City Administrator & Staff Update

2025.04.18

- **Chamber Friday Forum:** April 18 Friday Forum: Local Leaders
    - Join us for the final Friday Forum of the season this Friday, April 18, at 8 AM in the Winegard Board Room or online. This month's theme is "Local Leaders". The session will feature City of Burlington Mayor Jon Billups, City of Mediapolis Mayor Chuck Massner, City of West Burlington Mayor Ron Teater and Des Moines County Supervisor Shane McCampbell. Rep. Matt Rinker will also be present. The Q&A session will include topics like collaboration, economic development, workforce and general community situations.
- **Zoning and Subdivision:** The Memo and PowerPoint from the April 17th P&Z Board meeting at attached.
- **CVB/Hotel Study:** Please see the attached Hotel Feasibility Study conducted by the CVB.
- **Housing:**
    - Iowa Housing Conference: Mark your calendar for the 2025 HousingIowa Conference, Iowa premier housing event, where nearly 1,000 housing and community innovators will come together for engaging discussions on shaping the future of housing in the state.
    - More information coming soon! Stay tuned to our website for updates. Website: https://web.cvent.com/event/978a741e-5bfb-4b89-99be-7b7559433236/summary?utm_campaign=2025%2520HousingIowa%2520Conference&utm_medium=CVENT&utm_source=Awards
    - Developer #1: I contacted a regional development firm to see if there was interest in any number of housing projects in West Burlington – senior, multi-res, mixed use, and single family. At present they are focused on single family workforce, but other opportunities could open up in the future. Working to see if we they would be interested in submitting for this round and if not, next round. Even a quick application this round could give us additional points next time around. We would need a resolution of support, TIF to assist with infrastructure, etc.
    - Developer #2: Potential developer looking to do 4-5 homes. Looking at site, utilities, infrastructure, costs, etc. Provided a TIF worksheet for the developer.
- **REC:** Attached is the list of REC services that will be charged the Franchises Fee.
- **Trees:** We have seedlings available for the public. Katie is putting out a notice. We restocked our tree bed at the WWTP, planted a few and the remainder are available to the public.

- **Trail and City Hall:** Plants have been ordered. Looking forward to getting these installed along the trail and City Hall.
- **FEMA BRIC Grant:** Please see below. The FEMA BRIC grant program has been discontinued. However, I have asked the state to convert our application to a HMGP grant as noted below. I appreciate their willingness to work with us. Per the Iowa Dept. of Homeland Security and Emergency Management- Sadly, FEMA announced recently that they've discontinued the BRIC program, including your application submitted under BRIC 2023. I deeply regret that after all this waiting, we're back to square one – almost. We do currently have funding from FEMA's Hazard Mitigation Grant Program (HMGP), which you're welcome to apply for. The timeline for application review is typically much shorter for HMGP than BRIC (usually a couple months), but I can't make any promises about FEMA's capacity at the moment. If you'd like me to proceed with converting your BRIC application to HMGP, please reply to this and confirm that you approve us submitting your application to HMGP, including updating any forms that refer to BRIC to instead refer to HMGP. We will move your application in our system and let you know if we need additional documentation we didn't collect for BRIC. I'm truly sorry to be the bearer of this bad news. I know we wanted to be working on this a year ago and this sets us back yet again.

IT (Newberry)

- Installed door system buttons at the front desk, allowing staff to open the door remotely when it's locked due to personnel shortages. Visitors can now ring the bell, and the front desk can grant access as needed.
- Programmed the police department's scanner to accommodate recent radio changes. The process was delayed due to incomplete public information, but I was able to contact our radio programmer to get the necessary details.
- Attempted to repurpose an old iPad for the front desk, but it was too outdated to be functional. Fortunately, the issue was resolved, the outside doorbell now rings directly to the front desk phones, eliminating the need for the intercom setup.
- Ordered the new pool cameras today. Once they arrive, I'll coordinate with Chase to arrange installation assistance.
- Remotely installed updates and rebooted servers on Sunday to avoid weekday downtime, as these systems are in constant use during the week and county had to take down the Police and dispatch systems anyway.

Police/Fire (Logan)

- We have received and put in service our new Motorola Radio's. 95% of this project was paid by E911 Board. The radio's I have on the Agenda are extra radios for the Reserve Officers. This included all Portable Radios for all Full Time Officers for all of Des Moines County, with Mobil Radios for majority of the squad cars in the county. We also now have a base radio for up front that we have never had before.

- I will be putting together another hiring packet for the open Police Officer position. Still haven't had any luck filling the open spot.
- FF 1 class being held at the Fire Department is going well. They have two weeks of Hazmat remaining. This is the portion that is being held every Wednesday and Thursday for 4 hours a night for 5 weeks. Then the Fire Fighter portion will be going back to online teaching.
- Next Monday we will hold a joint training with Burlington Fire Department out at the Training Ground. We held 3 joint training sessions last year and went very well. Working on different topics this year.
- Have training set for the range at the end of the month for our annual qualifications.
- I do have a certified Police Officer who is willing to work part time for us. Should be on the Agenda for May 7th.

Building (Crooks)

Building

1. 21 new building permit applications have been received in the past 30 days for various projects. I am still reviewing a few of them due to me being out of the office, however, most have been issued with 2 being denied.

Code Enforcement

1. 8 new nuisance notices were mailed out in the past week with 3 being closed already.
2. I am gathering information on a few larger nuisance issues.

Rental

1. A re-inspection was completed at 410 Prairie St.
2. An inspection was completed for a new rental at 610 Brandli St.

Miscellaneous

1. I have responded to many emails and voicemails due to my vacation and I appreciate residents' patience.
2. I reviewed the file for roofing permits for a commercial property

City Clerk (Fry)

We have four companies working in the Right-of-Way. See below and maps at end of update.

1. **US Cellular** – US Cellular will be installing 5 new poles to attach their small cell wireless equipment
    a. **Contractor is Murphy Tower Service, LLC out of Carlisle, IA**
    b. Utility Poles – 5 new poles and utilizing one Alliant pole
2. **Unite Private Network** will install their fiber between the new US Cellular Poles for the Small Cell project.
    a. **Contractor is CDB Utility Contractors**
    b. Boring 9032' - S. Gear, Melville, Huston, Spring, E. Wheeler, Mt. Pleasant, Longmeadow, Swan
3. **ImOn**
    a. **Contractor is TelCom**

b. Boring: 99,461’ Fiber in R-O-W and Utility easements

Mediacom (moving overhead to underground)

a. **Contractor is Hartco Cable Co.**
b. Boring: Leffler-Ramsey-Broadway-Van Weiss

Finance (Moore)

- Attended IMFOA

Public Works (Williams)

Streets

- Water and sewer labs

Utilities

- Lift station rounds
- Clean lift stations
- Locates (47)

Other Activities

- Parks and Broadway trash and recycling
- Service trucks and squad cars
- Sign maintenance
- Building maintenance and clean up
- Clean pool
- Sweep
- Pour concrete (Leffler)
- Dirt work (Leffler)
- Jet sewer (Mt pleasant St)
- Haul brush/grass
- Mow
- Mulch parks
- Hook up Pat Kline bathroom
- Hook up Concession stands at Community Park

Projects

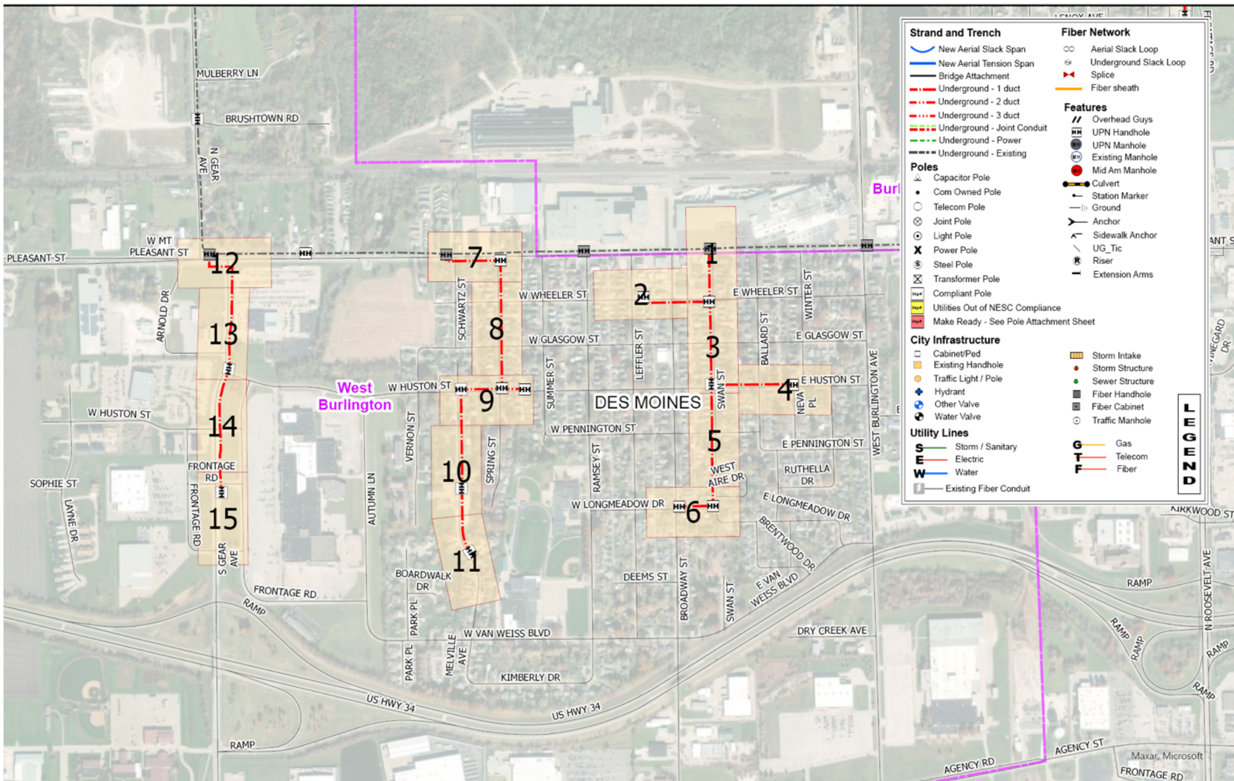
- Spring water main is completed, and the services are hooked up. Local Boring will be back in a couple weeks to finish up on clean up and dirt work
- ImOn has started to pour back sections of streets they had to take out
- Medicom is starting to bore cables in the ground in sections of town
-

Additional Items/Upcoming Items of Interest

- Cole Is taking his Grade 2 water distribution on Thursday
- Jacob passed his grade 2 wastewater test
- Jacob signed up to take grade 3 wastewater test

- West Burlington school would like to donate lights from their softball field for our ball diamonds. I am looking into what it would take to make that possible.
- Street sweeper is fixed

ROW Work: See following pages.



Unite PRIVATE NETWORKS

1511 BALTIMORE AVENUE
2ND FLOOR
KANSAS CITY, MO 64108
(866) 813-3608

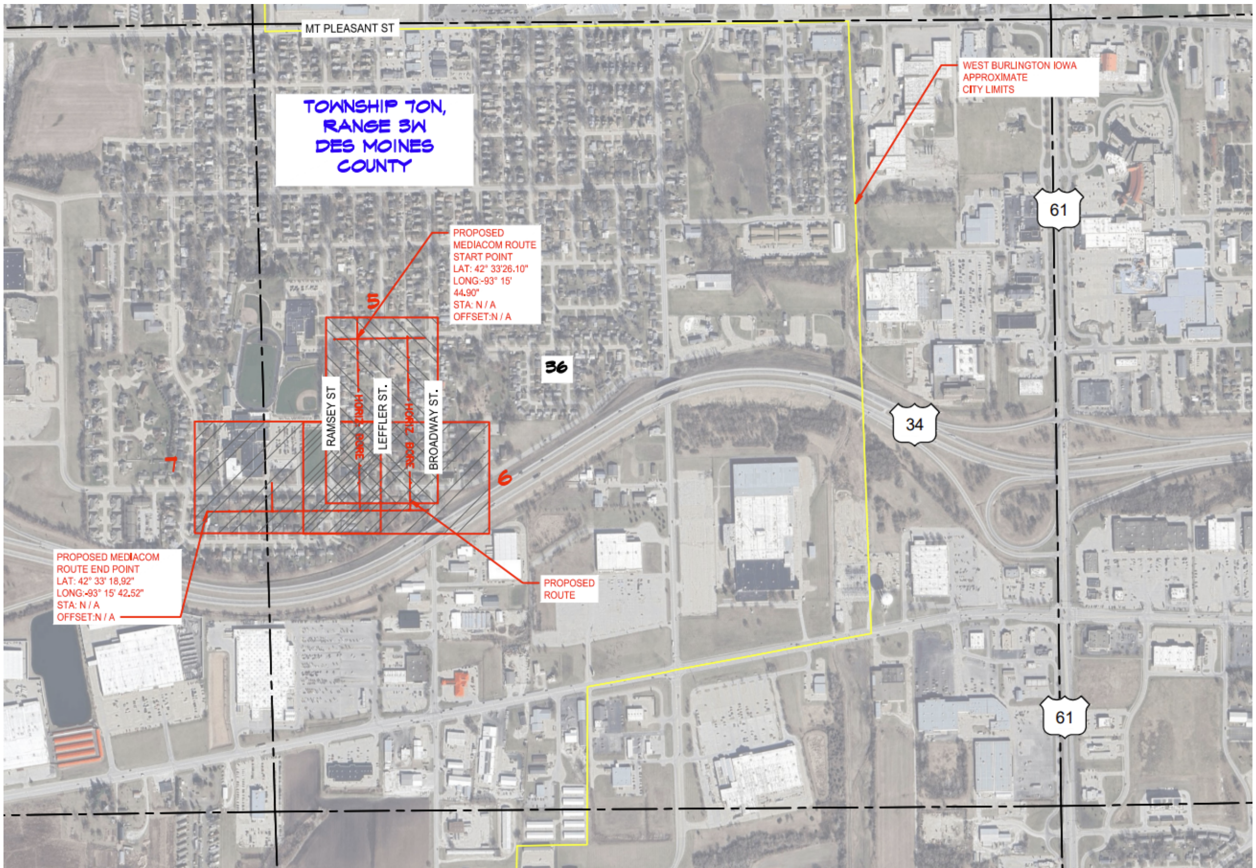
WEST BURLINGTON
DES MOINES COUNTY
USCC MULTI CRAN

NO.	DATE	REVISIONS	BY	CHK	APP'D
A	11-1-2024	ISSUED FOR REVIEW	VUM	TJW	TJW

SCALE: 1:6,400 DESIGNED BY: T. WILLIAMS DRAWN BY: V. MEZENTSEVA

USCC MULTI CRAN
OVERVIEW

PRINTED	SHEET NUMBER	REV
11/19/2024	OV-1	A



ION PERMIT OUTED IN R.O.W. & P.U.E. , IA - DES MOINES ' BORED T REVIEW - 03/31/2025	CONTRACTOR: HARTCO CABLE, INC. MATT BENHART P.O. BOX 32 1401 GORMAN DRIVE GENESEO, IL 61254 (309) 944-2026 hart4u@hotmail.com	PROVIDER CONTACT: MEDIACOM JORDAN SLY 3210 DIVISION ST BURLINGTON, IA 52601 (319) 753-6575 jordan.sly@mediacomcc.com	811 1-800-292-8989	SHEET SCALE 1"=1000' 0 250 500 1000	NORTH DIRECTION N W E	RP-JP PNP PERMITS, LLC	Mediacom the power to simplif PROJECT NUMBER: N / A

Zoning and Subdivision Code Update

April 17, 2025,

Planning and Zoning Commission Meeting

Frannie Nielsen, Planner

Mojra Hauenstein, AICP, LEED ND, Senior Planner

This Evening

1. Follow along with memo
2. Public hearing for Zoning and Subdivision Code Update
3. Review memo of changes
4. Answer questions
5. Recommendation to City Council with any changes

Summary of Changes – Infrastructure

Issue	Resolution
Sewer and water should be enhanced	Engineer reviewed stormwater sections, suggested reviewing impervious surface requirements. Removed impervious regulations from stormwater section for residential and included impervious limits in dimensional standards chart for all uses.
Ensure adequate sidewalks (regulations currently in separate chapter, chapter 140)	Added reference to chapters 136 and 140 for sidewalk and driveway requirements.
Parking lots are too large right now, cause stormwater issues	Reduced parking requirements, added landscape provisions for parking, utilized Burlington language, and added more detail on the number of parking spaces required.

Summary of Changes – Uses

Issue	Resolution
Want to allow mixed-use development	Mixed use is allowed per section 4.019 in all business districts and PUDs.
Outdoor storage; durable, impervious surface if being driven on/allow storage on permeable surface	Allowed outdoor storage in I-1 and I-2 if screened from view. Only areas driven on must be permanent, dust-free, and durable; otherwise, outdoor storage may be on permeable surfaces.
Sign code – address temporary signage, simplify cross-referencing	Temporary signs are limited to two 30-day periods total per address in a calendar year rather than 60 total days.
Include sign code	Completed and revised
Add civic uses (e.g., fire stations, parks, city hall)	Added definition of civic uses and included as permitted in residential and business districts.
Combine I-1 and I-2, leave heavy industrial as its own	Combined I-1 and I-2 into one district, leaving the heavy industrial district as its own.

Summary of Changes – Uses

Issue	Resolution
Add medical cannabis to SU-MC	Added medical cannabis to SU-MC district
Daycare facilities currently exist as a home occupation, add to permitted use R-1 thru R-4	Added daycare facilities as a permitted use in R-1 thru R-4
Want to allow solar panels on a business, not just residential	Added solar as special use in B-1 and B-2 and accessory in all other districts.
Want to allow chickens in R-1 thru R-3	Added language to allow chickens in R-1 thru R-3, but number of chickens is limited by lot size. Most lots in R-3 can only have a few chickens. 1 hen per 2000 sf

Summary of Changes – Administration and Procedures

Issue	Resolution
Make admin approvals where appropriate	Updated use chart to make approval of some uses more streamlined and administrative, and not require BOA approval.
Process for Board of Adjustment – clarify, denials need to be based on criteria	Added provision that Board of Adjustment decisions must be based on code requirements.
Need to define corner/side/rear yard, fences, setbacks	Added definitions to determine front, rear, and side lot lines.
Create procedure for special use permits	Detailed procedure for BOA special use permits.
Need to define corner/side/rear yard, fences, setbacks	Added definitions to determine front, rear, and side lot lines.
Update all section references	Completed.
Update all chapter references	Completed.

Summary of Changes – Administration and Procedures

Issue	Resolution
Add sentence about "may" being permissive and "shall" being required	Added.
Inconsistent title of “Community Development Director” or “Development Department”	Changed all of the variations of “community development director” “development director” “development department” to the Planning and Zoning Department or the Planning and Zoning Administrator. The definition of the Planning and Zoning Administrator allows for a designee of the Planning and Zoning Administrator.
Inconsistent upper and lower case of “city”	Used consistent lowercase “city” when not being used as a proper noun.
Some out-of-date language	Removed out of date language like “diskette”
Define new construction	Defined new construction

Summary of Changes – Subdivision

Issue	Resolution
Subdivision, update split or resize, boundary adjustment	Updated minor subdivision requirements to reflect Burlington's standards, added administrative lot consolidation or lot line adjustment, and included language for an administrative lot split.
Public hearing for subdivision – update code	Code appears consistent with statute.
Update PUD	Added more provisions for PUD including open space requirements, traffic circulation requirements, and utility requirements
Clarify waiver requirements for Preliminary Plat	Added more clear criteria for when a Preliminary Plat can be waived by the Planning and Zoning Commission

Summary of Changes – Performance Standards

Issue	Resolution
Fix accessory structure requirements, include setbacks	Added accessory structure provisions for detached accessory structures. Utilized Burlington language where appropriate.
Update performance standards	Updated performance standards as needed.
B-2 storage and screening fix	Added more outdoor storage requirements and additional screening requirements for business uses.

Summary of Changes – Performance Standards

Issue	Resolution
Review parking requirements. Want to allow expansions and physical improvements without meeting parking requirements.	Combined similar uses, reduced space requirements for residential. Added section for nonconforming parking language. Allows existing building expansion and improvements without the need to meet additional parking requirements. This allows homes that do not meet parking requirements to add a garage or an expansion. This helps reduce barriers to residents improving their homes.
Want clearer regulations detailing that an accessory structure cannot exist as a stand alone structure	Added language to prohibit accessory structures as a standalone structure. Added language to allow for principal structure demolition provided the accessory structure is demolished with the principal structure or provided that the principal structure is replaced within 1 year if there is a remaining accessory structure.
Update home occupations to be in compliance with Iowa Code Section 414.33 “no-impact home-based business”	Updated language to be consistent with no-impact home-based business. No-impact home-based businesses cannot be regulated by local jurisdictions. Added language to reflect this.

Summary of Changes – Enforcement

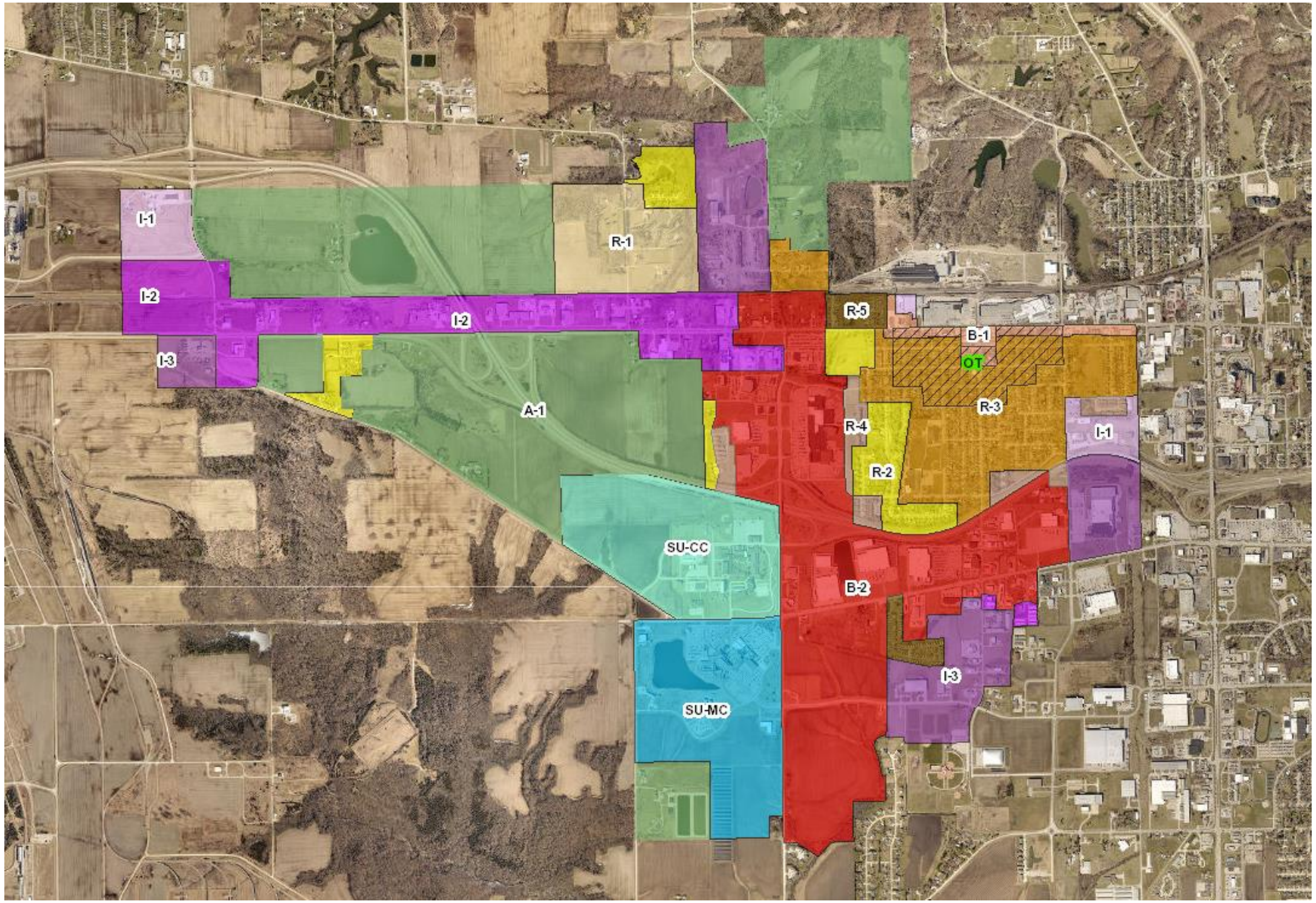
Issue	Resolution
Enforcement of rules needs improvement	Added enforcement section and procedure with multiple routes of action.
Home occupation enforcement	Added additional provisions, existing provisions are similar to Burlington. Added enforcement subsection to reference enforcement section.
Require homes to certify they aren't putting rainwater directly into sewer system	Added language in Section 3.004 to restrict stormwater from residential properties being deposited directly into the sewer system.
Enforcement section has some vague and too broad language	Removed language of any party “concerned with” not meeting provisions of the code as liable as well. The intent is to hold all parties accountable that assist with any illegal activity.
Stormwater and sump pump section gives city too much power to inspect and enter property	The stormwater management section applies to new construction or properties with reasonable cause to believe rainwater is being discharged into the municipal sewer system. Removed conducting inspections for sump pump.
Enhance nonconforming uses and enforcement	Utilized Burlington nonconforming language.

Summary of Changes – Residential

Issue	Resolution
Native planting in residential	Added provision for native prairie plantings in residential areas Section 3.012
Add RV district	Added RV district purpose in Section 2.002 and standards in Section 4.030.
Multifamily (more than 4 units) – remove CUP requirement	Removed BOA review and approval.
Allow senior housing in high density	Senior housing is considered multi-family and is allowed in high-density residential districts.
Make R-5 into high-density residential, not mobile home	Converted to high-density residential district.

Existing Zoning Map

- R-5 changes from mobile home to high density residential
- R-6 will need to be added into map
- I-2 and I-3 will need to be combined
- Mixed use (commercial and residential) is allowed in business districts



Thank you & Questions

Frannie.Nielsen@Bolton-Menk.com

Mojra.Hauenstein@Bolton-Menk.com

FEASIBILITY STUDY

Proposed Burlington Hotel

BURLINGTON, IOWA

SUBMITTED TO:

Mr. Chris Gram
Greater Burlington Partnership
610 North 4th Street, Suite 200
Burlington, Iowa 52601

+1 (319) 208-0045

PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
901 Woodland Street, Suite 03-127
Nashville, Tennessee 37206

+1 (615) 426-8806

HVS

August 8, 2024

Mr. Chris Gram
Greater Burlington Partnership
610 North 4th Street, Suite 200
Burlington, Iowa 52601

HVS NASHVILLE

901 Woodland Street, Suite 03-127
Nashville, Tennessee 37206
+1 (615) 426-8806
+1 (516) 742-3059 FAX
www.hvs.com

Re: Proposed Burlington Hotel
Burlington, Iowa
HVS Reference: 2024020476

Dear Mr. Gram:

Pursuant to your request, we herewith submit our feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Burlington, Iowa, area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site. This report is not an appraisal but has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation and as applicable for this consulting assignment.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC

Marc Greeley, Director
mgreeley@hvs.com, +1 (615) 426-8806

Table of Contents

1. Executive Summary

Subject of the Feasibility Study

The subject of the feasibility study is a nationally branded, extended-stay lodging facility; however, final details regarding specific brand and site selection were not yet determined at the time of this report. We have recommended that the property feature 80 rooms, a breakfast dining area, 750 square feet of meeting space, an indoor pool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and an outdoor patio and barbecue area. The hotel should also contain the appropriate parking capacity and all necessary back-of-the-house space. The proposed property is forecasted to open on January 1, 2026.

The Burlington market area currently comprises limited-service hotels, with the notable void of an extended-stay hotel. While a particular brand has yet to be determined for this project, our study recommends that the proposed subject hotel will operate as a nationally branded, upper-midscale, extended-stay hotel. The descriptions in this section are largely based on our recommendations and what would be typical for a hotel of this type.

Pertinent Dates

The effective date of the report is June 26, 2024. The subject site was inspected by Benjamin Giebler on May 8, 2024. In addition to the inspection, Benjamin Giebler participated in the research for this assignment and assisted in the report's preparation. Marc Greeley participated in the analysis and reviewed the findings but did not personally inspect the property.

Global Considerations

The local market and economy are influenced by national trends; thus, consideration of these trends is an important premise to this market-area analysis.

The U.S. economy was severely affected by the COVID-19 pandemic, as illustrated in the following discussion. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including higher levels of unemployment. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity; the period of greatest impact was 2020. By all measures, the national economy has recovered from this downturn, having recorded notable subsequent growth, while some select markets and sectors have recorded slower growth and are continuing to recover.

Driven by supply-chain disruptions and pent-up consumer demand, prices for most goods and services increased substantially in the wake of the pandemic; the CPI increased by 7.0% in 2021 and 6.5% in 2022. The Federal Reserve has addressed inflation through successive interest-rate hikes (seven in 2022, and another four in 2023), and the pace of inflation decelerated, falling to the low 3.0% range by the end of 2023. However, in 2024, inflation increased again to 3.5% through March 2024. The Fed has indicated that it may begin to cut rates in 2024 if inflationary pressures lessen and inflation moves sustainably toward the target of 2.0%. Despite the optimism in late 2023 and early 2024 of multiple cuts occurring in 2024, as of May 2024, most experts anticipate the first cut to happen in the fall or winter.

The recent successive increases in GDP, lower inflation levels, and continued strong job growth paint a positive picture of the U.S. economy, but ongoing international conflicts, the pending election, and uneven economic metrics have resulted in a lack of overall clarity. The specter of a recession remains, although diminished from peak concerns that characterized most of 2023.

In preparing this report, we have considered the impact of these factors on the lodging and investment markets to the best of our ability. However, our analysis only considers what is known at the time of the effective date of the report, and there is a high degree of uncertainty currently influencing the market and the economy.

As of the date of this report, the developer of the proposed subject hotel, along with the site of the hotel, has not been finalized.

Management and Franchise Assumptions

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

We recommend that the proposed subject hotel operate as an upper-midscale, extended-stay lodging facility. We note that a specific franchise affiliation and/or brand has yet to be finalized. The following chart outlines potential brands and a blended average of their associated franchise fees, which has been utilized in our forecast.

FIGURE 1-1 CONSIDERED BRANDS

Brand	Parent Company	Chain Scale	Royalty Fee	Marketing Fee	Total Fee
Home2 Suites by Hilton	Hilton	Upper Midscale	6.0%	3.5%	9.5%
Hyatt Studios	Hyatt Hotels Corporation	Upper Midscale	5.0%	3.0%	8.0%
TownePlace Suites by Marriott	Marriott International, Inc.	Upper Midscale	5.5%	2.0%	7.5%
Candlewood Suites	InterContinental Hotels Group (IHG)	Midscale	5.5%	2.5%	8.0%
Everhome Suites	Choice Hotels International, Inc.	Midscale	6.0%	2.5%	8.5%
LivSmart Studios by Hilton	Hilton Inc.	Midscale	6.0%	2.5%	8.5%
StudioRes by Marriott	Marriott International, Inc.	Midscale	5.0%	4.0%	9.0%
		Average	5.6%	2.9%	8.4%
		Median	5.5%	2.5%	8.5%
		Minimum	5.0%	2.0%	7.5%
		Maximum	6.0%	4.0%	9.5%

Based on our review of the agreement's terms or expected terms, the Independent franchise is reflected in our forecasts with a royalty fee of 5.5% of rooms revenue, and a marketing assessment of 3% of rooms revenue.

Summary of Hotel Market Trends

Demand in this market was above typical levels in 2016 and 2017 given an influx of construction demand from the Iowa Fertilizer Co. construction project. Given the completion of the project in 2017, occupancy decreased in 2018. Additionally, the opening of the Hampton by Hilton in June 2018 contributed to the occupancy decline during this time. In 2019, occupancy increased and ADR decreased as hoteliers discounted rates in order to raise occupancy levels amidst new supply opening. In 2020, the COVID-19 pandemic affected the market, similar to the rest of the nation; however, a rebound commenced in the third quarter of 2020, with the occupancy and ADR recovery extending through 2022. Heightened inflation in 2021 and 2022 also contributed to ADR growth for this competitive set. Year-end 2023 data illustrate occupancy in the low 60s with a slight increase in ADR, supported by strong levels of demand related to youth and amateur sporting events and strong levels of commercial demand. Year-to-date 2024 data illustrate a slight improvement in occupancy and continued modest ADR growth, which can be attributed to favorable economic conditions and heightened levels of travel in this market. The overall outlook for the competitive market is optimistic given the expected influx of demand from the upcoming expansion of the Iowa Army Ammunition Plant.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

FIGURE 1-2 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2016	458	167,290	—	122,616	—	73.3 %	$96.89	—	$71.02	—
2017	458	167,170	(0.1) %	108,659	(11.4) %	65.0	97.13	0.2 %	63.13	(11.1) %
2018	498	181,936	8.8	104,011	(4.3)	57.2	101.14	4.1	57.82	(8.4)
2019	527	192,355	5.7	112,924	8.6	58.7	100.38	(0.7)	58.93	1.9
2020	527	192,355	0.0	80,843	(28.4)	42.0	93.74	(6.6)	39.40	(33.1)
2021	514	187,571	(2.5)	88,420	9.4	47.1	116.64	24.4	54.98	39.6
2022	475	173,375	(7.6)	103,077	16.6	59.5	123.32	5.7	73.32	33.3
2023	475	173,375	0.0	109,258	6.0	63.0	123.91	0.5	78.09	6.5
Year-to-Date Through March										
2020	527	47,430	—	21,368	—	45.1 %	$100.19	—	$45.14	—
2021	527	47,430	0.0 %	17,602	(17.6) %	37.1	106.21	6.0 %	39.41	(12.7) %
2022	475	42,750	(9.9)	20,148	14.5	47.1	121.26	14.2	57.15	45.0
2023	475	42,750	0.0	22,599	12.2	52.9	117.78	(2.9)	62.26	8.9
2024	475	42,750	0.0	22,909	1.4	53.6	119.55	1.5	64.06	2.9
Average Annual Compounded Change:										
2016 – 2019			4.8 %		(2.7) %			1.2 %		(6.0) %
2016 – 2023			0.5		(1.6)			3.6		1.4

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Fun City Resort Hotel	Midscale Class	*Primary*	133	Dec 2008	Jun 1978
Quality Inn Burlington Near Hwy 34	Midscale Class	*Primary*	51	Feb 2005	May 1989
Holiday Inn Express & Suites Burlington	Upper Midscale Class	*Primary*	76	Nov 1999	Jun 1990
Fairfield Inn & Suites Burlington	Upper Midscale Class	*Primary*	60	Mar 1995	Mar 1995
Comfort Suites Burlington	Upper Midscale Class	*Primary*	86	Jan 2005	Jan 2005
Hampton Inn & Suites Burlington	Upper Midscale Class	*Primary*	69	Jun 2018	Jun 2018
		Total	**475**		

Source: STR

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

FIGURE 1-3 COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Est. Segmentation: Leisure	Est. Segmentation: Group	Estimated 2022: Weighted Annual Room Count	Estimated 2022: Occ.	Estimated 2022: Average Rate	Estimated 2022: RevPAR	Estimated 2023: Weighted Annual Room Count	Estimated 2023: Occ.	Estimated 2023: Average Rate	Estimated 2023: RevPAR	Estimated 2023: Occupancy Penetration	Estimated 2023: Yield Penetration
Hampton Inn & Suites Burlington	69	45 %	35 %	20 %	69	70 - 75 %	$140 - $150	$105 - $110	69	70 - 75 %	$140 - $150	$105 - $110	110 - 120 %	130 - 140 %
Fairfield by Marriott Burlington	60	45	35	20	60	55 - 60	130 - 140	75 - 80	60	60 - 65	130 - 140	85 - 90	100 - 110	100 - 110
Holiday Inn Express & Suites Burlington	76	45	35	20	76	65 - 70	130 - 140	90 - 95	76	65 - 70	140 - 150	95 - 100	100 - 110	120 - 130
Comfort Suites Burlington	86	40	35	25	86	50 - 55	115 - 120	60 - 65	86	55 - 60	115 - 120	65 - 70	90 - 95	85 - 90
Quality Inn Burlington	51	55	30	15	51	45 - 50	90 - 95	40 - 45	51	50 - 55	90 - 95	45 - 50	80 - 85	60 - 65
Fun City Resort	133	30	50	20	133	50 - 55	110 - 115	60 - 65	133	55 - 60	110 - 115	60 - 65	90 - 95	80 - 85
Totals/Averages	**475**	**41 %**	**38 %**	**20 %**	**475**	**59.6 %**	**$123.30**	**$73.44**	**475**	**63.0 %**	**$123.91**	**$78**	**100 %**	**100.0 %**

** Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.*

Summary of Forecast Occupancy and Average Rate

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 71% and a base-year rate position of $135.00 for the proposed subject hotel, with the occupancy and average daily rate (ADR) projections summarized below.

FIGURE 1-4 FORECAST OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate
2026	67 %	$147.52
2027	73	151.94
2028	71	156.50
2029	71	161.20
2030	71	166.03
2031	71	171.01
2032	71	176.14
2033	71	181.43

Summary of Forecast Income and Expense Statement

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table (figures in the forecast year columns have been divided by 1,000 and reflect thousands of dollars).

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2026	(Calendar Year)			2027				Stabilized				2029				2030			
Number of Rooms:	**80**				**80**				**80**				**80**				**80**			
Occupancy:	**67%**				**73%**				**71%**				**71%**				**71%**			
Average Rate:	**$147.52**				**$151.94**				**$156.50**				**$161.20**				**$166.03**			
RevPAR:	**$98.84**				**$110.92**				**$111.12**				**$114.45**				**$117.88**			
Days Open:	**365**				**365**				**365**				**365**				**365**			
Occupied Rooms:	**19,564**	**%Gross**	**PAR**	**POR**	**21,316**	**%Gross**	**PAR**	**POR**	**20,732**	**%Gross**	**PAR**	**POR**	**20,732**	**%Gross**	**PAR**	**POR**	**20,732**	**%Gross**	**PAR**	**POR**
OPERATING REVENUE																				
Rooms	$2,886	98.5 %	$36,075	$147.52	$3,239	98.6 %	$40,488	$151.95	$3,245	98.5 %	$40,563	$156.52	$3,342	98.5 %	$41,775	$161.20	$3,442	98.5 %	$43,025	$166.02
Other Operated Departments	34	1.1	420	1.72	35	1.1	443	1.66	36	1.1	453	1.75	37	1.1	466	1.80	38	1.1	480	1.85
Miscellaneous Income	11	0.4	140	0.57	12	0.4	148	0.55	12	0.4	151	0.58	12	0.4	155	0.60	13	0.4	160	0.62
Total Operating Revenues	2,931	100.0	36,634	149.80	3,286	100.0	41,079	154.17	3,293	100.0	41,166	158.85	3,392	100.0	42,397	163.60	3,493	100.0	43,666	168.50
DEPARTMENTAL EXPENSES *																				
Rooms	628	21.8	7,847	32.09	669	20.7	8,362	31.38	681	21.0	8,517	32.87	702	21.0	8,773	33.85	723	21.0	9,036	34.87
Other Operated Departments	14	40.5	170	0.69	14	39.8	176	0.66	14	40.0	181	0.70	15	40.0	187	0.72	15	40.0	192	0.74
Total Expenses	641	21.9	8,017	32.78	683	20.8	8,538	32.05	696	21.1	8,698	33.56	717	21.1	8,959	34.57	738	21.1	9,228	35.61
DEPARTMENTAL INCOME	2,289	78.1	28,617	117.02	2,603	79.2	32,540	122.12	2,597	78.9	32,468	125.29	2,675	78.9	33,438	129.03	2,755	78.9	34,438	132.89
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	243	8.3	3,040	12.43	251	7.6	3,136	11.77	252	7.6	3,145	12.14	259	7.6	3,240	12.50	267	7.6	3,337	12.88
Info & Telecom Systems	39	1.3	487	1.99	41	1.2	512	1.92	42	1.3	524	2.02	43	1.3	540	2.08	44	1.3	556	2.15
Marketing	130	4.4	1,624	6.64	137	4.2	1,708	6.41	140	4.2	1,747	6.74	144	4.2	1,800	6.94	148	4.2	1,854	7.15
Franchise Fee	245	8.4	3,066	12.54	275	8.4	3,441	12.92	276	8.4	3,448	13.30	284	8.4	3,551	13.70	293	8.4	3,657	14.11
Prop. Operations & Maint.	86	2.9	1,072	4.38	95	2.9	1,190	4.47	103	3.1	1,281	4.94	106	3.1	1,320	5.09	109	3.1	1,359	5.25
Utilities	69	2.4	866	3.54	73	2.2	911	3.42	75	2.3	932	3.60	77	2.3	960	3.70	79	2.3	989	3.82
Total Expenses	812	27.7	10,156	41.53	872	26.5	10,900	40.91	886	26.9	11,078	42.75	913	26.9	11,410	44.03	940	26.9	11,752	45.35
GROSS OPERATING PROFIT	1,477	50.4	18,461	75.49	1,731	52.7	21,640	81.22	1,711	52.0	21,390	82.54	1,762	52.0	22,028	85.00	1,815	52.0	22,686	87.54
Management Fee	88	3.0	1,099	4.49	99	3.0	1,232	4.63	99	3.0	1,235	4.77	102	3.0	1,272	4.91	105	3.0	1,310	5.05
INCOME BEFORE NON-OPR. INC. & EXP.	1,389	47.4	17,362	71.00	1,633	49.7	20,408	76.59	1,612	49.0	20,155	77.77	1,660	49.0	20,756	80.09	1,710	49.0	21,376	82.48
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	222	7.6	2,769	11.32	228	6.9	2,852	10.70	235	7.1	2,937	11.33	242	7.1	3,025	11.67	249	7.1	3,116	12.02
Insurance	35	1.2	439	1.80	36	1.1	452	1.70	37	1.1	466	1.80	38	1.1	480	1.85	40	1.1	494	1.91
Total Expenses	257	8.8	3,208	13.12	264	8.0	3,304	12.40	272	8.2	3,403	13.13	280	8.2	3,505	13.53	289	8.2	3,611	13.93
EBITDA	1,132	38.6	14,154	57.88	1,368	41.7	17,104	64.19	1,340	40.8	16,752	64.64	1,380	40.8	17,250	66.57	1,421	40.8	17,765	68.55
Reserve for Replacement	59	2.0	733	3.00	99	3.0	1,232	4.63	132	4.0	1,647	6.35	136	4.0	1,696	6.54	140	4.0	1,747	6.74
EBITDA LESS RESERVE	$1,074	36.6 %	$13,422	$54.88	$1,270	38.6 %	$15,871	$59.57	$1,208	36.7 %	$15,105	$58.29	$1,244	36.7 %	$15,555	$60.02	$1,281	36.7 %	$16,019	$61.81

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 1-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2026		2027		2028		2029		2030	
Number of Rooms:	**80**		**80**		**80**		**80**		**80**	
Occupied Rooms:	**19,564**		**21,316**		**20,732**		**20,732**		**20,732**	
Occupancy:	**67%**		**73%**		**71%**		**71%**		**71%**	
Average Rate:	**$147.52**	**% of**	**$151.94**	**% of**	**$156.50**	**% of**	**$161.20**	**% of**	**$166.03**	**% of**
RevPAR:	**$98.84**	**Gross**	**$110.92**	**Gross**	**$111.12**	**Gross**	**$114.45**	**Gross**	**$117.88**	**Gross**
OPERATING REVENUE										
Rooms	$2,886	98.5 %	$3,239	98.6 %	$3,245	98.5 %	$3,342	98.5 %	$3,442	98.5 %
Other Operated Departments	34	1.1	35	1.1	36	1.1	37	1.1	38	1.1
Miscellaneous Income	11	0.4	12	0.4	12	0.4	12	0.4	13	0.4
Total Operating Revenues	2,931	100.0	3,286	100.0	3,293	100.0	3,392	100.0	3,493	100.0
DEPARTMENTAL EXPENSES *										
Rooms	628	21.8	669	20.7	681	21.0	702	21.0	723	21.0
Other Operated Departments	14	40.5	14	39.8	14	40.0	15	40.0	15	40.0
Total Expenses	641	21.9	683	20.8	696	21.1	717	21.1	738	21.1
DEPARTMENTAL INCOME	2,289	78.1	2,603	79.2	2,597	78.9	2,675	78.9	2,755	78.9
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	243	8.3	251	7.6	252	7.6	259	7.6	267	7.6
Info & Telecom Systems	39	1.3	41	1.2	42	1.3	43	1.3	44	1.3
Marketing	130	4.4	137	4.2	140	4.2	144	4.2	148	4.2
Franchise Fee	245	8.4	275	8.4	276	8.4	284	8.4	293	8.4
Prop. Operations & Maint.	86	2.9	95	2.9	103	3.1	106	3.1	109	3.1
Utilities	69	2.4	73	2.2	75	2.3	77	2.3	79	2.3
Total Expenses	812	27.7	872	26.5	886	26.9	913	26.9	940	26.9
GROSS OPERATING PROFIT	1,477	50.4	1,731	52.7	1,711	52.0	1,762	52.0	1,815	52.0
Management Fee	88	3.0	99	3.0	99	3.0	102	3.0	105	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,389	47.4	1,633	49.7	1,612	49.0	1,660	49.0	1,710	49.0
NON-OPERATING INCOME & EXPENSE										
Property Taxes	222	7.6	228	6.9	235	7.1	242	7.1	249	7.1
Insurance	35	1.2	36	1.1	37	1.1	38	1.1	40	1.1
Total Expenses	257	8.8	264	8.0	272	8.2	280	8.2	289	8.2
EBITDA	1,132	38.6	1,368	41.7	1,340	40.8	1,380	40.8	1,421	40.8
Reserve for Replacement	59	2.0	99	3.0	132	4.0	136	4.0	140	4.0
EBITDA LESS RESERVE	$1,074	36.6 %	$1,270	38.6 %	$1,208	36.7 %	$1,244	36.7 %	$1,281	36.7 %

	2031		2032		2033		2034		2035	
Number of Rooms:	**80**		**80**		**80**		**80**		**80**	
Occupied Rooms:	**20,732**		**20,732**		**20,732**		**20,732**		**20,732**	
Occupancy:	**71%**		**71%**		**71%**		**71%**		**71%**	
Average Rate:	**$171.01**	**% of**	**$176.14**	**% of**	**$181.43**	**% of**	**$186.87**	**% of**	**$192.48**	**% of**
RevPAR:	**$121.42**	**Gross**	**$125.06**	**Gross**	**$128.81**	**Gross**	**$132.68**	**Gross**	**$136.66**	**Gross**
OPERATING REVENUE										
Rooms	$3,545	98.5 %	$3,652	98.5 %	$3,761	98.5 %	$3,874	98.5 %	$3,990	98.5 %
Other Operated Departments	40	1.1	41	1.1	42	1.1	43	1.1	45	1.1
Miscellaneous Income	13	0.4	14	0.4	14	0.4	14	0.4	15	0.4
Total Operating Revenues	3,598	100.0	3,706	100.0	3,817	100.0	3,932	100.0	4,049	100.0
DEPARTMENTAL EXPENSES *										
Rooms	745	21.0	767	21.0	790	21.0	814	21.0	838	21.0
Other Operated Departments	16	40.0	16	40.0	17	40.0	17	40.0	18	40.0
Total Expenses	760	21.1	783	21.1	807	21.1	831	21.1	856	21.1
DEPARTMENTAL INCOME	2,837	78.9	2,923	78.9	3,010	78.9	3,101	78.9	3,194	78.9
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	275	7.6	283	7.6	292	7.6	300	7.6	309	7.6
Info & Telecom Systems	46	1.3	47	1.3	49	1.3	50	1.3	52	1.3
Marketing	153	4.2	157	4.2	162	4.2	167	4.2	172	4.2
Franchise Fee	301	8.4	310	8.4	320	8.4	329	8.4	339	8.4
Prop. Operations & Maint.	112	3.1	115	3.1	119	3.1	122	3.1	126	3.1
Utilities	81	2.3	84	2.3	86	2.3	89	2.3	92	2.3
Total Expenses	968	26.9	997	26.9	1,027	26.9	1,058	26.9	1,090	26.9
GROSS OPERATING PROFIT	1,869	52.0	1,926	52.0	1,983	52.0	2,043	52.0	2,104	52.0
Management Fee	108	3.0	111	3.0	115	3.0	118	3.0	121	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,761	49.0	1,815	49.0	1,868	49.0	1,925	49.0	1,982	49.0
NON-OPERATING INCOME & EXPENSE										
Property Taxes	257	7.1	264	7.1	272	7.1	281	7.1	289	7.1
Insurance	41	1.1	42	1.1	43	1.1	45	1.1	46	1.1
Total Expenses	298	8.2	306	8.2	316	8.2	325	8.2	335	8.2
EBITDA	1,464	40.8	1,508	40.8	1,553	40.8	1,600	40.8	1,647	40.8
Reserve for Replacement	144	4.0	148	4.0	153	4.0	157	4.0	162	4.0
EBITDA LESS RESERVE	$1,320	36.7 %	$1,360	36.7 %	$1,400	36.7 %	$1,442	36.7 %	$1,485	36.7 %

As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

Feasibility Conclusion

The conclusion of this analysis indicates that the property would generate an 11.0% return on an estimated initial investment of $13,700,000. The investor surveys indicate discount rates ranging from 7.9% to 15.0%; the averages of the surveys range from 10.4% to 12.5%. Based on these parameters, the calculated return of 11.0% on the project is consistent with the averages and within the range. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project.

Assignment Conditions

Per USPAP, an "Extraordinary Assumption" is defined as follows:

> An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.[1]

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

Intended Use of the Feasibility Study

This feasibility report is being prepared for use in the development of the proposed subject hotel.

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[1] The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2020–2021 ed.

Identification of the Client and Intended User(s)

The client for this engagement is Greater Burlington Partnership. This report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels,*[2] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[3] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[4] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[5] and *Hotels and Motels – Valuations and Market Studies.*[6]

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client.
2. Given that a specific site has not been selected, we made assumptions regarding the physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. We note that there are no plans for the proposed subject hotel; thus, we have made assumptions regarding the hotel's expected quality of construction, design, and layout efficiency based on prototypical hotels.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

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[2] Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

[3] Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

[4] Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

[5] Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

[6] Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies.* (Chicago: Appraisal Institute, 2001).

6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) sets forth the anticipated economic benefits of the proposed subject property.
9. A feasibility analysis is performed, in which the total property yield that the project would generate is compared to the total property yields indicated by market surveys.

2. Description of the Site and Neighborhood

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

We considered the following areas for the proposed subject property. Four potential sites were provided by the client, outlined in the following chart.

MAP OF IDENTIFIED POTENTIAL HOTEL SITES

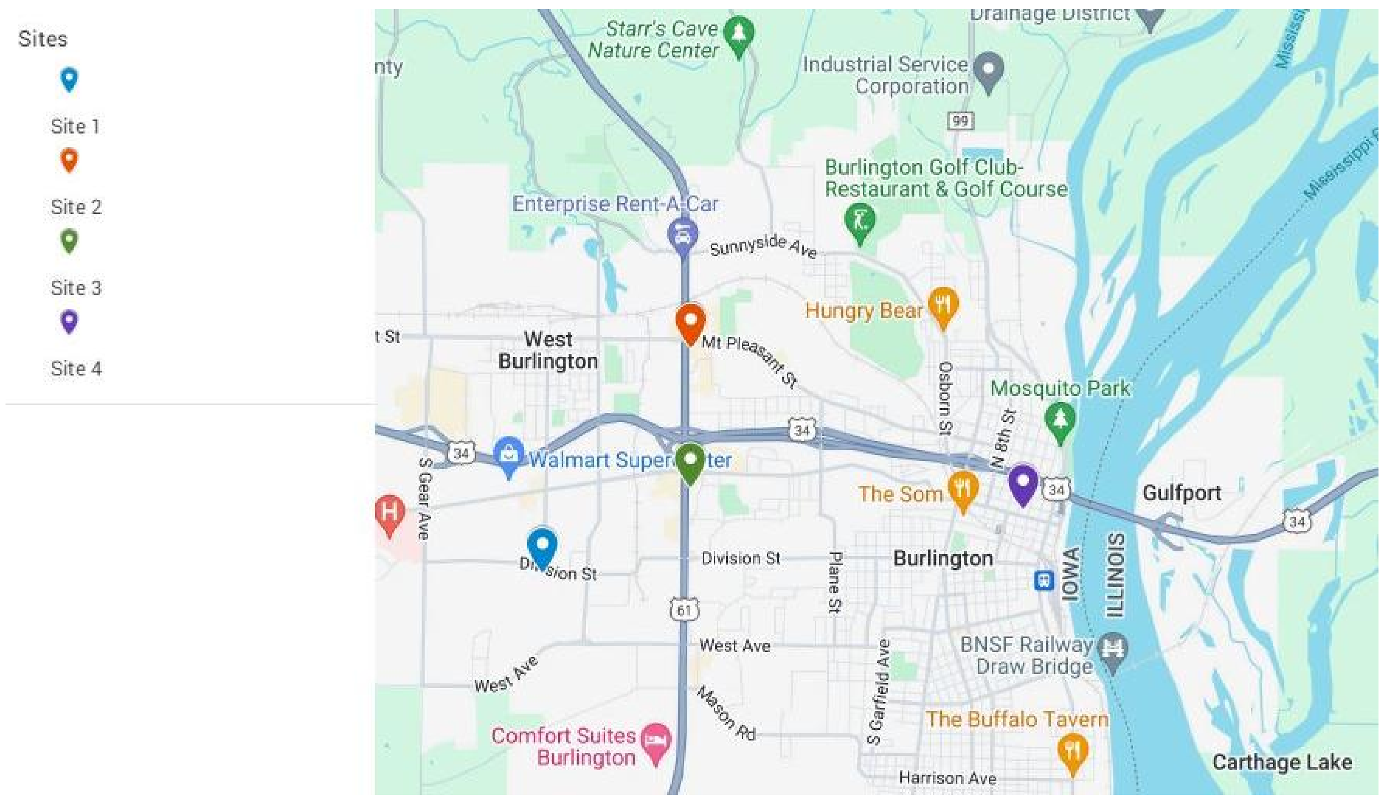


FIGURE 1-7 AVERAGE DAILY TRAFFIC COUNTS (2023)

Site #1 U.S. Highway 61 (Mount Pleasant Street)	Site #2 U.S Highway 61 (Division Street)	Site #3 U.S. Highway 61 (U.S. Highway 34)	Site #4 U.S Highway 34 (U.S. Highway 61)
14,200	14,750	17,100	8,700

FIGURE 1-8 PROPOSED SITE ANALYSIS – STRENGTHS AND WEAKNESSES

Site Option One	Site Option Two	Site Option Three	Site Option Four
Near RecPlex and Fun City Turf	Near Fun City Resort and Catfish Bend Casino	Near U.S. 61 and U.S. 34 Interchange	Downtown Burlington
Strengths			
Located adjacent to demand generators	Located near major demand generator	Very good accessibility to downtown and all demand generators	Adjacent to several restaurant and retail businesses
Limited hotel competition within neighborhood	Proximate to existing restaurants and supporting businesses	Proximate to existing restaurants and supporting businesses	No hotel competition in neighborhood
Weaknesses			
Not adjacent to many restaurants or supporting businesses	Several competing hotels in neighborhood	Several competing hotels in neighborhood	No major demand generators within neighborhood

Based on our analysis, research, and comparison of each site, we recommend that the proposed subject hotel be located near Site #2 or Site #3 in western Burlington along U.S. Highway 61.

Access and Visibility

It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. We assume the chosen site would be readily accessible to a variety of local and county roads, as well as state highways.

MAP OF REGIONAL ACCESS ROUTES

This market is served by a variety of major routes as illustrated on the map. Regional access to/from the city of Burlington, and the recommended area for the future hotel, in particular, is considered good.

We recommend that the subject site should be located at or near a busy intersection and be relatively simple to locate from U.S. Highway 61, which is the closest major thoroughfare. The proposed subject hotel should have adequate signage at the street, as well as on its façade. Overall, the subject hotel should benefit from very good accessibility and visibility from within its local neighborhood.

Airport Access

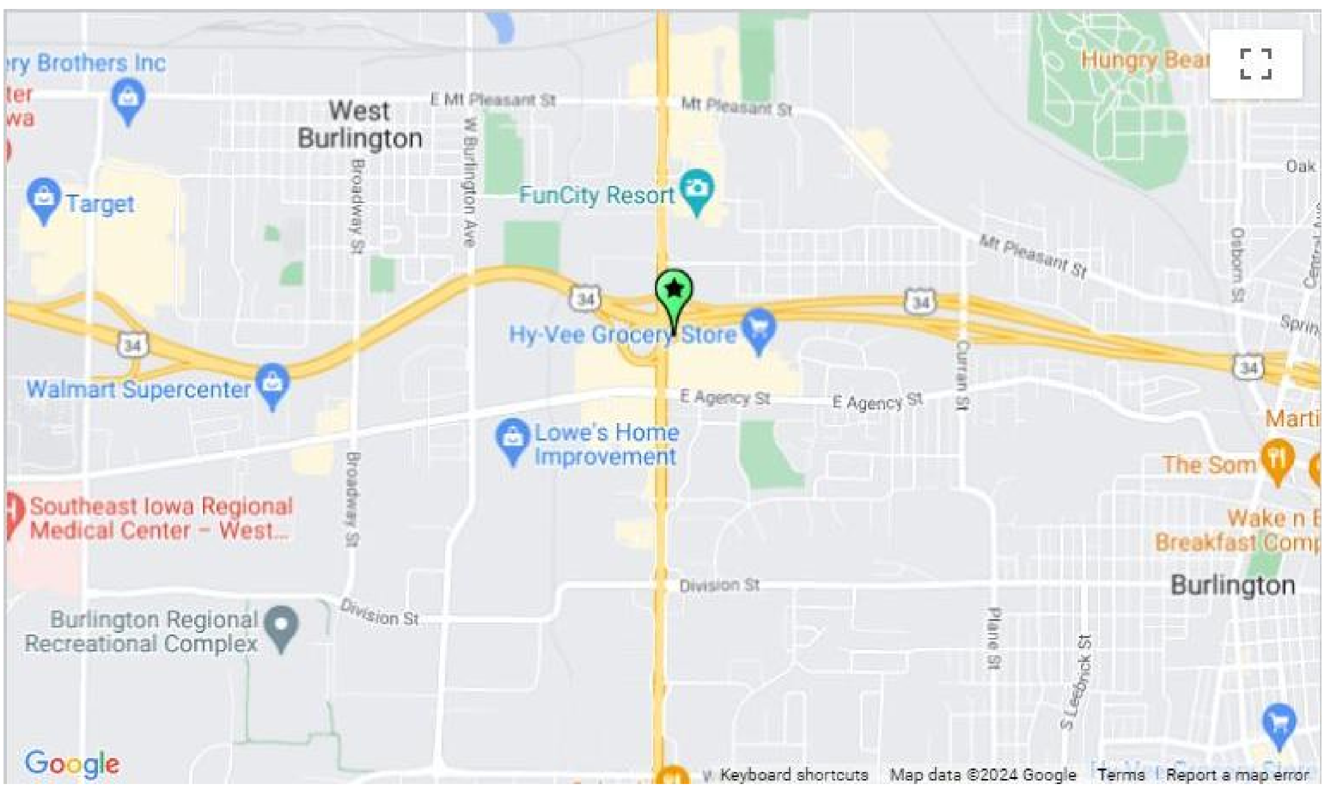
The proposed subject hotel will be served by the Quad Cities International Airport, which is located approximately 55 miles to the northeast of Burlington.

Neighborhood

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

The neighborhood surrounding the recommended subject site can be generally described as the U.S. Highway 61 corridor between Sunnyside Avenue to the north and Mason Road to the south. The neighborhood is characterized by restaurants, retail outlets, and other locally owned businesses along U.S. Highway 61, with residential areas spanning to the east and west. Some specific businesses and entities in the area include Catfish Bend Casino, Huck's Harbor waterpark, and Winegard Company; nearby hotels include the Fairfield by Marriott, Quality Inn, and Super 8 by Wyndham. Restaurants located near the recommended subject site include Dairy Queen, Perkin's Restaurant and Bakery, and Pizza Ranch. In general, this neighborhood is in the stable stage of its life cycle. The proposed hotel's opening should be a positive influence on the area, and the property is expected to be in character with and to complement surrounding land uses.

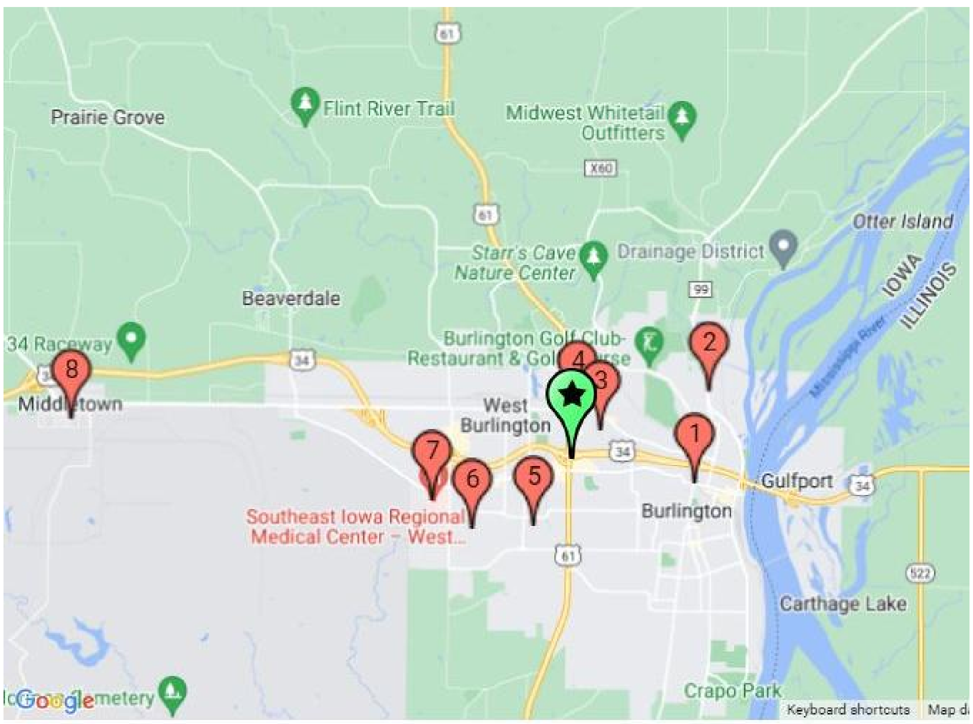
MAP OF NEIGHBORHOOD



Proximity to Local Demand Generators and Attractions

We recommend that the subject site should be located near the area's primary generators of lodging demand. A sample of these demand generators is reflected on the following map, including respective distances from and drive times to the recommended subject site area. Overall, the subject site should be well situated with respect to demand generators.

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



	Demand Generator	Approx. Time from Subject Property	Approx. Distance
	Subject Property		
1	Burlington Northern Santa Fe Railway	right there	0.4 mile
2	CNH Industrial	4 minutes	1.6 miles
3	Huck's Harbor	5 minutes	3.7 miles
4	Catfish Bend Casino	6 minutes	2.6 miles
5	FunCity Turf - Greater Burlington Area Sports Facilities	7 minutes	2.7 miles
6	Recplex	7 minutes	2.6 miles
7	Southeast Iowa Regional Medical Center – West Burlington Campus	8 minutes	4.7 miles
8	Iowa Army Ammunition Plant	12 minutes	10.5 miles

Zoning

According to the local planning office, the majority of the sites that woul be suitable for development near the recommended area are zoned as follows: C2 – General Commercial. Additional details pertaining to the regulations of this zoning district are summarized in the following table.

FIGURE 2-1 ZONING

Municipality Governing Zoning	City of Burlington
Current Zoning	C2- General Commercial
Permitted Uses	Hotel, Office, Retail
Hotel Allowed	Yes

We assume that all necessary permits and approvals will be secured (including the appropriate liquor license as applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

We have assumed that the subject site would be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3. Market Area Analysis

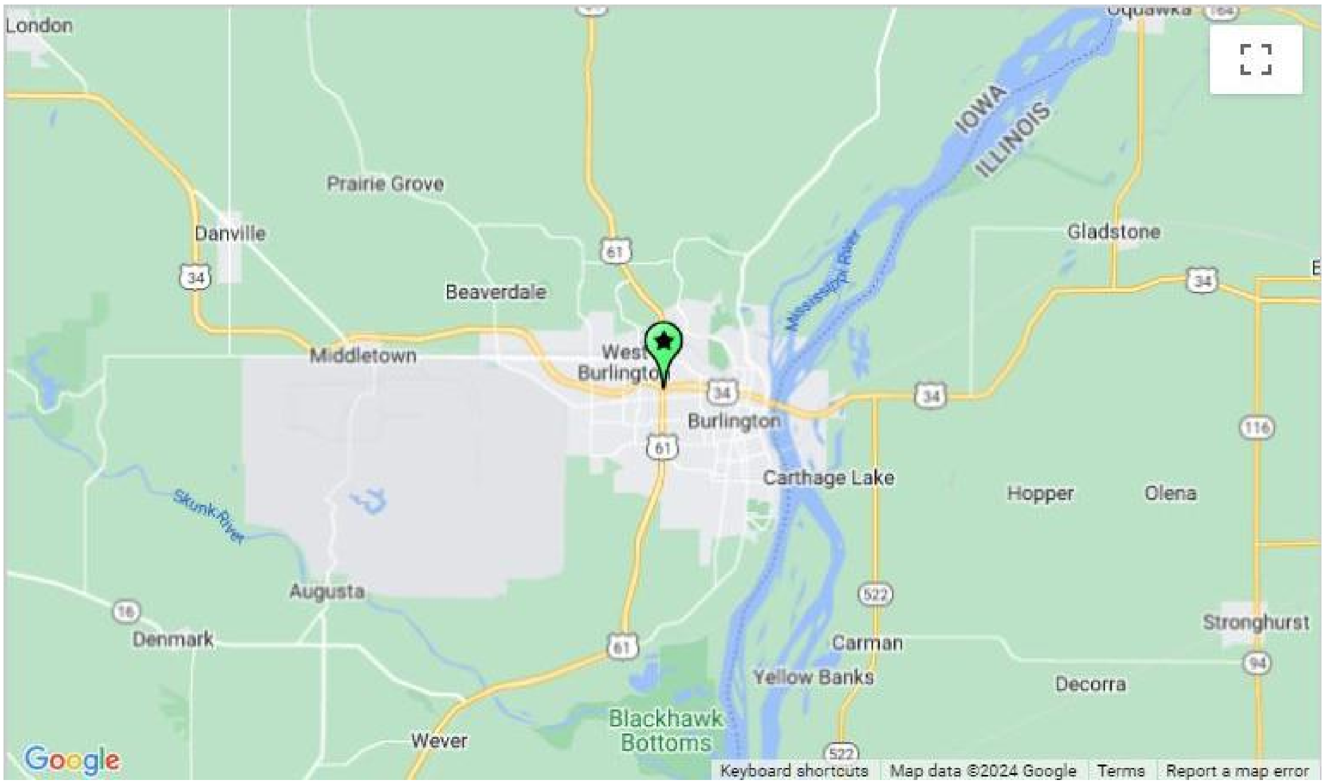
The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment (e.g., commercial, meeting and group, and leisure).

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Burlington, the county of Des Moines, and the state of Iowa. Burlington is the county seat for Des Moines County in southeastern Iowa. Given the city's location along the Mississippi River and proximity to Chicago, St. Louis, Kansas City, and Indianapolis, Burlington historically served as a river port and a central destination for railroads. Downtown Burlington is home to several historic buildings as well as Snake Alley, which is known as the most crooked road in the world. Burlington serves as a regional center for retail and healthcare, with the manufacturing, logistics and transportation, and tourism industries serving as the strongest economic contributors.

The subject property's market area can be defined by its Combined Statistical Area (CSA): Burlington-Fort Madison-Keokuk, IA-IL-MO. The CSA represents adjacent metropolitan and micropolitan statistical areas that have a moderate degree of employment interchange. Micropolitan statistical areas represent urban areas in the United States based around a core city or town with a population of 10,000 to 49,999; the MSA requires the presence of a core city of at least 50,000 people and a total population of at least 100,000 (75,000 in New England). The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc.—a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2010	2020	2023	2028	Avg. Annual Compounded Chg. 2010-20	2010-23	2023-28
Resident Population (Thousands)							
Des Moines County	40.2	38.8	38.4	38.2	(0.4) %	(0.4) %	(0.1) %
Burlington-Fort Madison-Keokuk, IA-IL-MO CSA	109.7	102.9	101.6	100.2	(0.6)	(0.6)	(0.3)
State of Iowa	3,050.8	3,188.7	3,214.9	3,265.4	0.4	0.4	0.3
United States	309,327.1	331,501.1	336,451.7	347,672.0	0.7	0.6	0.7
Per-Capita Personal Income*							
Des Moines County	$37,046	$46,339	$47,490	$50,581	2.3	1.9	1.3
Burlington-Fort Madison-Keokuk, IA-IL-MO CSA	34,899	43,871	43,137	46,216	2.3	1.6	1.4
State of Iowa	40,022	47,703	48,298	52,109	1.8	1.5	1.5
United States	42,497	53,178	54,550	59,222	2.3	1.9	1.7
W&P Wealth Index							
Des Moines County	87.2	86.3	85.8	84.5	(0.1)	(0.1)	(0.3)
Burlington-Fort Madison-Keokuk, IA-IL-MO CSA	82.4	81.9	78.8	78.0	(0.1)	(0.3)	(0.2)
State of Iowa	95.0	91.3	89.9	89.5	(0.4)	(0.4)	(0.1)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Des Moines County	$53	$55	$72	$78	0.4	2.4	1.6
Burlington-Fort Madison-Keokuk, IA-IL-MO CSA	112	99	129	138	(1.2)	1.1	1.5
State of Iowa	3,583	3,867	5,140	5,693	0.8	2.8	2.1
United States	475,345	571,525	767,434	861,699	1.9	3.8	2.3
Total Retail Sales (Millions)*							
Des Moines County	$681	$920	$1,020	$1,040	3.1	3.2	0.4
Burlington-Fort Madison-Keokuk, IA-IL-MO CSA	1,405	1,572	1,734	1,760	1.1	1.6	0.3
State of Iowa	44,364	52,859	59,153	61,836	1.8	2.2	0.9
United States	4,385,184	5,481,467	6,204,424	6,599,722	2.3	2.7	1.2

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.6% from 2010 through 2023. The county's population has grown more slowly than the nation's population; the average annual growth rate of -0.4% between 2010 and 2023 reflects a relatively stable area. Per-capita personal income increased slowly, at 1.9% on average annually for the county between 2010 and 2023. Local wealth indexes have remained stable in recent years, registering a modest 86.3 level for the county in 2023.

Food and beverage sales totaled $72 million in the county in 2023, versus $53 million in 2010. This reflects a 2.4% average annual change. The pace of growth is anticipated to be 1.6% through 2028. The retail sales sector demonstrated an annual increase of 3.2% from 2010 to 2023. An increase of 0.4% average annual change is expected in county retail sales through 2028.

Workforce Characteristics

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 2010, 2020, and 2023, as well as a forecast for 2028.

FIGURE 3-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)

Industry	2010	Percent of Total	2020	Percent of Total	2023	Percent of Total	2028	Percent of Total	Avg. Annual Compounded Chg. 2010-2020	Avg. Annual Compounded Chg. 2020-2023	Avg. Annual Compounded Chg. 2023-2028
Farm	0.6	2.1 %	0.6	2.3 %	0.6	2.1 %	0.6	2.1 %	0.3 %	(0.2) %	(0.1) %
Forestry, Fishing, Related Activities And Other	0.2	0.7	0.2	0.8	0.2	0.7	0.2	0.8	0.3	0.7	0.4
Mining	0.1	0.3	0.1	0.2	0.1	0.2	0.1	0.2	(1.4)	1.1	(0.7)
Utilities	0.1	0.2	0.0	0.2	0.0	0.1	0.0	0.1	(1.2)	(5.2)	(1.0)
Construction	1.3	5.1	1.2	4.7	1.2	4.6	1.2	4.5	(1.2)	1.9	(0.4)
Manufacturing	4.1	15.9	4.4	17.8	4.6	17.2	4.4	16.4	0.8	1.1	(0.7)
Total Trade	4.2	16.1	3.6	14.3	3.6	13.6	3.6	13.5	(1.6)	0.7	0.0
Wholesale Trade	0.6	2.4	0.5	1.8	0.5	1.8	0.5	1.8	(3.0)	3.0	(0.1)
Retail Trade	3.6	13.8	3.1	12.5	3.2	11.8	3.2	11.7	(1.3)	0.4	0.0
Transportation And Warehousing	1.2	4.5	1.2	4.8	1.3	4.7	1.2	4.6	0.3	1.5	(0.4)
Information	0.3	1.0	0.2	0.7	0.2	0.7	0.2	0.7	(4.9)	6.3	(0.8)
Finance And Insurance	0.9	3.5	0.9	3.5	0.9	3.4	1.0	3.7	(0.5)	1.8	1.5
Real Estate And Rental And Lease	0.5	2.0	0.6	2.6	0.7	2.7	0.7	2.7	2.4	3.7	0.4
Total Services	9.6	37.1	9.3	37.3	10.5	39.4	10.9	40.5	(0.3)	4.2	0.7
Professional And Technical Services	0.6	2.4	0.7	2.8	0.7	2.8	0.8	2.9	1.2	1.8	0.8
Management Of Companies And Enterprises	0.1	0.3	0.2	0.7	0.2	0.7	0.2	0.8	10.1	4.2	2.2
Administrative And Waste Services	1.2	4.5	1.0	3.9	1.1	4.1	1.1	4.0	(1.9)	4.6	(0.5)
Educational Services	0.2	0.7	0.2	0.9	0.3	1.0	0.3	1.1	2.1	5.5	1.5
Health Care And Social Assistance	3.8	14.5	3.6	14.6	3.9	14.7	4.0	14.8	(0.3)	2.5	0.4
Arts, Entertainment, And Recreation	0.6	2.2	0.6	2.5	1.0	3.7	1.2	4.3	1.1	15.6	3.4
Accommodation And Food Services	1.9	7.2	1.8	7.0	2.0	7.5	2.1	7.7	(0.6)	4.4	0.8
Other Services, Except Public Administration	1.4	5.3	1.2	4.9	1.3	4.9	1.3	4.9	(1.2)	2.7	(0.1)
Total Government	3.0	11.4	2.7	10.8	2.8	10.3	2.7	10.2	(0.9)	0.6	(0.1)
Federal Civilian Government	0.2	0.6	0.2	0.8	0.1	0.5	0.1	0.5	2.6	(11.9)	(0.6)
Federal Military	0.2	0.7	0.1	0.6	0.1	0.5	0.1	0.5	(2.3)	0.0	0.0
State And Local Government	2.6	10.1	2.4	9.4	2.5	9.3	2.5	9.1	(1.1)	1.6	(0.1)
TOTAL	25.9	100.0 %	25.0	100.0 %	26.7	100.0 %	27.0	100.0 %	(0.4) %	2.3 %	0.2 %
U.S.	172,901.7	—	190,776.8	—	212,472.4	—	226,480.4	—	1.0	3.7	1.3

Source: Woods & Poole Economics, Inc.

The preceding data illustrate the long-term employment trends in this market, including the recent impact of the pandemic and the subsequent recovery. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.2% on average annually through 2028. The trend is below the forecast rate of change for the United States as a whole during the same period.

Unemployment Statistics

The following table presents historical unemployment rates for the proposed subject hotel's market area.

FIGURE 3-3 UNEMPLOYMENT STATISTICS

Year	City	State	U.S.
2014	5.2 %	4.2 %	6.2 %
2015	5.0	3.8	5.3
2016	5.2	3.6	4.9
2017	4.5	3.1	4.4
2018	3.6	2.6	3.9
2019	4.4	2.7	3.7
2020	8.2	5.2	8.1
2021	6.3	3.8	5.4
2022	4.7	2.8	3.6
2023	4.6	2.9	3.6
Recent Month - Feb			
2023	5.4 %	3.3 %	3.6 %
2024	4.5	3.3	3.9

Source: U.S. Bureau of Labor Statistics

Prior to the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate had remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the pandemic. Steady gains in employment have been registered since that time; most recently, the national unemployment rate was 4.0% in May 2024. A 310,000-, 165,000-, and 272,000-person rise in employment was registered in March, April, and May, respectively. In May, the most significant gains were reported in the health care;

government; leisure and hospitality; and professional, scientific, and technical services sectors.

Locally, the unemployment rate was 4.6% in 2023; for this same area in 2024, the most recent month's unemployment rate was registered at 4.5%, versus 5.4% for the same month in 2023. As illustrated in the foregoing table, unemployment fluctuated between 2014 and 2019. Economic development officials noted that local employment last decade was largely supported by the manufacturing, logistics and transportation, and medical industries, including healthy employment levels at major employers such as CNH Industrial America, Southeast Regional Medical Center, and BNSF Railway. However, unemployment data from 2020 illustrate a sharp increase given the effects of the COVID-19 pandemic and related global economic crisis, which included massive furloughs/layoffs. Unemployment then declined from 2021 through 2023 as the economy rebounded. The most recent comparative period shows where the local market stood in 2024 relative to the same month of 2023, per the latest available data, reflecting improvement given the strengthening economic conditions.

Major Business and Industry

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the proposed subject property's market.

FIGURE 3-4 MAJOR EMPLOYERS

Rank	Employer
1	Southeast Iowa Regional Medical Center
2	American Ordnance
3	CNH Industrial
4	PZAZZ Entertainment
5	Shearers Snacks
6	Conagra Foods
7	Walmart
8	Federal Mogul
9	Winegard
10	OCI Iowa Fertilizer

Source: Southeast Iowa Economic Development, 2024

The Burlington economy is largely supported by the manufacturing and logistics and transportation industries. Other important economic anchors include Southeast Regional Medical Center, BNSF Railway, and youth and amateur sporting events. A portion of the Fun City Resort was recently redesigned, and the Fun City Courts opened in October 2023. The facility has flexible courts that can be configured as three basketball courts or five volleyball courts. The largest upcoming project in this market is the expansion of the Iowa Army Ammunition Plant. The project is expected to break ground in 2025, and construction is expected to take two years. During the construction phase, approximately 200–300 contractors will be onsite every day, most of them from out of town. The city's profile and the diversity of the economy, as well as recent trends and developments, support a positive outlook.

Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The Quad Cities International Airport serves travelers from the eastern Iowa and western Illinois regions. The airport is located just south of the city of Moline in Rock Island County, Illinois, covering 2,600 acres of land and providing three runways. The airport's two concourses are served by several airlines that offer daily flights to cities across the United States. In December 2021, the Quad Cities International Airport’s Board of Commissioners selected a construction manager to begin work on a planned $50-million terminal renovation and modernization plan. The renovation will include new ticketing areas and security checkpoints; reimagined food, beverage, and retail spaces; the addition of a canopy to the front of the terminal; and other aesthetic and technology updates. In April 2024, construction began on the first phase of these renovations, including the new ticketing area and baggage screening facility. The first phase is expected to be completed by the second quarter of 2025, while the full renovation will take several years to complete.

The following table illustrates recent operating statistics for the Quad Cities International Airport, which is the primary airport facility serving the proposed subject hotel’s submarket.

FIGURE 3-5 AIRPORT STATISTICS - QUAD CITIES INTERNATIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2014	738,398	—	—
2015	730,292	(1.1) %	(1.1) %
2016	716,872	(1.8)	(1.5)
2017	665,691	(7.1)	(3.4)
2018	706,777	6.2	(1.1)
2019	721,999	2.2	(0.4)
2020	306,260	(57.6)	(13.6)
2021	493,348	61.1	(5.6)
2022	544,144	10.3	(3.7)
2023	548,675	0.8	(3.2)
Year-to-date, Mar			
2023	133,780	—	—
2024	151,352	13.1 %	—

*Annual average compounded percentage change from the previous year

**Annual average compounded percentage change from first year of data

Source: Quad Cities International Airport

This facility recorded 548,675 passengers in 2023. The change in passenger traffic between 2022 and 2023 was 0.8%. The average annual change during the period shown was -3.2%. Data from 2020 illustrate a significant decline given the impact of the COVID-19 pandemic and the travel restrictions that were implemented. However, the 2021 data show a substantial rebound in passenger traffic. This upward trend continued through 2022 and 2023, with the latest statistics for early 2024 indicative of continued growth.

Tourist Attractions

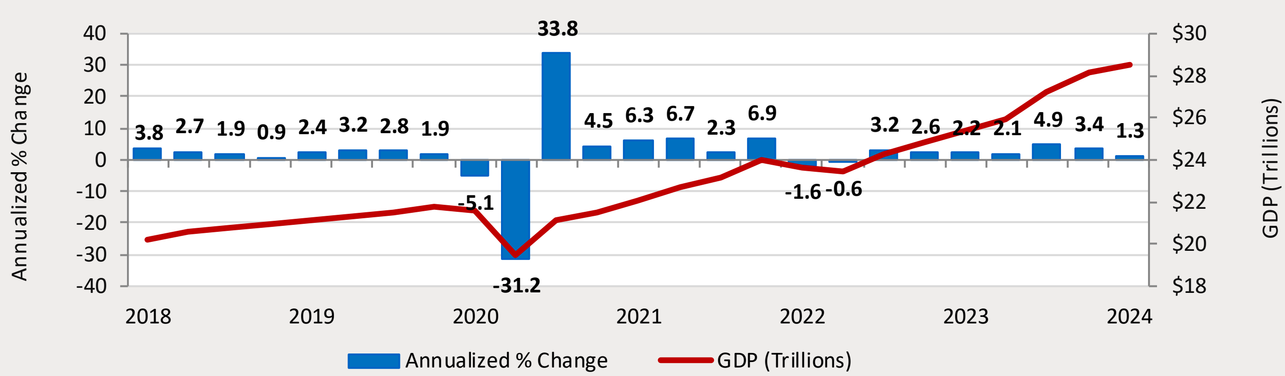
The subject market benefits from a modest number of tourism and leisure attractions in the area. The strongest leisure demand generator in Burlington is youth and amateur sporting events. In 2023, the Burlington Regional RecPlex hosted 29 tournaments (baseball, softball, and soccer) and drew 531 teams from out of town (at least 90 miles from Burlington). Fun City Turf, which opened in 2019, is an indoor facility with 78,500 square feet of playing surface and hosts sporting events from October through April. As mentioned previously, Fun City Courts opened in late 2023 and hosts basketball, volleyball, and pickleball tournaments. Additional leisure demand is generated by Fun City Resort, which includes Catfish Bend Casino and Huck's Harbor waterpark. Besides the continued ramp-up of events at Fun City Courts, no major changes related to these attributes of the market are expected in the near future.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. The local market area benefits from a strengthening economy that is primarily led by the manufacturing, logistics and transportation, and healthcare industries or sectors. Additionally, tourism has rebounded in the last couple of years, with youth and amateur sporting events being the primary draw. Thus, the near-term market outlook is overall positive.

Gross Domestic Product (GDP) is a key measure of a country's economic health and trends. Research has also identified a high degree of correlation between GDP and lodging demand. For the eight quarters leading up to 2020, GDP quarterly growth ranged between 0.9% and 3.8%, reflecting moderate economic expansion. The impact of the pandemic was considerable in 2020. As shutdowns halted major components of the U.S. economy from mid-March through May, GDP contracted by an annualized rate of 31.2% in the second quarter of 2020, the largest such decline in U.S. history. While shocking, this GDP decline was offset by a significant rebound in economic activity in the third quarter of 2020, greatly moderating the overall impact for the year. The U.S. economy grew by 33.8% on an annualized basis in the third quarter, followed by more modest gains in the five quarters that followed through the end of 2021, with GDP having surpassed the pre-pandemic peak by the first quarter of 2021. A pullback during the first half of 2022 was driven by the trade deficit and decreases in government spending and inventory investment, although the decline was offset by gains during the second half of the year.

FIGURE 3-6 UNITED STATES GDP GROWTH RATE



Sources: tradingeconomics.com, Bureau of Economic Analysis

The positive trend continued through 2023, registering a 2.5% increase for the year, with 4.9% and 3.4% increases recorded in the third and fourth quarters, respectively. According to the report from the Bureau of Economic Analysis, "The increase in real GDP in 2023 primarily reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by decreases in residential fixed investment and inventory investment. The increase in consumer spending reflected increases in services (led by health care) and goods (led by recreational goods and vehicles). The increase in nonresidential fixed investment reflected increases in structures and intellectual property products. The increase in state and local government spending reflected increases in gross investment in structures and in compensation of state and local government employees." Despite this favorable economic news, transaction activity has been curtailed by high borrowing costs and stricter lending requirements. While the possibility of the economy slowing in the near term remains a concern, the long-term outlook for the industry is optimistic.

4. Supply and Demand Analysis

In the lodging industry, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average daily rate (ADR). The purpose of this section is to investigate current supply and demand trends, as indicated by the current competitive market, and to set forth a basis for the projection of future supply and demand growth.

Definition of Subject Hotel Market

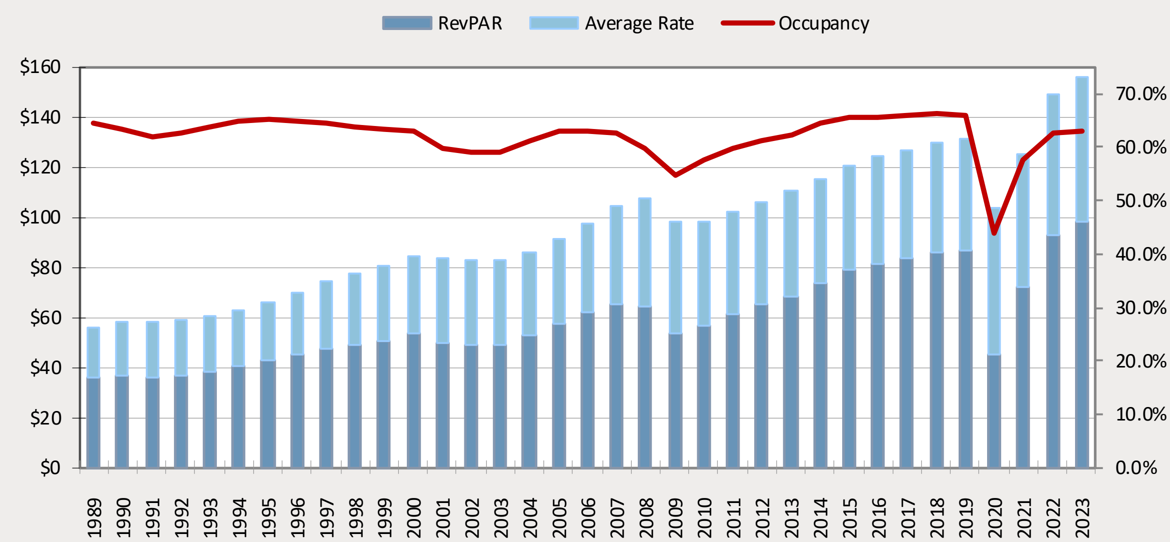
The subject site is located in the greater Burlington lodging market. Within this greater market, the proposed subject hotel will compete with a smaller set of hotels based on various factors, such as location, price point, and product type.

National Trends Overview

A hotel's local lodging market is most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the proposed subject hotel's competitive set.

STR is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy, ADR, and rooms revenue per available room (RevPAR) data since 1989. RevPAR is calculated by multiplying occupancy by ADR and provides an indication of how well rooms revenue is being maximized.

FIGURE 4-1 NATIONAL OCCUPANCY, ADR, AND REVPAR TRENDS



Source: STR

The preceding chart illustrates the impact of the recessions of the early 1990s, 2000s, the financial crisis of 2008/09, and the recent pandemic on the U.S. lodging industry. In each case, the downturn caused lodging demand to drop, resulting in an occupancy decline. The aggregate ADR also fell, as hoteliers used price as a marketing tool to attract demand and support occupancy levels. As occupancy recovered, ADR growth resumed, although the ADR recovery lagged somewhat behind occupancy levels, as price discounts contributed to the initial recovery of demand. Following the financial crisis of the Great Recession, occupancy fell by over eight points, and ADR declined by 5.9%, resulting in an 18.3% decrease in RevPAR. The market recovered steadily thereafter, with occupancy surpassing the 65.0% mark in 2015, and ADR also consistently growing, albeit at a decelerating pace.

FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS: 2019 THROUGH 2023

	Occupancy					Average Rate					RevPAR				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
United States	66.0 %	44.0 %	57.5 %	62.6 %	63.0 %	$131.23	$103.25	$124.96	$149.24	$155.62	$86.64	$45.48	$71.88	$93.39	$97.97
Region															
New England	64.7 %	38.8 %	55.5 %	63.4 %	63.7 %	$161.08	$123.17	$155.80	$179.29	$188.79	$104.25	$47.77	$86.54	$113.78	$120.22
Middle Atlantic	69.0	41.3	55.2	62.6	65.0	166.27	115.26	144.08	179.82	192.02	114.81	47.65	79.56	112.48	124.80
South Atlantic	67.5	45.7	59.8	64.7	64.5	128.41	107.99	130.45	152.61	156.17	86.68	49.40	77.95	98.70	100.75
E. North Central	61.1	39.1	52.3	57.2	57.5	112.64	86.72	105.25	123.33	128.91	68.82	33.93	55.09	70.52	74.13
E. South Central	62.4	45.7	59.5	61.0	61.0	103.58	85.74	104.70	119.73	125.79	64.61	39.18	62.30	73.04	76.74
W. North Central	58.3	39.1	51.0	55.3	56.1	99.28	83.65	97.34	109.00	114.93	57.88	32.72	49.68	60.27	64.49
W. South Central	62.6	44.9	58.1	59.9	60.2	101.84	82.88	95.75	112.13	116.07	63.77	37.25	55.64	67.20	69.84
Mountain	66.9	46.7	59.3	66.3	67.1	121.89	105.70	125.74	153.87	165.08	81.54	49.39	74.59	101.94	110.81
Pacific	73.6	47.1	60.2	66.9	66.6	171.40	129.57	157.79	190.58	196.17	126.16	61.01	95.00	127.42	130.67
Class															
Luxury	70.9 %	36.8 %	52.5 %	65.3 %	66.9 %	$304.11	$285.78	$322.00	$376.48	$377.58	$215.73	$105.29	$168.95	$245.93	$252.76
Upper-Upscale	72.6	34.8	50.0	63.4	66.7	188.24	159.14	175.05	213.96	220.78	136.67	55.30	87.49	135.70	147.21
Upscale	71.5	42.8	59.3	66.8	68.5	143.60	117.80	132.34	156.30	163.77	102.68	50.45	78.42	104.39	112.14
Upper-Midscale	67.5	45.3	61.2	65.7	66.1	115.91	98.80	114.14	128.53	133.17	78.20	44.72	69.83	84.50	87.97
Midscale	59.5	44.4	56.8	59.7	58.8	95.82	84.47	98.83	100.19	101.88	57.03	37.52	56.10	59.83	59.91
Economy	59.4	49.2	58.7	56.4	54.2	75.50	65.45	76.14	77.65	78.62	44.83	32.30	44.72	43.80	42.59
Location															
Urban	73.2 %	37.9 %	51.8 %	63.3 %	66.4 %	$183.20	$127.80	$152.81	$196.47	$206.62	$134.12	$48.47	$79.12	$124.44	$137.26
Suburban	66.7	46.4	59.9	63.8	64.1	111.26	88.81	104.93	126.13	131.93	74.24	41.24	62.90	80.45	84.54
Airport	73.7	44.5	60.3	67.9	68.4	119.22	93.71	104.82	126.57	133.02	87.85	41.72	63.18	85.91	90.93
Interstate	57.9	44.8	57.8	58.5	57.4	87.86	79.05	92.22	100.90	104.59	50.85	35.39	53.31	59.04	59.99
Resort	70.0	42.9	57.7	66.8	67.1	182.74	170.36	209.77	236.76	239.12	127.85	73.13	121.06	158.20	160.53
Small Town	57.8	44.4	56.7	57.5	56.5	107.26	96.95	116.96	124.72	128.86	61.98	43.07	66.34	71.72	72.79
Chain Scale															
Luxury	73.8 %	32.0 %	48.0 %	63.1 %	65.8 %	$343.02	$329.54	$383.48	$435.46	$429.14	$253.17	$105.40	$184.12	$274.64	$282.58
Upper-Upscale	73.9	33.4	48.7	63.9	67.7	189.25	158.86	176.66	215.96	223.27	139.80	53.10	86.11	138.05	151.05
Upscale	72.6	43.0	59.6	67.4	69.2	142.38	115.11	128.62	155.28	162.28	103.32	49.52	76.68	104.58	112.31
Upper-Midscale	67.5	45.4	61.6	65.8	66.2	112.80	96.04	111.14	127.56	132.16	76.14	43.61	68.47	83.93	87.45
Midscale	58.1	44.2	56.5	60.1	59.2	86.61	77.29	89.48	95.19	96.54	50.30	34.19	50.59	57.18	57.11
Economy	58.7	50.9	59.7	57.2	55.0	63.70	58.21	66.88	72.24	72.79	37.36	29.64	39.90	41.34	40.06
Independents	63.5	44.8	56.9	60.0	59.2	133.08	110.74	137.44	155.20	161.46	84.44	49.56	78.24	93.05	95.55

Source: Year-End STR Lodging Reviews

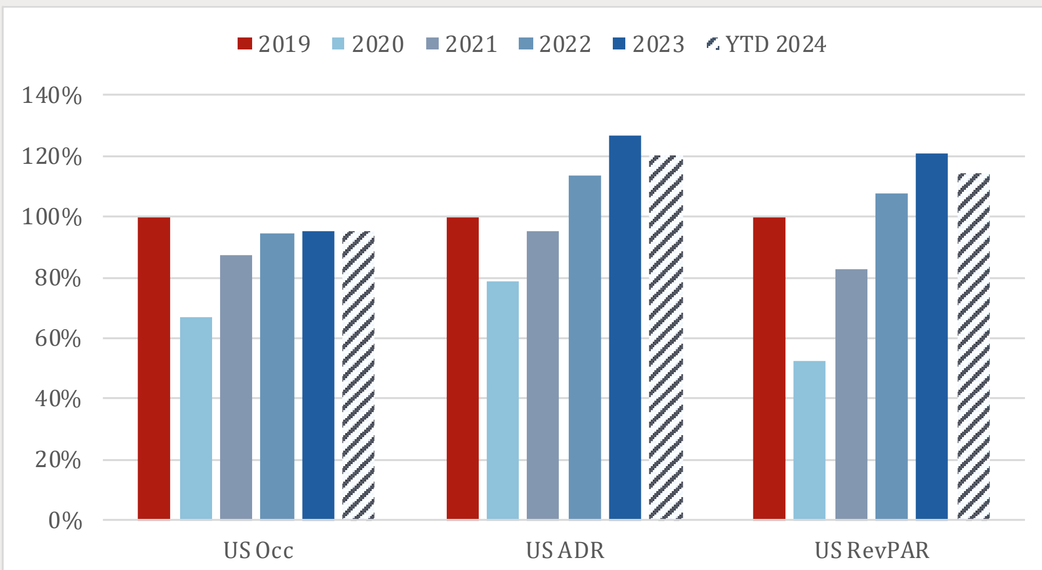
FIGURE 4-3 RECENT NATIONAL OCCUPANCY AND ADR TRENDS

	Occupancy - YTD May			Average Rate - YTD May			RevPAR - YTD May			Percent Change	
	2023	2024	% Change	2023	2024	% Change	2023	2024	% Change	Rms. Avail.	Rms. Sold
United States	61.5 %	61.2 %	(0.5) %	$153.80	$156.61	1.8 %	$94.59	$95.83	1.3 %	0.6 %	0.0 %
Region											
New England	56.5 %	57.8 %	2.3 %	$164.30	$169.52	3.2 %	$92.78	$97.91	5.5 %	(1.4) %	0.9 %
Middle Atlantic	59.5	61.2	2.7	171.41	178.46	4.1	102.07	109.14	6.9	(0.8)	2.0
South Atlantic	65.9	65.4	(0.8)	166.01	166.96	0.6	109.43	109.13	(0.3)	1.0	0.2
E. North Central	53.1	52.9	(0.3)	119.56	122.92	2.8	63.43	65.01	2.5	0.8	0.6
E. South Central	60.4	58.4	(3.4)	123.61	125.53	1.5	74.72	73.27	(1.9)	1.3	(2.2)
W. North Central	51.9	51.2	(1.3)	109.12	112.89	3.5	56.65	57.82	2.1	(0.1)	(1.4)
W. South Central	61.6	61.2	(0.7)	118.42	121.61	2.7	72.90	74.37	2.0	0.6	(0.1)
Mountain	66.3	65.8	(0.8)	169.41	175.04	3.3	112.33	115.19	2.5	0.9	0.1
Pacific	64.6	64.1	(0.8)	191.24	190.44	(0.4)	123.57	122.02	(1.3)	0.8	0.0
Class											
Luxury	64.4 %	65.6 %	1.8 %	$386.85	$388.25	0.4 %	$249.31	$254.63	2.1 %	3.1 %	5.0 %
Upper-Upscale	65.9	66.8	1.5	221.76	224.02	1.0	146.09	149.75	2.5	1.1	2.7
Upscale	67.3	67.6	0.4	160.85	163.28	1.5	108.24	110.33	1.9	1.0	1.5
Upper-Midscale	64.3	63.7	(0.9)	130.30	131.61	1.0	83.80	83.86	0.1	1.1	0.3
Midscale	56.8	56.1	(1.3)	96.27	97.91	(0.4)	55.84	54.92	(1.6)	(0.2)	(1.5)
Economy	52.9	51.2	(3.4)	76.32	74.99	(1.8)	40.41	38.36	(5.1)	(0.9)	(4.2)
Location											
Urban	64.4 %	65.7 %	2.0 %	$199.56	$203.97	2.2 %	$128.56	$134.06	4.3 %	0.9 %	3.1 %
Suburban	62.2	61.8	(0.6)	124.14	125.38	1.0	77.26	77.54	0.4	0.5	(0.2)
Airport	69.3	68.8	(0.7)	134.48	135.88	1.0	93.14	93.42	0.3	0.3	(0.6)
Interstate	55.6	54.3	(2.4)	102.62	104.54	1.9	57.09	56.75	(0.6)	0.4	(2.1)
Resort	69.7	69.3	(0.7)	251.41	253.33	0.8	175.33	175.50	0.1	1.3	0.6
Small Town	52.4	51.3	(2.0)	122.06	124.92	2.3	63.97	64.14	0.3	0.2	(1.8)
Chain Scale											
Luxury	65.3 %	67.7 %	3.6 %	$441.42	$426.64	(3.3) %	$288.22	$288.64	0.1 %	6.7 %	10.5 %
Upper-Upscale	66.6	67.8	1.8	224.45	227.90	1.5	149.59	154.63	3.4	2.1	4.0
Upscale	67.9	68.1	0.2	159.45	161.72	1.4	108.34	110.15	1.7	1.1	1.4
Upper-Midscale	64.6	64.1	(0.9)	129.35	130.95	1.2	83.60	83.91	0.4	1.7	0.9
Midscale	57.3	56.5	(1.4)	93.30	93.20	0.1	53.43	52.62	(1.5)	(0.5)	(1.9)
Economy	53.8	52.5	(2.5)	71.02	69.45	(2.2)	38.22	36.44	(4.7)	(0.8)	(3.3)
Independents	57.4	56.4	(1.8)	156.82	159.49	1.7	89.97	89.89	(0.1)	(0.9)	(2.7)

Source: STR - May 2024 Lodging Review

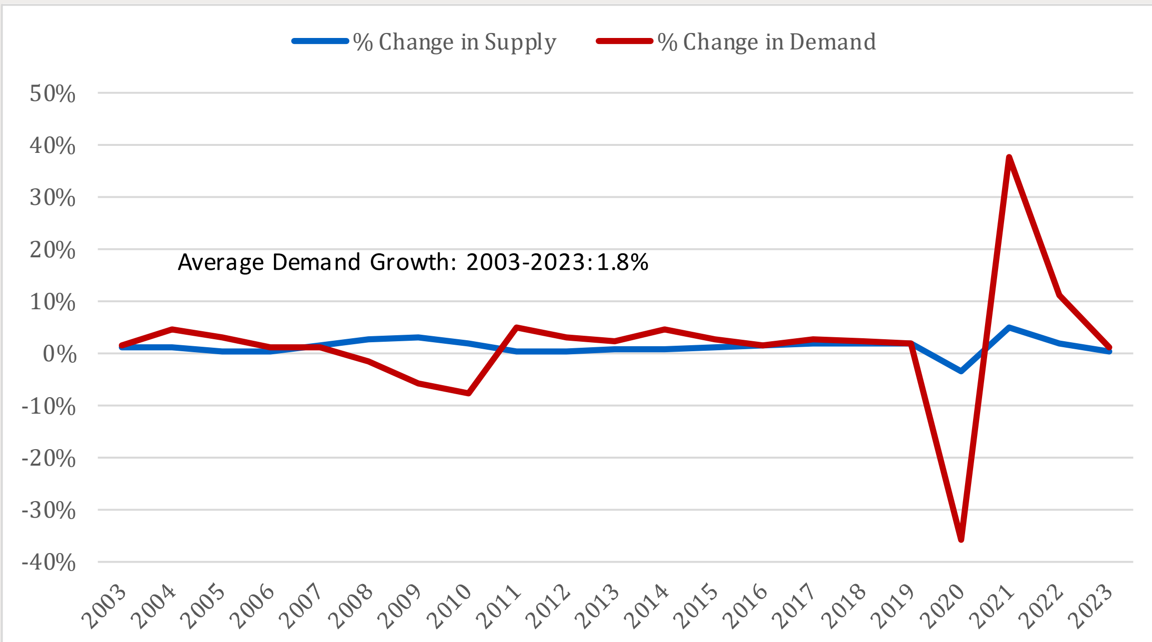
The following graph illustrates the performance of the U.S. lodging industry from 2019 through 2023, expressed as a percentage of 2019 levels of occupancy, ADR and RevPAR, demonstrating the pace and pattern of the recovery.

FIGURE 4-4 NATIONAL PERFORMANCE COMPARED TO 2019 LEVELS



A lodging market's performance is influenced by changes in supply and demand levels. The following graph illustrates the percentage change in these two metrics for the U.S. lodging industry as a whole since 2003, as reported by STR.

FIGURE 4-5 HISTORICAL CHANGES IN SUPPLY AND DEMAND – U.S. LODGING INDUSTRY



Source: STR

Excluding fluctuations due to the Great Recession in 2008/09 and the pandemic from 2020 to 2022, supply growth ranged between 0.4% to 2.0%, averaging 1.1% in these years. The pace of supply growth slowed significantly in the two to three years following the downturns in 2001/02, 2008/09, and 2020/21, reflecting the decline in new project-starts during these periods. As the market moved out of these cycles, supply growth accelerated. The impact of the pandemic caused a decline in supply, as hotels temporarily suspended operations or closed, in many cases for conversion to alternate use. The reopening of the temporarily closed properties caused an artificial spike in supply growth. Supply growth in 2023 and 2024 reflects the constraints imposed by the pandemic, as well as the limited availability of financing for new construction, which particularly affected the market in 2023 and early 2024. Thus, the pace of supply growth is expected to remain muted through 2026.

The changes in demand, as measured by the number of occupied rooms, display similar patterns. The years following the noted recessionary periods reflect relatively strong growth, as the market recovered from these downturns. Excluding the years of downturn and recovery, demand growth ranged from 1.0% to 4.6%.

Historical Supply and Demand Data

STR is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject hotels. This information is presented in the following table, along with the market-wide occupancy, ADR, and RevPAR.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. No hotels in the competitive subject market suspended operations because of the COVID-19 pandemic.

The second chart presents the monthly data for 2019 through the year-to-date 2024 period, illustrating the fluctuations in occupancy and ADR. The impact of the pandemic and the timing and pace of the subsequent recovery are reflected in the data.

FIGURE 4-6 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2016	458	167,290	—	122,616	—	73.3 %	$96.89	—	$71.02	—
2017	458	167,170	(0.1) %	108,659	(11.4) %	65.0	97.13	0.2 %	63.13	(11.1) %
2018	498	181,936	8.8	104,011	(4.3)	57.2	101.14	4.1	57.82	(8.4)
2019	527	192,355	5.7	112,924	8.6	58.7	100.38	(0.7)	58.93	1.9
2020	527	192,355	0.0	80,843	(28.4)	42.0	93.74	(6.6)	39.40	(33.1)
2021	514	187,571	(2.5)	88,420	9.4	47.1	116.64	24.4	54.98	39.6
2022	475	173,375	(7.6)	103,077	16.6	59.5	123.32	5.7	73.32	33.3
2023	475	173,375	0.0	109,258	6.0	63.0	123.91	0.5	78.09	6.5
<u>Year-to-Date Through March</u>										
2020	527	47,430	—	21,368	—	45.1 %	$100.19	—	$45.14	—
2021	527	47,430	0.0 %	17,602	(17.6) %	37.1	106.21	6.0 %	39.41	(12.7) %
2022	475	42,750	(9.9)	20,148	14.5	47.1	121.26	14.2	57.15	45.0
2023	475	42,750	0.0	22,599	12.2	52.9	117.78	(2.9)	62.26	8.9
2024	475	42,750	0.0	22,909	1.4	53.6	119.55	1.5	64.06	2.9
Average Annual Compounded Change:										
2016 – 2019			4.8 %		(2.7) %			1.2 %		(6.0) %
2016 – 2023			0.5		(1.6)			3.6		1.4

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Fun City Resort Hotel	Midscale Class	*Primary*	133	Dec 2008	Jun 1978
Quality Inn Burlington Near Hwy 34	Midscale Class	*Primary*	51	Feb 2005	May 1989
Holiday Inn Express & Suites Burlington	Upper Midscale Class	*Primary*	76	Nov 1999	Jun 1990
Fairfield Inn & Suites Burlington	Upper Midscale Class	*Primary*	60	Mar 1995	Mar 1995
Comfort Suites Burlington	Upper Midscale Class	*Primary*	86	Jan 2005	Jan 2005
Hampton Inn & Suites Burlington	Upper Midscale Class	*Primary*	69	Jun 2018	Jun 2018
		Total	**475**		

Source: STR

FIGURE 4-7 HISTORICAL SUPPLY AND DEMAND TRENDS (MONTHLY)

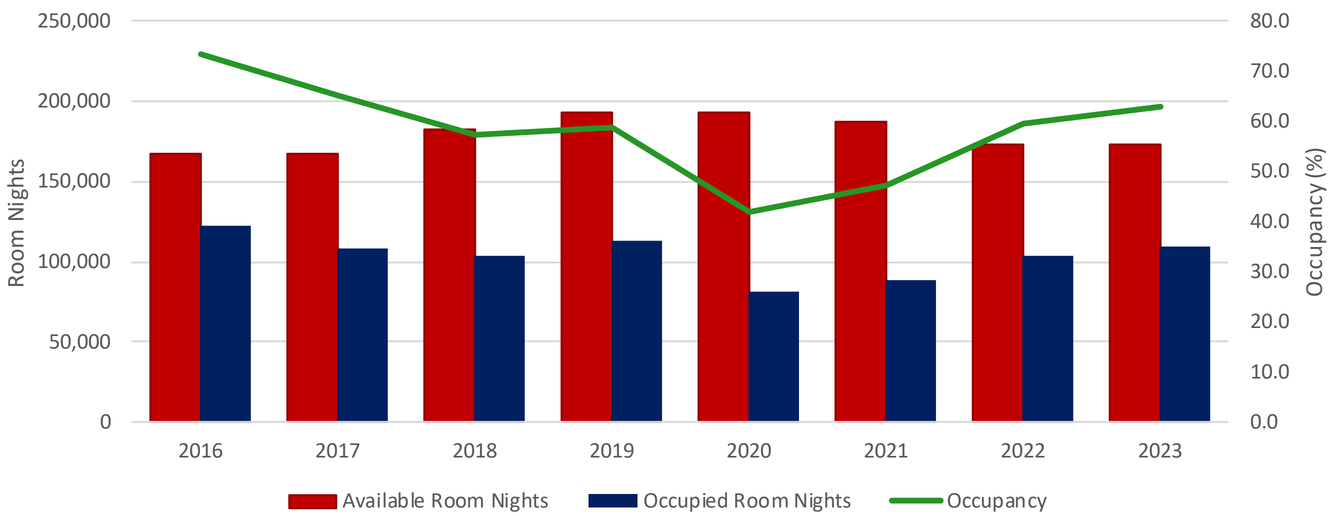
Month	2019 Occupancy	2019 ADR	2020 Occupancy	2020 ADR	2021 Occupancy	2021 ADR	2022 Occupancy	2022 ADR	2023 Occupancy	2023 ADR	2024 Occupancy	2024 ADR
January	43.7 %	$91.40	47.4 %	$95.61	35.2 %	$101.30	42.8 %	$119.58	51.7 %	$119.09	47.2 %	$121.46
February	58.7	96.19	52.0	105.01	35.1	106.87	46.6	120.37	49.5	116.97	50.9	122.99
March	62.0	96.26	36.4	99.93	40.8	109.92	51.9	123.37	57.1	117.24	62.4	115.57
April	60.6	95.52	31.0	79.28	44.7	107.55	60.9	122.57	56.4	115.76	—	—
May	54.7	100.07	36.9	82.42	44.9	115.51	69.4	123.77	63.1	121.35	—	—
June	62.6	114.04	41.9	99.48	54.1	118.43	71.4	128.24	77.0	126.74	—	—
July	76.9	107.40	47.6	103.56	60.3	127.09	71.9	130.32	76.0	123.64	—	—
August	71.8	104.00	45.4	103.22	55.4	122.07	69.2	125.36	67.4	129.61	—	—
September	62.6	100.53	49.7	85.65	52.2	124.56	72.5	124.39	80.4	131.10	—	—
October	59.6	102.96	52.9	87.95	53.9	123.80	58.5	122.00	81.0	131.69	—	—
November	48.5	92.66	38.1	84.39	46.9	114.71	54.2	116.92	55.3	125.03	—	—
December	42.6	94.47	25.8	90.58	41.5	113.30	43.5	115.26	40.7	117.11	—	—
Annual Averages	**58.7 %**	**$100.38**	**42.0 %**	**$93.74**	**47.1 %**	**$116.64**	**59.5 %**	**$123.32**	**63.0 %**	**$123.91**	—	—
Year-to-Date	**54.7 %**	**$94.90**	**45.1 %**	**$100.19**	**37.1 %**	**$106.21**	**47.1 %**	**$121.26**	**52.9 %**	**$117.78**	**53.6 %**	**$119.55**

Change from Prior Year	2019 Occupancy	2019 ADR	2020 Occupancy	2020 ADR	2021 Occupancy	2021 ADR	2022 Occupancy	2022 ADR	2023 Occupancy	2023 ADR	2024 Occupancy	2024 ADR
January	—	—	*3.7 pts*	*4.6 %*	*-12.2 pts*	*5.9 %*	*7.6 pts*	*18.0 %*	*8.9 pts*	*-0.4 %*	*-4.5 pts*	*2.0 %*
February	—	—	*-6.7*	*9.2*	*-16.9*	*1.8*	*11.5*	*12.6*	*2.9*	*-2.8*	*1.4*	*5.2*
March	—	—	*-25.6*	*3.8*	*4.4*	*10.0*	*11.1*	*12.2*	*5.1*	*-5.0*	*5.4*	*-1.4*
April	—	—	*-29.6*	*-17.0*	*13.6*	*35.6*	*16.2*	*14.0*	*-4.5*	*-5.6*	—	—
May	—	—	*-17.9*	*-17.6*	*8.0*	*40.1*	*24.6*	*7.2*	*-6.4*	*-2.0*	—	—
June	—	—	*-20.7*	*-12.8*	*12.3*	*19.1*	*17.3*	*8.3*	*5.6*	*-1.2*	—	—
July	—	—	*-29.4*	*-3.6*	*12.8*	*22.7*	*11.6*	*2.5*	*4.0*	*-5.1*	—	—
August	—	—	*-26.5*	*-0.7*	*10.0*	*18.3*	*13.8*	*2.7*	*-1.8*	*3.4*	—	—
September	—	—	*-12.9*	*-14.8*	*2.4*	*45.4*	*20.3*	*-0.1*	*7.9*	*5.4*	—	—
October	—	—	*-6.7*	*-14.6*	*0.9*	*40.8*	*4.6*	*-1.5*	*22.5*	*7.9*	—	—
November	—	—	*-10.4*	*-8.9*	*8.7*	*35.9*	*7.4*	*1.9*	*1.1*	*6.9*	—	—
December	—	—	*-16.8*	*-4.1*	*15.7*	*25.1*	*1.9*	*1.7*	*-2.8*	*1.6*	—	—
Annual Change	—	—	***-16.7 pts***	***-6.6 %***	***5.1 pts***	***24.4 %***	***12.3 pts***	***5.7 %***	***3.6 pts***	***0.5 %***	—	—
Year-to-Date	—	—	***-9.6***	***5.6 %***	***-7.9***	***6.0***	***10.0***	***14.2***	***5.7***	***-2.9***	***0.7 pts***	***1.5 %***

Source: STR

HVS

FIGURE 4-8 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)



It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample; furthermore, not every property reports data in a consistent and timely manner. These factors can influence the overall quality of the information by skewing the results, and these inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel on the previous table.

The STR data for the competitive set reflect a market-wide occupancy level of 2023 in 63.0%, which compares to 59.5% for 2022. The STR data for the competitive set reflect a market-wide ADR level of $123.91 in 2023, which compares to $123.32 for 2022. These occupancy and ADR trends resulted in a RevPAR level of $78.09 in 2023.

Demand in this market was above typical levels in 2016 and 2017 given an influx of construction demand from the Iowa Fertilizer Co. construction project. Given the completion of the project in 2017, occupancy decreased in 2018. Additionally, the opening of the Hampton by Hilton in June 2018 contributed to the occupancy decline during this time. In 2019, occupancy increased and ADR decreased as hoteliers discounted rates in order to raise occupancy levels amidst new supply opening. In 2020, the COVID-19 pandemic affected the market, similar to the rest of the nation; however, a rebound commenced in the third quarter of 2020, with the occupancy and ADR recovery extending through 2022. Heightened inflation in 2021 and 2022 also contributed to ADR growth for this competitive set. Year-end 2023 data illustrate occupancy in the low 60s with a slight increase in ADR, supported by strong levels of demand related to youth and amateur sporting events and strong levels of commercial demand. Year-to-date 2024 data illustrate a slight improvement in occupancy and continued modest ADR growth, which can be attributed to favorable economic conditions and heightened levels of travel in this market. The overall outlook for the competitive market is optimistic given the expected influx of demand from the upcoming expansion of the Iowa Army Ammunition Plant.

The following table illustrates the monthly occupancy, ADR, and RevPAR for the competitive set measured as a percentage of 2019 levels.

FIGURE 4-9 OCCUPANCY, ADR, AND REVPAR AS A PERCENTAGE OF 2019 LEVELS

	2021			2022			2023			2024		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
January	*80.5 %*	*110.8 %*	*89.3 %*	*97.9 %*	*130.8 %*	*128.0 %*	*118.2 %*	*130.3 %*	*154.0 %*	*107.9 %*	*132.9 %*	*143.4 %*
February	*59.8*	*111.1*	*66.5*	*79.4*	*125.1*	*99.4*	*84.4*	*121.6*	*102.6*	*86.7*	*127.9*	*110.9*
March	*65.8*	*114.2*	*75.2*	*83.8*	*128.2*	*107.4*	*92.0*	*121.8*	*112.1*	*100.7*	*120.1*	*120.9*
April	*73.7*	*112.6*	*83.0*	*100.5*	*128.3*	*128.9*	*93.0*	*121.2*	*112.7*	—	—	—
May	*82.0*	*115.4*	*94.7*	*126.9*	*123.7*	*157.0*	*115.3*	*121.3*	*139.8*	—	—	—
June	*86.5*	*103.9*	*89.8*	*114.1*	*112.5*	*128.3*	*123.1*	*111.1*	*136.8*	—	—	—
July	*78.4*	*118.3*	*92.8*	*93.5*	*121.4*	*113.5*	*98.7*	*115.1*	*113.7*	—	—	—
August	*77.1*	*117.4*	*90.5*	*96.3*	*120.5*	*116.1*	*93.8*	*124.6*	*116.9*	—	—	—
September	*83.3*	*123.9*	*103.2*	*115.7*	*123.7*	*143.2*	*128.4*	*130.4*	*167.4*	—	—	—
October	*90.3*	*120.2*	*108.6*	*98.1*	*118.5*	*116.2*	*135.8*	*127.9*	*173.7*	—	—	—
November	*96.6*	*123.8*	*119.6*	*111.8*	*126.2*	*141.1*	*114.0*	*134.9*	*153.9*	—	—	—
December	*97.5*	*119.9*	*117.0*	*102.1*	*122.0*	*124.6*	*95.5*	*124.0*	*118.4*	—	—	—
Annual Averages	***80.3 %***	***116.2 %***	***93.3 %***	***101.3 %***	***122.8 %***	***124.4 %***	***107.3 %***	***123.4 %***	***132.5 %***	—	—	—
Year-to-Date	***67.9***	***111.9***	***76.0***	***86.2***	***127.8***	***110.1***	***96.7***	***124.1***	***120.0***	***98.0 %***	***126.0 %***	***123.5 %***

Source: STR

Seasonality

The market's seasonal trends are presented in the following table.

FIGURE 4-10 SEASONALITY

	2016	2017	2018	2019	2020	2021	2022	2023
High Season - June, July, August, September, October								
Occupancy	79.7 %	69.8 %	61.6 %	66.8 %	47.5 %	55.2 %	68.7 %	76.3 %
Average Rate	$100.90	$100.63	$105.79	$105.81	$95.59	$123.27	$126.22	$128.59
RevPAR	80.43	70.25	65.14	70.66	45.41	68.07	86.66	98.14
Shoulder Season - March, April, May, November								
Occupancy	75.4 %	64.7 %	56.7 %	56.5 %	35.6 %	44.2 %	59.2 %	58.0 %
Average Rate	$93.93	$95.16	$98.12	$96.24	$86.81	$111.95	$121.83	$119.85
RevPAR	70.82	61.54	55.68	54.37	30.92	49.50	72.07	69.51
Low Season - January, February, December								
Occupancy	59.6 %	57.3 %	49.6 %	48.0 %	41.4 %	37.2 %	44.2 %	47.2 %
Average Rate	$92.84	$92.88	$95.02	$94.16	$98.21	$107.30	$118.38	$117.81
RevPAR	55.29	53.19	47.08	45.18	40.66	39.92	52.33	55.62

Source: STR

The illustrated occupancy and ADR patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

Patterns of Demand

A review of the trends in occupancy and ADR by day of the week provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by STR, are illustrated in the following tables.

FIGURE 4-11 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Apr - 23	27.5 %	64.8 %	74.2 %	71.2 %	49.3 %	50.7 %	62.7 %	56.4 %
May - 23	39.6	58.6	68.9	70.3	61.4	65.1	75.6	63.1
Jun - 23	49.9	80.6	84.2	90.2	67.1	78.6	90.6	77.0
Jul - 23	50.8	76.1	82.3	83.1	70.5	78.5	92.5	76.0
Aug - 23	37.5	70.4	72.8	73.1	61.1	75.9	79.8	67.4
Sep - 23	53.2	70.4	84.1	88.5	76.9	91.1	93.0	80.4
Oct - 23	57.4	84.8	87.1	86.9	74.7	82.7	96.7	81.0
Nov - 23	32.7	60.7	65.6	61.0	50.1	54.9	62.1	55.3
Dec - 23	27.9	40.4	48.2	44.1	33.2	38.8	52.7	40.7
Jan - 24	25.6	40.9	48.4	45.9	39.8	60.0	71.1	47.2
Feb - 24	28.6	52.6	55.5	56.2	46.0	52.2	66.3	50.9
Mar - 24	35.5	70.8	74.3	74.3	57.8	58.5	71.2	62.4
Average	**39.0 %**	**64.3 %**	**70.4 %**	**69.8 %**	**57.3 %**	**65.7 %**	**76.1 %**	**63.2 %**

Source: STR

FIGURE 4-12 ADR BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Apr - 23	$105.75	$112.32	$115.36	$114.24	$109.63	$120.18	$125.75	$115.76
May - 23	108.68	119.03	118.12	116.60	115.17	129.22	137.70	121.35
Jun - 23	120.07	123.74	122.87	124.85	120.20	130.04	141.02	126.74
Jul - 23	120.18	120.24	120.42	122.08	113.04	127.09	135.90	123.64
Aug - 23	125.95	125.87	129.01	126.49	122.00	134.25	141.76	129.61
Sep - 23	118.40	128.80	130.35	128.40	122.14	137.51	140.55	131.10
Oct - 23	120.03	126.44	134.88	130.06	122.84	140.12	143.58	131.69
Nov - 23	115.18	127.98	128.84	125.11	119.79	124.72	128.80	125.03
Dec - 23	117.49	116.33	120.47	118.75	109.76	112.99	120.58	117.11
Jan - 24	103.73	116.45	123.33	116.65	114.16	126.37	133.69	121.46
Feb - 24	110.56	121.94	123.20	121.55	114.27	126.78	134.83	122.99
Mar - 24	96.64	109.81	113.28	113.20	105.14	121.46	135.41	115.57
Average	**$114.67**	**$121.20**	**$123.90**	**$122.02**	**$116.61**	**$128.97**	**$135.74**	**$124.26**

Source: STR

FIGURE 4-13 OCCUPANCY AND ADR BY DAY OF WEEK (TRAILING 12 MONTHS)

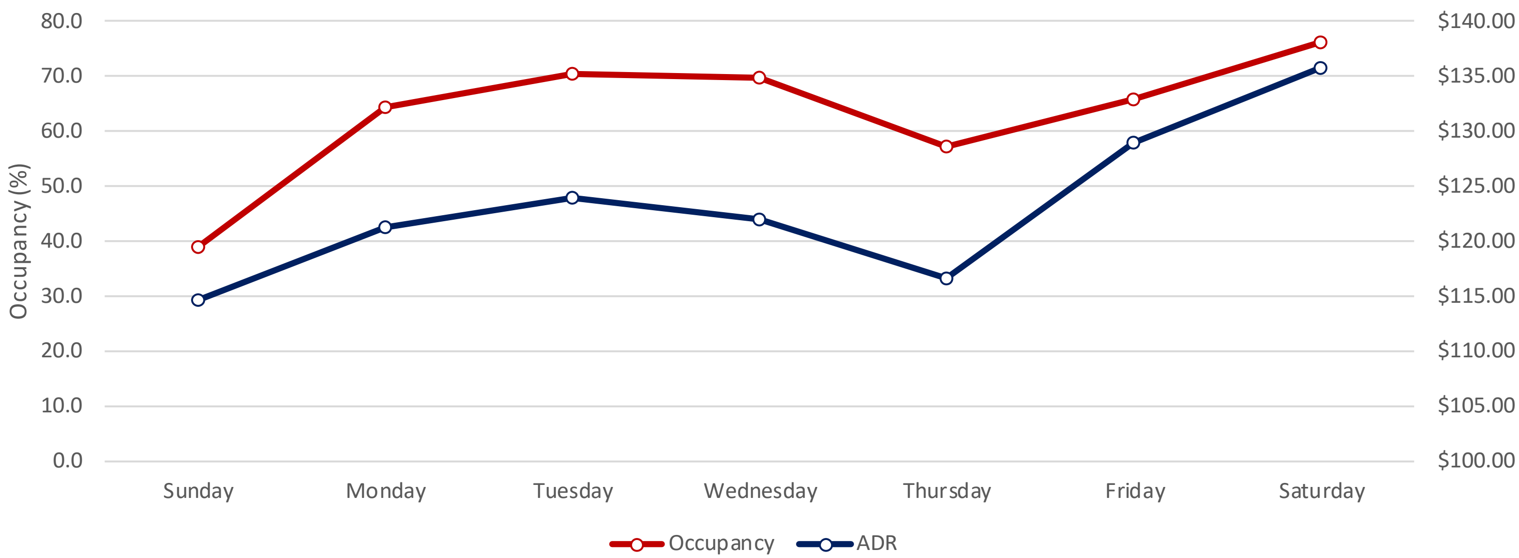


FIGURE 4-14 OCCUPANCY, ADR, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Apr 21 - Mar 22	29.2 %	48.4 %	54.2 %	52.5 %	44.0 %	54.8 %	65.2 %	49.7 %
Apr 22 - Mar 23	37.9	61.4	68.4	67.0	55.2	62.2	74.0	60.9
Apr 23 - Mar 24	39.0	64.3	70.4	69.8	57.3	65.7	76.1	63.2
Change (Occupancy Points)								
FY 21 - FY 22	8.7	13.0	14.2	14.6	11.1	7.4	8.8	11.1
FY 22 - FY 23	1.0	3.0	2.0	2.8	2.1	3.5	2.1	2.3

ADR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Apr 21 - Mar 22	$110.41	$112.97	$115.08	$114.60	$112.89	$128.36	$134.15	$119.68
Apr 22 - Mar 23	113.87	116.52	117.07	115.17	116.27	132.47	139.82	122.53
Apr 23 - Mar 24	114.67	121.20	123.90	122.02	116.61	128.97	135.74	124.26
Change (Dollars)								
FY 21 - FY 22	$3.46	$3.56	$1.99	$0.56	$3.38	$4.11	$5.67	$2.85
FY 22 - FY 23	0.81	4.68	6.82	6.85	0.34	(3.50)	(4.08)	1.74
Change (Percent)								
FY 21 - FY 22	3.1 %	3.1 %	1.7 %	0.5 %	3.0 %	3.2 %	4.2 %	2.4 %
FY 22 - FY 23	0.7	4.0	5.8	6.0	0.3	(2.6)	(2.9)	1.4

RevPAR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Apr 21 - Mar 22	$32.28	$54.69	$62.37	$60.11	$49.72	$70.29	$87.42	$59.53
Apr 22 - Mar 23	43.19	71.51	80.09	77.18	64.13	82.40	103.41	74.58
Apr 23 - Mar 24	44.68	77.99	87.21	85.21	66.80	84.75	103.24	78.53
Change (Dollars)								
FY 21 - FY 22	$10.91	$16.83	$17.72	$17.06	$14.41	$12.11	$15.99	$15.05
FY 22 - FY 23	1.49	6.48	7.12	8.03	2.68	2.36	(0.17)	3.95
Change (Percent)								
FY 21 - FY 22	33.8 %	30.8 %	28.4 %	28.4 %	29.0 %	17.2 %	18.3 %	25.3 %
FY 22 - FY 23	3.5	9.1	8.9	10.4	4.2	2.9	(0.2)	5.3

Source: STR

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights. Occupancy levels are typically weak on Sunday nights when all segments of demand are at their lowest. As business travel bookings intensify, Tuesdays and Wednesdays reflect peak nights of occupancy. This market is also a popular weekend destination; therefore, leisure and group travel spikes on Friday and Saturday nights, often surpassing midweek occupancy levels, particularly during the summer months.

SUPPLY

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified six properties that are expected to be competitive with the Proposed Burlington Hotel.

Competition

The following table summarizes the important operating characteristics of the future competitors. This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data. In cases where exact operating data for an individual property (or properties) were not available, we have used these resources, as well as the STR data, to estimate positioning within the market.

FIGURE 4-15 PRIMARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation			Estimated 2022				Estimated 2023					
Property	Number of Rooms	Commercial	Leisure	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hampton Inn & Suites Burlington	69	45 %	35 %	20 %	69	70 - 75 %	$140 - $150	$105 - $110	69	70 - 75 %	$140 - $150	$105 - $110	110 - 120 %	130 - 140 %
Fairfield by Marriott Burlington	60	45	35	20	60	55 - 60	130 - 140	75 - 80	60	60 - 65	130 - 140	85 - 90	100 - 110	100 - 110
Holiday Inn Express & Suites Burlington	76	45	35	20	76	65 - 70	130 - 140	90 - 95	76	65 - 70	140 - 150	95 - 100	100 - 110	120 - 130
Comfort Suites Burlington	86	40	35	25	86	50 - 55	115 - 120	60 - 65	86	55 - 60	115 - 120	65 - 70	90 - 95	85 - 90
Quality Inn Burlington	51	55	30	15	51	45 - 50	90 - 95	40 - 45	51	50 - 55	90 - 95	45 - 50	80 - 85	60 - 65
Fun City Resort	133	30	50	20	133	50 - 55	110 - 115	60 - 65	133	55 - 60	110 - 115	60 - 65	90 - 95	80 - 85
Totals/Averages	**475**	**41 %**	**38 %**	**20 %**	**475**	**59.6 %**	**$123.30**	**$73.44**	**475**	**63.0 %**	**$123.91**	**$78**	**100 %**	**100.0 %**

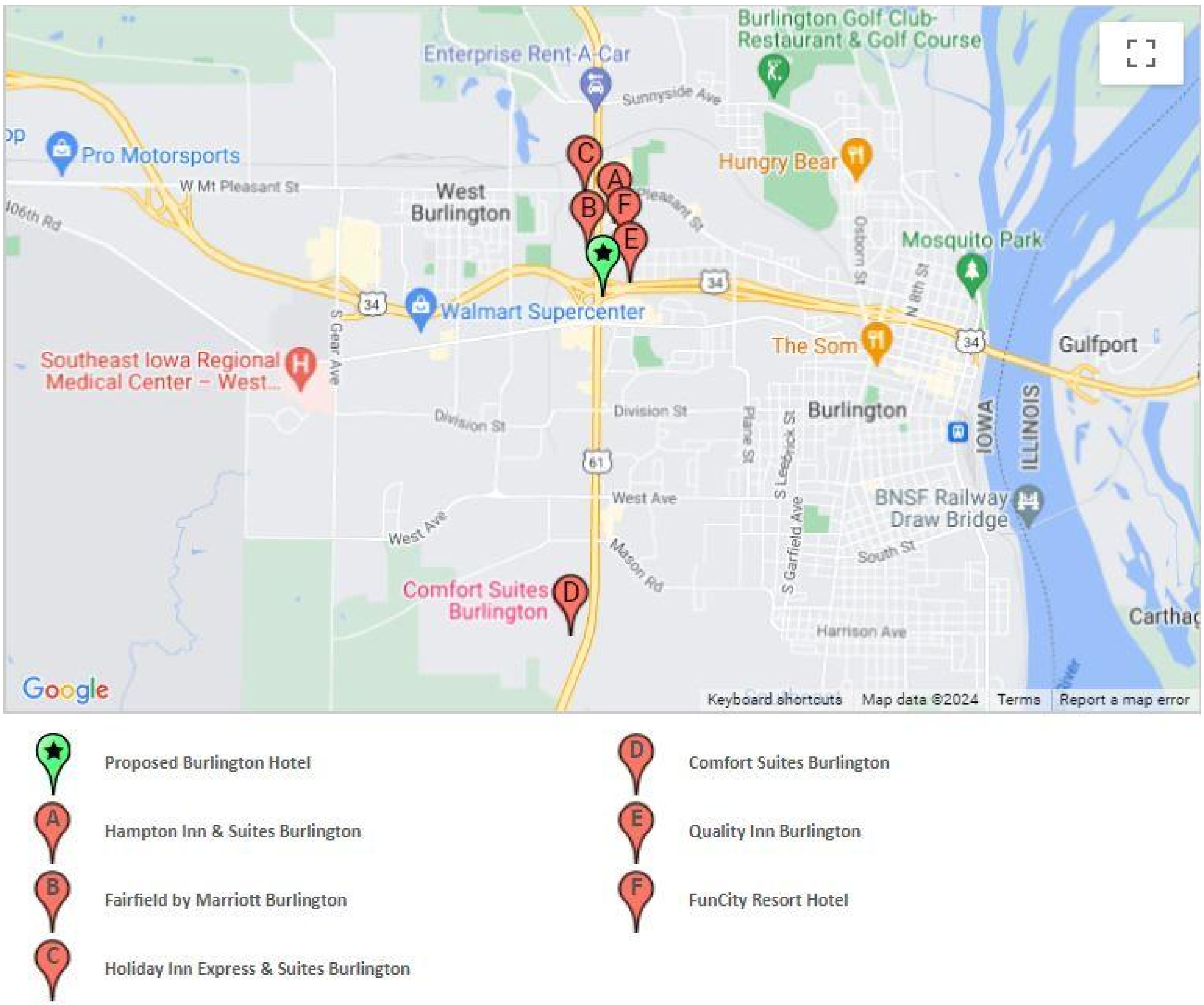
** Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.*

FIGURE 4-16 PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
Hampton Inn & Suites Burlington 3001 Winegard Drive	69	2018	Breakfast Dining Area	168	2.4	Indoor Swimming Pool; Fitness Center
Fairfield by Marriott Burlington 1213 North Roosevelt Avenue	60	1995	Breakfast Dining Area	0	—	Guest Laundry Area; Indoor Swimming Pool; Fitness Room; Lobby Workstation; Laundry/Valet Service
Holiday Inn Express & Suites Burlington 1605 North Roosevelt Avenue	76	1990	Breakfast Dining Area	240	3.2	Business Center; Guest Laundry Area; Indoor Swimming Pool; Fitness Center; Indoor Whirlpool; Sundries Counter; Vending Area(s)
Comfort Suites Burlington 1780 Stonegate Center Drive	86	2004	Breakfast Dining Area	Closed Conference Center in 2020		Business Center; Indoor Swimming Pool; Fitness Center; Indoor Whirlpool
Quality Inn Burlington 3051 Kirkwood Street	51	1985	Breakfast Dining Area	0	—	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Truck Parking
Fun City Resort 3001 Winegard Drive	133	2008	Boogaloo Sports Bar & Grill, Gasoline Allie's, Sportsbook, Coldstone Creamery, Tiki Bar, Snack Shack Huck's Harbor, Lucky Street, Shake Alley	9,060	68.1	Water Park; Indoor Swimming Pool; Casino; Sport Courts; Spa; Arcade and similar attractions

The following map illustrates the locations of the proposed subject property and its future competitors.

MAP OF COMPETITION



Our survey of the competitive hotels in the local market shows a range of lodging types and facilities. Each competitor was inspected and evaluated. Descriptions of our findings are presented below.

COMPETITOR #1 - HAMPTON INN & SUITES BURLINGTON

Hampton Inn & Suites Burlington
3001 Winegard Drive
Burlington, IA

FIGURE 4-17 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	69	55 - 60 %	$120 - $125	$70 - $75	100 - 110 %	120 - 130 %
Est. 2019	69	65 - 70	125 - 130	90 - 95	110 - 120	150 - 160
Est. 2021	69	75 - 80	130 - 140	105 - 110	160 - 170	190 - 200
Est. 2022	69	70 - 75	140 - 150	105 - 110	120 - 130	140 - 150
Est. 2023	69	70 - 75	140 - 150	105 - 110	110 - 120	130 - 140

The Hampton by Hilton is the RevPAR market leader due to its new facilities, connection to Fun City Resort, and strong brand affiliation. Overall, the property appeared to be in very good condition. Its location is superior to that of the Proposed Burlington Hotel.

COMPETITOR #2 - FAIRFIELD BY MARRIOTT BURLINGTON

Fairfield by Marriott Burlington
1213 North Roosevelt Avenue
Burlington, IA

FIGURE 4-18 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	60	60 - 65 %	$100 - $105	$60 - $65	110 - 120 %	110 - 120 %
Est. 2019	60	65 - 70	100 - 105	65 - 70	110 - 120	110 - 120
Est. 2021	60	40 - 45	115 - 120	45 - 50	85 - 90	85 - 90
Est. 2022	60	55 - 60	130 - 140	75 - 80	90 - 95	100 - 110
Est. 2023	60	60 - 65	130 - 140	85 - 90	100 - 110	100 - 110

This hotel benefits from its strong Marriott brand affiliation; however, it is somewhat disadvantaged by its lack of recent renovations. Overall, the property appeared to be in good condition. Its location is similar to that of the Proposed Burlington Hotel.

COMPETITOR #3 - HOLIDAY INN EXPRESS & SUITES BURLINGTON

Holiday Inn Express & Suites Burlington
1605 North Roosevelt Avenue
Burlington, IA

FIGURE 4-19 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	76	55 - 60 %	$100 - $105	$55 - $60	100 - 110 %	100 - 110 %
Est. 2019	76	50 - 55	105 - 110	55 - 60	90 - 95	95 - 100
Est. 2021	76	60 - 65	120 - 125	80 - 85	130 - 140	140 - 150
Est. 2022	76	65 - 70	130 - 140	90 - 95	110 - 120	120 - 130
Est. 2023	76	65 - 70	140 - 150	95 - 100	100 - 110	120 - 130

This hotel benefits from its strong brand affiliation; however, it is somewhat disadvantaged by its lack of recent renovations. Overall, the property appeared to be in good condition. Its location is similar to that of the Proposed Burlington Hotel.

COMPETITOR #4 - COMFORT SUITES BURLINGTON

Comfort Suites Burlington
1780 Stonegate Center Drive
Burlington, IA

FIGURE 4-20 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	86	55 - 60 %	$95 - $100	$55 - $60	95 - 100 %	95 - 100 %
Est. 2019	86	50 - 55	90 - 95	50 - 55	90 - 95	80 - 85
Est. 2021	86	35 - 40	100 - 105	35 - 40	75 - 80	65 - 70
Est. 2022	86	50 - 55	115 - 120	60 - 65	85 - 90	85 - 90
Est. 2023	86	55 - 60	115 - 120	65 - 70	90 - 95	85 - 90

This hotel is located in southern Burlington and is somewhat disadvantaged by its lack of proximity to restaurants and other supporting businesses; however, it benefits from being the closest hotel to Burlington RecPlex and Fun City Turf. We note that this hotel has an attached conference center that has remained closed since the COVID-19 pandemic. Overall, the property appeared to be in good condition. Its location is similar to that of the Proposed Burlington Hotel.

COMPETITOR #5 - QUALITY INN BURLINGTON

Quality Inn Burlington
3051 Kirkwood
Burlington, IA

FIGURE 4-21 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	51	50 - 55 %	\$75 - \$80	\$40 - \$45	95 - 100 %	70 - 75 %
Est. 2019	51	55 - 60	75 - 80	45 - 50	95 - 100	75 - 80
Est. 2021	51	30 - 35	85 - 90	25 -30	65 - 70	50 - 55
Est. 2022	51	45 - 50	90 - 95	40 - 45	75 - 80	55 - 60
Est. 2023	51	50 - 55	90 - 95	45 - 50	80 - 85	60 - 65

This hotel benefits from its location at the interchange of U.S. Highways 34 and 61. Overall, the property appeared to be in good condition. Its location is similar to that of the Proposed Burlington Hotel.

COMPETITOR #6 - FUN CITY RESORT

Fun City Resort
3001 Winegard Avenue
Burlington, IA

FIGURE 4-22 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	184	50 - 55 %	\$100 - \$105	\$55 - \$60	95 - 100 %	95 - 100 %
Est. 2019	184	55 - 60	90 - 95	50 - 55	90 - 95	85 - 90
Est. 2021	176	35 - 40	105 - 110	40 - 45	75 - 80	70 - 75
Est. 2022	133	50 - 55	110 - 115	60 - 65	90 - 95	80 - 85
Est. 2023	133	55 - 60	110 - 115	60 - 65	90 - 95	80 - 85

This hotel has the advantage of being the only full-service hotel in the market, and its amenities serve as a demand generator. Overall, the property appeared to be in good condition. Its location is superior to that of the Proposed Burlington Hotel.

HVS

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. According to our research, no other hotels are proposed for development within the proposed hotels competitive market at this time.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future or what its marketing strategy and effect on the market will be. Depending on the outcome of current and future projects, the operating potential of the proposed subject hotel may be affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and ADR is intended to reflect such risk.

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this Burlington submarket. The Proposed Burlington Hotel should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the competitors discussed previously in this section; performance results are estimated, rounded for the competition, and weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply-and-demand analysis developed for this report.

FIGURE 4-23 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2018	103,829	—	181,571	—	57.2 %	$101.17	—	$57.85	—
Est. 2019	112,673	8.5 %	191,990	5.7 %	58.7	100.44	(0.7) %	58.95	1.9 %
Est. 2021	89,157	157.5	189,070	(1.5)	47.2	116.62	24.4	54.99	39.6
Est. 2022	103,264	15.8	173,375	(8.3)	59.6	123.30	5.7	73.44	33.5
Est. 2023	109,192	5.7	173,375	0.0	63.0	123.91	0.5	78.04	6.3
Avg. Annual Compounded Chg., Est. 2018-Est. 2023:		1.0 %		(0.9) %			4.1 %		6.2 %

Although not shown in the preceding table, as a point of comparison, the year-to-date 2024 STR trend data indicates a market occupancy level of 53.6% versus 52.9% for the same period of time in 2023. Moreover, ADR registered 53.6% for the year-to-date 2024 period, reflecting a change of 1.5 % when compared with the ADR for the same period of time in 2023.

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2023 distribution of accommodated-room-night demand as follows.

FIGURE 4-24 BASE-YEAR ACCOMMODATED-ROOM-NIGHT DEMAND

	2023 Marketwide	
Market Segment	Accommodated Demand	Percentage of Total
Commercial	44,935	41 %
Leisure	42,011	38
Group	22,246	20
Total	**109,192**	**100 %**

In the base year, the market's demand mix comprised commercial demand, with this segment representing roughly 41% of the accommodated room nights in this Burlington submarket. The leisure segment comprised 38% of the total, with the final portion group in nature, reflecting 20%.

Using the distribution of accommodated hotel demand as a starting point, we will analyze the characteristics of each market segment in an effort to determine future trends in room-night demand.

Commercial Segment

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as "preferred" accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

Primary commercial demand generators for this market include major manufacturing companies in the area, such as Winegard Company, CNH Industrial, and OCI Iowa Fertilizer. Additional commercial demand is generated by large construction projects in the area. Lastly, the healthcare sector is important for this submarket given the existence of Southeast Iowa Regional Medical Center. We note that a high portion of extended-stay demand has been included in the commercial segment for the purposes of this study. The market attracts a significant amount of extended-stay demand related to construction projects, relocations, and the healthcare industry. Commercially driven demand was relatively healthy in 2023 and remains favorable thus far in 2024, with area corporations and demand sources generating strong levels of midweek hotel demand. Particularly relevant news related to these nearby demand generators includes the expansion of the Iowa Army Ammunition Plant that is expected to begin in 2025. Commercial demand is forecast to increase during the construction of the ammunition plant expansion and then normalize by the stabilized year.

Leisure Segment

Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, Hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest on Friday and Saturday nights and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

Leisure demand for this market is generated by the Fun City Resort, which includes a casino and waterpark, in addition to those visiting friends and family in the area and motorists on U.S. Highway 61 and U.S. Highway 34 seeking a convenient stopover en route to other destinations. We note that a portion of extended-stay demand has been included in the leisure segment, such as demand related to housing displacements. In 2023, weekend transient demand in this segment was strong, peaking during the summer months when vacation travel was at its height. Similar trends are expected for 2024, as Burlington should remain a popular "drive-to" tourist destination and a stopover point for travelers through this area.

Group Segment

In the limited-service sector, group demand is most commonly generated by groups that require ten or more room nights, but which need little to no meeting space within the hotel. Examples of these groups include family reunions, sports teams, and bus tours. In some markets, limited-service hotels may also accommodate demand from groups or individuals attending events at the local convention center or at one of the larger convention hotels in the area.

Athletic groups comprise a significant portion of demand for this market given the presence of the Burlington RecPlex, Fun City Turf, and Fun City Courts. Furthermore, training groups from nearby companies and social groups have represented additional sources of demand. Demand within this segment increased in 2023 and is forecast to continue this growth pattern through the stabilized year.

Base Demand Growth Rates

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as representing the proposed subject hotel's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 4-25 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

	Annual Growth Rate					
Market Segment	2024	2025	2026	2027	2028	2029
Commercial	1.0 %	14.0 %	19.0 %	2.0 %	-18.0 %	0.0 %
Leisure	1.0	2.0	5.0	3.0	1.5	0.0
Group	3.0	3.0	5.0	3.0	1.5	0.0
Base Demand Growth	**1.4 %**	**7.1 %**	**11.1 %**	**2.5 %**	**-7.6 %**	**0.0 %**

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the proposed subject hotel's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply, further classified as either unaccommodated demand or induced demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated-room-night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70.0%, the market may sell out certain nights during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 4-26 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Apr - 23	27.5 %	64.8 %	74.2 %	71.2 %	49.3 %	50.7 %	62.7 %	56.4 %
May - 23	39.6	58.6	68.9	70.3	61.4	65.1	75.6	63.1
Jun - 23	49.9	80.6	84.2	90.2	67.1	78.6	90.6	77.0
Jul - 23	50.8	76.1	82.3	83.1	70.5	78.5	92.5	76.0
Aug - 23	37.5	70.4	72.8	73.1	61.1	75.9	79.8	67.4
Sep - 23	53.2	70.4	84.1	88.5	76.9	91.1	93.0	80.4
Oct - 23	57.4	84.8	87.1	86.9	74.7	82.7	96.7	81.0
Nov - 23	32.7	60.7	65.6	61.0	50.1	54.9	62.1	55.3
Dec - 23	27.9	40.4	48.2	44.1	33.2	38.8	52.7	40.7
Jan - 24	25.6	40.9	48.4	45.9	39.8	60.0	71.1	47.2
Feb - 24	28.6	52.6	55.5	56.2	46.0	52.2	66.3	50.9
Mar - 24	35.5	70.8	74.3	74.3	57.8	58.5	71.2	62.4
Average	**39.0 %**	**64.3 %**	**70.4 %**	**69.8 %**	**57.3 %**	**65.7 %**	**76.1 %**	**63.2 %**

Source: STR

Our interviews with market participants found that the market generally sells out on weekends throughout the summer and fall. Major construction projects and special events, particularly sports tournaments, regularly sell out competitive hotels. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 4-27 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	47,323	2.6 %	1,226
Leisure	42,816	1.9	832
Group	22,535	4.4	993
Total	**112,673**	**2.7 %**	**3,050**

Accordingly, we have forecast unaccommodated demand equivalent to 2.7% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. Although increases in demand are expected in the local market, we have accounted for this growth in the determination of market-segment growth rates rather than induced demand.

Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the proposed subject hotel's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 4-28 FORECAST OF MARKET OCCUPANCY

	2019	2023	2024	2025	2026	2027	2028	2029
Commercial								
Base Demand	47,323	44,935	45,384	51,738	61,568	62,800	51,496	51,496
Unaccommodated Demand		1,164	1,176	1,340	1,595	1,627	1,334	1,334
Induced Demand			0	0	0	0	0	0
Total Demand	47,323	46,099	46,560	53,078	63,163	64,427	52,830	52,830
Growth Rate		(2.6) %	1.0 %	14.0 %	19.0 %	2.0 %	(18.0) %	0.0 %
Leisure								
Base Demand	42,816	42,011	42,431	43,280	45,444	46,807	47,509	47,509
Unaccommodated Demand		816	824	841	883	909	923	923
Induced Demand			0	0	0	0	0	0
Total Demand	42,816	42,827	43,255	44,120	46,326	47,716	48,432	48,432
Growth Rate		0.0 %	1.0 %	2.0 %	5.0 %	3.0 %	1.5 %	0.0 %
Group								
Base Demand	22,535	22,246	22,913	23,601	24,781	25,524	25,907	25,907
Unaccommodated Demand		980	1,009	1,040	1,092	1,124	1,141	1,141
Induced Demand			0	0	0	0	0	0
Total Demand	22,535	23,226	23,923	24,641	25,873	26,649	27,048	27,048
Growth Rate		3.1 %	3.0 %	3.0 %	5.0 %	3.0 %	1.5 %	0.0 %
Totals								
Base Demand	112,673	109,192	110,729	118,619	131,793	135,131	124,912	124,912
Unaccommodated Demand		2,960	3,009	3,221	3,569	3,660	3,398	3,398
Induced Demand			0	0	0	0	0	0
Total Demand	112,673	112,152	113,738	121,839	135,362	138,791	128,310	128,310
less: Residual Demand		2,960	3,009	3,221	0	0	0	0
Total Accommodated Demand	112,673	109,192	110,729	118,619	135,362	138,791	128,310	128,310
Overall Demand Growth	—	5.7 %	1.4 %	7.1 %	14.1 %	2.5 %	(7.6) %	0.0 %
Market Mix								
Commercial	42.0 %	41.2 %	40.9 %	43.6 %	46.7 %	46.4 %	41.2 %	41.2 %
Leisure	38.0	38.5	38.0	36.2	34.2	34.4	37.7	37.7
Group	20.0	20.4	21.0	20.2	19.1	19.2	21.1	21.1
Existing Hotel Supply	526	475	475	475	475	475	475	475
Proposed Hotels								
Proposed Burlington Hotel [1]					80	80	80	80
Available Room Nights per Year	191,990	173,375	173,375	173,375	202,575	202,575	202,575	202,575
Nights per Year	365	365	365	365	365	365	365	365
Total Supply	526	475	475	475	555	555	555	555
Rooms Supply Growth			0.0 %	0.0 %	16.8 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	**58.7 %**	**63.0 %**	**63.9 %**	**68.4 %**	**66.8 %**	**68.5 %**	**63.3 %**	**63.3 %**

[1] Opening in January 2026 of the 100% competitive, 80-room Proposed Burlington Hotel

The defined competitive market of hotels experienced a favorable trend of demand and ADR growth in 2023, with occupancy reaching the low 60s, and ADR surpassing the $120 mark. This reflects an overall healthy market, with demand generated by sporting events and strong levels of commercial travel being the most important contributors. Year-to-date 2024 trends reflect some continued demand growth and modest ADR gains. We note that signficant demand is expected to be generated when the expansion on the ammunition plant begins in 2026, as reflected in the increase within the commercial segment. However, this demand is expected to dissipate in 2028 as the project is completed, normalizing by the stabilized year following a period of increased demand.

5. Description of the Proposed Improvements

The quality of a lodging facility's physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Project Overview

The Proposed Burlington Hotel is recommended to be an extended-stay lodging facility containing 80 rentable units. We have assumed that the property will open on January 1, 2026. The Burlington market area currently comprises limited-service hotels, with the notable void of an extended-stay hotel. While a particular brand has yet to be determined for this project, our study recommends that the proposed subject hotel will operate as a nationally branded, upper-midscale, extended-stay hotel. The descriptions in this section are largely based on our recommendations and what would be typical for a hotel of this type.

Summary of the Facilities

Based on information provided by the proposed subject hotel's development representatives, the following table summarizes the facilities that are expected to be available at the proposed subject hotel.

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration	Portion of Units
Queen/Queen Suite	60–75%
King Suite	25–40%
Total Guestrooms	80 Rooms

Food & Beverage Facilities
Breakfast Dining Area

Indoor Meeting & Banquet Facilities	Square Footage
Meeting Room	750

Amenities & Services	
Indoor Swimming Pool	Market Pantry
Fitness Room	Outdoor Patio & Barbecue Area
Guest Laundry Area	Lobby Workstation

Site Improvements and Hotel Structure

The proposed hotel should occupy one multi-story building. Surface parking should be located around the building. Other site improvements should include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage should be placed high on the exterior of the building. It is recommended that the hotel's main entrance lead directly into the lobby, and the first (ground) floor should house the public areas and the back-of-the-house space, while the guestrooms should be located on all floors. The site and building components would be expected to be normal for an upper-midscale, extended-stay hotel, meeting the standards for this market.

Planned Facilities

The hotel's breakfast dining area is recommended to be located off the lobby, and its size and layout should be appropriate for the hotel. The furnishings of the space should be of a similar style and finish as lobby and guestroom furnishings. We recommend that the hotel offer one meeting room, which should be located on the first floor; this meeting space should be adequate and appropriate for a hotel of this type. The hotel should offer an indoor pool, a fitness room, and an outdoor patio and barbecue area as recreational facilities. Other amenities are likely to include a guest laundry area, a lobby workstation or small business center, and a market pantry. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

Guestrooms

The hotel should feature extended-stay suites present on all levels of the property's single building. The suite-style rooms should offer fully equipped kitchens and separate living and sleeping areas. The guestroom bathrooms should be of a standard size, with a standalone shower, commode, and single sink with vanity area, featuring a stone countertop. The floors should be finished with tile, and the walls should be finished with knockdown texture (consistent with brand standards). Overall, the guestrooms should offer a competitive product for this neighborhood.

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EXAMPLE EXTENDED-STAY HOTEL GUESTROOM

EXAMPLE EXTENDED-STAY HOTEL LOBBY AREA

EXAMPLE EXTENDED-STAY HOTEL DINING AREA

Back-of-the-House

The hotel should be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a prep kitchen to service the needs of the breakfast dining area. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

ADA and Environmental

We assume that the property will be built according to all pertinent codes and brand standards. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

Capital Expenditures

Our analysis assumes that the hotel will require ongoing upgrades and periodic renovations after its opening in order to maintain its competitive level in this market and to remain compliant with brand standards. These costs should be adequately funded by the forecasted reserve for replacement, as long as hotel staff employs a successful, ongoing preventive-maintenance program.

Conclusion

Overall, the proposed subject property should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities should be included in the hotel's design. We assume that the building will be fully open and operational on the stipulated opening date and will meet all local building codes and brand standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

6. Projection of Occupancy and Average Rate

Along with ADR results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food and beverage, other operated departments, and miscellaneous income) are driven by the number of guests, and many expense levels vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

Penetration Rate Analysis

The proposed subject hotel's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a hotel's market share to its fair share.

Base-Year Penetration Rates by Market Segment

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year.

FIGURE 6-1 HISTORICAL PENETRATION RATES

Property	Commercial	Leisure	Group	Overall
Hampton Inn & Suites Burlington	130 %	108 %	117 %	119 %
Fairfield by Marriott Burlington	113	94	101	103
Holiday Inn Express & Suites Burlington	120	100	108	110
Comfort Suites Burlington	90	84	113	92
Quality Inn Burlington	115	67	63	86
Fun City Resort	68	122	92	94

The Hampton Inn & Suites Burlington achieved the highest penetration rate within the commercial segment. The highest penetration rate in the leisure segment was achieved by the Fun City Resort, while the Hampton Inn & Suites Burlington led the market with the highest group penetration rate.

Forecast of Subject Property's Occupancy

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market and, consequently, upon the calculated penetration factor for each hotel in each market segment. The same is true when the performance of existing hotels changes, either positively (following a refurbishment, for example) or negatively (when a poorly maintained or marketed hotel loses market share).

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture, and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply or a change in the relative penetration performance of one or more hotels in the competitive market. Our projections of penetration, demand capture, and occupancy performance for the proposed subject hotel account for these types of adjustments to market share within the defined competitive market.

The proposed subject hotel's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2026	2027	2028	2029
Commercial				
Demand	63,163	64,427	52,830	52,830
Market Share	15.0 %	16.2 %	18.0 %	18.0 %
Capture	9,491	10,454	9,489	9,489
Penetration	104 %	113 %	125 %	125 %
Leisure				
Demand	46,326	47,716	48,432	48,432
Market Share	13.8 %	14.2 %	14.4 %	14.4 %
Capture	6,390	6,760	6,981	6,981
Penetration	96 %	98 %	100 %	100 %
Group				
Demand	25,873	26,649	27,048	27,048
Market Share	14.4 %	15.3 %	15.6 %	15.6 %
Capture	3,729	4,069	4,228	4,228
Penetration	100 %	106 %	108 %	108 %
Total Room Nights Captured	**19,611**	**21,283**	**20,698**	**20,698**
Available Room Nights	29,200	29,200	29,200	29,200
Subject Occupancy	**67 %**	**73 %**	**71 %**	**71 %**
Market-wide Available Room Nights	202,575	202,575	202,575	202,575
Fair Share	**14 %**	**14 %**	**14 %**	**14 %**
Market-wide Occupied Room Nights	135,362	138,791	128,310	128,310
Market Share	**14 %**	**15 %**	**16 %**	**16 %**
Market-wide Occupancy	**67 %**	**69 %**	**63 %**	**63 %**
Total Penetration	**101 %**	**106 %**	**112 %**	**112 %**

Within the commercial segment, the proposed subject hotel’s occupancy penetration is positioned above the market-average level, supported by the subject hotel's extended-stay product and assumed national hotel brand affiliation. The proposed subject hotel's occupancy penetration in the leisure segment is positioned appropriately within the range of existing competitors given the proposed hotel's new facility and favorable location along U.S. Highway 61. Within the group segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, largely attributed to the subject hotel's all-suite product offering, which will cater to families traveling for youth sporting events.

These positioned segment penetration rates result in the following market segmentation forecast.

FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2026	2027	2028	2029
Commercial	48 %	49 %	46 %	46 %
Leisure	33	32	34	34
Group	19	19	20	20
Total	100 %	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 71%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

One of the most important considerations in estimating the value of a lodging facility is a supportable forecast of its attainable average rate (ADR), which is more formally defined as the average rate per occupied room; ADR can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected ADR and the anticipated occupancy percentage are used to forecast rooms revenue, which in turn provides the basis for estimating most other income and expense categories.

Competitive Position

Although the ADR analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding ADR. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following table summarizes the historical ADR and RevPAR levels of the proposed subject hotel's future primary competitors.

FIGURE 6-4 BASE-YEAR ADR AND REVPAR OF THE COMPETITORS

Property	Estimated 2023 Average Room Rate	Average Room Rate Penetration	Occupancy	Occupancy Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Hampton Inn & Suites Burlington	$140 - $150	116.2 %	70 - 75 %	110 - 120 %	$105 - $110	130 - 140 %
Fairfield by Marriott Burlington	130 - 140	106.5	60 - 65	100 - 110	85 - 90	100 - 110
Holiday Inn Express & Suites Burlington	140 - 150	115.6	65 - 70	100 - 110	95 - 100	120 - 130
Comfort Suites Burlington	115 - 120	94.4	55 - 60	90 - 95	65 - 70	85 - 90
Quality Inn Burlington	90 - 95	72.6	50 - 55	80 - 85	45 - 50	60 - 65
Fun City Resort	110 - 115	88.8	55 - 60	90 - 95	60 - 65	80 - 85
Average	**$123.91**	100.0 %	63.0 %	100.0 %	**$78.04**	100.0 %
Subject As If Stabilized (In 2023 Dollars)	**$135.00**	**108.9 %**	**70.5 %**	**111.9 %**	**$95.15**	**121.9 %**

The Hampton by Hilton achieved the highest estimated average rate in the local competitive market, by a modest margin, because of its new facility, strong brand affiliation, and favorable location within the Fun City Resort. The selected rate position for the proposed subject hotel, in base-year dollars, takes into consideration factors such as its extended-stay product offering and anticipated strong brand affiliation.

We have selected the rate position of $135.00, in base-year dollars (2023), for the proposed subject hotel. We have positioned the proposed subject hotel's stabilized ADR in the 2023 base year in consideration of its new facility, anticipated strong brand affiliation, and extended-stay product offering. Average rates for this competitive market are anticipated to increase annually going forward, driven by anticipated economic growth and development activity in this area.

The following table presents the ADR forecast for the market and the proposed subject hotel on a calendar-year basis, as well as the resulting ADR penetration level. The proposed subject hotel’s projected ADR (as if stabilized) is then fiscalized to correspond with the hotel’s anticipated date of opening for each forecast year.

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FIGURE 6-5 ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

Calendar Year	Historical 2023	2024	2025	2026	2027	2028	2029
Market ADR	$123.91	$127.63	$131.46	$135.40	$139.46	$143.65	$147.96
Projected Market ADR Growth Rate		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	**$135.00**	$139.05	$143.22	$147.52	$151.94	$156.50	$161.20
ADR Growth Rate		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	109%	109%	109%	109%	109%	109%	109%

Fiscal Year	2026	2027	2028	2029
Proposed Subject Property Average Rate	$147.52	$151.94	$156.50	$161.20
Average Rate Growth	—	3.0%	3.0%	3.0%
Market ADR	$135.40	$139.46	$143.65	$147.96
Proposed Subject ADR Penetration	109%	109%	109%	109%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate	$134.35	$134.35	$134.35	$134.35

Market-wide rates increased in 2018 and slightly decreased in 2019, before decreasing significantly in 2020 because of the COVID-19 pandemic. ADR recovered in 2021, surpassing pre-pandemic levels. Gains in ADR intensified as 2022 progressed, and rates remained relatively stable in 2023. ADR is forecast to increase annually going forward, driven primarily by the anticipated economic growth.

The proposed subject hotel's ADR penetration level is forecast to reach 109% by the stabilized period, consistent with our stabilized ADR positioning. Based on our review of the proposed improvements and the anticipated profile of the hotel product and its operation, it is our opinion that the ADR penetration level should be achievable with appropriate management and marketing. The proposed hotel's positioned stabilized ADR is projected to increase at the same rate as the overall market's ADR.

No discount has been applied to the stabilized room rates. Note that our forecast of income and expense, which follows later in this report, assumes an underlying inflation rate of 3.0%.

The following table sets forth our concluding forecast of the proposed subject hotel's occupancy, ADR, and RevPAR, with corresponding penetration levels, for the first projection year through the stabilized year of operation. The competitive market's historical and projected occupancy, ADR, and RevPAR levels are presented for comparison, with the projections fiscalized to correspond with the proposed subject hotel's forecast, as appropriate.

FIGURE 6-6 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, ADR, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET

							Projected					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Proposed Burlington Hotel												
Occupancy							—	—	67.2 %	72.9 %	70.9 %	70.9 %
Change in Points							—	—	—	5.7	(2.0)	0.0
Occupancy Penetration							—	—	100.5 %	106.4 %	111.9 %	111.9 %
Average Rate						**$135.00**	$139.05	$143.22	$147.52	$151.94	$156.50	$161.20
Change							—	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration							108.9 %	108.9 %	108.9 %	108.9 %	108.9 %	108.9 %
RevPAR							—	—	$99.07	$110.75	$110.94	$114.26
Change							—	—	—	11.8 %	0.2 %	3.0 %
RevPAR Penetration							—	—	109.5 %	115.9 %	121.9 %	121.9 %

	Historical						Projected					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Competitive Set												
Occupancy	57.2 %	58.7 %	42.0 %	47.2 %	59.6 %	63.0 %	63.9 %	68.4 %	66.8 %	68.5 %	63.3 %	63.3 %
Change in Points	—	1.5	(16.7)	5.1	12.4	3.4	0.9	4.6	(1.6)	1.7	(5.2)	0.0
Average Rate	$101.17	$100.44	$93.74	$116.62	$123.30	$123.91	$127.63	$131.46	$135.40	$139.46	$143.65	$147.96
Change	—	(0.7) %	(6.7) %	24.4 %	5.7 %	0.5 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	$57.85	$58.95	$39.40	$54.99	$73.44	$78.04	$81.51	$89.94	$90.48	$95.55	$90.99	$93.72
Change	—	1.9 %	(33.2) %	39.6 %	33.5 %	6.3 %	4.4 %	10.3 %	0.6 %	5.6 %	(4.8) %	3.0 %

The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue; this forecast reflects years beginning on January 1, 2026, which correspond with our financial projections.

FIGURE 6-7 FORECASTS OF OCCUPANCY AND ADR

Year	Occupancy	Average Rate
2026	67 %	$147.52
2027	73	151.94
2028	71	156.50
2029	71	161.20
2030	71	166.03
2031	71	171.01
2032	71	176.14
2033	71	181.43

7. Projection of Income and Expense

In this chapter of our report, we have compiled a forecast of income and expense for the proposed subject hotel. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate (ADR) forecast discussed previously.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels. In addition, the ten-year period provides for the stabilization of income streams and comparison of yields with alternate types of real estate. The forecasted income streams reflect the future benefits of owning specific rights in income-producing real estate.

Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense. The proposed subject hotel's stabilized statement of income and expense, deflated to 2023 dollars, is also presented.

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1		Comp 2		Comp 3		Comp 4		Comp 5		Subject	
											Stabilized $	
Year:	2023/24		2023/24		2023/24		2022/23		2021/22		2023	
Number of Rooms:	80 to 110		100 to 140		110 to 150		90 to 120		100 to 130		80	
Occupied Rooms:	24,914		29,956		37,203		27,863		33,038		20,732	
Days Open:	365		365		365		365		365		365	
Occupancy:	73%		68%		78%		71%		79%		71%	
Average Rate:	$125		$148		$136		$137		$120		$134	
RevPAR:	$92		$100		$107		$97		$94		$95	
REVENUE												
Rooms	98.7	%	99.0	%	97.5	%	98.7	%	98.1	%	98.5	%
Other Operated Departments	0.8		1.0		1.3		1.1		1.3		1.1	
Miscellaneous Income	0.5		0.0		1.2		0.2		0.7		0.4	
Total	100.0		100.0		100.0		100.0		100.0		100.0	
DEPARTMENTAL EXPENSES*												
Rooms	21.6		18.3		22.8		24.8		17.6		21.0	
Other Operated Departments	39.7		38.3		39.2		37.2		49.3		40.0	
Total	21.6		18.5		22.7		24.9		17.9		21.1	
DEPARTMENTAL INCOME	78.4		81.5		77.3		75.1		82.1		78.9	
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	9.1		7.7		7.3		6.8		8.1		7.6	
Info. and Telecom. Systems	0.7		0.8		1.5		1.3		0.9		1.3	
Marketing	5.4		4.2		4.2		5.8		5.5		4.2	
Franchise Fee	6.9		6.8		7.9		8.4		7.9		8.4	
Property Operations & Maintenance	3.9		3.3		2.4		3.5		4.0		3.1	
Utilities	2.5		2.0		1.9		3.2		3.2		2.3	
Total	28.4		24.8		25.3		29.0		29.4		26.9	
GROSS OPERATING PROFIT	50.0		56.7		52.0		46.1		52.7		52.0	
Management Fee	2.0		1.6		4.0		3.0		3.0		3.0	
INCOME BEFORE NON-OPER. INC. & EXP.	47.9		55.1		48.0		43.1		49.7		49.0	
NON-OPERATING INCOME AND EXPENSE												
Property Taxes	3.0		3.1		2.9		4.1		4.6		7.1	
Insurance	0.1		0.4		1.1		1.0		1.3		1.1	
Total	3.1		3.5		4.0		5.1		5.9		8.3	
EBITDA	44.8		51.6		44.0		38.0		43.8		40.7	
Reserve for Replacement	4.0		4.0		0.0		0.0		4.0		4.0	
EBITDA LESS RESERVE	40.8	%	47.6	%	44.0	%	38.0	%	39.8	%	36.7	%

* Departmental expense ratios are expressed as a percentage of departmental revenues

FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	2023/24	2023/24	2023/24	2022/23	2021/22	2023
Number of Rooms:	80 to 110	100 to 140	110 to 150	90 to 120	100 to 130	80
Occupied Rooms:	24,914	29,956	37,203	27,863	33,038	20,732
Days Open:	365	365	365	365	365	365
Occupancy:	73%	68%	78%	71%	79%	71%
Average Rate:	$125	$148	$136	$137	$120	$134
RevPAR:	$92	$100	$107	$97	$94	$95
REVENUE						
Rooms	$33,545	$36,519	$39,008	$35,550	$34,384	$34,816
Other Operated Departments	276	362	501	395	439	389
Miscellaneous Income	157	11	500	60	232	130
Total	33,979	36,891	40,008	36,005	35,055	35,335
DEPARTMENTAL EXPENSES						
Rooms	7,237	6,700	8,875	8,820	6,055	7,311
Other Operated Departments	110	138	196	147	217	155
Total	7,346	6,839	9,071	8,967	6,272	7,467
DEPARTMENTAL INCOME	26,632	30,052	30,937	27,038	28,783	27,868
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	3,077	2,834	2,934	2,458	2,831	2,700
Info. and Telecom. Systems	232	291	619	458	299	450
Marketing	1,850	1,562	1,687	2,106	1,911	1,500
Franchise Fee	2,340	2,504	3,142	3,007	2,753	2,960
Property Operations & Maintenance	1,331	1,234	979	1,278	1,411	1,100
Utilities	835	731	769	1,151	1,112	800
Total	9,666	9,155	10,130	10,458	10,318	9,510
GROSS OPERATING PROFIT	16,966	20,897	20,807	16,580	18,465	18,358
Management Fee	677	585	1,600	1,078	1,052	1,060
INCOME BEFORE NON-OPER. INC. & EXP.	16,289	20,312	19,207	15,501	17,414	17,298
NON-OPERATING INCOME AND EXPENSE						
Property Taxes	1,010	1,132	1,178	1,487	1,622	2,522
Insurance	26	132	458	343	457	400
Total	1,036	1,263	1,637	1,830	2,079	2,922
EBITDA	15,253	19,049	17,570	13,671	15,335	14,376
Reserve for Replacement	1,359	1,476	0	0	1,402	1,414
EBITDA LESS RESERVE	$13,894	$17,573	$17,570	$13,671	$13,933	$12,962

FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	2023/24	2023/24	2023/24	2022/23	2021/22	2023
Number of Rooms:	80 to 110	100 to 140	110 to 150	90 to 120	100 to 130	80
Occupied Rooms:	24,914	29,956	37,203	27,863	33,038	20,732
Days Open:	365	365	365	365	365	365
Occupancy:	73%	68%	78%	71%	79%	71%
Average Rate:	$125	$148	$136	$137	$120	$134
RevPAR:	$92	$100	$107	$97	$94	$95
REVENUE						
Rooms	$125.22	$147.51	$136.31	$136.52	$119.68	$134.35
Other Operated Departments	1.03	1.46	1.75	1.52	1.53	1.50
Miscellaneous Income	0.59	0.04	1.75	0.23	0.81	0.50
Total	126.84	149.01	139.80	138.27	122.02	136.35
DEPARTMENTAL EXPENSES						
Rooms	27.01	27.06	31.01	33.87	21.08	28.21
Other Operated Departments	0.41	0.56	0.69	0.56	0.75	0.60
Total	27.42	27.63	31.70	34.44	21.83	28.81
DEPARTMENTAL INCOME	99.41	121.39	108.11	103.83	100.19	107.53
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	11.49	11.45	10.25	9.44	9.85	10.42
Info. and Telecom. Systems	0.87	1.18	2.16	1.76	1.04	1.74
Marketing	6.90	6.31	5.89	8.09	6.65	5.79
Franchise Fee	8.73	10.11	10.98	11.55	9.58	11.42
Property Operations & Maintenance	4.97	4.98	3.42	4.91	4.91	4.24
Utilities	3.12	2.95	2.69	4.42	3.87	3.09
Total	36.08	36.98	35.40	40.16	35.91	36.70
GROSS OPERATING PROFIT	63.33	84.41	72.71	63.67	64.28	70.84
Management Fee	2.53	2.36	5.59	4.14	3.66	4.09
INCOME BEFORE NON-OPER. INC. & EXP.	60.80	82.05	67.12	59.53	60.61	66.75
NON-OPERATING INCOME AND EXPENSE						
Property Taxes	3.77	4.57	4.12	5.71	5.65	9.73
Insurance	0.10	0.53	1.60	1.32	1.59	1.54
Total	3.87	5.10	5.72	7.03	7.24	11.27
EBITDA	56.93	76.95	61.40	52.50	53.37	55.47
Reserve for Replacement	5.07	5.96	0.00	0.00	4.88	5.45
EBITDA LESS RESERVE	$51.86	$70.99	$61.40	$52.50	$48.49	$50.02

The comparable statements' departmental income ranged from 75.1% to 82.1% of total revenue. The comparable properties achieved a gross operating profit ranging from 46.1% to 56.7% of total revenue.

Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The actual forecast is derived by adjusting each year's revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a systematic approach, following the format of the Uniform System of Accounts for the Lodging Industry (USALI). Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

Inflation and Appreciation Assumptions

In consideration of the trends in the Consumer Price Index (CPI), inflation factors that directly influence lodging properties, projections set forth by economists surveyed, and the Federal Reserve's target inflation rate, we have applied a 3.0% underlying inflation rate in our analysis.

This annual rate of growth is applied to income and expenses after the stabilized year to reflect the longer-term expectation of asset appreciation by typical investors. This position is based on interviews with numerous market participants indicating a distinction in the expectations of near-term cost inflation (e.g., related to labor and supplies) versus long-term income growth that drives appreciation. Any exceptions to the application of the assumed underlying inflation and EBITDA Less Replacement Reserve growth rates are discussed in our write-ups of individual income and expense items.

Forecast of Revenue and Expense

Based on an analysis that will be detailed throughout this section, we have formulated a revenue-and-expense forecast through the fifth projection year, including amounts per available room and per occupied room, as illustrated in the following table. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2026, expressed in inflated dollars for each year (figures in the forecast year columns have been divided by 1,000 and reflect thousands of dollars).

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2026	(Calendar Year)			2027				Stabilized				2029				2030			
Number of Rooms:	80				80				80				80				80			
Occupancy:	67%				73%				71%				71%				71%			
Average Rate:	$147.52				$151.94				$156.50				$161.20				$166.03			
RevPAR:	$98.84				$110.92				$111.12				$114.45				$117.88			
Days Open:	365				365				365				365				365			
Occupied Rooms:	19,564	%Gross	PAR	POR	21,316	%Gross	PAR	POR	20,732	%Gross	PAR	POR	20,732	%Gross	PAR	POR	20,732	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	$2,886	98.5 %	$36,075	$147.52	$3,239	98.6 %	$40,488	$151.95	$3,245	98.5 %	$40,563	$156.52	$3,342	98.5 %	$41,775	$161.20	$3,442	98.5 %	$43,025	$166.02
Other Operated Departments	34	1.1	420	1.72	35	1.1	443	1.66	36	1.1	453	1.75	37	1.1	466	1.80	38	1.1	480	1.85
Miscellaneous Income	11	0.4	140	0.57	12	0.4	148	0.55	12	0.4	151	0.58	12	0.4	155	0.60	13	0.4	160	0.62
Total Operating Revenues	2,931	100.0	36,634	149.80	3,286	100.0	41,079	154.17	3,293	100.0	41,166	158.85	3,392	100.0	42,397	163.60	3,493	100.0	43,666	168.50
DEPARTMENTAL EXPENSES *																				
Rooms	628	21.8	7,847	32.09	669	20.7	8,362	31.38	681	21.0	8,517	32.87	702	21.0	8,773	33.85	723	21.0	9,036	34.87
Other Operated Departments	14	40.5	170	0.69	14	39.8	176	0.66	14	40.0	181	0.70	15	40.0	187	0.72	15	40.0	192	0.74
Total Expenses	641	21.9	8,017	32.78	683	20.8	8,538	32.05	696	21.1	8,698	33.56	717	21.1	8,959	34.57	738	21.1	9,228	35.61
DEPARTMENTAL INCOME	2,289	78.1	28,617	117.02	2,603	79.2	32,540	122.12	2,597	78.9	32,468	125.29	2,675	78.9	33,438	129.03	2,755	78.9	34,438	132.89
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	243	8.3	3,040	12.43	251	7.6	3,136	11.77	252	7.6	3,145	12.14	259	7.6	3,240	12.50	267	7.6	3,337	12.88
Info & Telecom Systems	39	1.3	487	1.99	41	1.2	512	1.92	42	1.3	524	2.02	43	1.3	540	2.08	44	1.3	556	2.15
Marketing	130	4.4	1,624	6.64	137	4.2	1,708	6.41	140	4.2	1,747	6.74	144	4.2	1,800	6.94	148	4.2	1,854	7.15
Franchise Fee	245	8.4	3,066	12.54	275	8.4	3,441	12.92	276	8.4	3,448	13.30	284	8.4	3,551	13.70	293	8.4	3,657	14.11
Prop. Operations & Maint.	86	2.9	1,072	4.38	95	2.9	1,190	4.47	103	3.1	1,281	4.94	106	3.1	1,320	5.09	109	3.1	1,359	5.25
Utilities	69	2.4	866	3.54	73	2.2	911	3.42	75	2.3	932	3.60	77	2.3	960	3.70	79	2.3	989	3.82
Total Expenses	812	27.7	10,156	41.53	872	26.5	10,900	40.91	886	26.9	11,078	42.75	913	26.9	11,410	44.03	940	26.9	11,752	45.35
GROSS OPERATING PROFIT	1,477	50.4	18,461	75.49	1,731	52.7	21,640	81.22	1,711	52.0	21,390	82.54	1,762	52.0	22,028	85.00	1,815	52.0	22,686	87.54
Management Fee	88	3.0	1,099	4.49	99	3.0	1,232	4.63	99	3.0	1,235	4.77	102	3.0	1,272	4.91	105	3.0	1,310	5.05
INCOME BEFORE NON-OPR. INC. & EXP.	1,389	47.4	17,362	71.00	1,633	49.7	20,408	76.59	1,612	49.0	20,155	77.77	1,660	49.0	20,756	80.09	1,710	49.0	21,376	82.48
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	222	7.6	2,769	11.32	228	6.9	2,852	10.70	235	7.1	2,937	11.33	242	7.1	3,025	11.67	249	7.1	3,116	12.02
Insurance	35	1.2	439	1.80	36	1.1	452	1.70	37	1.1	466	1.80	38	1.1	480	1.85	40	1.1	494	1.91
Total Expenses	257	8.8	3,208	13.12	264	8.0	3,304	12.40	272	8.2	3,403	13.13	280	8.2	3,505	13.53	289	8.2	3,611	13.93
EBITDA	1,132	38.6	14,154	57.88	1,368	41.7	17,104	64.19	1,340	40.8	16,752	64.64	1,380	40.8	17,250	66.57	1,421	40.8	17,765	68.55
Reserve for Replacement	59	2.0	733	3.00	99	3.0	1,232	4.63	132	4.0	1,647	6.35	136	4.0	1,696	6.54	140	4.0	1,747	6.74
EBITDA LESS RESERVE	$1,074	36.6 %	$13,422	$54.88	$1,270	38.6 %	$15,871	$59.57	$1,208	36.7 %	$15,105	$58.29	$1,244	36.7 %	$15,555	$60.02	$1,281	36.7 %	$16,019	$61.81

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 7-5 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2026		2027		2028		2029		2030		2031		2032		2033		2034		2035	
Number of Rooms:	**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**	
Occupied Rooms:	**19,564**		**21,316**		**20,732**		**20,732**		**20,732**		**20,732**		**20,732**		**20,732**		**20,732**		**20,732**	
Occupancy:	**67%**		**73%**		**71%**		**71%**		**71%**		**71%**		**71%**		**71%**		**71%**		**71%**	
Average Rate:	**$147.52**	**% of**	**$151.94**	**% of**	**$156.50**	**% of**	**$161.20**	**% of**	**$166.03**	**% of**	**$171.01**	**% of**	**$176.14**	**% of**	**$181.43**	**% of**	**$186.87**	**% of**	**$192.48**	**% of**
RevPAR:	**$98.84**	**Gross**	**$110.92**	**Gross**	**$111.12**	**Gross**	**$114.45**	**Gross**	**$117.88**	**Gross**	**$121.42**	**Gross**	**$125.06**	**Gross**	**$128.81**	**Gross**	**$132.68**	**Gross**	**$136.66**	**Gross**
OPERATING REVENUE																				
Rooms	$2,886	98.5 %	$3,239	98.6 %	$3,245	98.5 %	$3,342	98.5 %	$3,442	98.5 %	$3,545	98.5 %	$3,652	98.5 %	$3,761	98.5 %	$3,874	98.5 %	$3,990	98.5 %
Other Operated Departments	34	1.1	35	1.1	36	1.1	37	1.1	38	1.1	40	1.1	41	1.1	42	1.1	43	1.1	45	1.1
Miscellaneous Income	11	0.4	12	0.4	12	0.4	12	0.4	13	0.4	13	0.4	14	0.4	14	0.4	14	0.4	15	0.4
Total Operating Revenues	2,931	100.0	3,286	100.0	3,293	100.0	3,392	100.0	3,493	100.0	3,598	100.0	3,706	100.0	3,817	100.0	3,932	100.0	4,049	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	628	21.8	669	20.7	681	21.0	702	21.0	723	21.0	745	21.0	767	21.0	790	21.0	814	21.0	838	21.0
Other Operated Departments	14	40.5	14	39.8	14	40.0	15	40.0	15	40.0	16	40.0	16	40.0	17	40.0	17	40.0	18	40.0
Total Expenses	641	21.9	683	20.8	696	21.1	717	21.1	738	21.1	760	21.1	783	21.1	807	21.1	831	21.1	856	21.1
DEPARTMENTAL INCOME	2,289	78.1	2,603	79.2	2,597	78.9	2,675	78.9	2,755	78.9	2,837	78.9	2,923	78.9	3,010	78.9	3,101	78.9	3,194	78.9
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	243	8.3	251	7.6	252	7.6	259	7.6	267	7.6	275	7.6	283	7.6	292	7.6	300	7.6	309	7.6
Info & Telecom Systems	39	1.3	41	1.2	42	1.3	43	1.3	44	1.3	46	1.3	47	1.3	49	1.3	50	1.3	52	1.3
Marketing	130	4.4	137	4.2	140	4.2	144	4.2	148	4.2	153	4.2	157	4.2	162	4.2	167	4.2	172	4.2
Franchise Fee	245	8.4	275	8.4	276	8.4	284	8.4	293	8.4	301	8.4	310	8.4	320	8.4	329	8.4	339	8.4
Prop. Operations & Maint.	86	2.9	95	2.9	103	3.1	106	3.1	109	3.1	112	3.1	115	3.1	119	3.1	122	3.1	126	3.1
Utilities	69	2.4	73	2.2	75	2.3	77	2.3	79	2.3	81	2.3	84	2.3	86	2.3	89	2.3	92	2.3
Total Expenses	812	27.7	872	26.5	886	26.9	913	26.9	940	26.9	968	26.9	997	26.9	1,027	26.9	1,058	26.9	1,090	26.9
GROSS OPERATING PROFIT	1,477	50.4	1,731	52.7	1,711	52.0	1,762	52.0	1,815	52.0	1,869	52.0	1,926	52.0	1,983	52.0	2,043	52.0	2,104	52.0
Management Fee	88	3.0	99	3.0	99	3.0	102	3.0	105	3.0	108	3.0	111	3.0	115	3.0	118	3.0	121	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,389	47.4	1,633	49.7	1,612	49.0	1,660	49.0	1,710	49.0	1,761	49.0	1,815	49.0	1,868	49.0	1,925	49.0	1,982	49.0
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	222	7.6	228	6.9	235	7.1	242	7.1	249	7.1	257	7.1	264	7.1	272	7.1	281	7.1	289	7.1
Insurance	35	1.2	36	1.1	37	1.1	38	1.1	40	1.1	41	1.1	42	1.1	43	1.1	45	1.1	46	1.1
Total Expenses	257	8.8	264	8.0	272	8.2	280	8.2	289	8.2	298	8.2	306	8.2	316	8.2	325	8.2	335	8.2
EBITDA	1,132	38.6	1,368	41.7	1,340	40.8	1,380	40.8	1,421	40.8	1,464	40.8	1,508	40.8	1,553	40.8	1,600	40.8	1,647	40.8
Reserve for Replacement	59	2.0	99	3.0	132	4.0	136	4.0	140	4.0	144	4.0	148	4.0	153	4.0	157	4.0	162	4.0
EBITDA LESS RESERVE	$1,074	36.6 %	$1,270	38.6 %	$1,208	36.7 %	$1,244	36.7 %	$1,281	36.7 %	$1,320	36.7 %	$1,360	36.7 %	$1,400	36.7 %	$1,442	36.7 %	$1,485	36.7 %

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2026, expressed in inflated dollars for each year.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate (ADR). We projected occupancy and ADR in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 71% with an ADR of $156.50 in 2028. Following the stabilized year, the proposed subject hotel's ADR is projected to increase along with the underlying rate of growth assigned to EBITDA Less Replacement Reserve.

Other Operated Departments Revenue

According to the USALI, other operated departments include any major or minor operated department other than rooms and F&B. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's market pantry sales. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-6 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	0.8 %	1.0 %	1.3 %	1.1 %	1.3 %	1.1 %	1.1 %
Per Available Room	$276	$362	$501	$395	$439	$420	$389
Per Occupied Room	$1.03	$1.46	$1.75	$1.52	$1.53	$1.72	$1.50

Miscellaneous Income

The miscellaneous income sources comprise those other than guestrooms, F&B, and the other operated departments. The proposed subject hotel's miscellaneous income revenues are expected to be generated primarily by the hotel's guest laundry fees, pet fees, and cancellation fees. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-7 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	0.5 %	0.0 %	1.2 %	0.2 %	0.7 %	0.4 %	0.4 %
Per Available Room	$157	$11	$500	$60	$232	$140	$130
Per Occupied Room	$0.59	$0.04	$1.75	$0.23	$0.81	$0.57	$0.50

Rooms Expense

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy, and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. A base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales and, thus, are highly sensitive to changes in occupancy and ADR. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume. The proposed subject hotel's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

FIGURE 7-8 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	21.6 %	18.3 %	22.8 %	24.8 %	17.6 %	21.8 %	21.0 %
Per Available Room	$7,237	$6,700	$8,875	$8,820	$6,055	$7,847	$7,311
Per Occupied Room	$27.01	$27.06	$31.01	$33.87	$21.08	$32.09	$28.21

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories, as discussed previously in this chapter. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's market pantry sales. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-9 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	39.7 %	38.3 %	39.2 %	37.2 %	49.3 %	40.5 %	40.0 %
Per Available Room	$110	$138	$196	$147	$217	$170	$155
Per Occupied Room	$0.41	$0.56	$0.69	$0.56	$0.75	$0.69	$0.60

Administrative and General Expense

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category.

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the administrative & general expense level at a market- and property-supported level.

FIGURE 7-10 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	9.1 %	7.7 %	7.3 %	6.8 %	8.1 %	8.3 %	7.6 %
Per Available Room	$3,077	$2,834	$2,934	$2,458	$2,831	$3,040	$2,700
Per Occupied Room	$11.49	$11.45	$10.25	$9.44	$9.85	$12.43	$10.42

Information and Telecommunications Systems Expense

Information and telecommunications systems expense consists of all costs associated with a hotel’s technology infrastructure. This includes the costs of cell phones, administrative call and Internet services, and complimentary call and Internet services. Expenses in this category are typically organized by type of technology or the area benefiting from the technology solution. We expect the proposed subject hotel's information and telecommunications systems to be well managed. Expense levels should stabilize at a typical level for a property of this type.

Marketing Expense

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because, although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the marketing expense level at a market- and property-supported level.

FIGURE 7-11 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	5.4 %	4.2 %	4.2 %	5.8 %	5.5 %	4.4 %	4.2 %
Per Available Room	$1,850	$1,562	$1,687	$2,106	$1,911	$1,624	$1,500
Per Occupied Room	$6.90	$6.31	$5.89	$8.09	$6.65	$6.64	$5.79

Franchise Fee

Marketing expense and franchise fees are often analyzed in total because hotels may account for some components of franchise expense in the marketing expense category. The subject property’s total marketing and franchise expense has been forecast at 12.6% of total revenue on a stabilized basis; the comparable operating statements show a range from 11.0% to 14.2% of total revenue.

Property Operations and Maintenance

Property operations and maintenance expense is another expense category that is largely controlled by management. Except for repairs that are necessary to keep the facility open and prevent damage (e.g., plumbing, heating, and electrical items), most maintenance can be deferred for varying lengths of time.

Maintenance is an accumulating expense. If management elects to postpone performing a required repair, the expenditure has not been eliminated, only deferred until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hostelry grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

We expect the proposed subject hotel's maintenance operation to be well managed. Expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-12 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	3.9 %	3.3 %	2.4 %	3.5 %	4.0 %	2.9 %	3.1 %
Per Available Room	$1,331	$1,234	$979	$1,278	$1,411	$1,072	$1,100
Per Occupied Room	$4.97	$4.98	$3.42	$4.91	$4.91	$4.38	$4.24

Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-13 UTILITIES EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	2.5 %	2.0 %	1.9 %	3.2 %	3.2 %	2.4 %	2.3 %
Per Available Room	$835	$731	$769	$1,151	$1,112	$866	$800
Per Occupied Room	$3.12	$2.95	$2.69	$4.42	$3.87	$3.54	$3.09

Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2.0% to 4.0% of total revenue, incentive fees are deal specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the proposed subject hotel have been forecast at 3.0% of total revenue.

Property Taxes

Property (or ad valorem) tax is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property. We have based our estimate of the proposed subject property's market value (for tax purposes) on an analysis of assessments of comparable hotel properties in the local municipality.

FIGURE 7-14 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Year Open	Land	Improvements	Total
Holiday Inn Express & Suites Burlington	1990	$525,600	$4,122,400	$4,648,000
Comfort Suites Burlington	2004	509,000	6,401,500	6,910,500
Quality Inn Burlington	1985	241,300	1,979,100	2,220,400
Fairfield by Marriott Burlington	1995	508,300	3,273,600	3,781,900
Super 8 by Wyndham Burlington	1986	273,900	1,547,500	1,821,400
Assessments per Room	*# of Rms*			
Holiday Inn Express & Suites Burlington	76	$6,916	$54,242	$61,158
Comfort Suites Burlington	86	5,919	74,436	80,355
Quality Inn Burlington	51	4,731	38,806	43,537
Fairfield by Marriott Burlington	60	8,472	54,560	63,032
Super 8 by Wyndham Burlington	62	4,418	24,960	29,377
Positioned Subject - Per Room	**80**	**$6,500**	**$70,000**	**$76,500**
Positioned Subject - Total		**$520,000**	**$5,600,000**	**$6,120,000**

Source: Des Moines County Assessor

We have positioned the future assessment levels of the subject site and proposed improvements based upon the illustrated comparable data. We have positioned these assessments closest to the Holiday Inn Express because of the similarities in size and location.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 3.8362%.

Based on comparable assessments and the tax rate information, the following table illustrates the proposed subject property's projected property tax expense levels.

FIGURE 7-15 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)

	Real Property		
	Land	**Improvements**	**Total**
Positioned (Assessed Value)	$520,000	$5,600,000	$6,120,000
Residential Rollback			(80,486)
Commercial Rollback			(597,000)
Taxable Amount			$5,442,514
Tax Rate			3.8362 %
Tax Burden as of Current Assessment Year			$208,786

FIGURE 7-16 PROJECTED PROPERTY TAX EXPENSE – REAL PROPERTY

	Real Property			
Year	Real Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% of Positioned Tax Burden	Taxes Payable
Positioned	$208,786	—		$208,786
2026	$208,786	6.1 %	100 %	$221,501
2027	221,501	3.0	100	228,146
2028	228,146	3.0	100	234,990
2029	234,990	3.0	100	242,040
2030	242,040	3.0	100	249,301
2031	249,301	3.0	100	256,780
2032	256,780	3.0	100	264,484

Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage.

Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

FIGURE 7-17 INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026	Deflated Stabilized
Percentage of Revenue	0.1 %	0.4 %	1.1 %	1.0 %	1.3 %	1.2 %	1.1 %
Per Available Room	$26	$132	$458	$343	$457	$439	$400
Per Occupied Room	$0.10	$0.53	$1.60	$1.32	$1.59	$1.80	$1.54

Reserve for Replacement

Furniture, fixtures, and equipment (FF&E) are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The FF&E of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

Periodic replacement of FF&E is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2023.[7] Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4.0% to 5.0% of total revenue.

Based upon the results of our analysis, our review of the proposed subject asset, and current industry norms, a reserve for replacement equal to 4.0% of total revenues has been factored into our forecast of revenue and expense for funding the periodic replacement of the proposed subject property's FF&E. This amount has been ramped up during the initial projection period.

Forecast of Revenue and Expense Conclusion

Projected total revenue, gross operating profit, and EBITDA Less Replacement Reserve are set forth in the following table.

FIGURE 7-18 FORECAST OF REVENUE AND EXPENSE CONCLUSION

		Total Revenue		Gross Operating Profit		House	EBITDA Less Replacement Reserve		
	Year	Total	% Change	Total	% Change	Profit Ratio	Total	% Change	As a % of Ttl Rev
Projected	2026	$2,931,000	—	$1,477,000	—	50.4 %	$1,074,000	—	36.6 %
	2027	3,286,000	12.1 %	1,731,000	17.2 %	52.7	1,270,000	18.2 %	38.6
	2028	3,293,000	0.2	1,711,000	(1.2)	52.0	1,208,000	(4.9)	36.7
	2029	3,392,000	3.0	1,762,000	3.0	52.0	1,244,000	3.0	36.7
	2030	3,493,000	3.0	1,815,000	3.0	52.0	1,281,000	3.0	36.7

[7] The International Society of Hotel Consultants, *CapEx 2023, A Study of Capital Expenditures in the U.S. Hotel Industry*.

8. Feasibility Analysis

Return on investment (ROI) can be defined as the future benefits of an income-producing property relative to its acquisition or construction cost. The first step in performing an ROI analysis is to determine the amount to be initially invested. For a proposed property, this amount is most likely to be the development cost of the hotel. Based on the total development cost, the investor will utilize an ROI analysis to determine if the future cash flow from a current cash outlay meets their own investment criteria and at what level above or below this amount such an outlay exceeds or fails to meet these criteria.

Construction Cost Estimate

A detailed construction budget was not yet finalized at the time of this report. As such, we have developed our own estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee. Our development cost estimate is supported by reported costs of comparable projects and the annual *HVS Development Cost Survey*. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the true cost of development.

Development Cost

As a basis for estimating the development costs, we have used a hotel development cost survey conducted by HVS. The survey presents the range of per-room costs associated with various components of hotel development, including improvements, furniture, and equipment; pre-opening expenses; and operating capital. Statistics are compiled for budget hotels, midscale hotels with and without food and beverage, extended-stay hotels, full-service hotels, and luxury hotels and resorts. The results of the development cost survey are presented in the following table.

HVS

FIGURE 8-19 HOTEL DEVELOPMENT COST SURVEY (AMOUNTS PER ROOM)

	Land	Building and Site Improvements	Soft Costs	FF&E	Pre-Opening and Working Capital	Developer Fee	Total
Limited-Service Hotels							
Average	$26,127	$119,167	$22,929	$17,054	$3,899	$6,213	$195,390
Median	$15,256	$109,041	$18,352	$15,833	$2,809	$5,102	$166,393
% of Total*	11%	66%	11%	9%	2%	1%	100%
Extended-Stay Hotels (Midscale)							
Average	$14,712	$107,364	$19,454	$17,248	$3,417	$4,912	$167,107
Median	$12,264	$102,516	$16,737	$17,248	$3,134	$4,503	$156,402
% of Total*	9%	66%	12%	10%	2%	2%	100%
Extended-Stay Hotels (Upscale)							
Average	$28,277	$162,276	$34,373	$21,485	$6,694	$7,327	$260,431
Median	$23,196	$130,707	$29,695	$21,118	$5,798	$6,246	$216,761
% of Total*	12%	64%	13%	9%	2%	2%	100%
Select-Service Hotels							
Average	$26,725	$152,050	$26,954	$21,362	$4,724	$7,537	$239,353
Median	$14,608	$124,349	$19,471	$19,629	$3,290	$6,976	$188,324
% of Total*	8%	66%	11%	10%	2%	2%	100%
Total							
Average	$34,392	$195,843	$44,495	$27,349	$8,260	$6,910	$317,249
Median	$16,634	$143,116	$26,011	$20,325	$3,846	$2,472	$212,404
% of Total*	9%	64%	15%	8%	2%	2%	100%

**The percentage of total is calculated based on the total sample of all budgets.*

In addition to the survey data, we have also reviewed a selection of cost budgets from developers of comparable proposed hotels, as illustrated in the following table.

FIGURE 8-1 COMPARABLE COST BUDGETS

Item	Comp #1 Secondary, IA Extended Stay Midscale Approx. 80 Rooms Per Room	% of Total	Comp #2 Primary, AR Extended Stay Midscale Approx. 110 Rooms Per Room	% of Total	Comp #3 Secondary, TN Extended Stay Midscale Approx. 90 Rooms Per Room	% of Total	Comp #4 Secondary, MO Extended Stay Midscale Approx. 100 Rooms Per Room	% of Total
Building	$118,068	70.7 %	$96,477	70.0 %	$89,333	67.0 %	$134,393	72.7 %
Soft Costs	15,792	9.5	9,308	6.8	15,556	11.7	19,318	10.4
Furniture, Fixtures, & Equipment	25,289	15.1	24,720	17.9	18,750	14.1	19,220	10.4
Pre-Opening Costs & Working Capital	4,255	2.5	3,542	2.6	9,694	7.3	5,715	3.1
Developer Fee (if Applicable)	3,571	2.1	3,749	2.7	0	0.0	6,250	3.4
Total (Excluding Site Cost)	$166,976	93.5 %	$137,796	89.6 %	$133,333	93.9 %	$184,896	92.9 %
Site Cost	$11,595	6.5 %	$15,987	10.4 %	$8,722	6.1 %	$14,063	7.1 %
Total (Including Site Cost)	**$178,571**	**100.0 %**	**$153,782**	**100.0 %**	**$142,056**	**100.0 %**	**$198,958**	**100.0 %**

Building and Site Improvements

Building and site improvements include all buildings and other relatively permanent structures located on, or attached to, the subject parcel. The cost of the improvements includes costs of materials, fees, and labor to construct the subject property’s improvements. We estimate the development cost of the proposed subject property's improvements to be roughly $105,000 per room, or a total of $8,400,000.

Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment (FF&E) include all non-permanent, removable items at the subject property, such as guestroom furnishings, kitchen equipment, and items of décor. The cost of the FF&E, along with all fees associated with the installation of such items, comprise the total cost of FF&E. Based on our understanding of the expected quality of furnishings, we have estimate the development cost of the proposed subject property's FF&E (as if new) at approximately $20,000 per room, or a total of $1,600,000.

Pre-Opening and Working Capital Costs

Pre-opening costs include expenses such as marketing, staffing, training, and administrative expenditures. Working capital includes a working capital reserve to maintain adequate cash flow until the operation reaches a break-even point. We estimate the pre-opening costs for the proposed subject property to be roughly $6,000 per room, or a total of $480,000.

Soft Costs

Soft costs include items other than labor and material that are necessary for construction but are not typically part of the construction contract. Soft costs can include professional fees, financing costs and the interest paid on construction loans, taxes and the builder’s or developer’s all-risk insurance during construction, marketing, sales, and lease-up costs incurred to achieve occupancy or sales. We estimate the amount of soft costs for the proposed subject property to be approximately $18,000 per room, or a total of $1,440,000.

Developer's Fee

The developer's fee represents a recovery of costs to the project developer, including salaries, travel, administrative costs, and other expenses related to coordinating the development. It is separate from a developer's anticipated profit or entrepreneurial incentive. The developer's fee is typically dependent upon the complexity of project coordination and the length of the development timeline. In the case of relatively simple projects in markets with low barriers to entry, a developer's fee may not be considered, whereas complicated projects in high-barrier-to-entry markets may incur more substantial costs for coordination and administration during an extended planning and construction period. In some cases, the developer's administrative costs are included within other line times, rather than allocated to an individual developer's fee line item. We estimate the developer's fee for the proposed subject property to be approximately $5,000 per room, equating to 3.0% of the project cost.

Cost Summary

Based on the preceding analysis, we estimate the development cost of the proposed subject property as follows.

FIGURE 8-2 COST SUMMARY

Item	Cost per Room	Cost
Building	$105,000	$8,400,000
Soft Costs	18,000	1,440,000
Furniture, Fixtures, & Equipment	20,000	1,600,000
Pre-Opening Costs & Working Capital	6,000	480,000
Developer Fee (if Applicable)	5,000	400,000
Total Replacement Cost	**$154,000**	**$12,320,000**

The following table presents a comparison of this budget to the comparable cost budgets presented previously.

FIGURE 8-3 SUBJECT COST VS COMPABLE BUDGETS

	Minimum		Maximum		Average		Subject Property	
Item	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	$89,333	67.0 %	$134,393	72.7 %	$109,568	70.1 %	$105,000	63.1 %
Soft Costs	9,308	6.8	19,318	11.7	14,993	9.6	18,000	10.8
Furniture, Fixtures, & Equipment	18,750	10.4	25,289	17.9	21,995	14.4	20,000	12.0
Pre-Opening Costs & Working Capital	3,542	2.5	9,694	7.3	5,802	3.9	6,000	3.6
Developer Fee (if Applicable)	0	0.0	6,250	3.4	3,392	2.1	5,000	3.0
Total (Excluding Site Cost)	$133,333		$184,896		$155,750		$154,000	92.5 %
Site Cost	$8,722	6.1 %	$15,987	10.4 %	12,592	7.5 %	$12,500	7.5 %
Total (Including Site Cost)	**$142,056**		**$200,883**		**$168,342**		**$166,500**	100.0 %

Conclusion

In the estimation of development cost for the proposed improvements, the costs of several components of the total property were quantified. The development cost was estimated based on a hotel development cost survey conducted by HVS and the illustrated cost comparables. The following table summarizes our estimate of the total cost to develop the proposed subject property.

FIGURE 8-4 RECAP OF TOTAL COST ESTIMATE

Item	Cost per Room	Cost
Building	$105,000	$8,400,000
Soft Costs	18,000	1,440,000
Furniture, Fixtures, & Equipment	20,000	1,600,000
Pre-Opening Costs & Working Capital	6,000	480,000
Developer Fee (if Applicable)	5,000	400,000
Land	12,500	1,000,000
Total Development Cost	**$166,000**	**$13,300,000**

This estimate has been rounded to $13,300,000.

Investment Components

As an individual or company considering investment in hotel real estate, the decision to use one's own cash, an equity partner's capital, or lender financing will be an internal one. Because hotels typically require a substantial investment, only the largest investors and hotel companies generally have the means to purchase properties with all cash. We would anticipate the involvement of some financing by a third party for the typical investor or for those who may be entering the market for hotel acquisitions at this time. In leveraged acquisitions and developments where investors typically purchase or build upon real estate with a small amount of equity cash (20.0% to 50.0%) and a large amount of mortgage financing (50.0% to 80.0%), it is important for equity investors to acknowledge the return requirements of the debt participant (mortgagee), as well as their own return requirements. Therefore, we will begin our rate-of-return analysis by reviewing the debt requirements of typical hotel mortgagees.

Mortgage Component

Hotel financing is available for most tiers of the lodging industry from a variety of lender types. While many lenders remain active, underwriting standards are more stringent than the pre-pandemic market, and loan-to-value ratios remain in the 50.0% to 70.0% range, depending on the actual in-place operating cash flows and debt-service-coverage ratio requirements, among other things. Lenders continue to be attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate. Commercial banks, mortgage REITs, private-debt investors, insurance companies, and CMBS and mezzanine lenders continue to pursue deals. At present, we find that lenders that are active in the market are using loan-to-value ratios of 50.0% to 70.0%, and amortization periods of 20 to 30 years.

Over the course of the last decade, the federal funds rate remained relatively low, peaking at 2.25% to 2.5% in late 2018 through mid-year 2019. Subsequently, concern about the trade war and a slowing economy led the Federal Reserve (Fed) to reduce rates three times to a target rate of 1.5% to 1.75%. The rate remained at this level until mid-March 2020, at which point the Fed cut the target rate twice to zero. Furthermore, on March 23, 2020, the Fed pledged to maintain liquidity in debt markets by purchasing as many government and corporate-backed bonds, as necessary. In 2022, the Fed began raising the federal funds rate to combat heightened inflation. By July 2023, eleven increases had brought the rate to a range of 5.25% to 5.50%. Lenders have been adjusting their interest-rate levels to reflect these market conditions. Current interest-rate levels for most typical assets are primarily in the 7.0% to 9.5% range.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the subject site, proposed facility, and conditions in the Burlington hotel market, we have assumed a mortgage at a loan-to-cost ratio of 65% with an interest rate of 5.50% and an amortization period of 25 years. The following table summarizes the mortgage component.

FIGURE 8-1 MORTGAGE COMPONENT

Initial Cost	$13,700,000
Loan to cost	65.0%
Mortgage Amount	$8,905,000
Assumed interest rate	5.50%
Assumed Amortization	25 years
Debt Service Constant	0.07369
Annual Debt Service	$656,000
Mortgage paid off over 10 years	24.84%
Balance at end of 10 years	$6,693,000

Equity Component

The remaining capital required for the development of the proposed subject property would be the equity investment. This is the balance of the total development cost less the assumed mortgage amount, as illustrated in the table that follows.

FIGURE 8-2 CALCULATION OF EQUITY COMPONENT

Initial Cost	$13,700,000
Mortgage	8,905,000
Equity Investment	$4,795,000

Reversion

The return on the development cost is derived from both the annual cash flow and the expectation of a sale of the property at the end of the holding period. For the purposes of this feasibility analysis, we have assumed that the developer would elect to hold the property for ten years. The estimated reversionary sales price as of that date is calculated by capitalizing the projected eleventh-year net income by an overall terminal capitalization rate. An allocation for the selling expenses is deducted from this sales price, and the net proceeds to the equity interest (also known as the equity residual) are calculated by deducting the outstanding mortgage balance from the reversion.

We have reviewed several recent investor surveys. The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade.

FIGURE 8-3 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
HVS Brokers Survey	*Spring 2024 Survey*	
Select-Service Hotels	6.5% - 10.5%	8.5%
Limited-Service & Economy Hotels	6.0% - 11.0%	8.9%
PWC Real Estate Investor Survey	*1st Quarter 2024 Survey*	
Select-Service Hotels	8.0% - 11.5%	9.6%
Limited-Service Hotels	9.0% - 12.5%	10.9%
USRC Hotel Investment Survey	*Winter 2024 Survey*	
Limited-Service Hotels	7.75% - 11.0%	9.5%
Situs RERC Real Estate Report	*1st Quarter 2024 Survey*	
Second Tier Hotels	8.5% - 12.0%	10.0%
Third Tier Hotels	9.0% - 12.0%	10.8%

For purposes of this analysis, we have applied a terminal capitalization rate of 8.50%.

The reversion to the mortgage and equity components is calculated below.

FIGURE 8-4 REVERSION TO MORTGAGE AND EQUITY COMPONENTS

Reversion	
Year 11 NOI	1,530,000
Terminal Cap Rate	8.50%
Estimated Sales Proceeds	$18,000,000
Less: Transaction Costs @ 3.0%	$540,000
Net Sales Proceeds	$17,460,000
Less: Mortgage Component	$6,693,000
Equity Reversion	$10,767,000

Internal Rate-of-Return Analysis

Using the aforementioned investment components, the internal rate of return (IRR) indicated by the EBITDA forecast and the assumed reversionary sales proceeds are calculated, as presented in the following table.

FIGURE 8-5 IRR TO THE TOTAL PROPERTY AND MORTGAGE AND EQUITY COMPONENTS

	Total Project		Mortgage Component		Equity Component	
Year	Total EBITDA	Annual Cash on Cash Return	Debt Service	Annual Cash on Cash Return	NOI to Equity	Annual Cash on Cash Return
Initial Investment	($13,700,000)		($8,905,000)		($4,795,000)	
2026	$1,074,000	7.8 %	$656,000	7.4 %	$418,000	8.7 %
2027	1,270,000	9.3	656,000	7.4	614,000	12.8
2028	1,208,000	8.8	656,000	7.4	552,000	11.5
2029	1,244,000	9.1	656,000	7.4	588,000	12.3
2030	1,281,000	9.4	656,000	7.4	625,000	13.0
2031	1,320,000	9.6	656,000	7.4	664,000	13.8
2032	1,360,000	9.9	656,000	7.4	704,000	14.7
2033	1,400,000	10.2	656,000	7.4	744,000	15.5
2034	1,442,000	10.5	656,000	7.4	786,000	16.4
2035	1,485,000	10.8	656,000	7.4	829,000	17.3
Reversion	17,460,000	127.4	6,693,000	75.2	10,767,000	224.5
Ten Year IRR		**11.0 %**		**5.4 %**		**17.9 %**

Based on our forecast of EBITDA and the development cost, including an entrepreneurial incentive, the total project would yield an internal rate of return of 11.0%. Based on the mortgage assumptions, the equity component's initial investment of $4,795,000 would achieve an internal rate of return of 17.9% over a ten-year holding period.

To evaluate the indicated IRR to the total property, we have reviewed several recent investor surveys, including the *HVS Broker Survey*, *PWC Real Estate Investor Survey*, *USRC Hotel Investment Survey*, and *Situs RERC Real Estate Report*. The following table summarizes the range of discount rates and average IRRs indicated by the investor surveys for hotels similar in class to the proposed subject property.

FIGURE 8-6 RESULTS OF RECENT INVESTMENT SURVEYS – DISCOUNT RATES, HOTELS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	7.9% - 12.7%	10.4%
HVS Hotel Sales - Select-Service & Extended-Stay	9.9% - 12.3%	11.2%
HVS Hotel Sales - Limited-Service	10.2% - 13.8%	12.2%
HVS Brokers Survey	*Spring 2024 Survey*	
Select-Service Hotels	9.5% - 13.0%	11.0%
Limited-Service & Economy Hotels	10.0% - 13.0%	11.5%
PWC Real Estate Investor Survey	*1st Quarter 2024 Survey*	
Select-Service Hotels	9.0% - 15.0%	11.4%
Limited-Service Hotels	11.0% - 15.0%	12.5%
USRC Hotel Investment Survey	*Winter 2024 Survey*	
Limited-Service Hotels	11.0% - 13.5%	11.7%
Situs RERC Real Estate Report	*1st Quarter 2024 Survey*	
Second Tier Hotels	9.5% - 13.0%	11.0%
Third Tier Hotels	9.8% - 13.0%	11.7%

As discussed, based on our forecast of EBITDA and the development cost, including entrepreneurial incentive, the total project would yield an IRR of 11.0%. The investor surveys indicate discount rates ranging from 7.9% to 15.0%; the averages of the surveys range from 10.4% to 12.5%. Based on these parameters, the calculated return of 10.5% on the project is consistent with the averages and within the range. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project..

Conclusion

In determining the potential feasibility of the Proposed Burlington Hotel, we analyzed the lodging market, researched the area's economics, reviewed the estimated development cost, and prepared a ten-year forecast of income and expense, which was based on our review of the current and historical market conditions, as well as comparable income and expense statements.

The conclusion of this analysis indicates that the property would generate a return of 11.0% on an initial investment of $13,700,000 . Based on the previously present mortgage loan assumptions, the equity component would receive a return of 17.9%

on the initial investment. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project.

9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject property; this is not an appraisal report.
2. This report is to be used in whole and not in part.
3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements; the property is evaluated as free and clear unless otherwise stated.
4. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would affect the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
5. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.
7. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist.
8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC, are assumed true and correct. We can assume no liability resulting from misinformation.
9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject site.
10. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including the appropriate liquor license if applicable), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

11. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.

12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.

13. We are not required to give testimony or attendance in court because of this analysis without previous arrangements and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.

14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.

15. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.

16. The quality of a lodging facility's onsite management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.

17. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not guarantee that our estimates will be attained, but they have been developed based upon information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel investor as of the stated date of the report.

18. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of this analysis or the date of our field inspection, whichever occurs first.

19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out internally to many decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent; thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client; the use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide projections, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.

22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by our staff as company employees, rather than as individuals.

Marc Greeley

EMPLOYMENT

2019 to present	HVS CONSULTING AND VALUATION SERVICES Nashville, Tennessee
2015–2019	LANSING BREWING COMPANY Lansing, Michigan
2018	BEDROCK DETROIT Detroit, Michigan
2016	WHITE LODGING Schaumburg, Illinois

EDUCATION AND OTHER TRAINING

BA – Hospitality Business, Eli Broad College of Business, Michigan State University

Certification in Hotel Industry Analytics

Other Specialized Training Classes Completed:
Uniform Standards of Professional Appraisal Practice
Basic Appraisal Procedures
Basic Appraisal Principles
General Appraiser Income Approach (Parts I and II)
General Appraiser Market Analysis and HBU
General Appraiser Site Valuation and Cost Approach
General Appraiser Sales Comparison Approach
General Appraiser Report Writing and Case Studies
Real Estate Finance, Statistics, and Valuation Modeling
Expert Witness for Commercial Appraisers
Commercial Appraisal Review
Advanced Income
The Cost Approach
Appraisal of Self Storage Facilities
Appraisal of REO and Foreclosure
Biennial USPAP Updates

STATE CERTIFICATIONS Alabama, Georgia, Kentucky, Mississippi, Tennessee

PUBLISHED ARTICLES

HVS Journal	"Nashville RevPAR Growth Continues Despite Supply Increases," April 2023
HVS Journal	"Nashville Hotel Market Continues Its Path to Recovery," June 2022
HVS Journal	"COVID-19's Impact on the Greater Gatlinburg, Tennessee Lodging Market," January 2021
HVS Journal	"Amazon in Music City: The Anticipated Impact on the Lodging Industry," co-authored with Benjamin Levin, February 2020

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO WORK
2 Full-Service Hotels, Nashville

ALABAMA
Proposed Downtown Auburn Hotel, Auburn
Proposed Boutique Hotel, Florence
Residence Inn by Marriott Florence, Florence
Proposed Staybridge Suites Madison Huntsville Airport, Madison

ARIZONA
Proposed Hyatt Place Downtown Phoenix, Phoenix
Proposed Hampton Inn by Hilton, Williams

ARKANSAS
Days Inn by Wyndham Little Rock South, Little Rock
La Quinta Inn & Suites Russellville, Russellville

CALIFORNIA
SunCoast Park Hotel Anaheim, Tapestry Collection by Hilton, Anaheim
Quality Inn & Suites Redwood Coast Crescent City, Crescent City
Proposed SpringHill Suites Grover Beach, Grover Beach
Courtyard by Marriott Hacienda Heights, Hacienda Heights
Godfrey Hotel, Hollywood
Proposed Boutique Hotel Laguna Hills, Laguna Hills

FLORIDA
Proposed Extended Stay America Select Suites Panama City Beach, Panama City Beach

GEORGIA
Marriott Atlanta Buckhead Hotel & Conference Center, Atlanta
Proposed Avid by IHG Duluth, Duluth
Baymont Inn & Suites Kennesaw, Kennesaw
Courtyard by Marriott Atlanta Kennesaw, Kennesaw
Crowne Plaza Atlanta Northeast Norcross, Norcross
Hilton Atlanta Northeast, Norcross
Radisson Hotel Atlanta Northwest, Marietta
Proposed avid, Ringgold
FairBridge Inn Rome, Rome

ILLINOIS
Courtyard by Marriott Peoria, Peoria
Proposed Homewood Suites, Skokie

INDIANA
Proposed Hotel Boonville, Boonville
Radisson Hotel Louisville North, Clarksville
Proposed InterContinental Indianapolis Downtown, Indianapolis
Comfort Suites Vincennes, Vincennes
Hampton Inn by Hilton Vincennes, Vincennes

KENTUCKY
Staybridge Suites Bowling Green, Bowling Green
Travelodge Florence, Florence
Hilton Garden Inn Downtown, Louisville
Home2 Suites by Hilton Medical District, Louisville
Proposed Homewood Suites by Hilton Louisville Northeast, Louisville
Best Western Plus Owensboro, Owensboro
Fairfield Inn by Marriott Louisville South, Shepherdsville

MAINE
Seascape Motel & Cottages, Belfast

MISSISSIPPI
Home2 Suites by Hilton, Batesville
South Beach Biloxi Hotel & Suites, Biloxi
Hampton Inn Hernando, Hernando
Proposed La Quinta Inn & Suites Olive Branch, Olive Branch
Proposed Extended-Stay Hotel Pontotoc, Pontotoc
Proposed TownePlace Suites by Marriott Southaven Memphis, Southaven

NEW YORK
Holiday Inn Express Staten Island West, Staten Island

NORTH CAROLINA
Residence Inn by Marriott Durham Research Triangle Park, Durham
Courtyard by Marriott Fayetteville, Fayetteville
Proposed DreamCatcher Hotel Fletcher, Fletcher
Atkinson Inn & Suites, Lumberton

OHIO
Red Roof Inn Dayton North, Dayton
Great Wolf Lodge Sandusky, Sandusky

PENNSYLVANIA
Hampton by Hilton Harrisburg North, Harrisburg
Holiday Inn Express & Suites Johnstown, Johnstown

SOUTH CAROLINA
Proposed Extended Stay America, Duncan
Courtyard by Marriott Rock Hill, Rock Hill
Proposed WoodSpring Suites, Rock Hill

TENNESSEE
Proposed Holiday Inn Express, Bristol

Edwin Hotel Autograph Collection, Chattanooga
Holiday Inn Hamilton Place Chattanooga, Chattanooga
La Quinta Inn Chattanooga, Chattanooga
Proposed Compass by Margaritaville Chattanooga, Chattanooga
Proposed Embassy Suites by Hilton Chattanooga, Chattanooga
Proposed Hilton Tapestry, Chattanooga
Aloft Nashville Cool Springs, Franklin
The Harpeth Hotel, Franklin
Proposed Extended-Stay Hotel Gallatin, Gallatin
Holiday Inn Express Gatlinburg, Gatlinburg
Proposed Hotel Gatlinburg, Gatlinburg
Proposed Embassy Suites Jackson, Jackson
Cumberland House, Tapestry Collection, Knoxville
Hotel Knoxville, Knoxville
Staybridge Suites Turkey Creek, Knoxville
Proposed Home2 Suites by Hilton Lebanon, Lebanon
Proposed Hotel Marysville, Maryville
Courtyard by Marriott Memphis East/Galleria, Memphis
Holiday Inn Express & Suites Memphis Arpt Elvis Presley Boulevard, Memphis
Proposed Upscale Hotel, Memphis
Central Station Memphis, Curio Collection by Hilton, Memphis
Proposed TownePlace Suites Morristown, Morristown
Proposed Hotel Mount Juliet, Mount Juliet
Proposed Extended-Stay Hotel Murfreesboro, Murfreesboro
Proposed JdV by Hyatt Murfreesboro, Murfreesboro
BentoLiving Chestnut Hill Nashville, Nashville
Bobby Hotel Nashville, Nashville
Conrad Nashville, Nashville
Courtyard by Marriott Nashville Airport, Nashville
Courtyard by Marriott Nashville at Opryland, Nashville
Fairfield by Marriott Nashville at Opryland, Nashvile
Hilton Nashville Airport, Nashville
Holiday Inn Express MetroCenter Nashville, Nashville
Holiday Inn Express Nashville Airport, Nashville
Hotel Indigo Nashville, Nashville
Hyatt House Nashville Vanderbilt, Nashville
Joseph A Luxury Collection by Marriott Nashville, Nashville
Proposed 1 Hotel, Nashville
Proposed Boutique Hotel Germantown, Nashville
Proposed Curio Collection by Hilton/Tempo by Hilton Nashville Downtown, Nashville
Proposed Embassy Suites by Hilton Nashville Downtown, Nashville
Proposed Gulch Hotel, Nashville
Proposed Hilton Garden Inn/Home2 Suites by Hilton West End, Nashville
Proposed Margaritaville Hotel Nashville, Nashville
Proposed Motif Nashville, Nashville
Proposed Music Row Hotel, Nashville
Proposed Oracle Hotel, Nashville
Proposed Pendry Hotel Nashville, Nashville
Proposed Sobro Hotel, Nashville
Proposed Starr Piano Building Hotel, Nashville
Proposed Tempo by Hilton Nashville, Nashville
Proposed TownePlace Suites by Marriott Nashville Downtown, Nashville
Proposed W Nashville, Nashville
Wingate by Wyndham Nashville Airport, Nashville
Hampton by Hilton Pigeon Forge On The Parkway, Pigeon Forge
Proposed Cambria Suites Pigeon Forge, Pigeon Forge
Proposed DreamCatcher Pigeon Forge, Pigeon Forge
Proposed Voco Hotel Pigeon Forge, Pigeon Forge
Proposed Hotel Pigeon Forge/Sevierville, Sevierville
Proposed Hotel Sevierville, Sevierville
Proposed Nearest Green Hotel, Shelbyville
avid, Smyrna
Proposed Extended Stay America Smyrna, Smyrna
Holiday Inn Express White House, White House

TEXAS

Proposed Courtyard by Marriott Downtown Frisco, Frisco

WEST VIRGINIA

Proposed Boutique Hotel, Elkins
Hampton Inn Fairmont, Fairmont
Holiday Inn Express, Fairmont

First Name	Last Name	Service Address	City	
DAN	HOFFMAN	621 WASHINGTON RD	WEST BURLINGTON	
WILLIAM	CARTER	500 WASHINGTON RD	WEST BURLINGTON	
CARLOS	FALCON	1703 EMERALD DRIVE	WEST BURLINGTON	
CRYSTAL	HARRIS	1600 EMERALD DR	WEST BURLINGTON	
GLORIA	WARNER	1702 EMERALD DR	WEST BURLINGTON	
TERRY	RUKGABER	1721 EMERALD DR. #10	WEST BURLINGTON	
ROBERTA	HALL	1713 EMERALD DRIVE	WEST BURLINGTON	
RANDY	SCHULTE	1712 EMERALD DR	WEST BURLINGTON	
MICHAEL	JACKSON	1807 EMERALD DR	WEST BURLINGTON	
DANIEL	GARRISON	1720 EMERALD DRIVE	WEST BURLINGTON	
TOD	GERHARDT	1812 EMERALD DR	WEST BURLINGTON	
	CITY OF WEST BURLINGTON	EMERALD DR -SEWER PUMP	WEST BURLINGTON	Exempt
WILLIAM	SHERWOOD	704 WASHINGTON RD	WEST BURLINGTON	
MONTE	SCHAFER	426 WASHINGTON RD	WEST BURLINGTON	
JOHN	CAPPS	410 WASHINGTON RD	WEST BURLINGTON	
JEFFREY	LEE	422 WASHINGTON RD	WEST BURLINGTON	
JAY	JOHNSON	420 WASHINGTON RD	WEST BURLINGTON	
JAY	JOHNSON	418 WASHINGTON RD	WEST BURLINGTON	
WILLIAM	PEUGH	400 WASHINGTON RD	WEST BURLINGTON	
JEFF	ALBRIGHT	411 WASHINGTON RD	WEST BURLINGTON	
	BNSF RAILWAY COMPANY	WASHINGTON RD RAILROAD CROSSING	WEST BURLINGTON	
	BI-STATE CONTRACTING INC	110 N WASHINGTON RD	WEST BURLINGTON	
	BI-STATE CONTRACTING INC	110 N WASHINGTON RD	WEST BURLINGTON	
THOMAS	CHICKEN	108 WASHINGTON RD	WEST BURLINGTON	
NICHOLAS	DILLON	1616 W MT PLEASANT	WEST BURLINGTON	
	DES MOINES COUNTY AG. EXTENSION	1700 W MT PLEASANT STREET	WEST BURLINGTON	
BLAKE	HAGEN	1818 W MT PLEASANT ST	WEST BURLINGTON	
	ADVANCED RADIATOR INC	106 WASHINGTON RD	WEST BURLINGTON	
	IA DEPT OF PUBLIC SAFETY	DIVISION OF COMMUNICATIONS	WEST BURLINGTON	
	IOWA DEPT OF TRANSPORT	SALT SHED	WEST BURLINGTON	
	IOWA DEPT OF TRANSPORT	617 D.O.T. MAINTENANCE SHOP	WEST BURLINGTON	
	IOWA DEPT OF TRANSPORT	PUBLIC LIGHTS BY MAINT BLDG	WEST BURLINGTON	
DAVID	BABCOOK	502 N BEAVERDALE RD	WEST BURLINGTON	
RICKIE	SALMON	306 N BEAVERDALE RD	WEST BURLINGTON	
	HEARTLAND SPRAY FOAM	222 BEAVERDALE RD	WEST BURLINGTON	
	DICK DYNAMICS	210 BEAVERDALE RD	WEST BURLINGTON	
	BNSF RAILWAY COMPANY	BEAVERDALE RD RAILROAD CROSSING	WEST BURLINGTON	
DARRELL	SMITH	1716 W MT PLEASANT ST	WEST BURLINGTON	
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MEMORANDUM

To: West Burlington Zoning Code Steering Committee
From: Frannie Nielsen
Date: April 17, 2025
Subject: West Burlington Zoning and Subdivision Code Updates

Following staff comments and a detailed review of the West Burlington Zoning Code and Subdivision Code by Bolton & Menk, several issues and areas for improvement were identified. Additional edits were made since March 17, 2025, based on feedback received during the commenting period from the Steering Committee, Planning and Zoning Commission, City Council, and the public. These comments and issues have been addressed in the latest round of updates, and have been incorporated into the revised code. Please see the redlined updated code for the full list of edits and changes.

A summary of code updates is provided in the tables below:

Infrastructure Updates

Issue	Resolution
Sewer and water should be enhanced	Engineer reviewed stormwater sections, suggested reviewing impervious surface requirements. Removed impervious regulations from stormwater section for residential and included impervious limits in dimensional standards chart for all uses.
Ensure adequate sidewalks (regulations currently in separate chapter, chapter 140)	Added reference to chapters 136 and 140 for sidewalk and driveway requirements.
Parking lots are too large right now, cause stormwater issues	Reduced parking requirements, added landscape provisions for parking, utilized Burlington language, and added more detail on the number of parking spaces required.

Use Updates

Issue	Resolution
Want to allow mixed-use development	Mixed use is allowed per section 4.019 in all business districts and PUDs.
Outdoor storage; durable, impervious surface if being driven on/allow storage on permeable surface	Allowed outdoor storage in I-1 and I-2 if screened from view. Only areas driven on must be permanent, dust-free, and durable; otherwise, outdoor storage may be on permeable surfaces.
Sign code – address temporary signage, simplify cross-referencing	Temporary signs are limited to two 30-day periods total per address in a calendar year rather than 60 total days.

Include sign code	Completed and revised
Add civic uses (e.g., fire stations, parks, city hall)	Added definition of civic uses and included as permitted in residential and business districts.
Combine I-1 and I-2, leave heavy industrial as its own	Combined I-1 and I-2 into one district, leaving the heavy industrial district as its own.
Add medical cannabis to SU-MC	Added medical cannabis to SU-MC district
Daycare facilities currently exist as a home occupation, add to permitted use R-1 thru R-4	Added daycare facilities as a permitted use in R-1 thru R-4
Want to allow solar panels on a business, not just residential	Added solar as special use in B-1 and B-2 and accessory in all other districts.
Want to allow chickens in R-1 thru R-3	Added language to allow chickens in R-1 thru R-3, but number of chickens is limited by lot size. Most lots in R-3 can only have a few chickens. 1 hen per 2000 sf

Administration and Procedures

Issue	Resolution
Make admin approvals where appropriate	Updated use chart to make approval of some uses more streamlined and administrative, and not require BOA approval.
Process for Board of Adjustment – clarify, denials need to be based on criteria	Added provision that Board of Adjustment decisions must be based on code requirements.
Need to define corner/side/rear yard, fences, setbacks	Added definitions to determine front, rear, and side lot lines.
Create procedure for special use permits	Detailed procedure for BOA special use permits.
Update all section references	Completed.
Update all chapter references	Completed.
Add sentence about "may" being permissive and "shall" being required	Added.
Inconsistent title of “Community Development Director” or “Development Department”	Changed all of the variations of “community development director” “development director” “development department” to the Planning and Zoning Department or the Planning and Zoning Administrator. The definition of the Planning and Zoning Administrator allows for a designee of the Planning and Zoning Administrator.

Inconsistent upper and lower case of “city”	Used consistent lowercase “city” when not being used as a proper noun.
Some out-of-date language	Removed out of date language like “diskette”
Define new construction	Defined new construction

Subdivision

Issue	Resolution
Subdivision, update split or resize, boundary adjustment	Updated minor subdivision requirements to reflect Burlington's standards, added administrative lot consolidation or lot line adjustment, and included language for an administrative lot split.
Public hearing for subdivision – update code	Code appears consistent with statute.
Update PUD	Added more provisions for PUD including open space requirements, traffic circulation requirements, and utility requirements
Clarify waiver requirements for Preliminary Plat	Added more clear criteria for when a Preliminary Plat can be waived by the Planning and Zoning Commission

Performance Standards

Issue	Resolution
Fix accessory structure requirements, include setbacks	Added accessory structure provisions for detached accessory structures. Utilized Burlington language where appropriate.
Update performance standards	Updated performance standards as needed.
B-2 storage and screening fix	Added more outdoor storage requirements and additional screening requirements for business uses.
Review parking requirements. Want to allow expansions and physical improvements without meeting parking requirements.	Combined similar uses, reduced space requirements for residential. Added section for nonconforming parking language. Allows existing building expansion and improvements without the need to meet additional parking requirements. This allows homes that do not meet parking

	requirements to add a garage or an expansion. This helps reduce barriers to residents improving their homes.
Want clearer regulations detailing that an accessory structure cannot exist as a stand alone structure	Added language to prohibit accessory structures as a standalone structure. Added language to allow for principal structure demolition provided the accessory structure is demolished with the principal structure or provided that the principal structure is replaced within 1 year if there is a remaining accessory structure.
Update home occupations to be in compliance with Iowa Code Section 414.33 “no-impact home-based business”	Updated language to be consistent with no-impact home-based business. No-impact home-based businesses cannot be regulated by local jurisdictions. Added language to reflect this.

Enforcement

Issue	Resolution
Enforcement of rules needs improvement	Added enforcement section and procedure with multiple routes of action.
Home occupation enforcement	Added additional provisions, existing provisions are similar to Burlington. Added enforcement subsection to reference enforcement section.
Require homes to certify they aren't putting rainwater directly into sewer system	Added language in Section 3.004 to restrict stormwater from residential properties being deposited directly into the sewer system.
Enforcement section has some vague and too broad language	Removed language of any party “concerned with” not meeting provisions of the code as liable as well. The intent is to hold all parties accountable that assist with any illegal activity.
Stormwater and sump pump section gives city too much power to inspect and enter property	The stormwater management section applies to new construction or properties with reasonable cause to believe rainwater is being discharged into the municipal sewer system. Removed conducting inspections for sump pump.
Enhance nonconforming uses and enforcement	Utilized Burlington nonconforming language.

Residential

Issue	Resolution
Native planting in residential	Added provision for native prairie plantings in residential areas Section 3.012
Add RV district	Added RV district purpose in Section 2.002 and standards in Section 4.030.

Multifamily (more than 4 units) – remove CUP requirement	Removed BOA review and approval.
Allow senior housing in high density	Senior housing is considered multi-family and is allowed in high-density residential districts.
Make R-5 into high-density residential, not mobile home	Converted to high-density residential district.

Edits from Commenting Period (Also detailed in tables above)

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