan Airport, and its ease of access to/from Boston, commercial and residential growth north is likely to continue into the future.

Greater Boston Lodging Market

Supply (Available Rooms)

For the purpose of this analysis, we have defined the Greater Boston lodging market as all hotels located in markets within and along Route-128 (Rt-128). According to STR, as of January 1, 2018 there were approximately 222 hotel properties combined for approximately 39,600 hotel rooms in the Greater Boston area. Boston and Cambridge have historically combined for around 60% of the Greater Boston supply.

Since 2007, the Greater Boston lodging market has seen moderate growth in supply, increasing 1.5% compounded annually. This is comparable to the growth in supply seen on a national level which increased 1.4% on a compound annual basis during the same period. Supply declined slightly in 2011 as hotels, mostly older limited service properties, closed or reduced roomcounts. A large portion of the growth in Greater Boston occurred in the last two years, increasing 2.4% and 3.8% in 2016 and 2017, respectively. While supply has increased nationally the last two years, it has been at a slower rate increasing 1.4% and 1.8%, respectively.

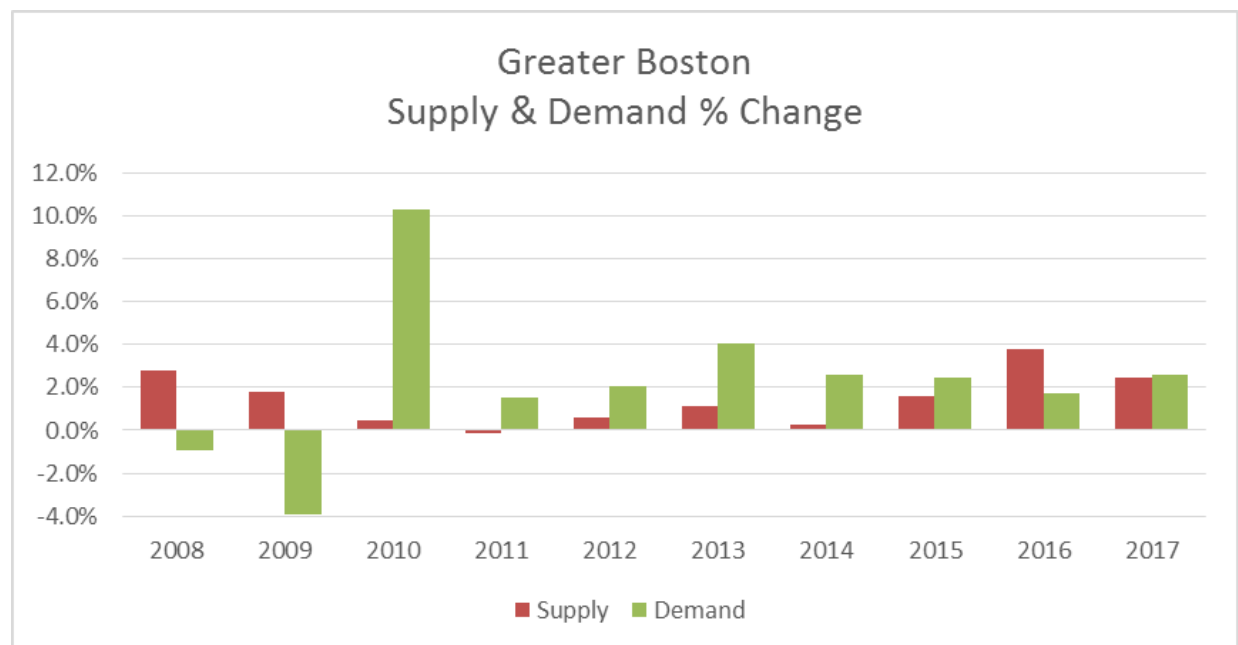
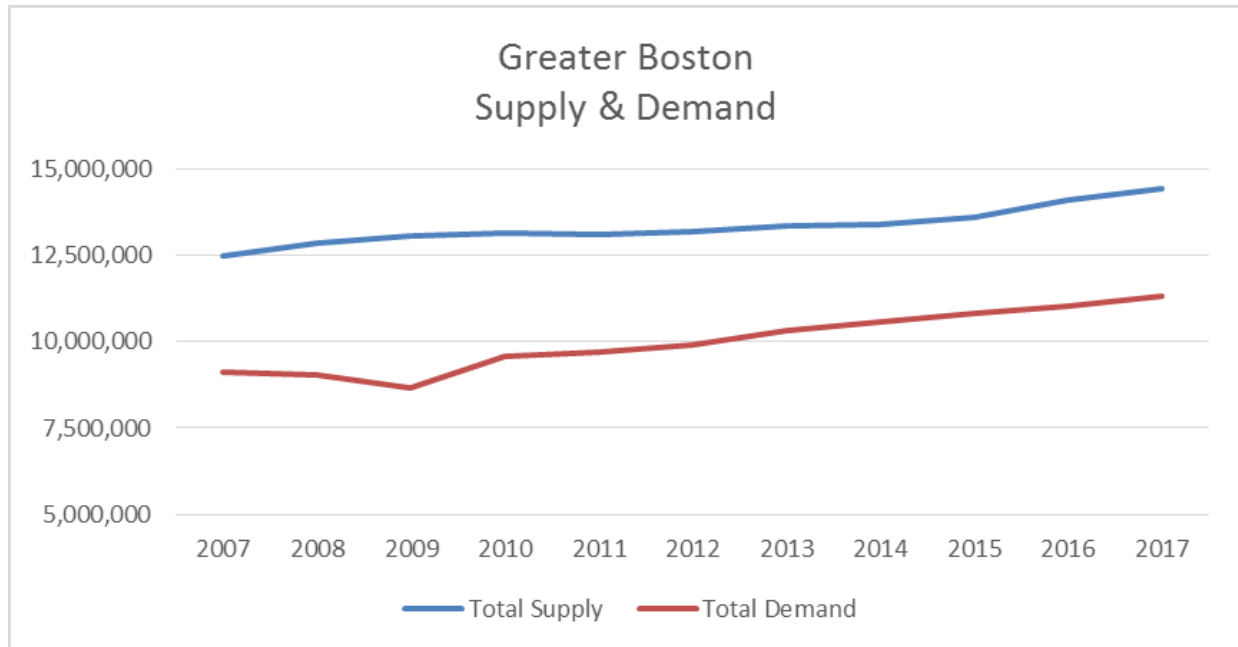
The vast majority of the hotels located in the inner suburbs that have been opened in recent years are branded and affiliated with nationally recognized hotel companies. These hotels tend to be smaller, averaging 125 rooms, offering fewer amenities related to meetings and business activity. The hotels which have opened in Boston and Cambridge are more of a mix of brand and independent, full service and select service.

Demand (Occupied Rooms)

The Greater Boston lodging market relies on a mix of demand segments stemming from both domestic and international travelers. The region's economy remains diversified with financial services, biotechnology, health care, education and conventions/tourism serving as the five engines of growth.

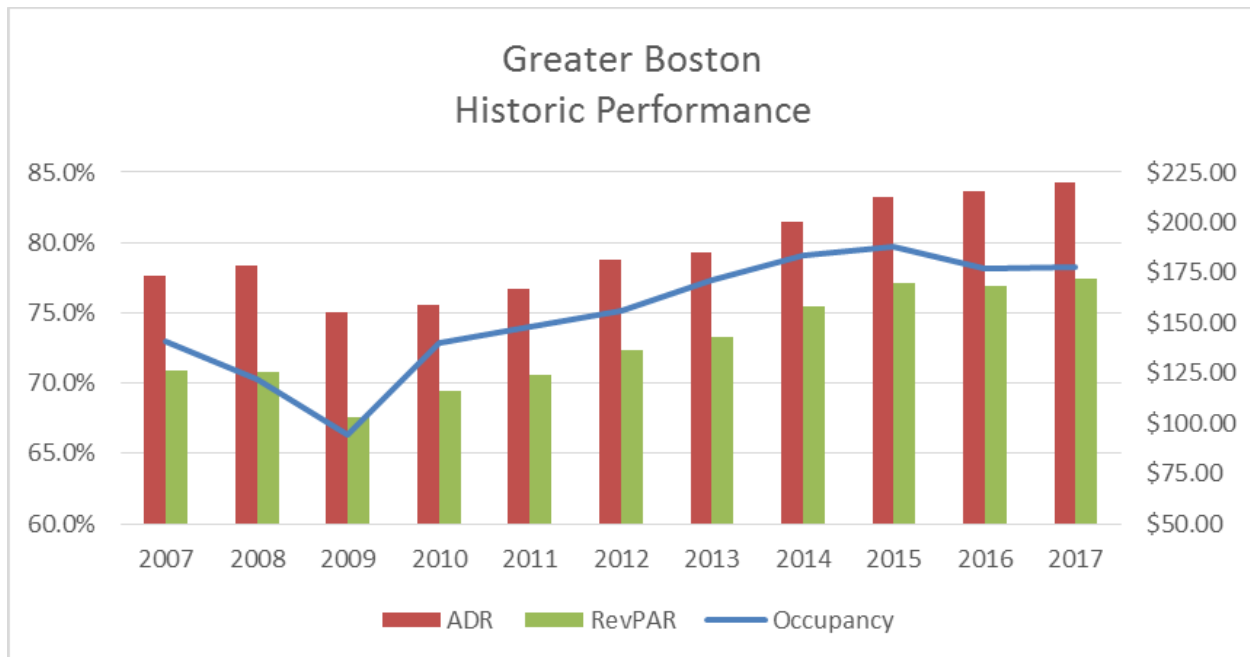
Boston, the capital of Massachusetts, and Cambridge are both positioned as global centers for business, education and healthcare. Accommodated demand in the inner suburbs, inside of Rt-128 (within roughly ten miles of the City), is characterized by compression, or overflow demand stemming from the Boston and Cambridge, as well as the following drivers:

- Proximity to city center (Boston and Cambridge)
- Significant office or commercial market
- Access to public transportation (principally MBTA train lines) and major highway routes (Mass Pike and I-93)
- Presence of services and amenities in neighborhoods
- Room rates
- Proximity to Boston Logan International Airport



Performance

Greater Boston's visitation has led to particularly strong demand for hotel rooms, as reflected by annual average occupancy rates that continue to rank among the highest in the country's top 25 markets. Between 2007 and 2017, occupancy has averaged 75% in Greater Boston with its peak reaching 80% in 2015. As a result of the recent increases to supply, occupancy declined to 78% in both 2016 and 2017, despite demand increases of 2% and 3%, respectively. Similarly, growth in room rates has been mitigated as a result of new supply. Between 2010 and 2015 average daily rates (ADR) grew 5.6% on average, however in 2016 and 2017 ADR increased 0.2% and 1.6%, respectively.



Outlook

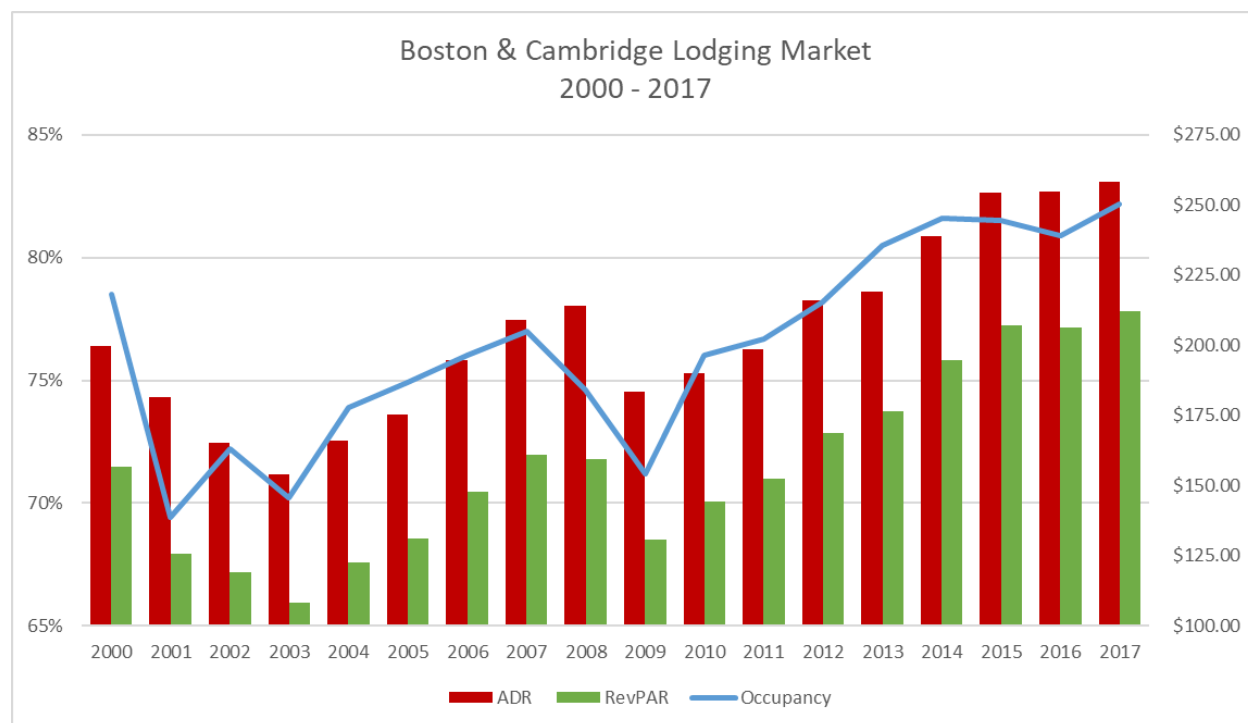
Visitation to Boston and Cambridge for leisure and business will continue in the long term. The economic recession following the housing crisis in 2008 tested the resiliency of the local hotel market and given its diverse set of demand generators and reliance on education and healthcare industries in particular, the local market rebounded quicker than most major markets.

As employment and visitation continue to increase, interest in new development will remain however, as evidence from the growth in supply and its impact to market performance, there is a concern of oversupply. Despite increasing and pent up demand, room supply caught up to demand in 2016 and 2017 causing occupancy and RevPAR (revenue per available room) to remain fairly flat. These market dynamics will slow hotel development as developers wait for new supply to be fully absorbed.

The Greater Boston lodging market covers a large geographic region made up of multiple submarkets. A variety of factors including supply saturation, site availability, land and construction costs, etc, will allow some markets to expand while others will slow.

Boston & Cambridge Lodging Market

Although the hotels in the City of Chelsea do not compete directly with all of the hotels in Boston and Cambridge, it is important to understand the broader market, as a foundation for the local market, which will be defined in the following section. The tables below illustrate the historic performance of the Boston and Cambridge lodging market from 2000 through 2017. Occupancy and average rate data for the City of Boston has been compiled via the Pinnacle Perspective, a collection of data representing over 95% of the local market's room supply.



Source: Pinnacle Perspective, Pinnacle Advisory Group

Occupancy in the Boston/Cambridge lodging market has ranged between 69% and 82% over the past eighteen years. Declines followed the terrorist events of 2001, the economic recession following the housing crisis in 2008/2009, and most recently in 2015 and 2016 as a result of new supply. Despite these recent declines in occupancy, demand in Boston and Cambridge has increased year after year since 2009. The market occupancy has averaged 76.4% since 2000 and has been above 80% for five consecutive years.

Average daily rate has followed a similar trend to occupancy with increases year after year since 2009. In 2017, the market ADR increased 1.4% to \$258, its historic high. While ADR has grown 1.5% on a compound annual basis since 2000, ADR increases have averaged 4.4% since the most recent recession. RevPAR increased 3.0% in 2017 to \$212. Given the growth in occupancy and ADR, RevPAR has increased 1.8% compounded annually since 2000 and 6.3% since the most recent recession.

Boston/Cambridge Lodging Market - New Supply

During the course of our fieldwork, we interviewed local planning officials and area developers to ascertain the status of any proposed hotel developments. Similar to many markets throughout the

country, the economic environment following the 2008/2009 recession led to very little growth in supply growth for years, helping to improve market performance. However, the Boston and Cambridge market began to experience increases to its supply in recent years, primarily made up of smaller, select service hotels.

The Boston Planning and Development Agency combined with the Cambridge Community Development Department have a pipeline made up of over 7,900 proposed hotel rooms, of which approximately 1,700 are listed as under construction and over 4,200 are approved.

New Rooms Supply by Status - Boston & Cambridge, MA				
Status	Prjs	%	Rms	%
Under Construction	10	26%	1,667	21%
Approved	18	46%	4,280	54%
Under Review / Letter of Intent	11	28%	2,004	25%
TOTAL	39		7,951	

Does not include rumored/preliminary projects.

Source: Boston Planning & Development Agency, Cambridge Community Development Department as of March 22, 2018.

Compiled by Pinnacle Advisory Group

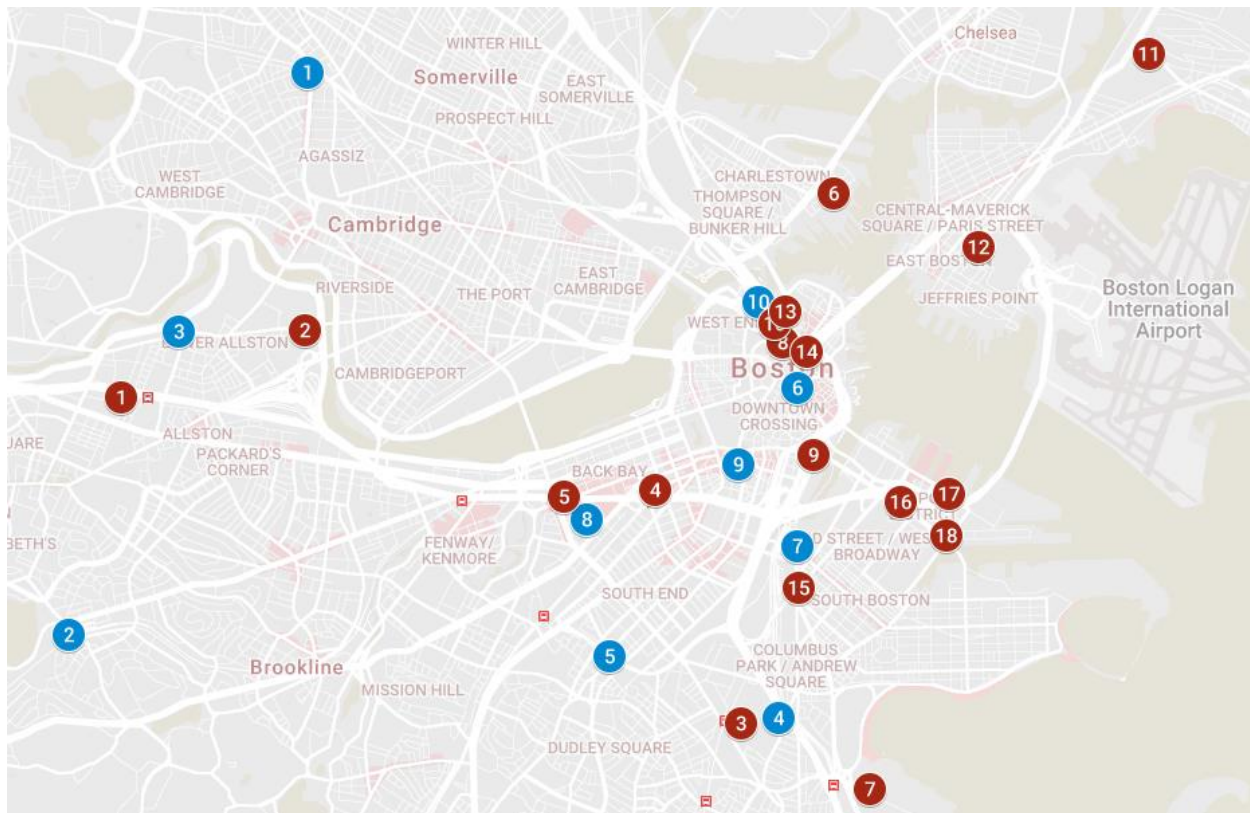
A list of the proposed hotel projects in Boston and Cambridge according to the Boston Planning & Development Agency and the Cambridge Community Development Department are listed below. There are many other hotels which are considered rumored or preliminary, however given their status they cannot be presented.

Proposed New Hotel Supply - Boston & Cambridge, MA				
	Hotel	Neighborhood	Rms	Est. Delivery
Under Construction				
1	1868 Mass Ave (Independent)	Porter Square	50	Q2 2018
2	Chestnut Hill Ave/Cleveland Cr (AC Hotel)	Brighton	162	Q2 2018
3	Days Inn Brighton Rehab/Conversion	Brighton	117	Q2 2018
4	Holiday Inn Express Boston (expansion)	South Boston	60	Q2 2018
5	Melnea Hotel & Residences (Residence Inn)	Roxbury	135	Q3 2018
6	Congress Square (Hyatt Centric)	Downtown	163	Q4 2018
7	South Boston Boutique Hotel (Cambria)	South Boston	159	Q1 2019
8	1 Dalton (Four Seasons)	Back Bay	215	Q2 2019
9	Parcel P-7A, Theatre District Site (Moxy)	Downtown	346	Q4 2019
10	The Boston Garden (CitizenM)	Downtown	260	Q4 2019
Approved				
1	Boston Landing, New Balance	Brighton	175	TBD *
2	Harvard Hotel & Conference Center	Brighton	250	
3	South Bay Mixed-Use Town Center	Dorchester	130	TBD *
4	Trinity Place	Back Bay	154	
5	Parcel 13, MassDOT Air Rights	Back Bay	156	
6	Chain Forge Building	Charlestown	230	
7	236 Mount Vernon St (Doubletree Bayside Expansion)	Dorchester	104	
8	Government Center Garage Redevelopment	Downtown	204	
9	South Station Air Rights	Downtown	360	
10	104 Canal Street	Downtown	90	
11	Hilton Garden Inn Logan Expansion	East Boston	84	
12	175 Orleans Street	East Boston	127	
13	88 North Washington	North End	74	
14	Haymarket Hotel Parcel 9	North End	225	
15	246-248 Dorchester Avenue	South Boston	159	
16	Summer Street Hotel	South Boston Waterfront	1,054	
17	Parcel K	South Boston Waterfront	293	
18	Marine Wharf	South Boston Waterfront	411	
LOI / Under Review / Permitting				
	907 Main Street	Central/Kendal Square	58	
	263 Msgr. O'Brien Highway	East Cambridge	120	
	286-290 Tremont Street (Doubletree Downtown Expansion)	Chinatown	140	
	2 Oxford Street	Chinatown	250	
	Ericsson Street Port Norfolk	Dorchester	25	
	1241 Boylston Street	Fenway	184	
	645 Beacon	Fenway	295	
	560 Comm Ave	Fenway	382	
	150 Kneeland Street	Leather District	250	
	Lewis Wharf	North End	300	
	776 Summer Street	South Boston	TBD	

* Projects listed as "under construction" represent those which have had building permits issued. Those listed with TBD deliveries represent those which have yet to start construction on the hotel as these are mixed-use Source: Boston Planning & Development Agency, Cambridge Community Development Department as of March 22, 2018. Does not include preliminary or rumored projects.

Compiled by Pinnacle Advisory Group

The projects which are listed as under construction (blue) and approved (red) are presented on the following map.



The amount of new rooms supply in Boston and Cambridge in 2018 will be made up of eight new hotels combined for approximately 1,100 rooms. With the exception of the Hyatt Centric Congress Square, the new hotels opening in 2018 are primarily smaller, mid-priced hotels. The addition of these hotels will increase available rooms supply in Boston and Cambridge over 3.0% in 2018.

Boston & Cambridge Lodging Market

2018 New Supply

Property	Neighborhood	Scale	Rooms	Est. Opening
Courtyard North Station	Downtown	Upscale	220	March 2018
AC Hotel South End Ink Block	South End	Upscale	205	March 2018
AC Cleveland Circle Brookline	Brighton	Upscale	162	Q2
The Studio Allston *	Allston	Independent	117	Q2
Hotel 1868	Porter Square	Independent	50	Q2
Holiday Inn Express South Boston **	South Boston	Upper Midscale	60	Q2
Residence Inn Roxbury	Roxbury	Upscale	135	Q3
Hyatt Centric Congress Square	Downtown	Upper Upscale	163	Q4

* Conversion of Days Inn Boston which closed in 2017

** Notes an expansion to existing rooms

Source: Boston Planning & Development Agency, Cambridge Community Development Department, various developers. Compiled by Pinnacle Advisory Group

Above average supply growth will continue into 2019 with available rooms supply expected to increase over 4.0%. Hotels expected to open throughout 2019 include the Cambria Hotel in South Boston, the Moxy Theater District, the Four Seasons Back Bay, the CitizenM North Station along with the potential for other smaller projects with shorter development timelines to move forward.

Conclusion

As outlined previously, Boston's economy is driven by a diverse set of growth engines which provide it with a level of stability over the long-term. The area's rich history, amenities, and ease of access contribute to its ability to attract group and leisure travel. While the market remains reliant on its traditional industries such as financial services, education and healthcare, it has also become a hub for innovation, technology, and life sciences all of which drive corporate travel throughout the calendar year. Economic indicators for the overall Boston and Cambridge lodging market are positive and illustrate the underlying strength of the broader market.

The Boston & Cambridge market experienced little growth in hotel inventory between 2010 and 2015. Six new hotels opened in 2016 and 2017 combining for over 1,300 new rooms. Another twelve hotels with over 2,000 new rooms are expected to open in 2018 and 2019.

As outlined previously, the hotels in the inner suburbs of the Greater Boston lodging market benefit from compression stemming from Boston and Cambridge. As new supply is added to these central business districts, compression will be reduced, slowing growth and potentially negatively impacting certain markets outside of the Boston and Cambridge.

City of Chelsea Lodging Market

There are four hotels currently in operation in the City of Chelsea with another two in the pipeline.

Existing & Proposed Hotel Supply Chelsea, MA

Hotel Property	Chain Scale	Opening	Rooms
Residence Inn Boston Logan Airport Chelsea	Upscale Class	Aug 2012	128
TownePlace Suites Boston Logan Airport Chelsea	Upper Midscale Class	Mar 2015	140
Homewood Suites Boston Logan Airport Chelsea	Upscale Class	Mar 2017	152
DoubleTree Boston Logan Airport Chelsea	Upscale Class	Feb 2001	180
Holiday Inn *	Upper Midscale Class	Jul 2018	124
Hampton Inn *	Upper Midscale Class	Jan 2020	103

* Proposed, opening date estimated based on conversations with City and developer

Source: STR, City of Chelsea

The City of Chelsea's first hotel, the 180-room Doubletree which was originally opened as a Wyndham, opened in 2001. While the building is 17 years old, the hotel has been renovated multiple times and given its recent upgrade and conversion it is considered to be in good condition. The 128-room Residence Inn and the 140-room TownePlace Suites opened in 2012 and 2015 respectively and both are considered to be in excellent condition. The newest hotel in Chelsea is the 152-room Homewood Suite which opened in 2017 and is considered to be in like new condition. Overall the existing hotels are all believed to be in good condition and in line with standards outlined by their individual brands.

The existing and proposed hotel supply in the City of Chelsea is 53% Hilton, 32% Marriott and 15% Intercontinental Hotel Group (IHG). Upon the opening of the two proposed hotels, Chelsea hotel supply will be made up of three hotel companies; Hilton, Marriott and IHG. Other nationally recognized brands without representation include Hyatt, Choice, and Wyndham among others. There are no independent hotels in Chelsea.

The 124-room Holiday Inn and the 180-room Doubletree are the City's two full-service hotels, representing 37% of the rooms supply. There are three extended stay brands which make up over half of the rooms supply and upon opening, the Hampton Inn will be the City's one limited service hotel.

Once the two proposed hotels are complete and open, there will be three hotels positioned as upscale combining for 44% of the rooms supply. The three upper midscale hotels will make up the remaining 56%. The City of Chelsea does not offer luxury, upper upscale, midscale hotels or economy branded hotels.

Conclusion

The majority of the rooms supply in Chelsea was built within the last six years and believed to be well maintained and in better than average condition, if not like new. Although priced similarly on average, the existing hotels offer a mix of product types and brands. Three hotel companies are represented among the seven existing and proposed hotels. As such, we believe the City has adequate supply of hotel rooms and the right mix of hotel types to service the demand currently being accommodated in the market.

Logan Airport Competitive Lodging Market

It is important to evaluate the current and prospective status of the lodging industry in the surrounding area, as well as a defined competitive supply of properties that are expected to compete with one another. We have analyzed the area hotels based upon their physical characteristics, location, rate structure, brand (or marketing) affiliation, and core demand drivers in determining the competitive supply for hotels in the City of Chelsea.

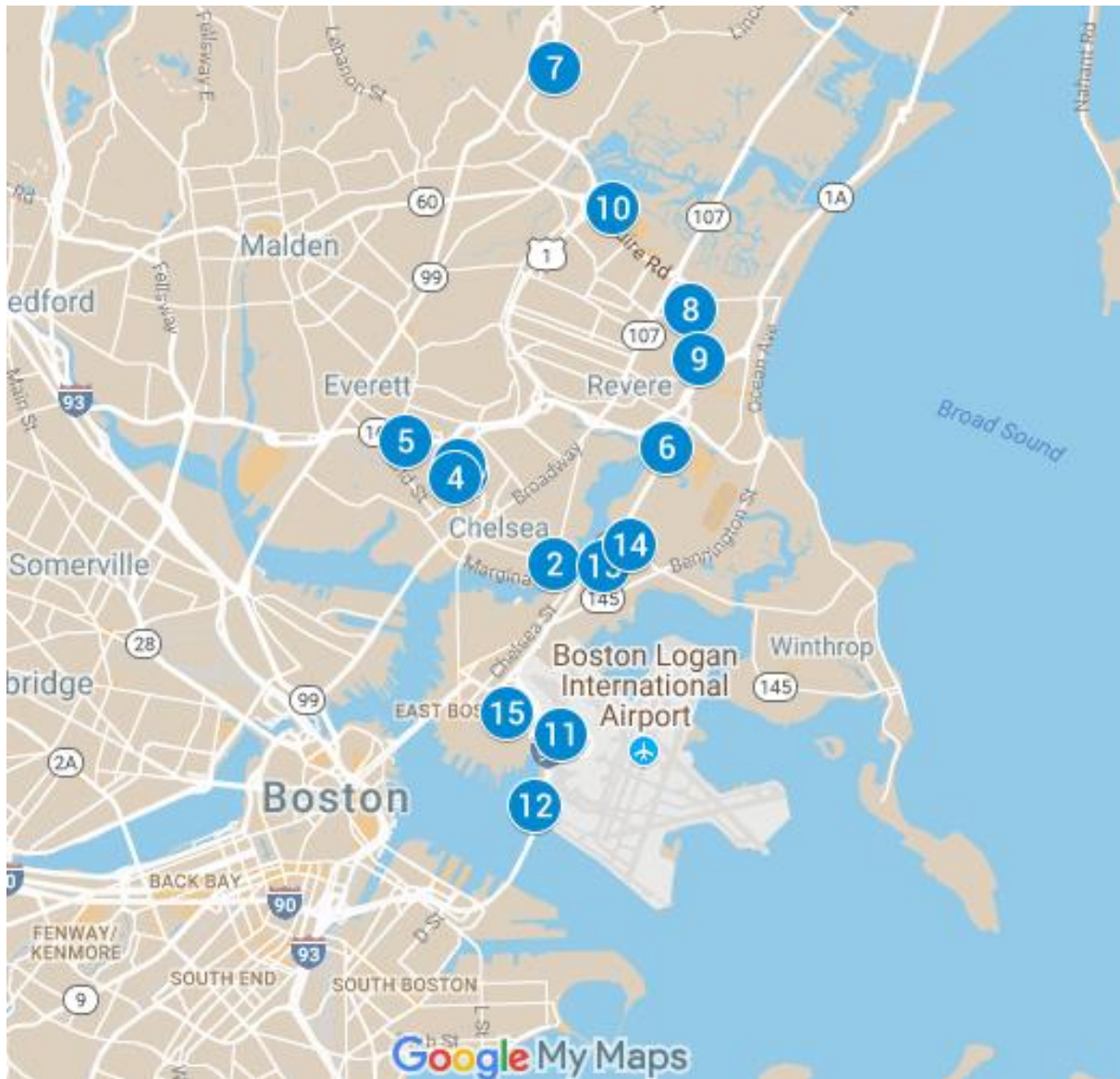
We have identified a competitive set of 15 hotels located in Chelsea, Everett, Revere, and East Boston. These hotels combine for 3,198 rooms. All 15 hotels are branded, ranging in size from 34 to 599 rooms. This does not imply that these hotels are the only hotels catering to demand that is potentially available in the area. The defined supply is intended to represent the grouping of hotels for which performance measures and the general character of the market can be assessed when examining the potential future demand in the area.

Defined Competitive Set						
	Name of Establishment	City & State	Parent Co.	Class	Open Date	Rooms
1	Residence Inn Boston Logan Airport Chelsea	Chelsea, MA	Marriott	Upscale Class	Aug 2012	128
2	TownePlace Suites Boston Logan Airport Chelsea	Chelsea, MA	Marriott	Upper Midscale Class	Mar 2015	140
3	Homewood Suites Boston Logan Airport Chelsea	Chelsea, MA	Hilton	Upscale Class	Mar 2017	152
4	DoubleTree Boston Logan Airport Chelsea	Chelsea, MA	Hilton	Upscale Class	Feb 2001	180
5	Ascend Collection Envision Hotel Boston Everett	Everett, MA	Choice	Upscale Class	Apr 2017	101
6	Hampton Inn Boston Logan Airport	Revere, MA	Hilton	Upper Midscale Class	Mar 2001	250
7	Quality Inn Revere	Revere, MA	Choice	Midscale Class	May 1989	154
8	Rodeway Inn Logan International Airport	Revere, MA	Choice	Economy Class	Jun 1999	34
9	Comfort Inn & Suites Logan International Airport	Revere, MA	Choice	Upper Midscale Class	Aug 2000	208
10	Four Points by Sheraton Boston Logan Airport Revere	Revere, MA	Marriott	Upscale Class	Jan 1962	180
11	Hilton Boston Logan Airport	Boston, MA	Hilton	Upper Upscale Class	Sep 1999	599
12	Hyatt Boston Harbor	Boston, MA	Hyatt	Upper Upscale Class	Jun 1993	270
13	Courtyard Boston Logan Airport	Boston, MA	Marriott	Upscale Class	Jun 1973	351
14	Hilton Garden Inn Boston Logan Airport	Boston, MA	Hilton	Upscale Class	Aug 2015	178
15	Embassy Suites Boston at Logan Airport	Boston, MA	Hilton	Upper Upscale Class	Feb 2003	273

Source: STR

Interviews and site inspections were conducted at the facilities deemed of most critical importance to this analysis. These interviews were supplemented with Internet research and collection of operating and financial data for the remaining facilities.

The following map presents the location of each of the aforementioned properties in relation to the subject site. Numbers correspond with the chart above.

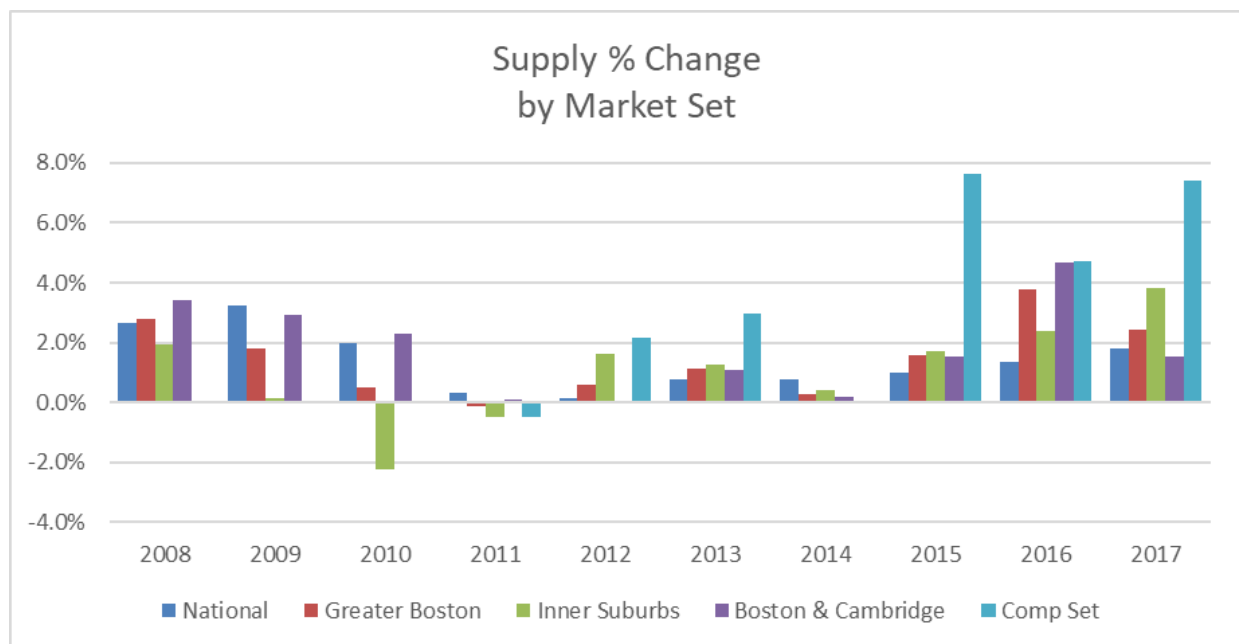


During the course of our fieldwork, we obtained operating statistics for each property through interviews conducted with on-site management and various ownership entities. Based upon this research, we have estimated the subject market's historical supply and demand for accommodations presented in the following table:

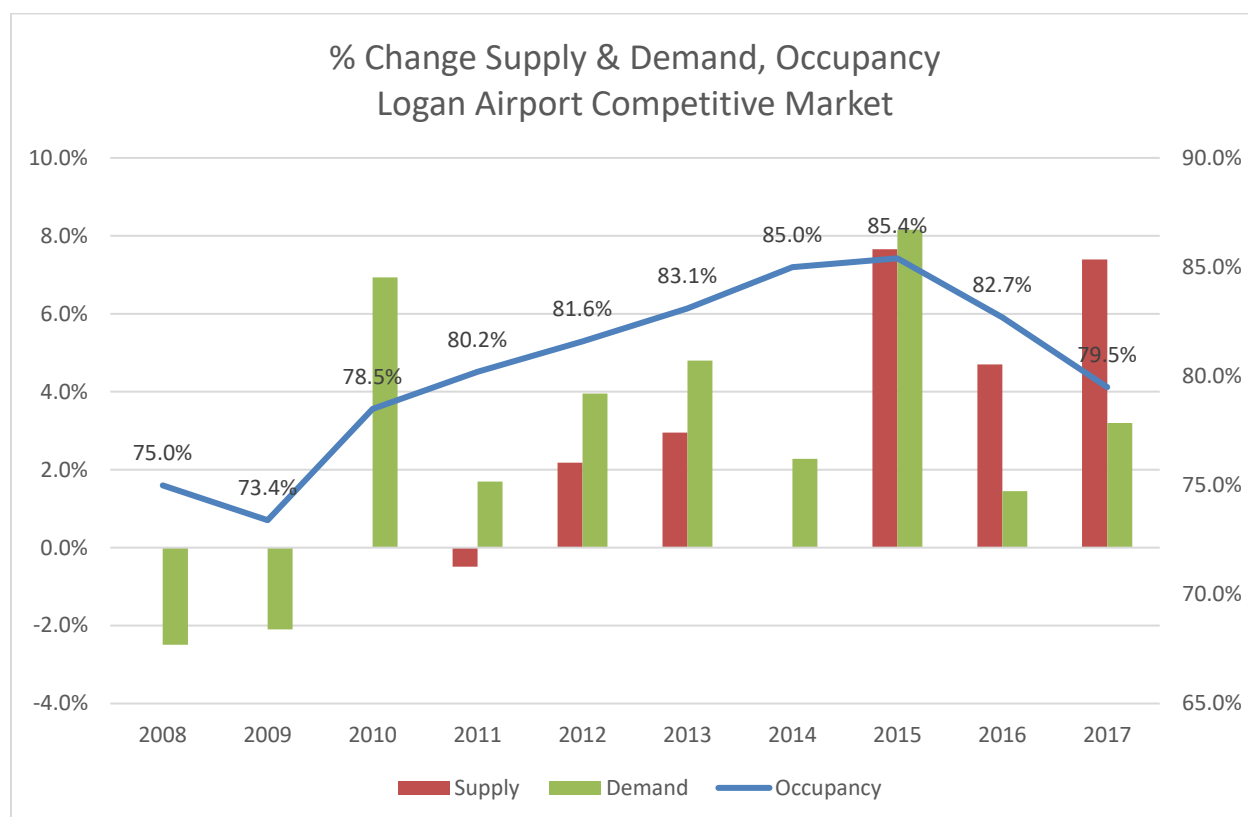
Historical Market - Summary			Logan Airport Competitive Lodging Market							
Market Supply			Market Demand		Market Statistics					
Total			Total							
Year	Roomnights	% Change	Roomnights	% Change	Occupancy	Pts.	Average Rate	% Change	RevPAR	% Change
2007	903,740		695,123		76.9%		\$142.12		\$109.31	
2008	903,740	-	677,828	- 2.5%	75.0%	- 1.9%	\$141.55	- 0.4%	\$106.17	-2.9%
2009	903,740	-	663,603	- 2.1%	73.4%	- 1.6%	\$122.50	- 13.5%	\$89.95	-15.3%
2010	903,740	-	709,621	6.9%	78.5%	5.1%	\$128.77	5.1%	\$101.11	12.4%
2011	899,360	- 0.5%	721,677	1.7%	80.2%	1.7%	\$136.20	5.8%	\$109.29	8.1%
2012	918,944	2.2%	750,198	4.0%	81.6%	1.4%	\$145.53	6.9%	\$118.81	8.7%
2013	946,080	3.0%	785,829	4.7%	83.1%	1.5%	\$151.89	4.4%	\$126.16	6.2%
2014	946,080	-	804,120	2.3%	85.0%	1.9%	\$169.61	11.7%	\$144.16	14.3%
2015	1,018,076	7.6%	869,766	8.2%	85.4%	0.4%	\$180.14	6.2%	\$153.90	6.8%
2016	1,066,408	4.7%	882,129	1.4%	82.7%	- 2.7%	\$184.37	2.4%	\$152.51	-0.9%
2017	1,146,708	7.5%	911,886	3.4%	79.5%	- 3.2%	\$188.74	2.4%	\$150.09	-1.6%
CAGR: 2007-17		2.4%		2.7%				2.9%		3.2%

Source: STR

Supply in the competitive set remained relatively unchanged between 2007 and 2011 before a slight decline of 0.5%, a result of the Four Points in Revere reducing its roomcount by 12 rooms. certain hotels. In 2012, the 128-room Residence Inn opened in Chelsea, increasing supply approximately 5.2% (during 2012 and 2013). In 2015, both a 140-room TownePlace Suites and a 178-room Hilton Garden Inn opened representing an increase of almost 12.3% (during 2015 and 2016). Most recently, a 152-room Homewood Suites and a 101-room Ascend by Choice, a soft brand, opened in the spring of 2017. These two new additions increased supply 7.5% in 2017. Between 2007 and 2017, available rooms in the competitive set has increase 2.4% compounded annually, with the majority of the growth occurring in the last three years. Four hotels combined for over 570 rooms, have opened over the last three years, increasing the competitive set's available rooms supply 7.7%, 4.7% and 7.4% in 2016, 2017 and 2018, respectively. Annual supply growth is presented below comparing it to the national lodging market, Greater Boston, the Inner Suburbs, Boston and Cambridge.



Lodging demand in the competitive set has increased 2.7% compounded annually between 2007 and 2017. While the new supply entering the market fluctuated market occupancy, it helped to induced new demand into the market increasing accommodated roomnights from approximately 695,000 in 2007 to over 911,000 roomnights in 2017. Although demand declined in 2008 and 2009 following the economic recession, the market has experienced year-after-year demand growth ever since. Occupancy has averaged 80% since 2007, ranging from 73% in 2009 to 85% in both 2014 and 2015. As a result of increased supply and renovations taking place in the market, occupancy has declined the last two years.



Similar to demand, average daily rate (ADR) in the competitive market has increased year after year since 2010 as the market began to recover from the most recent recession. ADR has increased 2.9% on a compound annual basis since 2007 however it has grown 5.5% annually over the last five years. High levels of demand, a growing number of sell out nights, and new hotels with strong brands have helped to drive rate in recent years. However, similar to the Boston/Cambridge lodging market, rate growth slowed to below inflationary levels in 2016 and 2017 primarily as a result of new supply in Boston, a soft convention calendar in 2016, and cautious corporate travel during an election year.

Revenue per available room (RevPAR) increased 3.2% on a compound annual growth rate between 2007 and 2017. As a result of the market's growth in both demand and ADR, RevPAR experienced considerable growth between 2010 and 2015. As mentioned previously, RevPAR in the market declined slightly in 2016 due to factors affecting the broader market including Boston and Cambridge.

Additions to Supply

During the course of our fieldwork, we contacted local developers, corporate franchise contacts, and planning representatives from the communities within which the competitive hotels operate to ascertain

the status of any on-going or proposed hotel developments. These interviews were further augmented by our interviews with management of the competitive properties. Representatives with the City of Chelsea provided us with the assumptions for proposed additions to its rooms supply.

Proposed New Supply						
Hotel Property	City	Chain Scale	Status	Rms	Est Opening	
Confirmed						
Holiday Inn Boston Logan Airport Chelsea	Chelsea	Upper Midscale Class	U/C	124	Jul 2018	
Wynn Boston Harbor	Everett	Upper Upscale	U/C	625	Jun 2019	
HGI East Boston (Expansion)	East Boston	Upscale	Approved	84	Jan 2020	
Hampton Inn	Chelsea	Upper Midscale Class	Approved	103	Jan 2021	
Preliminary/Rumored						
127 Orleans Loft Hotel	East Boston	Upscale	Approved	127		
Bremen Street	East Boston	TBD	Preliminary			
SpringHill Suites Revere Beach	Revere	Upscale	Preliminary	170		
49-54 Revere Beach Boulevard	Revere	TBD	Preliminary	175		
Staybridge Suites	Revere	Ext Sty Upscale	Preliminary	132		
Avid by IHG	Revere	Upper Midscale Class	Preliminary	114		
La Quinta Revere	Revere	Upper Midscale Class	Preliminary	100		
Roseland East Boston	East Boston	TBD	Preliminary			

Source: Various Sources

For the purpose of our analysis, we have assumed that three of the confirmed projects move forward and compete directly with the hotels located in Chelsea.

- A 124-room Holiday Inn is under construction in Chelsea at the intersection of Broadway and Clinton Street. The site is adjacent to a Walgreens in close proximity with the town line with Revere. The developer, XSS Development, also developed the Residence Inn, the TownePlace Suites and the Homewood Suites in Chelsea. Construction began in the spring of 2017 and the hotel's estimated opening is July 2018.
- The City of Chelsea has approved the development of a 103-room Hampton Inn to be located at 200 Second Street. According to the City, the hotel is expected to open January 2020.
- First Bristol, the owners of the Hilton Garden Inn Logan Airport have been given approval to expand by an additional 84 rooms. For the purpose of our analysis we have assumed the expansion will be completed and open in January 2020.

There are additional hotel projects in the immediate area which may move forward however have not been considered in our analysis as they could not be confirmed as receiving full city/town approval or financing in place.

The Wynn Boston Harbor which is under construction and expected to open in the summer of 2019 was not considered as new supply in our analysis as we do not believe a full-service resort casino of that size and scale will compete with the existing and proposed hotels of Chelsea. We have accounted for the additional transient demand which may be accommodated in the Chelsea as a result of the casino property.

While not directly competitive, there are a wealth of hotel developments in and around Boston and Cambridge. An increase to supply in these areas will have an impact to markets which rely heavily on compression during peak periods as well as those which are lower priced alternatives to downtown hotels.

As presented previously, the Boston & Cambridge market experienced little growth in hotel inventory between 2010 and 2015. Six new hotels opened in 2016 and 2017 combining for over 1,300 new rooms. Another twelve hotels of over 2,000 new rooms are expected to open in 2018 and 2019.

Demand Segmentation

In 2017, the competitive set's demand mix is estimated to be made up of the following: corporate (30%), group (18%), leisure (22%), crew (25%), and extended stay (5%). Government demand represents a sixth segment but has been included in our corporate estimates.

Corporate Demand

Corporate demand in this market is comprised of business executives visiting their respective offices, traveling consultants and sales people, and employees traveling for training purposes. Demand timing for this segment occurs Monday through Thursday, with the most frequent arrival days being Tuesday and Wednesday with a length of stay between one to three nights. The transient corporate segment accounted for approximately 30% of total accommodated demand in 2017, equating to approximately 285,000 room nights.

Demand from the transient corporate business traveler is often characterized by the following:

- High degree of single occupancy
- Typically brand loyal
- Average length of stay typically one to three nights
- Efficient check-in / check-out procedures required
- Frequently book rooms via the Internet
- Desire high price value relationship
- Require proximity to place of business and accessibility to major transportation routes

The market relies heavily on Logan Airport which has seen considerable increases to traffic in recent years, while these increases are not sustainable in the long term, modest growth is expected to continue through the projection period. Although the immediate area does not have a significant amount of office inventory, the New England Regional FBI Headquarters opened in 2016, offering over 200,000 square feet of space to 400-500 employees. Developments such as this help to drive corporate (and government) travel to the immediate area.

New supply in Boston and other areas of the inner suburbs will have a secondary impact to the competitive market during low demand periods, mitigating growth rates experienced in recent years. Highly sought after office markets like Boston and Cambridge are becoming less and less affordable, increasing the demand for office inventory in the inner suburbs. While there is little office inventory in the local area, there are numerous mixed-use projects considering office space. The many commercial developments under construction and proposed throughout the area, combined with the general strengthening of the U.S. economy, will continue to drive growth in the corporate segment.

Group Demand

Group/meeting demand in the competitive market is comprised primarily of corporate groups, association, as well as rate sensitive tour and travel groups, association, and SMERF group

(social, military, education, religious, and fraternal). The group segment is relatively small as the hotels, with the exception of the three hotels located at Boston Logan Airport, have small to moderate amounts of meeting and event space. Additionally, the market acts as a lower priced alternative to conventioners attending events being held at Boston's two convention centers. The group segment accounted for 18% of total accommodated demand in 2017, equating to approximately 156,000 room nights.

The group segment can be characterized by the following:

- Require discounted room rates when compared to transient rates
- Prefer being proximate to tourist destinations
- Flexible meeting and banquet facilities often required
- Quality food and beverage service preferred
- Variety of room configurations required

The addition of the Silver Line to Chelsea will enable the local market to offer direct access to the BCEC in the Seaport District, prompting growth in the group segment. Group demand in the market will follow similar patterns to those experienced in the corporate segment and is expected to experience moderate growth in line with the general strengthening of the U.S. economy.

Leisure Demand

The subject market's leisure demand accounts for 22% of total demand in 2017, accounting for approximately 197,000 room nights. Demand generated by the leisure traveler is often characterized by the following:

- High incidence of weekend occupancy
- Brand loyal, often redeeming loyalty rewards/points
- Average length of stay one to two nights
- Relatively rate sensitive
- Relatively high percentage of multiple occupancy
- Strong demand typically occurs during summer/fall months and holiday periods

Leisure demand is expected to follow similar patterns to those of the traffic through Logan Airport and the Country's economic environment. The changing dynamics of the local area as a result of mixed-use developments offering retail and restaurants, the continued expansions at Boston's Logan Airport, and the general strengthening of the U.S. economy will continue to drive growth in the leisure segment. Additionally, the Wynn Boston Harbor Casino is expected to open mid-2019 in Everett. As proposed, the project will include entertainment, dining, retail, gaming and a 629-room luxury hotel. While we believe the development will be viewed as either a destination in itself or as an amenity to those visiting the City of Boston, the opening of such a facility will drive new leisure demand to the area and the mid-priced hotels in close proximity to the casino.

Contract Demand

Contract demand represents the second largest demand segment in the defined competitive market. In 2017, the market's contract segment represented approximately 237,000 roomnights, or 25% of the total market demand.

This demand is exclusively related to Boston Logan International Airport and is comprised primarily of contracted agreements for airline crews. Crew demand has followed a similar pattern to the passenger volume statistics at the airport, increasing each year since 2010.

Given demand trends and the increases to supply, specifically in Boston, we have projected contract demand growth will begin to slow as the new hotel inventory comes online. Crews typically prefer to be in downtown areas but of late, many domestic carriers have been priced out of the hotels in Boston and Cambridge.

Extended Stay Demand

In 2017, the market's extended stay segment represented approximately 36,000 roomnights, or 5% of the total market demand. While the market offered three extended stay hotels in 2017, these properties accommodated more contract and transient demand as it was more reliable as a base of demand and had higher average daily rates.

Demand generated by the extended-stay traveler is often characterized by the following:

- Long-term stays in excess of four consecutive nights, often times with stays lasting weeks or months at a time;
- Desire for in-room kitchen facilities and more spacious accommodations
- Proximity to local area amenities and activities required

The extended stay segment is related to both the leisure and corporate segments and follows a similar trend.

Extraordinary (induced) Demand

Extraordinary demand consists of both unaccommodated demand in the market from individuals unable to book rooms in the existing market due to occupancy restrictions, as well as induced demand that a new property generates through its central reservations system or because a suitable property did not previously exist in the market to accommodate a certain type of demand (i.e. extended-stay demand or large group demand). Induced demand is separate from core demand growth that occurs in the market, which can generally be traced back to such things as changes in the economy.

The concept of extraordinary (induced) demand can be summarized as situations in which supply creates demand. In other words, the opening of a property may accommodate demand which previously did not visit the market due to inadequate accommodations, or the unavailability of a branded product to which they are loyal. Potential induced demand for situations involving new supply can be estimated by: evaluating the subject market's historical performance when a similar situation occurred; interviewing potential users of the new facility; and/or examining the contribution that comes from either a central reservation system, or national sales network. Additionally, capacity constraints that exist within a defined market afford the opportunity for the re-introduction of accommodated demand into the market when new supply is added to the market's inventory.

For the purposes of this lodging market analysis, we have included induced demand from the the new supply identified previously. Specifically, the 124-room Holiday Inn Chelsea opening July 2018, the 103-room Hampton Inn opening January 2020 and the Hilton Garden Inn East Boston expansion which is expected to be complete in January 2020. Our estimates for these three rooms additions account for new demand as well as unaccommodated demand from peak demand nights. There will be a considerable amount of new demand that will be induced into the market as a result of the market's sell out nights

which we have estimated to be between 100 and 150 annually. As such, after considering previously unaccommodated demand due to sell-out nights as well as new demand that would be generated from new supply, we have induced approximately 56,000 room nights into the market between 2018 and 2021.

Non-Traditional Lodging

As a well-known travel destination, travelers to Boston and its general area have historically had home rentals as options for lodging. Residents and those living outside the State who own property are renting spare rooms, entire homes or other types of lodging to visitors in greater numbers than ever before as marketing these rentals has become increasingly easier with the creation of various web-based platforms. Some of the most widely used rental platforms include Homeaway, Vacation Rent by Owner (VRBO), Airbnb, Flipkey, Hometogo, Craigslist, and even social media sites like Facebook. These services are being used in addition to the more traditional rental methods such as property management companies or word of mouth.

Data for all rental platforms is not available however, relying on data for AirBnB the largest platform for home-sharing, provides an indication of trends. The table below presents performance metric for AirBnB units compared to hotels in Boston and the towns/cities surrounding Logan airport (including Chelsea).

AirBnB vs Hotel Performance 2017

Boston CBD/Logan Airport

	AirBnB	Hotel
Average Daily Supply	1,683	20,564
Occupancy	61.9%	81.5%
Average Daily Rate	\$207.74	\$255.11

Source: CBRE Hotels, AirDNA, STR

The supply of AirBnB fluctuates as hosts have the ability to place and remove their rental units daily. On average, there were 1,683 units available through AirBnB daily in 2017 which represents approximately 8% of the area's hotel supply. Occupancy at these AirBnB units was approximately 20 points below the hotel market and its ADR was at a discount of approximately \$47. Reporting suggests that the average length of stay at the AirBnB in the region was 4.0 nights with 3.5 guests per unit.

A monthly analysis of the CBD and Logan Airport AirBnB performance is outlined below.

Boston - CBD / Airport Airbnb Average Daily Performance by Month

		OCC	Δ OCC	ADR	Δ ADR	RevPAR	Δ RevPAR	ACTIVE UNITS	Δ ACTIVE UNITS	SUPPLY	Δ SUPPLY	DEMAND	Δ DEMAND	REVENUE	Δ REVENUE
2016	Jan	44.0%	-4.0%	\$141.11	-8.2%	\$62.02	-11.9%	908	83.8%	736	69.3%	324	62.6%	45,675	49.2%
	Feb	47.7%	10.8%	\$139.52	-6.9%	\$66.54	3.2%	869	108.9%	724	97.5%	345	118.8%	48,152	103.7%
	Mar	52.3%	3.1%	\$161.33	-1.1%	\$84.44	1.9%	1,253	92.2%	1,030	99.4%	539	105.5%	86,985	103.2%
	Apr	55.5%	15.5%	\$203.13	8.0%	\$112.71	24.8%	1,633	89.7%	1,374	108.7%	762	141.1%	154,876	160.5%
	May	64.5%	7.8%	\$198.09	5.2%	\$127.83	13.5%	1,571	61.3%	1,321	89.8%	852	104.7%	168,872	115.4%
	Jun	64.4%	6.6%	\$201.71	4.4%	\$129.80	11.3%	1,611	60.0%	1,321	84.7%	850	96.9%	171,407	105.5%
	Jul	67.2%	6.0%	\$204.83	4.7%	\$137.67	10.9%	1,688	48.5%	1,383	75.4%	930	85.9%	190,408	94.6%
	Aug	65.9%	4.0%	\$199.72	5.1%	\$131.63	9.3%	1,737	54.0%	1,421	83.1%	936	90.4%	186,980	100.2%
	Sep	66.9%	16.7%	\$209.67	3.4%	\$140.33	20.6%	1,826	70.7%	1,482	98.0%	992	131.1%	208,021	138.8%
	Oct	65.3%	2.0%	\$208.48	0.0%	\$136.08	2.0%	1,901	64.9%	1,583	105.2%	1,033	109.3%	215,442	109.2%
	Nov	53.7%	13.1%	\$189.22	6.8%	\$101.70	20.8%	1,751	69.0%	1,519	90.6%	816	115.5%	154,482	130.1%
	Dec	47.6%	20.6%	\$163.00	4.8%	\$77.53	26.3%	1,423	50.6%	1,221	57.4%	581	89.8%	94,653	98.8%
2017	Jan	45.1%	2.5%	\$146.94	4.1%	\$66.20	6.7%	1,306	43.8%	1,124	52.6%	506	56.4%	74,410	62.9%
	Feb	50.1%	5.0%	\$146.04	4.7%	\$73.12	9.9%	1,188	36.7%	1,051	45.2%	526	52.5%	76,859	59.6%
	Mar	54.4%	3.9%	\$181.91	12.8%	\$98.92	17.1%	1,602	27.9%	1,373	33.3%	746	38.4%	135,784	56.1%
	Apr	63.5%	14.4%	\$220.16	8.4%	\$139.74	24.0%	1,971	20.7%	1,698	23.6%	1,078	41.4%	237,346	53.2%
	May	66.7%	3.3%	\$230.28	16.2%	\$153.58	20.1%	2,130	35.6%	1,784	35.0%	1,189	39.5%	273,906	62.2%
	Jun	68.2%	6.0%	\$220.45	9.3%	\$150.40	15.9%	2,102	30.5%	1,771	34.1%	1,208	42.1%	266,277	55.3%
	Jul	67.0%	-0.3%	\$229.22	11.9%	\$153.60	11.6%	2,299	36.2%	1,932	39.7%	1,294	39.2%	296,692	55.8%
	Aug	68.4%	3.8%	\$217.66	9.0%	\$148.85	13.1%	2,288	31.7%	1,949	37.2%	1,333	42.3%	290,044	55.1%
	Sep	66.9%	-0.1%	\$222.88	6.3%	\$149.07	6.2%	2,343	28.3%	1,986	34.0%	1,328	33.9%	296,032	42.3%
	Oct	70.2%	7.5%	\$226.66	8.7%	\$159.08	16.9%	2,327	22.4%	1,998	26.2%	1,402	35.7%	317,883	47.5%
	Nov	57.8%	7.5%	\$189.38	0.1%	\$109.41	7.6%	2,124	21.3%	1,844	21.4%	1,065	30.5%	201,737	30.6%
	Dec	48.8%	2.7%	\$156.75	-3.8%	\$76.56	-1.3%	1,898	33.4%	1,651	35.2%	806	38.8%	126,357	33.5%

Sources: CBRE Hotels' Americas Research, Airdna, Q4 2017.

As a new industry, many municipalities are considering legal restrictions specific to Airbnb and the home-sharing industry. While some cities restrict length of rental period, others have found success in collecting occupancy tax similar to that of a hotel. Additionally, some cities are requiring hosts to register and obtain permits or licenses. The City of Cambridge is an example locally which placed restrictions on short-term rentals in 2017. In an effort to minimize its impact to the city's housing inventory, Cambridge restricts rentals to owner-occupied units, allows the practice in buildings with fewer than five units, and subjects the rentals to safety inspections.

In March 2018, the Massachusetts House passed legislation to regulate and tax the short-term rental industry, including those made available through online platforms such as Airbnb. The bill outlines state taxes which would be imposed and also allows cities and towns to impose their own local excise taxes and place certain restrictions on short-term rentals. The bill would also create a state registry of short-term rental properties. A week after this bill passed, the State Senate released a slightly different bill which would impose a tiered tax system and allow communities to impose local excise taxes.

Reports have connected short-term rental platforms to negative impact on the local lodging market and in some case decreasing housing availability and increasing rental rents. This is not part of the scope of this analysis. However, it is something which should be considered and understood when drafting policies and regulation.

Competitive Set Outlook

As indicated previously, visitation to Boston and Cambridge for leisure and business will continue in the long term. For competitive markets located in Boston's inner suburbs, supply growth in Boston, Cambridge and locations with closer proximity to the city center, are a threat to future demand levels. While Boston Logan Airport is undergoing expansions of its international terminal, the airport has limited ability to grow physically due to land constraints.

Given the competitive market's reliance on Boston Logan Airport, we believe the market will continue to operate at high occupancies in the long term, however they are expected to decline to 78%.

Core Demand Growth					
	2018	2019	2020	2021	2022
Corporate	1.0%	1.0%	1.0%	0.0%	0.0%
Group	1.0%	1.0%	1.0%	0.0%	0.0%
Leisure	1.0%	1.0%	1.0%	0.0%	0.0%
Crew	1.0%	1.0%	1.0%	0.0%	0.0%
Ext Sty	1.0%	1.0%	1.0%	0.0%	0.0%
Extraordinary Demand					
	2018	2019	2020	2021	2022
Corporate	800	400	13,200	1,500	0
Group	2,300	1,200	700	100	0
Leisure	8,400	4,500	12,500	1,400	0
Crew	3,800	2,000	2,900	300	0
Ext Sty	0	0	0	0	0
Total	15,300	8,100	29,300	3,300	0
Proj. Growth	2.7%	1.9%	4.1%	0.3%	0.0%
Projected Market Roomnights					
	2018	2019	2020	2021	2022
Corporate	289,200	292,500	308,600	310,100	310,100
Group	159,700	162,500	164,900	165,000	165,000
Leisure	207,700	214,300	228,900	230,200	230,200
Crew	243,300	247,800	253,200	253,500	253,500
Ext Sty	36,300	36,700	37,000	37,000	37,000
Total	936,200	953,800	992,600	995,800	995,800
Market Occupancy	79%	79%	78%	78%	78%
Supply Change %	3.8%	1.9%	5.6%	0.0%	0.0%

* Roomnights rounded to the nearest hundred.

Source: Pinnacle Advisory Group

As illustrated in the table above, we believe that market occupancy will decrease over the projection period as a result of new supply outpacing demand growth. Market occupancy is projected to decline from 79.5% in 2017 to 79% in 2018. Despite a projected increase in demand of 2.7%, supply is expected to increase 3.8% represented by opening of the Holiday Inn Chelsea and the two other properties which opened in 2017. We have projected that both demand and supply will increase 1.9% in 2019, maintaining its occupancy of 79%. In 2020, the Hilton Garden Inn Logan is expected to complete its expansion of 84 new rooms and the 103-room Hampton Inn Chelsea is scheduled to open, an increase of 5.6% to supply. In addition to our growth projections of core demand, we have projected these new rooms to induce new demand (extraordinary demand) into the market, combining for an increase in total demand of 4.1%. Occupancy has been projected to reach 78% in 2021. After having a slight increase in accommodated roomnights in 2022, the market is expected to stabilize at this level over the long term.

Should additional hotels enter the market, our projected occupancy would likely be negatively impacted. Lastly, we have not considered any additional hotel supply in the City of Chelsea beyond the proposed

Holiday Inn and Hampton Inn. While we have not directly accounted for the supply growth in Boston and Cambridge we have accounted for its indirect impact to this market.

The stabilized occupancy of 78% is intended to reflect the anticipated results of the competitive set over the long term, given any changes in the competitive environment and/or local economy. Although it is possible that the market will achieve occupancies above this stabilized level, we believe that it is equally possible for new competition and temporary downturns in hotel demand to force occupancy below this projected point of stability.

While occupancy is expected to remain strong, this competitive set will always operate at a discount to the Boston and Cambridge market which is expected to see ADR growth in the short term, although at a decelerated level year after year as its supply increases. While ADR growth will slow in the short term, we believe the competitive set will achieve inflationary ADR growth of approximately 3.0% over the long term.

Chelsea Hotel Inventory Recommendations

The extent to which a hotel can capture demand is estimated by performing a fair share/penetration analysis based upon the competitive status of the hotel. This is typically completed for each of the demand segments that exist in a market. Factors considered in a penetration analysis include the location, concept of the property, quality of the facilities, rate structure, and historic penetration levels. Within a defined market, if all properties had an equal competitive posture, a hotel's market penetration would correlate to the ratio of its guestrooms relative to the overall supply. Factors indicating a hotel would possess competitive advantages suggest a market penetration rate in excess of 100 percent of fair share, while competitive weaknesses are reflected in penetration rates of less than 100 percent.

Over the last five years, the hotels located in Chelsea have had an average occupancy index of 100% when compared to the overall competitive set. Because the competitive set includes full service hotels proximate to Boston Logan Airport and the Chelsea hotels are primarily upscale select service hotels, the City's hotels have had an average ADR index of 88%. We expect these performance metrics to remain constant through stabilization.

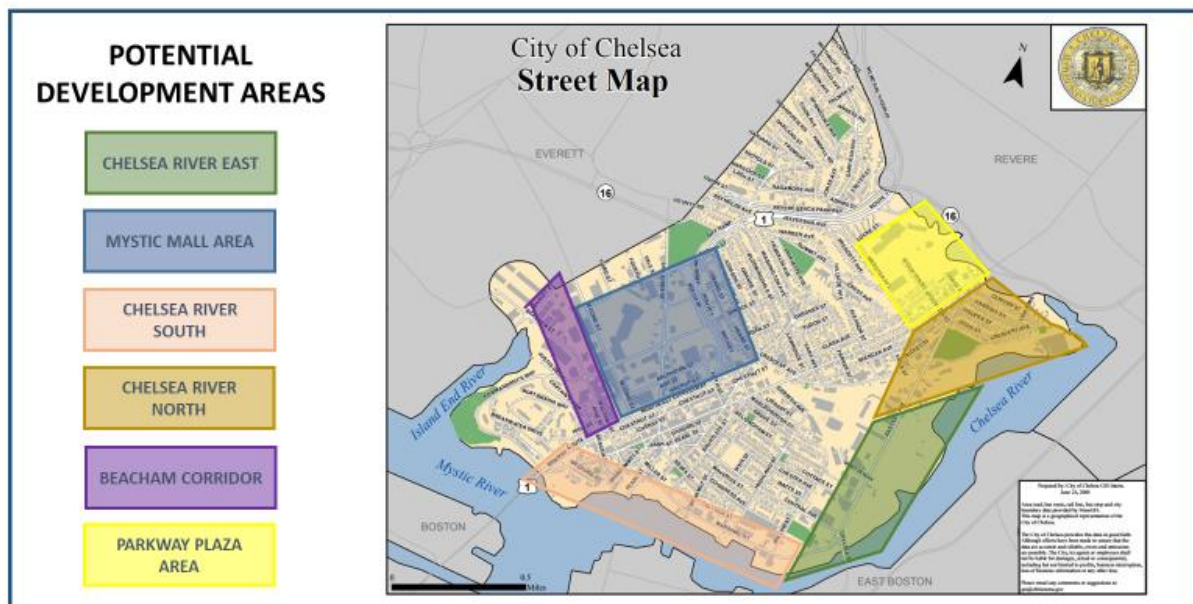
In examining the competitive set's historic performance and the overall area's pipeline, we believe that over the long term, the Chelsea market can support additional hotel rooms. However, we do not believe these additional rooms should open until the two proposed hotels (a total of 227 rooms) in Chelsea area are fully absorbed, and the market reaches the projected stabilized level of 78%. Overall competitive market occupancy is expected to decline as a direct result of the opening of the proposed Hampton Inn and Holiday Inn and other smaller additions to supply. We also believe that market ADR will experience limited growth as a result of supply and demand factors in the Greater Boston market.

Considering the City's current supply of hotels, we believe this new hotel could be developed as a 125 to 150 room, nationally branded hotel. While we would recommend an upscale or upper upscale hotel product (dependent on the actual site and its overall development), we believe the ultimate product should be determined by the developer basing it on costs and desired return.

Neighborhood Analysis & Recommendation

As part of our analysis, the Client asked that Pinnacle review six different neighborhoods for potential hotel development. As part of this analysis, we visited each neighborhood, noting primary corridors, transportation, existing uses, potential lodging demand generators, etc.

These six neighborhoods are outlined in the following map. Advantages and disadvantages for hotel development within each neighborhood are described in detail including a development recommendation.



Chelsea River East

Advantages

- Most proximate to Logan Airport
- Existing improvements include TownePlace Suites, Park N Ride, Enterprise
- MBTA's Bus Rapid Transit (Silver Line) Eastern Ave Station to open in 2018 providing access to Seaport District, the BCEC, South Station and connections to the Blue Line
- Potential for waterfront development

Disadvantages

- Vehicular access is primarily through East Boston via Chelsea Street (bridge)
- Lack of commercial office, retail and hospitality in immediate area, mostly consists of industrial and residential
- Limited drive-by visibility
- Traffic and noise a result of drawbridge and truck route

Recommendation:

Consider for short term development. Once new supply has been absorbed, a hotel development should be considered along with other amenities such as restaurants and entertainment while utilizing waterfront. Development plans must consider the Silver Line and its effect on the existing hotels and local traffic.

Mystic Mall Area

Advantages

- City's principal commercial area for both large retail and office. Existing improvements include three hotels, FBI Headquarters, Mystic Mall and other small to medium sized office buildings
- Vehicular access from Boston and North Shore primarily via Rt-1. Fairly easy access to/from Boston.
- MBTA's Bus Rapid Transit (Silver Line) Chelsea Station to open in 2018 providing access to Seaport District, the BCEC, South Station and connections to the Blue Line
- Approximately two miles from Wynn Boston Harbor, opening June 2019
- MBTA Commuter Rail with one-stop service to North Station

Disadvantages

- Limited drive-by visibility

Recommendation:

Consider for short to long term development while monitoring lodging demand levels in local area stemming from Wynn Boston Harbor. Development plans must consider the Silver Line and its effect on the existing hotels.

Chelsea River South

Advantages

- Vehicular access from Boston and North Shore primarily via Rt-1. Alternative route through East Boston via Meridian Street. Fairly easy access to/from Boston.
- MBTA Bus service at Beacon Street and Broadway is the only public transportation.
- Approximately two miles from Wynn Boston Harbor, opening June 2019

Disadvantages

- Existing neighborhood improvements mostly residential. Waterfront primarily industrial in nature. Lack of commercial office, retail and hospitality in immediate area.
- Limited drive-by visibility
- Lack of demand generators in close proximity.

Recommendation:

Re-evaluate for long term development while monitoring lodging demand levels in local area stemming from Wynn Boston Harbor.

Chelsea River North

Advantages

- Proximate to Logan Airport
- Potential for waterfront development

Disadvantages

- Vehicular access from Boston and North Shore primarily via Rt-1 and Rt-1A. Alternative route through East Boston via Chelsea Street.
- Lack of commercial office, retail and hospitality in immediate area, mostly consists of residential and industrial
- Limited drive-by visibility
- MBTA Commuter rail runs directly through this area of Chelsea without stopping.

Recommendation:

Re-evaluate for development in the long term. Analyze impact of the Silver Line, its effect on the existing hotels and local traffic. A hotel may be considered as part of a mixed-used waterfront development taking advantage of proximity to the potential re-development of Suffolk Downs.

Beacham Corridor Area

Advantages

- Vehicular access from Boston and North Shore primarily via Rt-1. Access is fairly easy.
- Most proximate to Wynn Boston Harbor, opening June 2019, over one mile.

Disadvantages

- Industrial in nature, not pedestrian friendly.
- Limited drive-by visibility.
- Limited public transportation.
- Lack of demand generators in close proximity.
- Traffic and noise a result of truck route

Recommendation:

Re-evaluate for development in the long term while monitoring lodging demand levels in local area stemming from Wynn Boston Harbor. Analyze impact of the silver line, its effect on the existing hotels and local traffic. Could be considered in conjunction with a complete re-design initiative including a mix of uses.

Parkway Plaza Area

Advantages

- One of the City's commercial areas made up of primarily retail and residential. Local establishments would act as amenities to travelers; Home Depot, Boston Paint Ball, Family Dollar, Chili's, CVS, McDonalds, etc
- Vehicular access from Boston and North Shore primarily via Rt-1. Access is fairly easy.
- Proximity to Rt-1 could provide highway visibility.

Disadvantages

- Limited public transportation.
- Lack of demand generators in close proximity.
- Proposed 123-room Holiday Inn opening summer of 2018.

Recommendation:

Re-evaluate for development in the long term.

Conclusion

We believe the City's seventh hotel should be developed in conjunction with support amenities in a location proximate to Boston Logan Airport and the new MBTA Silver Line. As such, the neighborhoods most suitable for hotel development in the future are believed to be Chelsea River East and the Mystic Mall Area.

Chelsea Site Design Overview

The following three sites have been identified in conversations with the City of Chelsea Planning Department; 111 Eastern Avenue (902,000 S.F.), 257 Marginal Street (173,012 S.F.), and Mystic Mall Site (1,210,650 S.F.).

- All sites are assumed to be a PD (Planned Development) per section 34-155 of the Chelsea Zoning Code
- Within the PD, Hotels are an allowed use.
- All 3 sites were reviewed in conjunction with the FAA height limits and there are no conflicts on the heights proposed.
- Waterfront sites will comply with the 30 foot buffer and the 14 foot pedestrian path
- Each site has a similar hotel for a baseline comparison in line with the Pinnacle report stating a “nationally branded upscale or upper upscale hotel of 125-150 rooms”.
- Construction costs:
 - Costs are provided and are intended for the hotel site area only and do not anticipate any additional costs for the development of the remaining site areas.
 - Costs are not bid costs, but a blend of cost from projects of similar size, scale, location and materials.
 - No costs are assumed to be union, all construction costs are non union open shop.
 - Budget costs cannot allow for any of site improvements, facilities or utility improvements.
 - Costs do not include any site acquisition costs.
 - All costs are assumed to be 2018 numbers without and forecasting increases or contingency.

Hotel Description

For the purpose of this report and analysis, we have utilized a proposed hotel that is used in the site analysis and based on the recommendations presented by Pinnacle Advisory Group in the preceding sections. Each of the three plans include the same hotel footprint that is 90,000SF of Hotel program and 6 stories or 69'-0" in height. The program of 137 hotel rooms is a mix of double queen rooms and king bedrooms with individual bathrooms and seating areas within each hotel room. Each room will have a microwave and a refrigerator along with the standard furniture program.

The public space for the proposed hotel includes a reception lobby with a breakfast room and bar/lounge area that seats approx. 112 seats. There is a business lounge area along with 2,000 of meeting space programmed all served by a full kitchen. An indoor pool and fitness center complete the hotel program.

111 Eastern Avenue

- Site Area:
 - Overall Site – 902,000 S.F.
 - Hotel Area – 97,990 S.F.
 - Park Area – 56,227 S.F.
 - Remaining Area – 747,783 S.F.

- 137 Hotel Rooms (+/- 90,000 S.F.)
- 6 Stories – 69'-0"
- 137 Parking Spaces
- Building sits outside of Chapter 91 line
- Overall site development outside of the project site can include a larger mixed use development of retail, office, restaurants and maritime uses. An overall master plan would be required.
- Overall project will need to comply with and provide the 30'-0" waterline buffer and 14'-0" pedestrian way access 'or maritime industrial uses.

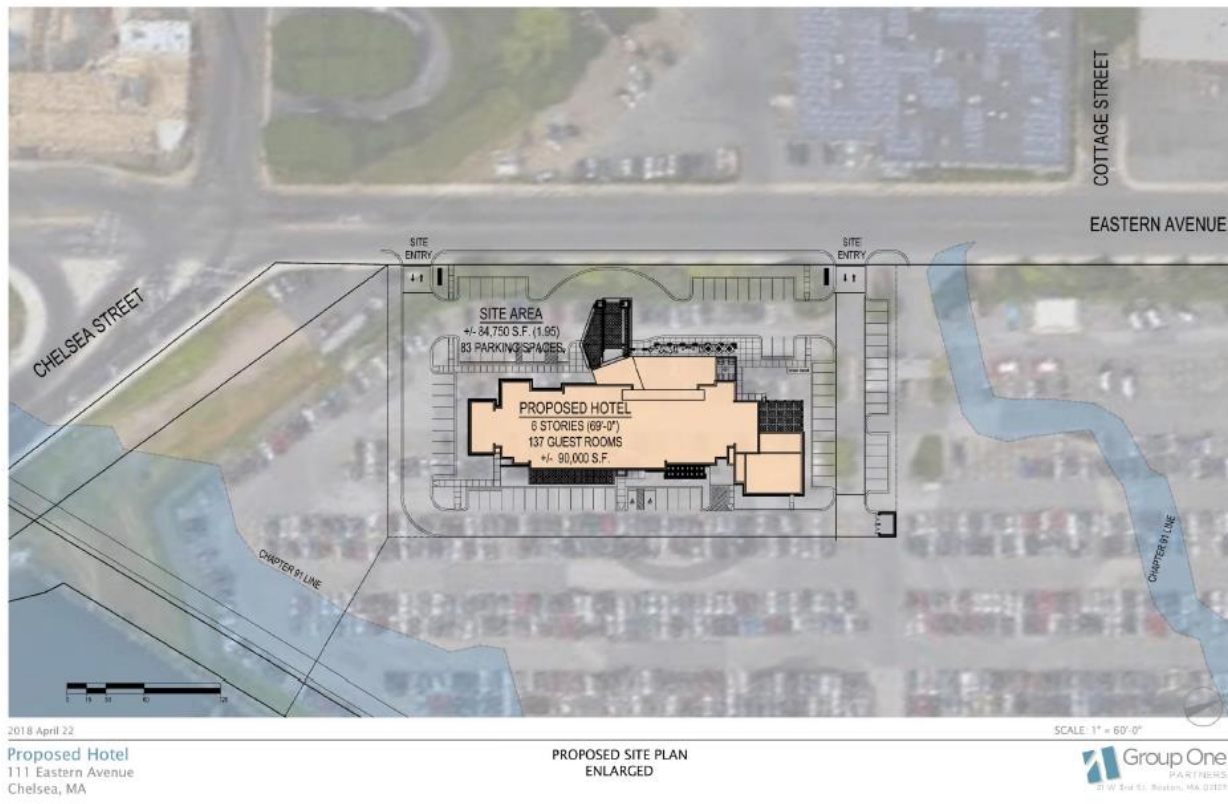
Site Analysis

The selection of the building location provides a small park adjacent to the Chelsea Street intersection as a buffer and an amenity to the waterfront that can be easily accessed. This southwestern corner will provide high visibility and easy access while allowing the remaining site area to be master planned with an emphasis on a waterfront connection.

Project Cost

The project size and scale is assumed to be a wood frame structure over a steel and concrete podium at the ground level. Based on this a blended cost of construction for the building and immediate site area is assumed to be +/- \$225/SF

- 137 room Hotel @ 90,000 SF = \$20,250,000 (\$147,810 per key)
- FFE budget for 137 rooms = \$3,900,000 (\$28,467 per key)





257 Marginal Street

- Site Area:
 - Overall Site – 173,012 S.F.
 - Hotel Area – 125,870 S.F.
 - Remaining Area – 47,142 S.F.
- 137 Hotel Rooms (+/- 90,000 S.F.)
- 6 Stories – 69'-0"
- 112 Parking Spaces
- The full site and the building sits completely within the Chapter 91 line
- Remaining site can accommodate a restaurant or small retail use with parking.
- Project will need to comply with and provide the 30'-0" waterline buffer and 14'-0" pedestrian way access.

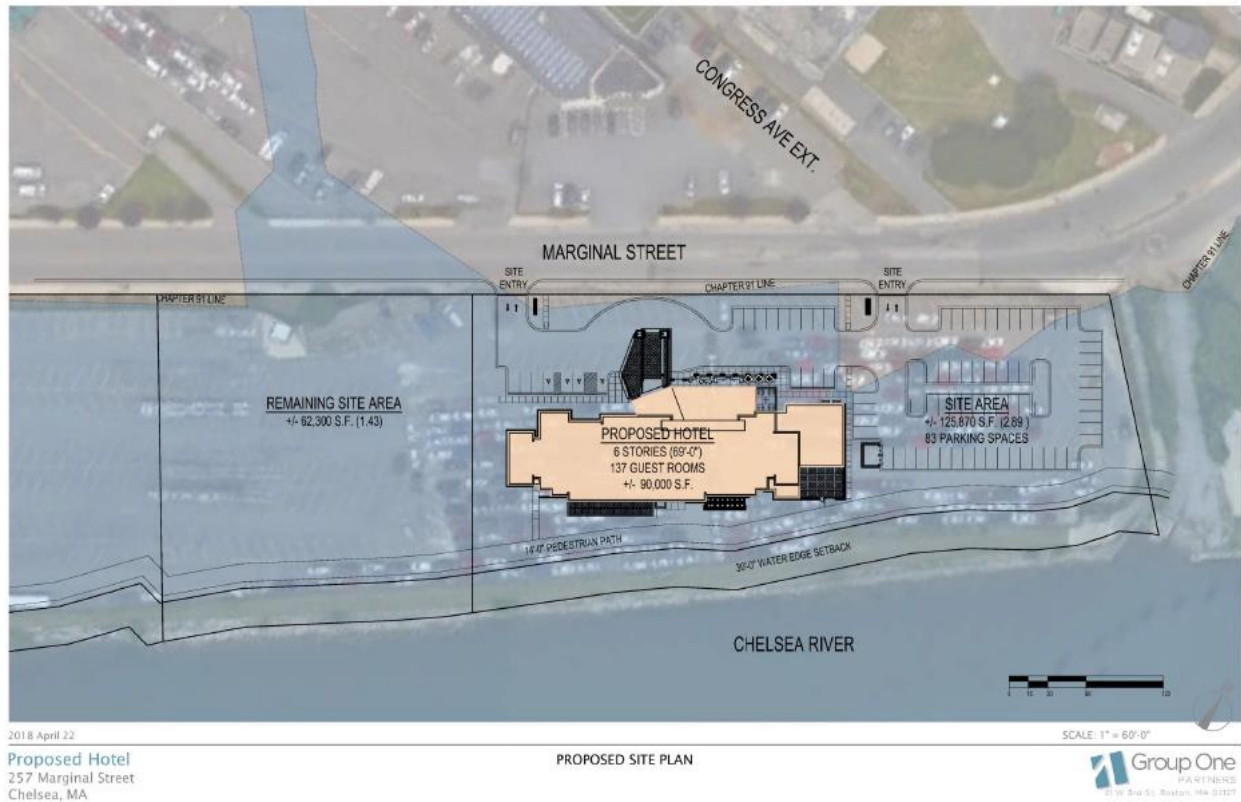
Site Analysis

The selection of the building locates the hotel at the northeast edge adjacent to the public connection to the waterfront edge and an amenity to the waterfront that can be easily accessed from the hotel site. This proposed location is also the adjacent to the Chelsea Street intersection and will provide high visibility and easy access. The site are remaining can easily accommodate a small retail or restaurant pad site further enhancing the area.

Project Cost

The project size and scale is assumed to be a wood frame structure over a steel and concrete podium at the ground level. Based on this a blended cost of construction for the building and immediate site area is assumed to be +/- \$225/SF

- 137 room Hotel @ 90,000 SF = \$20,250,000 (\$147,810 per key)
- FFE budget for 137 rooms = \$3,900,000 (\$28,467 per key)



Mystic Mall Site

- Site Area:
 - Overall Site – 1,210,650 S.F.
 - Hotel Area – 110,140 S.F.
 - Remaining Area – 1,100,510 S.F.
- 137 Hotel Rooms (+/- 90,000 S.F.)
- 6 Stories – 69'-0"
- 150 Parking Spaces
- The selected hotel site and the building sits completely within the Chapter 91 line
- Overall site development outside of the project site can include a larger mixed use development of retail, office, restaurants and maritime uses. An overall master plan would be required.
- Two existing structures were considered to remain. The Market Basket and the mixed use retail at the corner of 2nd Street and Spruce Street.

Site Analysis

The selection of the building locates the hotel at the northwest corner at the intersection of Spruce Street and Everett Avenue. This prominent corner will provide high visibility and also create a focal point for the overall site. Two major site access points are proposed to be directly adjacent to the hotel site area which will also provide major access points for the overall site. In looking at this specific site, it was a major design point to allow the Market Basket and the existing corner retail to remain and that the overall plan for the remaining site area enhance these existing facilities while providing complimentary uses and enhanced design. With locating the parking internally, the streets are provided with a new streetscape along all major street edges.

Project Cost

The project size and scale is assumed to be a wood frame structure over a steel and concrete podium at the ground level. Based on this a blended cost of construction for the building and immediate site area is assumed to be +/- \$225/SF

- 137 room Hotel @ 90,000 SF = \$20,250,000 (\$147,810 per key)
- FFE budget for 137 rooms = \$3,900,000 (\$28,467 per key)



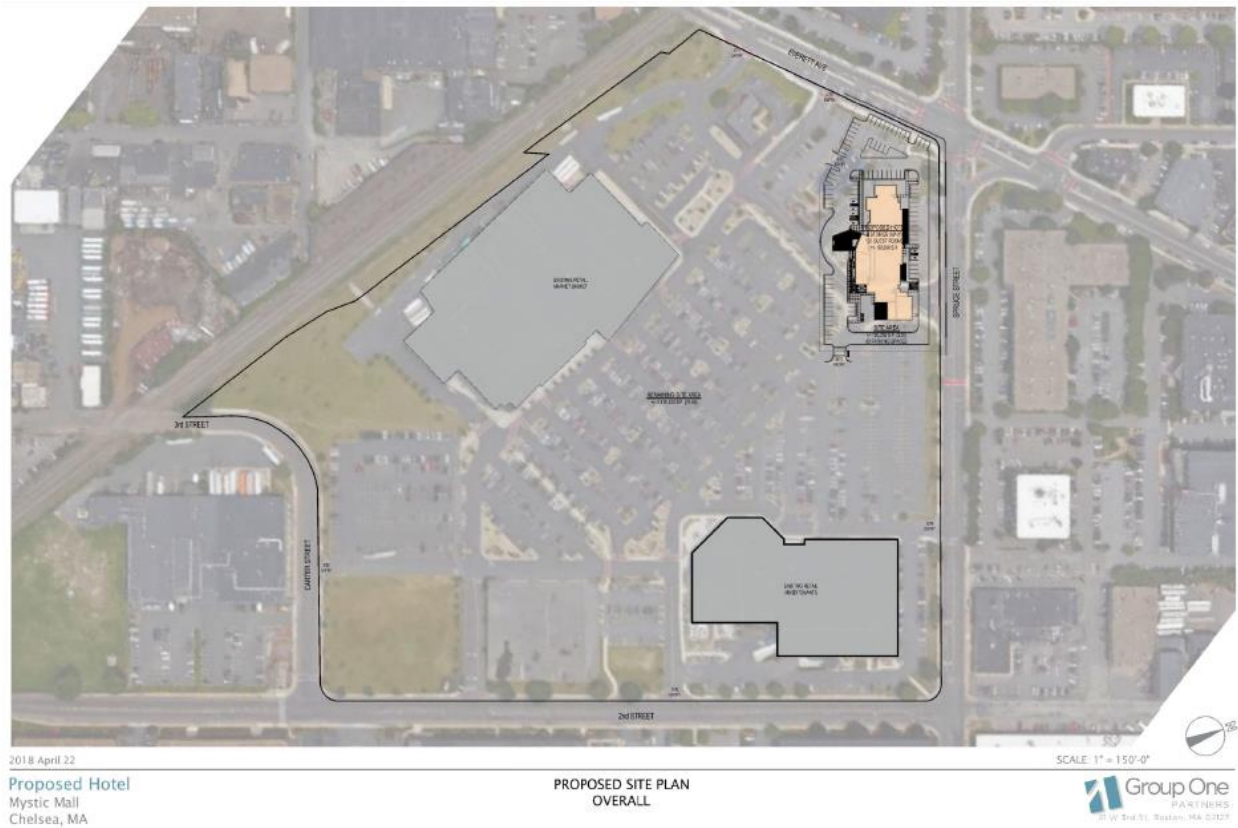
2018 April 22

Proposed Hotel
Mystic Mall
Chelsea, MA

PROPOSED SITE PLAN
ENLARGED

SCALE: 1" = 60'-0"

Group One
PARTNERS
31 W. 3rd St. Boston, MA 02127



The above information in conjunction with the associated planning diagrams are the current conclusions that are being proposed.

Fiscal Metrics by Use

The prior analyses describe the development economics associated with development of a prototypical, market-appropriate hotel program at each of the sites targeted for analysis by the Chelsea Planning Department including: 111 Eastern Avenue, 257 Marginal Street and at the Mystic Mall. The table below compares the fiscal benefits of potential hotel development with alternative uses that might be possible on a site of analogous size – a 110,000 SF parcel.

As indicated below, the development potential of a prototypical 110,000 SF site (as measured in gross building area) varies dramatically by use - 90,000 GSF for hotel, office and residential development concepts (an FAR approaching 1.0) as compared with only 38,500 GSF for retail, restaurant and industrial uses (an FAR under .5), owing to intrinsic differences related to the size and shape of building foot prints, building typologies (single v. multi-story), and market rate parking requirements.

Beyond this, the fiscal potentials associated with each program of development vary based on the economics and operating parameters associated with each use.

Fiscal Metrics

Static Analysis

Comparison By Use

90,000 SF Bldg

110,000 SF Land

0.82 FAR

Metrics	Hotel	Retail	Restaurant	Office	Industrial	Apartment
FAR/Land Utilization Comparisons						
Land Use	110,000	110,000	110,000	110,000	110,000	110,000
FAR (Typical/Proposed)	0.82	0.35	0.35	0.82	0.35	0.82
Comparable GSF	90,000	38,500	38,500	90,000	38,500	90,000
Local RE/Personalty Taxes						
RE Taxes/SF, /key or /unit	\$3,000	\$3.50	\$3.50	\$5.00	\$2.50	\$3,500
RE Taxes/Year	\$411,000	\$134,800	\$134,800	\$450,000	\$96,300	\$393,800
Local Lodging Tax						
Rooms Tax	3%	\$0.00	\$0.00	\$0.00	\$0.00	\$0
ADR	\$150	\$0.00	\$0.00	\$0.00	\$0.00	\$0
Occupancy Rate	75%	\$0.00	\$0.00	\$0.00	\$0.00	\$0
Taxes/Year	\$168,800	\$0	\$0	\$0	\$0	\$0
Local Meals Tax						
Meals Tax	0.75%	0%	0.75%	0%	0%	0%
F&B Sales/POR or /SF (Occ. Adjusted)	\$10	\$0	\$500	\$0	\$0	\$0
F&B Sales	\$375,000	\$0	\$14,437,500	\$0	\$0	\$0
Taxes/Year	\$2,813	\$0	\$108,281	\$0	\$0	\$0
Construction Employment						
Hard Cost/SF (Incl. FF&E)	\$275.00	\$250.00	\$250.00	\$300.00	\$250.00	\$250.00
% Labor	50%	50%	50%	50%	50%	50%
Construction Wage/FTE	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000
Construction Jobs	221	86	86	241	86	201
Permanent Employment						
SF/Employee or FTE/Key	0.60	300	200	175	500	N/A
Permanent Jobs	82	128	193	514	77	N/A
Average Wages/FTE	\$56,600	\$27,500	\$29,400	\$117,400	\$70,200	N/A
Total Permanent Wages	\$4,700,000	\$3,500,000	\$5,700,000	\$60,400,000	\$5,400,000	N/A

Notes: All estimates are in 2018 \$\$\$'s

RE/Personalty Tax estimates based on use specific tax comparables for FY 2018 (FY 2018 Tax Rates Apply)

Lodging tax estimates based on PAG occupancy and ADR estimates

Meals tax estimates for Hotel based on \$\$\$/Occipied Room

Restaurant metrics assume Fast Casual Chain

Source: Byrne McKinney Real Estate Consultants and Appraisers

A hotel development at the market-supported scale (137 rooms; 90,000 GSF) has the potential to generate substantially more local tax revenue once stabilized and operating than other uses, owing in part to the combination of local real estate and lodging tax potentials.

And while the employment effects are not as great (fewer employees at lesser average wages than some other uses), it is worth noting that the market for hotel development is very strong and the likelihood of development substantially greater for this use than for some others. This point is especially germane to the assessment of office v. hotel development. None of the sites in question are viewed as particularly good candidates for feasible office development in the near-term. So, while office use might have some benefits over hotel development once up and operating, the comparison is moot if office is unlikely to be built on these sites for the foreseeable future.

Zoning Analysis & Recommendations

As described previously, the general building data that we have relied on includes the following

- 137 guest rooms
- 2,000 SF of meeting space
- +/- 90,000 GSF
- 69'-0" (6 stories)

General Zoning Data

Parking

Sec. 34-283: One space for every two bedrooms, plus three spaces for each 200 square feet of floor area available for meetings and functions and one space for each four employees on the largest shift

137 guest rooms	69
2,000 SF Meeting space	30
<u>20 Employee shift</u>	<u>5</u>
TOTAL	104

* Parking counts do not include shared parking consideration.

Loading

Sec. 34-107: Two off street loading areas are to be provided for buildings in Category 2 (Hotel) that are 50,000 – 100,000 GSF.

Zoning Table

Zoning Districts	MYSTIC MALL SITE	111 EASTERN AVENUE 257 MARGINAL STREET
	(SC) Shopping Center	(W) Waterfront
Hotel use allowed	By special permit	By special permit
Minimum frontage (ft.)	NA	NA
Maximum floor area ratio	2.0 (per section 34-77)	2.0 (per section 34-77)
Maximum height (ft.)	80	35
Maximum number of stories	NA	NA
Required yards (ft.)		
Front	10	10
Side	10	10
Rear	10	10

Maximum percent lot coverage	NA	NA
Min. area to remain as usable open space (%)	NA	15
Min. distance between access points to same lot (ft.) 11	NA	50

The above zoning tabulation chart anticipates the hotel sited being developed on their own outside of the larger site. If the Hotel is part of the larger development, it will be part of a PD (Planned Development) site per Sec.34-155.

Zoning Summary

The following would be the recommendations for these sites:

- Hotels should be an allowed use without the need for special permit, though subject to Site Plan Review'
- The requirements for off street loading from 2 spaces should be reduced to 1.
- The maximum height in the Waterfront District (W) needs to be adjusted to accommodate the hotel dimensions.
- Hotels should also be allowed in the Business District (B) where the existing cluster of 3 hotels is located.

Assumptions and Limiting Conditions

This report is subject to the following assumptions and limiting conditions:

1. This document is to be used in whole and not in part.
2. Research and analysis was completed between January and March of 2018.
3. Estimated results are also based on an evaluation of the present general economy of the area and do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions, which may occur. There usually will be differences between the estimated and actual results, because events and circumstances frequently do not occur as expected. Such differences may be material.
4. Site Design Overview and Recommended Zoning sections have been completed by Group One Partners. The Fiscal Metrics section was completed by Byrne McKinney & Associates Inc.
5. It is expressly understood that the scope of our study and report thereon does not include the possible impact of zoning or environmental regulations, licensing requirements or other such restrictions concerning the project except where such matters have been brought to our attention and disclosed in the report.
6. We have no obligation to update our findings regarding changes to the scope of the proposed development or changes in market conditions subsequent to the completion of our fieldwork. The information gathered during the course of the fieldwork and used in this analysis is assumed to be accurate, although we cannot guarantee its accuracy.