
APPRAISAL OF

**Pacific Inn
74-Room Hotel Property
2610 El Camino Real
Redwood City, California**



PREPARED FOR

**Don Grady, Real Property Manager
County of San Mateo
Redwood City, California**

**Date of Value: October 13, 2020
Date of Report: November 5, 2020**

PREPARED BY

**Joseph I. Napoliello, MAI
South San Francisco, California**

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Commercial – Industrial – Residential – Real Estate Appraisal and Consultation

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November 5, 2020

Don Grady, Real Property Manager
County of San Mateo
555 County Center, 4th Floor
Redwood City, California 94063

Re: Appraisal of
Pacific Inn
74-Room Hotel Property
2610 El Camino Real
Redwood City, California
Our Job # 2020428

Dear Mr. Grady:

In accordance with your recent request and authorization, we have inspected and appraised the 74-room hotel property known as Pacific Inn at 2610 El Camino Real in the City of Redwood City, County of San Mateo, California. The appraisal was made to provide you with an independent opinion of market value in the undivided fee simple interest in the property as of October 13, 2020, the date of our physical visit to the property.

The accompanying report has been prepared for your use, as our client, for acquisition negotiation purposes and may not be used by or distributed to any other parties without our written consent.

The report, which has been prepared to the standards addressed in the Uniform Standards of Professional Appraisal Practice (USPAP), describes in narrative fashion the area, neighborhood, site, improvements, highest and best use, and our method of appraisal. It contains the pertinent data considered in reaching our valuation



conclusions. Please note, in particular, the Statement of Limiting Conditions and Assumptions found in the report.

The property was inspected and appraised by Joseph I. Napoliello, MAI, without significant professional assistance from any other persons. We performed an appraisal process using data and analyses considered necessary to produce a credible value conclusion(s) and prepared an appraisal report as described in USPAP.

Based on our visual inspection of the site and improvements, investigation, and analyses undertaken, we have formed the opinion that as of October 13, 2020, and subject to the definition of value, assumptions and limiting conditions, and certification contained in the report, the property had an undivided fee simple market value, as is, of

TWENTY MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$20,500,000)

Extraordinary Valuation Assumption: The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) in March 2020. The reader is cautioned, and reminded, that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event after the effective date of the appraisal.

This letter of transmittal is not intended to be a report of our data and conclusions. The report, which follows, must be read in its entirety to allow the user to fully comprehend the market data we relied on, our value conclusions, assumptions, and limiting conditions. The above value opinions do not include any personal property, fixtures, or intangibles.

Respectfully submitted,



Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA #AG003794

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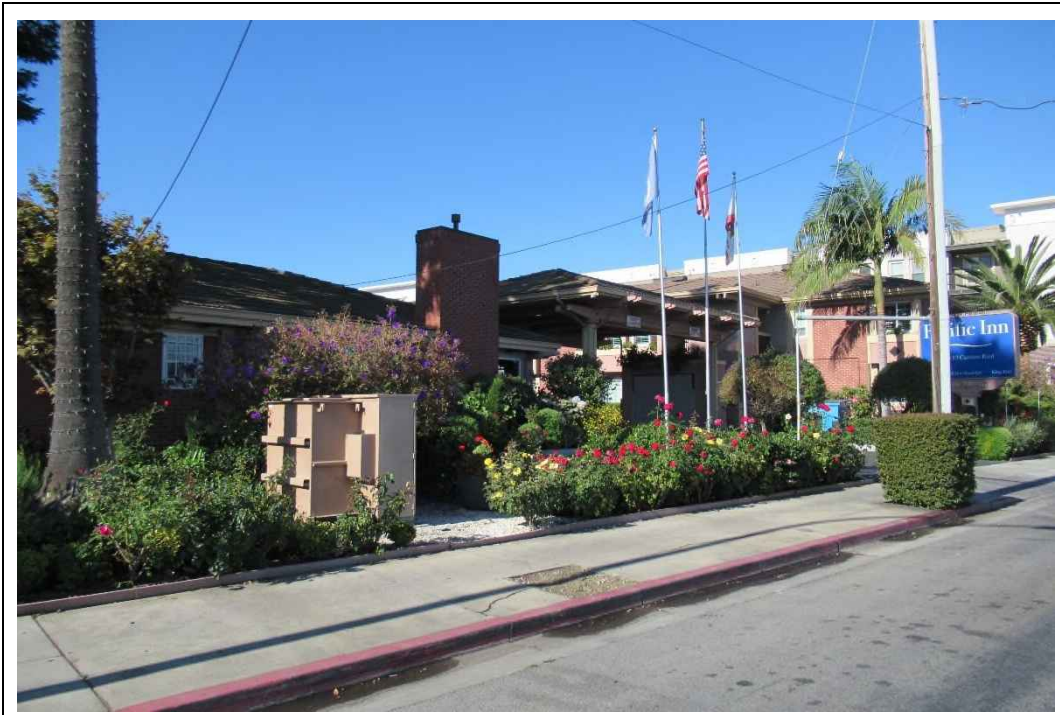
SUMMARY OF APPRAISAL

BASIC PROPERTY DATA

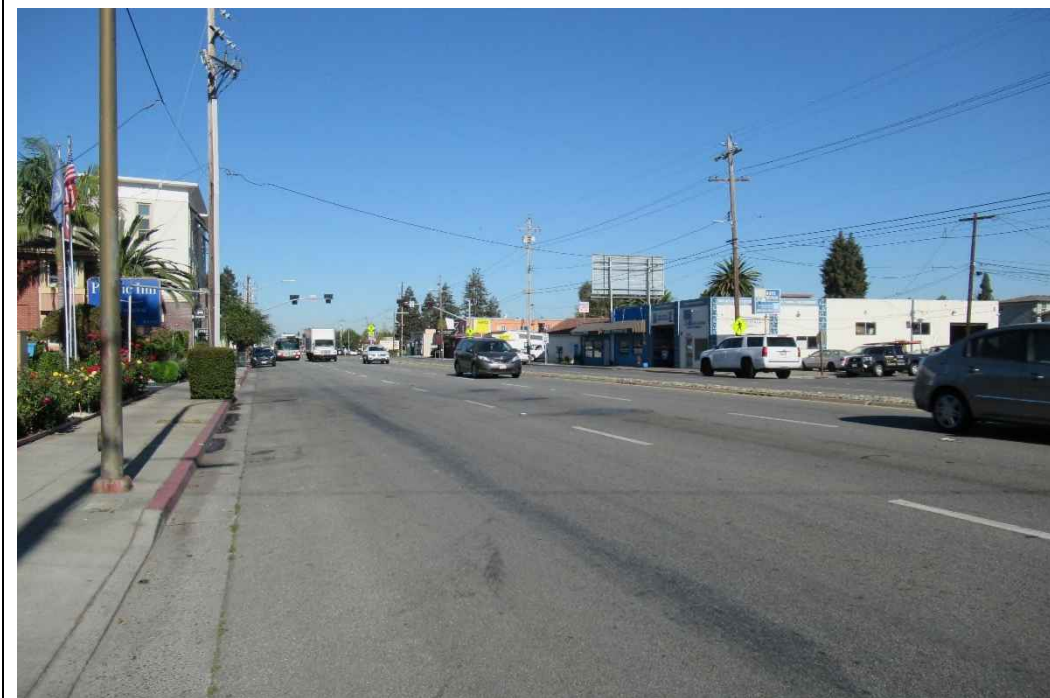
PROPERTY ADDRESS:	Pacific Inn 74-room hotel property 2610 El Camino Real Redwood City, California 94061 County of San Mateo
APN:	059-162-520
OWNER:	Reno Motel Investments, Inc., a California corporation
ZONING:	MUC-ECR, Mixed Use Corridor - El Camino Real, under the jurisdiction of the City of Redwood City
PRESENT USE:	74-room hotel property
HIGHEST AND BEST USE:	Continuation of the current use
LAND AREA:	±64,991 square feet or ±1.492 acres
PROPERTY DESCRIPTION:	The site is improved with a 74-room hotel property constructed circa 1955. The design is conventional and is typical for the neighborhood. The one and two-story, wood-frame building is of average-to-good quality and condition and was most recently renovated in 2019. It has a gross building area of approximately 29,593 square feet. This results in a floor area ratio of approximately 0.455 : 1. There are 72 on-site parking spaces.
PROPERTY RIGHTS TO BE VALUED:	Fee simple
DATE OF VALUATION:	October 13, 2020
DATE OF REPORT:	November 5, 2020
CLIENT:	Don Grady, Real Property Manager County of San Mateo 555 County Center, 4th Floor Redwood City, California 94063
INTENDED USE OF REPORT:	This appraisal is intended to provide our client an independent opinion of market value for acquisition negotiation purposes.

OTHER INTENDED USERS OF THE REPORT:	None
FORM OF REPORT:	USPAP Standard 2-2 Appraisal Report
CONDITIONS OF ASSIGNMENT:	<p>The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) in March 2020. The reader is cautioned, and reminded, that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event after the effective date of the appraisal.</p> <p>See stated limiting conditions and assumptions and appraiser’s certification following the section on the scope of work.</p>
VALUATION CONCLUSION:	\$20,500,000, as of the date of valuation and subject to the stated limiting conditions, assumptions and certification
	<p style="text-align: right;">Land Value: \$14,000,000</p> <p style="text-align: right;">Cost Approach: \$22,287,000</p> <p style="text-align: right;">Sales Comparison Approach: \$20,750,000</p> <p style="text-align: right;">Income Approach Dir. Cap.: \$20,000,000</p> <p style="text-align: right;">Income Approach DCF: \$19,445,000</p> <p style="text-align: right;">Potential Gross Income: \$2,550,875</p> <p style="text-align: right;">PGIM: 8.50</p> <p style="text-align: right;">Net Operating Income: \$1,218,939</p> <p style="text-align: right;">OAR: 6.00%</p> <p style="text-align: right;">Reconciled Value: \$20,500,000</p> <p style="text-align: right;">Indicated Value/DU: \$277,027</p> <p style="text-align: right;">Indicated Value/Sq. Ft.: \$693</p> <p style="text-align: right;">Value Per Sq. Ft. of Land: \$315</p>

Views of Subject



Front View



Street Scene

STATEMENT OF LIMITING CONDITIONS AND ASSUMPTIONS

This appraisal is made subject to the following **extraordinary** limiting conditions or assumptions:

The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) in March 2020. The reader is cautioned, and reminded, that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event after the effective date of the appraisal.

Use of or reliance on this appraisal or appraisal report, regardless of whether such use or reliance is known or authorized by the appraiser, constitutes acknowledgment and acceptance of these general assumptions and limiting conditions, any extraordinary assumptions or hypothetical conditions, and any other terms and conditions stated in this report.

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy. We have not attempted to independently verify any rental, income, or expense data provided to us.
5. It is assumed that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.
6. If no legal description was furnished, the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate the appraiser reserves the right to review any value conclusions.
7. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
9. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
10. It is assumed that all water, sewer facilities and utilities (whether existing or proposed) are or will be in good working order, are safe for use, and are or will be sufficient to serve the current or proposed uses of the subject property or any structures or other

improvements. Determining and reporting on such matters were not part of the scope of work for this assignment.

11. It is assumed that the property is in compliance with all applicable federal, state and local laws, ordinances, regulations, building standards, use restrictions and zoning unless the lack of compliance is stated in the appraisal report. Determining and reporting on such compliance were not part of the scope of work for this assignment.
12. Any proposed improvements are assumed to have been completed unless otherwise stipulated, so any construction is assumed to conform with the building plans referenced in the report.
13. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinion contained in this report is based.
14. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
15. It is assumed that the property has been adequately exposed for a reasonable time in advance of the effective date of this report. In a market value appraisal there is the assumption of hypothetical sale as of the date of value. It is further assumed that the exposure or marketing effort was commensurate with the type of real property interest, the use of the property, its market value, and the likely buyer.
16. Unless otherwise stated in this report, the past or current existence of hazardous materials or environmental contamination on, below or near the subject property was not observed or known by the appraiser. The appraiser, however, is not qualified to detect such substances or to make determinations about their presence. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials or environmental contamination may affect the value of the property. Unless otherwise stated, the value estimated is predicated on the assumption that there is no such material on, below or affecting the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering assistance required to discover them. The intended user is urged to retain an expert in this field, if desired.

This appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total opinion of value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
3. For proposed construction, only preliminary plans and specifications were available for use in the preparation of this appraisal; the analysis, therefore, is subject to a review of the final plans and specifications when available.
4. Possession of this report, or a copy thereof, does not carry with it the right of publication.

5. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
6. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
7. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
8. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirement of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
9. This report has been prepared specifically for the stated use and benefit of the client, as named in the introduction, and may not be used by any other party without prior written consent and approval of the appraiser.

CERTIFICATION

I certify that to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent on developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. My value conclusion(s), as well as other opinions expressed herein, are not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of the report, I have completed the requirements of the continuing education program of the Appraisal Institute.
- I, the undersigned, have made a personal inspection of the property that is the subject of this report.
- No other persons provided significant professional assistance to the person(s) signing this report.



Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA Certificate #AG003794

SCOPE OF WORK

It is our understanding that our client is seeking an independent opinion of market value for use in acquisition negotiation. In preparing this appraisal, the appraiser:

1. Inspected the subject site and the improvements,
2. collected and analyzed regional, city and neighborhood data,
3. collected and analyzed pertinent data on the physical and legal characteristics of the site and improvements including environmental issues, zoning data, legal description and other related matters,
4. collected, verified, and analyzed comparable improved sales and rental data,
5. analyzed the highest and best use of the property,
6. developed an independent opinion of market value using the sales comparison and income approaches to value and reconciled the indications to a final opinion of value.

Market data was developed from a number of data services and contacts with real estate brokers and other appraisers.

The property was inspected by Joseph Napoliello, MAI. No other persons provided significant professional assistance in the valuation of the property or the writing of the report to the appraiser.

The comparables selected for analysis of the value of the property have been confirmed with at least one of the principals to the transactions or their employees or brokers or agents involved or through two separate, independent sources. The appraiser also relied on public data from the assessor's and recorder's offices and the planning department to supplement direct contacts. These findings are presented in a narrative report format and the type of data and analyses necessary to produce a credible appraisal of the property have been applied.

The appraisal process and development of the report were intended to meet the standards outlined in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Ethics of the Appraisal Institute.

The appraiser has over 34 years of appraisal experience and is familiar with the subject property type and market.

DESCRIPTION OF PROPERTY UNDER APPRAISAL

Market Area:

The property under appraisal is in the city of Redwood City. It is further located in southern San Mateo County, one of the nine counties that make up the San Francisco Bay Area. Redwood City is located approximately 23 miles southeast of downtown San Francisco and roughly 20 miles northwest of downtown San Jose. The city is located along Highway 101. It is bounded by the city of San Carlos on the north, the San Francisco Bay on the east, the town of Atherton and the city of Menlo Park on the south and unincorporated county lands to the west.

The San Francisco Bay Area is the fourth largest metropolitan area in the United States. It has a total population of over seven and one-half million. Located approximately 350 miles northwest of Los Angeles, the Bay Area is a center of international commerce and a popular tourist destination, as well. The largest cities are San Jose, San Francisco and Oakland. San Francisco is a major headquarters city with over 80 million square feet of office space in its downtown. San Jose, at the heart of the Silicon Valley, is now the most populous city in the region. It is also a major headquarters city and the center of the technology industry in California. Oakland is a major port and industrial city with a smaller, but still significant commercial presence. San Mateo County is centrally located between San Francisco and San Jose and the Pacific Ocean and the San Francisco Bay.



San Francisco is a major headquarters city with over 80 million square feet of office space in its downtown. San Jose, at the heart of the Silicon Valley, is now the most populous city in the region. It is also a major headquarters city and the center of the technology industry in California. Oakland is a major port and industrial city with a smaller, but still significant commercial presence. San Mateo County is centrally located between San Francisco and San Jose and the Pacific Ocean and the San Francisco Bay.

With a 2020 population of over 773,000, San Mateo County is comprised of twenty incorporated cities and has a large unincorporated area along its coast. It is bounded by San Francisco on the north, the San Francisco Bay on the east, Santa Clara and Santa Cruz Counties on the south and the Pacific Ocean on the west. It has a total land area of approximately 449.1 square miles. Most development is along the bay plain between U.S. Highway 101 and Interstate 280. The westerly hills and lands along the coast are very lightly developed south of Pacifica.

The county has a diverse economic base and a well-educated populace. The county is home to major corporations such as *Oracle Corporation* and *Facebook*. The County has an elected Board of Supervisors and a professional county manager. The county is generally supportive of growth and development subject to constraints such as congestion and limited water resources along the coast.

Located in the central portion of the San Francisco Peninsula, the City of Redwood City was incorporated in 1867. It is a city of approximately nineteen square miles in size. First settled in the 1700s, most development started in the 1850s and the city had many redwood forests, hence its name. Redwood City became the seat of county government in the 1860s. The January 2020 population was 86,854. The population has grown more rapidly than the county, as a whole, over the past ten years with a 12.94% increase in population compared with a 7.63% increase countywide. The city has been aggressive about upzoning the downtown area and many new residential projects have been built as a result.

Redwood City is divided between a bay plain and hills to the west of El Camino Real, a major north/south corridor connecting San Francisco and San Jose. The city has a mix of residential, commercial and government uses. There is still significant land available for development along the bay and there is an active deepwater port, as well. There is significant commercial office development along the U.S. Highway 101 corridor and there is also a significant government center near the old downtown along Broadway. Major employers including Oracle Corporation and Electronic Arts are found in the city. Median home price in August 2020 was \$1,660,000 compared with the countywide figure of \$1,467,500.

Year	2020	% Chg.	2010
Redwood City	86,754	12.94%	76,815
San Mateo Co.	773,244	7.63%	718,451
California	39,782,870	6.79%	37,253,956

The city has an elected city council with seven members and there is a professional city manager. There are no colleges in the city, but the Redwood City School District provides K-12 education. Shopping districts include the Central Business District along Broadway and El Camino Real, Woodside Road and Middlefield Road.

Overall, Redwood City is a medium-sized city that has a mix of commercial, residential and governmental land uses. The city offers a central location and there is some potential for new development along the bay. The city will likely remain a desirable location for residents and businesses into the foreseeable future.

The subject is located at the southeasterly limit of the city in a neighborhood with a mix of commercial and residential uses. The El Camino Real linear commercial corridor is the core of the immediate neighborhood. A low-density residential neighborhood is immediately to the west. The unincorporated North Fair Oaks is to the east and southeast. It has a mix of low-density residential and neighborhood commercial uses. There is a neighborhood/community-serving shopping center just to the northeast anchored by a *Marshall's* clothing store and a *Target* store, as well.

The immediate blocks of El Camino Real near the subject have a mix of commercial and residential uses including:

Newer four-story apartment property, neighborhood pizzeria, *University Art Supply* store, *Coast Lighting* lighting store, a *Days Inn*, a *Taco Bell* fastfood store, a *Hertz* car rental office, a local seafood restaurant and a local auto repair business.

While the subject is slightly distant from the core of downtown Redwood City, it is close to the communities of Atherton and Menlo Park. These are very high-priced communities with very high home prices and commercial rental rates in the case of Menlo Park. Atherton does not have significant commercial space, so Redwood City and Menlo Park provide retail services.

The City of Redwood City enjoys a favorable location between the Bay Area urban centers of San Francisco and San Jose. Redwood City serves as the county seat and a major employment center, as well. The subject enjoys a favorable location along a busy commercial corridor in an area with a mix of commercial and residential uses. It is generally well suited for commercial or residential uses. These areas will continue to enjoy average or better demand and asset protection into the foreseeable future.

Figure 1 - Area Map

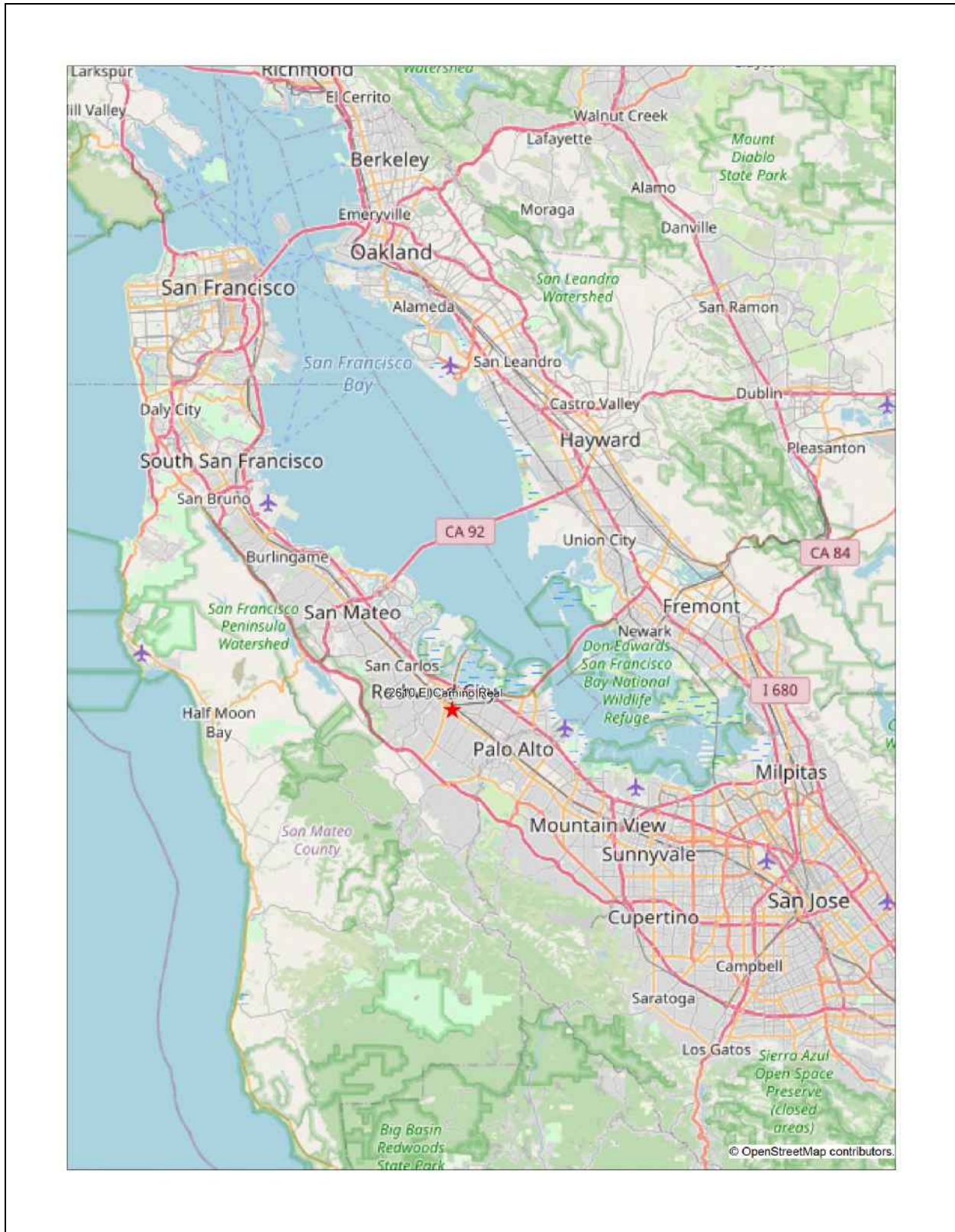
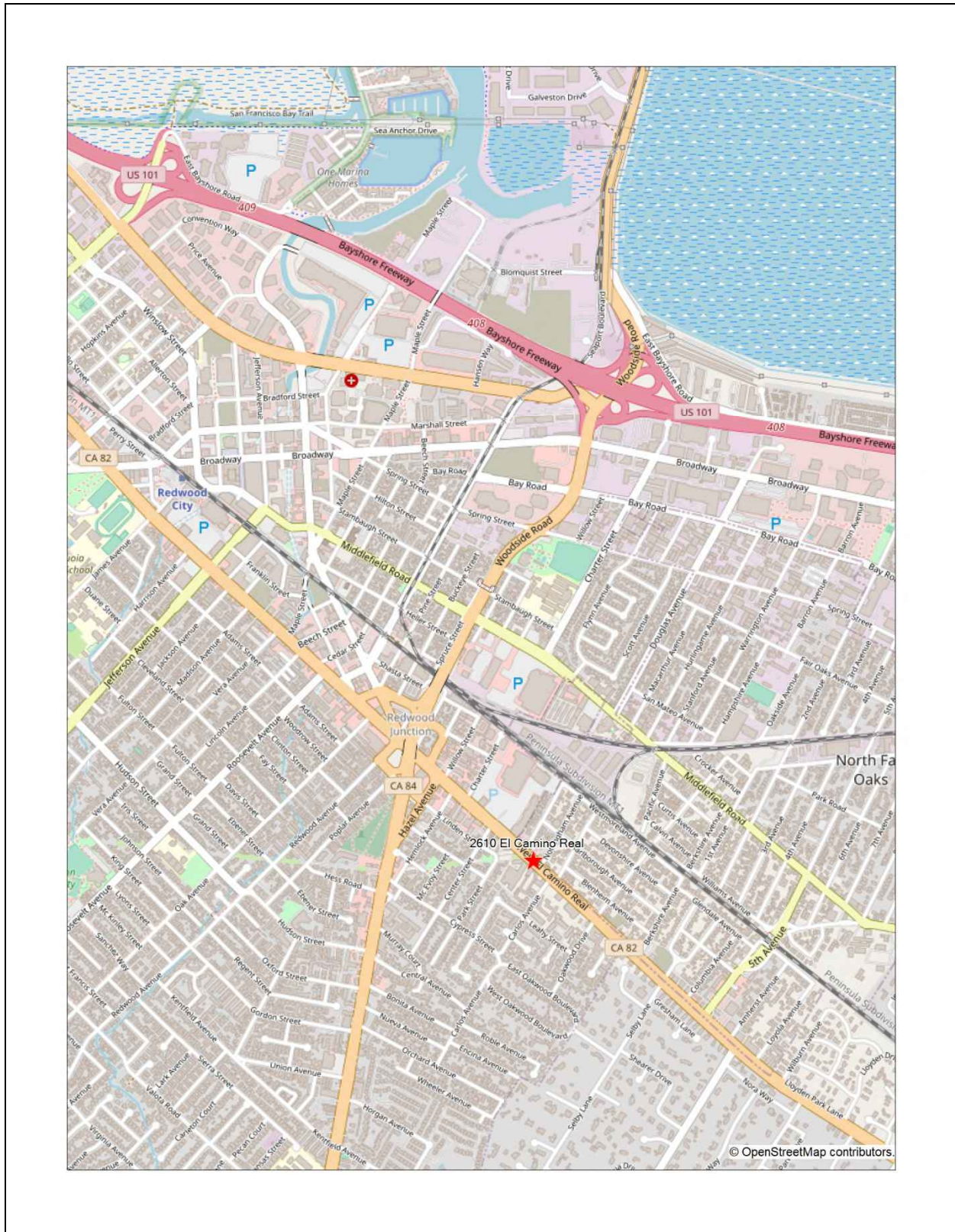


Figure 2 - Neighborhood Map



Census Bureau QuickFacts - SF Bay Area Counties Fact - Data Available As of February 2020	County of Alameda	County of Contra Costa	County of Marin	County of Napa	County of San Francisco	County of San Mateo	County of Santa Clara	County of Solano	County of Sonoma	State of California
Population estimates, July 1, 2018, (V2018)	1,666,753	1,150,215	259,666	139,417	883,305	769,545	1,937,570	446,610	499,942	39,557,045
Housing units, July 1, 2018, (V2018)	615,077	415,919	113,182	55,460	401,452	279,457	678,496	158,808	205,225	14,277,157
Owner-occupied housing unit rate, 2014-2018	53.30%	65.60%	63.80%	63.70%	37.60%	59.90%	56.70%	60.70%	60.80%	54.60%
Median value of owner-occupied housing units, 2014-2018	\$707,800	\$582,400	\$959,200	\$603,700	\$1,009,500	\$994,100	\$913,000	\$377,500	\$568,700	\$475,900
Median selected mo. owner costs -w/mortgage, 2014-2018	\$2,806	\$2,641	\$3,500	\$2,526	\$3,473	\$3,360	\$3,229	\$2,072	\$2,334	\$2,282
Median selected mo. owner costs -w/o mortgage, 2014-2018	\$647	\$669	\$866	\$645	\$671	\$729	\$755	\$531	\$621	\$569
Median gross rent, 2014-2018	\$1,674	\$1,702	\$1,970	\$1,621	\$1,805	\$2,158	\$2,126	\$1,498	\$1,549	\$1,429
Building permits, 2018	8,056	2,907	164	269	5,178	1,116	8,191	990	3,279	113,502
Households, 2014-2018	572,870	392,277	105,258	49,032	359,673	261,969	635,525	149,067	189,339	12,965,435
Persons per household, 2014-2018	2.81	2.86	2.4	2.78	2.36	2.89	2.97	2.87	2.6	2.96
High school grad. or higher, % of persons age 25+, 2014-18	88.00%	89.40%	93.20%	85.10%	88.50%	89.20%	88.10%	88.00%	88.00%	82.90%
Bachelor's degree or higher, % persons age 25+, 2014-18	46.00%	41.70%	58.80%	34.90%	57.10%	49.90%	51.30%	26.20%	34.90%	33.30%
In civilian labor force, total, % population 16+, 2014-2018	66.80%	64.60%	64.10%	65.20%	70.70%	68.70%	67.40%	62.10%	64.80%	63.10%
Total accommodation and food svc. sales, 2012 (\$1,000)	3,192,420	1,659,988	729,652	774,149	6,142,745	2,552,854	4,809,201	625,627	1,058,691	90,830,372
Total manufacturers shipments, 2012 (\$1,000)	N/A	33,681,206	N/A	4,623,531	N/A	N/A	41,450,609	11,412,211	6,131,694	512,303,164
Total merchant wholesaler sales, 2012 (\$1,000)	37,580,614	6,887,164	1,864,552	N/A	11,121,715	15,969,681	91,858,973	2,803,726	4,443,204	666,652,186
Total retail sales, 2012 (\$1,000)	20,901,014	11,847,866	5,087,526	1,699,004	14,632,652	11,330,620	40,336,741	5,106,627	6,016,331	481,800,461
Total retail sales per capita, 2012	\$13,444	\$10,974	\$19,868	\$12,219	\$17,718	\$15,326	\$21,952	\$12,137	\$12,233	\$12,665
Mean travel time to work (min.), workers 16+, 2014-2018	33.4	38	32.5	24.9	33.3	28.8	28.7	32.6	25.4	29.3
Median household income (in 2018 dollars), 2014-2018	\$92,574	\$93,712	\$110,217	\$84,753	\$104,552	\$113,776	\$116,178	\$77,609	\$76,753	\$71,228
Per capita income past 12 mo. (in 2018 dollars), 2014-18	\$44,283	\$45,524	\$69,275	\$42,677	\$64,157	\$57,375	\$52,451	\$33,700	\$39,929	\$35,021
Persons in poverty, percent	9.00%	7.80%	6.60%	8.80%	10.10%	6.80%	7.30%	7.90%	9.90%	12.80%
Total employer establishments, 2017	40,095	23,951	10,070	4,270	34,518	21,366	48,711	7,079	14,174	941,377
Total employment, 2017	690,339	336,654	101,361	64,132	653,172	385,982	1,055,739	111,931	173,035	14,896,625
Total annual payroll, 2017 (\$1,000)	49,902,351	22,767,919	6,739,067	3,423,642	67,936,064	48,197,075	126,890,119	5,723,681	9,003,207	955,043,843
Total employment, percent change, 2016-2017	4.20%	3.30%	0.80%	2.60%	4.00%	3.10%	3.30%	0.70%	2.90%	2.00%
Total nonemployer establishments, 2017	146,922	98,238	38,060	12,202	100,087	72,285	146,547	25,848	46,172	3,374,050
All firms, 2012	150,564	93,083	39,815	14,236	116,803	75,507	163,130	25,724	52,975	3,548,449
Population per square mile, 2010	2,043.60	1,465.20	485.1	182.4	17,179.10	1,602.20	1,381.00	503	307.1	239.1
Land area in square miles, 2010	739.02	715.94	520.31	748.36	46.87	448.41	1,290.10	821.77	1,575.85	155,779.22

Source: U.S. Census Bureau QuickFacts - Prepared by Joe Napoliello, MAI - JNval.com

<https://www.census.gov/quickfacts/CA>

Site Characteristics:

The site is located along the southwesterly side of El Camino Real. It is commonly identified as 2610 El Camino Real. It consists of a single assessor's parcel identified as follows:

<u>Address:</u>	
2610 El Camino Real, Redwood City, California 94061 County of San Mateo	
<u>Assessor's Parcel Number:</u>	059-162-520
<u>Census Tract:</u>	6107.00
<u>Map Location:</u>	-122.216446, 37.472565
<u>Ownership History:</u>	

The property is currently owned by: Reno Motel Investments, Inc., a California corporation

Long-term ownership. Public records do not indicate any sales of the property during the past three years nor has a recent listing of the property been found.

<u>School Districts:</u>	
Redwood City Elementary School District Sequoia Union High School District	

<u>Site Size:</u>	±64,991 sq. ft. or ±1.492 acres
Typical for the market area.	

<u>Site Dimensions:</u>	Mostly rectangular
Typical for the market area.	

<u>Topography:</u>	Mostly level
Typical for the market area	

<u>Soils Conditions:</u>	Appear adequate
A check of the GeoTracker system revealed no hazardous materials issues on the site. We are not aware of any other subsoil conditions that would affect development.	

<u>Flood/Earthquake Zones:</u>	Flood Zone X, Area of Minimal Flood Hazard, Map 06081C0302F, Effective April 5, 2019
---------------------------------------	--

The subject is not located in a special flood zone. It is not located in an Alquist-Priolo Special Hazards Zone. This is an active earthquake region, however, and the property is located between the San Andreas and Hayward Faults. The site is in a Modified Mercalli Intensity (MMI) Zone MMI 9 - Violent shaking probability during an earthquake. It has moderate susceptibility to liquefaction according to ABAG.

Other Environmental Issues:

No other environmental issues were reported nor is the appraiser aware of any other detrimental conditions on or nearby the site.

Street Improvements:

El Camino Real is fully improved with concrete curbs, gutters and sidewalks. It is a six-lane asphalt paved arterial street. Traffic is moderate.

Utilities:

All available

All utilities are available to the site and sufficient in capacity for the current use or any likely higher and better use.

Plottage/Assemblage:

None

Legal Description:

See preliminary title report in the addenda.

Easements/Conditions of Title:

Several easements were identified in the preliminary title report relating to typical utility easements that would likely encumber a parcel of this size. The easements do not appear to pose a material limitation on the use or utility of the parcel. See addenda.

Zoning:

MUC-ECR, Mixed Use Corridor - El Camino Real, under the jurisdiction of the City of Redwood City

The MUN-ECR zoning is intended to:

El Camino Real (MUC-ECR): Purpose. Redwood City is committed to the revitalization of El Camino Real as a grand, multimodal, and attractive boulevard. The MUC-ECR sub-district represents a continuation of the Grand Boulevard Initiative vision and the Downtown Precise Plan design goals. The purposes of the MUC-ECR sub-district are to:

Transform El Camino Real into a remarkable, walkable, and exciting corridor, home to a variety of residential and nonresidential uses.

Facilitate a pedestrian-scaled environment with buildings that emphasize active and street-oriented frontages, well-scaled and designed buildings, and engaging outdoor spaces and landscaping.

Allow for higher-intensity residential, commercial, and mixed-use buildings to provide the appropriate height relative to the width of the street.

Provide increased opportunities in Redwood City for residents to live near goods, services, transit, and entertainment.

Ensure that consideration and proper transition is provided to adjacent lower-density residential uses.

Encourage additional pedestrian and transit amenities along El Camino Real and the development of a consistent street front, with ample public right-of-way to facilitate pedestrian environment.

The current use is a legal, conditional use.

Development Standards include:

Minimum Open Space: 125 sq. ft. per unit

Sidewalks: 12 feet minimum

Setbacks: Minimum 0 commercial but 6 feet residential, 5 feet side to residential 0 feet commercial to commercial, 5 feet rear except 15 feet if backing to residential

Max Height: 4 stories – 50 feet with bonus up to 6 stories – 85 feet

Max FAR: 0.5 commercial only – 1.0 for mixed-use (for commercial use)

Max Residential Density: 60 DU/acre

No changes to zoning are anticipated.

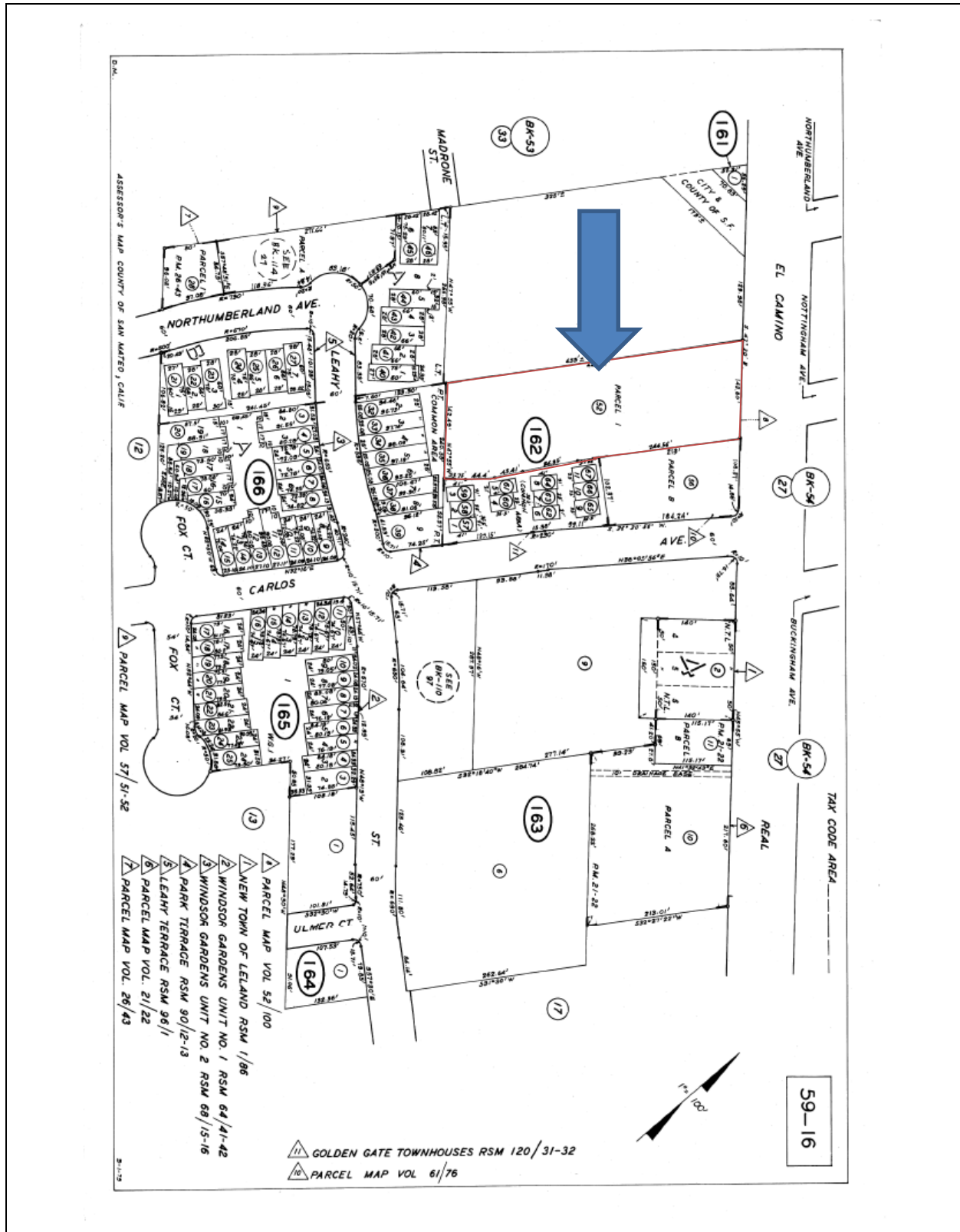
The general plan land use designation is MU-C, Mixed Use - Corridor.

<u>Historic Resources:</u>	None
<u>Overall Site Utility:</u>	Average-to-good overall utility based on site size and mostly regular shape, gentle topography.
<u>Property Taxes:</u>	Property taxes for the current tax year are as follows.

Assessments	<u>2020-2021</u>
Land	\$5,145,283
Improved	\$612,529
Improvements/Fixt.	\$0
Personal Property	<u>\$52,667</u>
Total	\$5,810,479

	<u>2020-2021</u>
Assessment	\$5,810,479
Tax Rate	1.0842%
Base Tax	\$62,997.20
Special Charges	<u>\$202.26</u>
Total (Rounded)	\$63,199.46

Figure 4 - Plat Map



Building Summary:

The site is improved with a 74-room hotel property constructed circa 1955. The design is conventional and is typical for the neighborhood. The one and two-story, wood-frame building is of average-to-good quality and condition and was most recently renovated in 2019. It has a gross building area of approximately 29,593 square feet. This results in a floor area ratio of approximately 0.455 : 1. There are 72 on-site parking spaces.

Building Age:	65 years (1955)	Stories:	1 and 2 stories
Style:	Conventional	No. of Bldgs.:	3
Appearance:	Conventional	Structure:	Wood frame
Exterior Walls:	Painted stucco, faux brick	Foundation:	Poured concrete
Overall Quality:	Average to good	*GBA:	29,593 Sq. Ft.
Overall Condition:	Average to good	RA:	29,593 Sq. Ft.
Heat:	Individual HVAC	FAR:	0.455 : 1
Hot Water:	Central hot water	DU/Ac.:	N/A DU/ac.
Elevator:	None	Parking:	0.97 : room (72 total)

*PLEASE NOTE: Square footage estimates are approximations based on public records measurements that are rounded. Such measurements tend to be imprecise because of varying measuring techniques, building irregularities, unseen conditions and limited access to interior space. Further, square footage figures are used for comparison and are not the primary basis for valuation. It is understood that square footage figures for other properties are imprecise, as well, and this is taken into consideration in the valuation process. Valuation is not based on the square footage of the lot or improvements but takes into account all the legal, physical, income and locational characteristics of the property.

Room Sizes:	Typical
Sound/Insulation:	Adequate
Mechanical Systems:	Updated
Overall Utility:	Average

Basic Structure:

Framing:	The basic structure is wood frame
Foundation:	Poured concrete
Siding:	Painted stucco with some non-structural brick facade
Windows:	Updated wood and metal

Doors: Updated wood and glass

Floors: Various

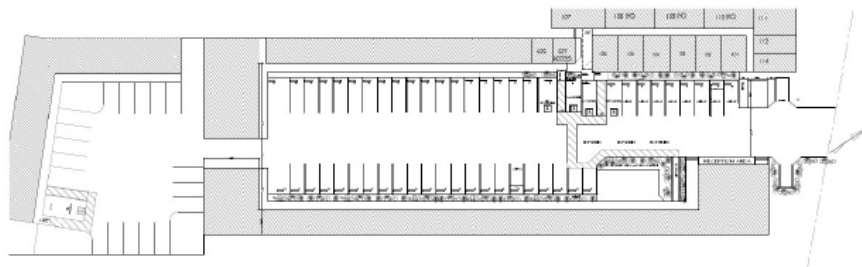
Walls: Typically taped, painted and textured drywall

Ceilings: Typically hard

Heat: Rooms have individual HVAC units

Hot Water: Hot water boilers

Layout: The property has a relatively conventional layout with the office at the front of the property with rooms along the three side and rear lot lines plus a row of rooms across a portion of the property, as well. It was apparently constructed in 1955 with a late 1980s addition. It has been updated over time with the most recent in 2019.



The room mix is weighted to larger rooms:

Room Mix	
Lg. King	25
King	11
Dlx. Queen	22
Suites	5
Queen	1
King/Kit.	6
ADA Qu.	3
ADA Dbl.	1
Total	74

Large suites are approximately 455 square feet, smaller suites are approximately 396 square feet and doubles are approximately 306 square feet, standard single rooms are approximately 276 square feet.

Rooms have conventional layouts with modern finishes and amenities that are typical of better branded hotels. Beds and bedding appear to be better quality with other furniture such as nightstands, desk, chair, dressers and artwork. Rooms typically

have televisions with cable access, iron and board, hair dryer, coffee maker, alarm clock, internet access, small microwave and refrigerator, safe and some suites have a kitchenette.

Baths have better quality finishes with shower-over-tub or large stall showers, standard toilets and built-in vanities.

There is also a one-bedroom apartment for the on-site manager. That unit was not inspected.

As noted, overall quality is superior to typical independent hotels and on par with better chain hotels in the immediate market.

Common Areas:

Business access facilities, breakfast area, guest laundry, vending machines and ice machines. There are 72 on-site parking spaces.

Yard Improvements:

The front of the property is well landscaped with flowing bushes and trees. The interior of the property is also landscaped with mature trees and bushes. The parking lot is asphalt paved and appears to have been resurfaced recently. There is a monument sign at the front of the property, as well.

Overall Quality:

Overall quality is average-to-good for this market area.

Overall Condition:

Deferred Maintenance: The property appears well maintained with above average upkeep compared to other smaller independent hotels in the area.

Overall condition is average-to-good.

Age:

Actual Age: 65± years – 1955 construction
Effective Age: ±20-25 years
Remaining Economic Life: ±30-35 years

Layout and Function:

Average (typical) layout and function.

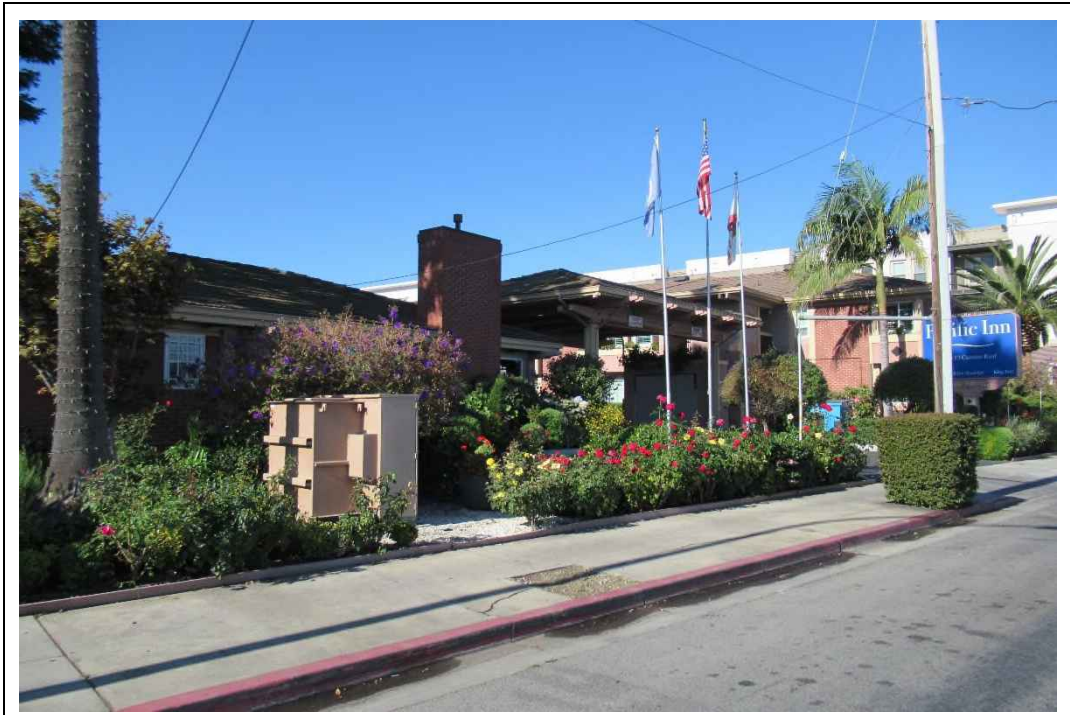
Marketability:

Average-to-good marketability

Improvement Summary:

The subject is a medium-sized independent hotel for the immediate market area. It is an older facility, but with recent updates and above average room updating and overall maintenance. It would have better than average marketability based on its condition limited only slightly by its location slightly distant from downtown.

Figure 5 - Views of Subject

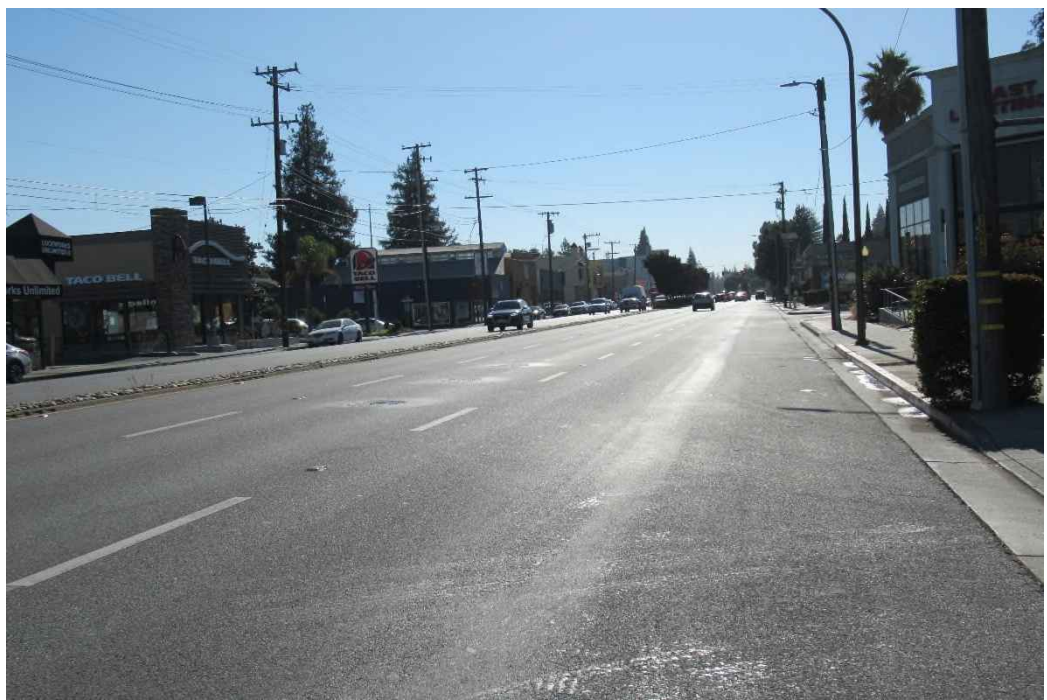


Front View



Rear View

View of Subject



Street Scene



Street Scene

Views of Subject

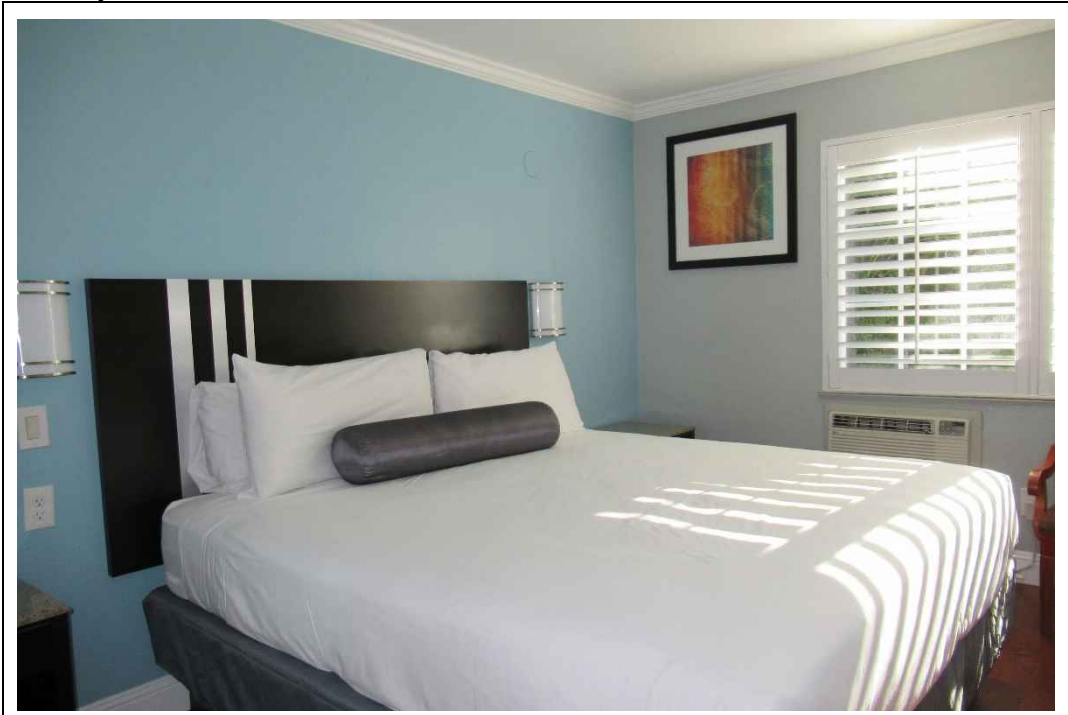


Parking Lot

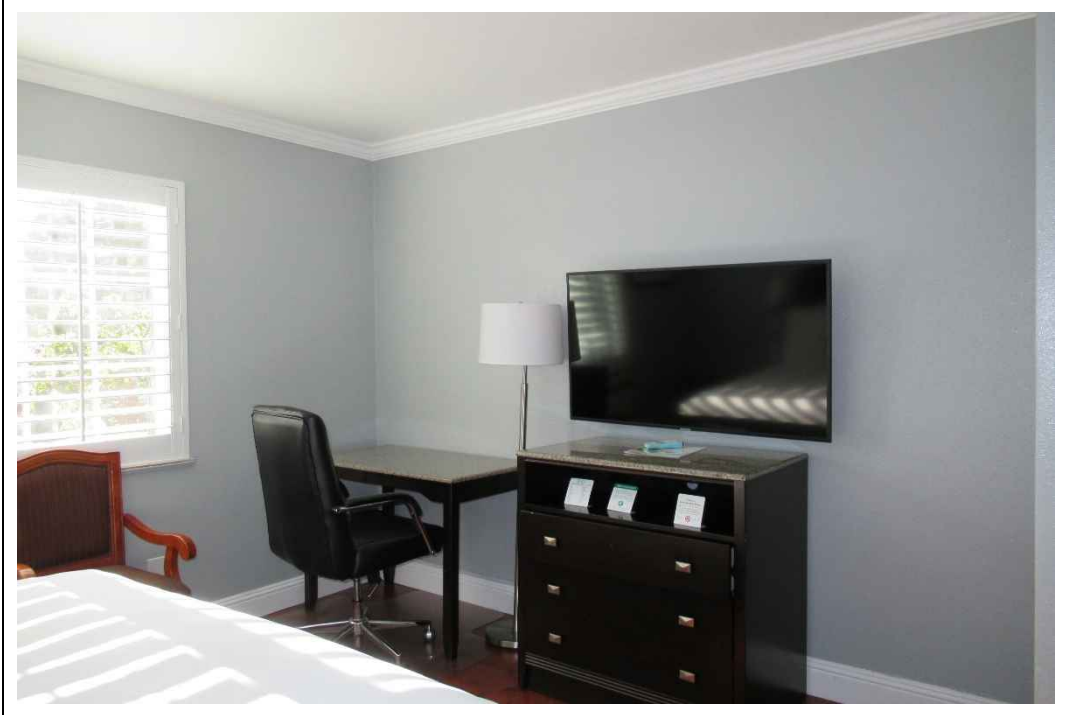


Rooms at Rear of Property

Views of Subject

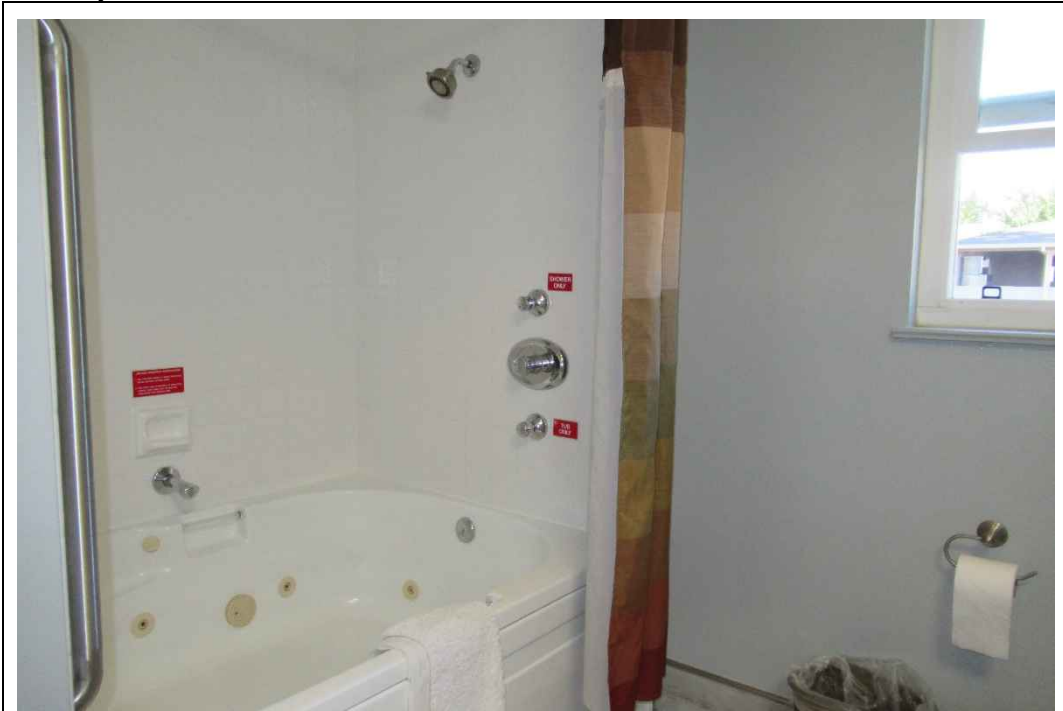


Interior View



Interior View

Views of Subject

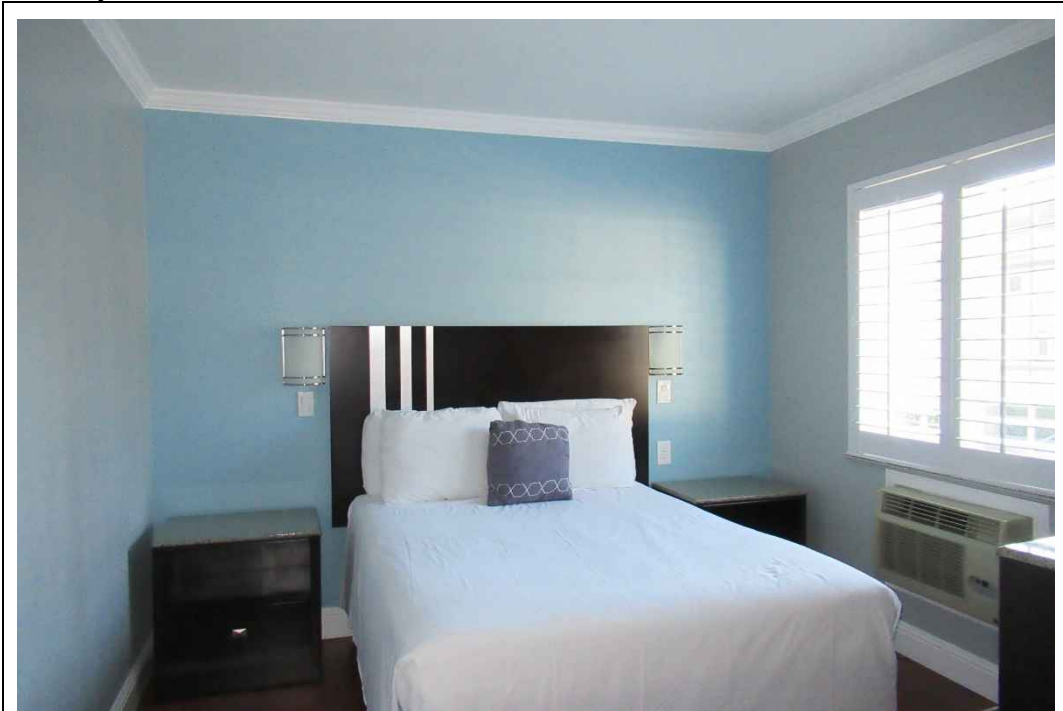


Interior View

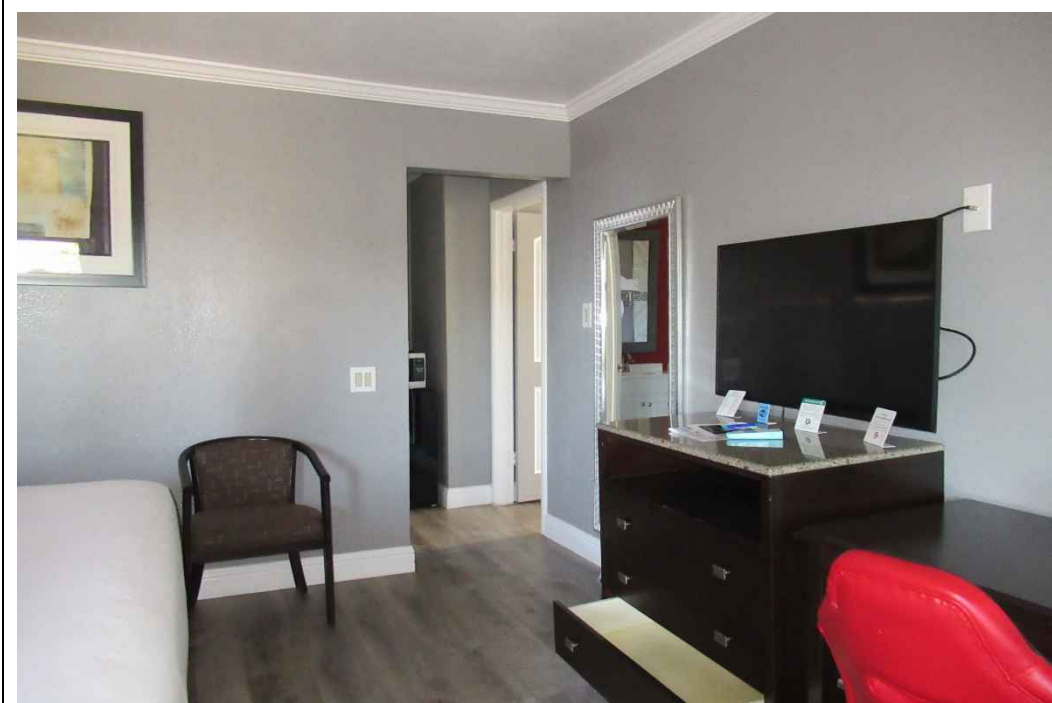


Interior View

Views of Subject

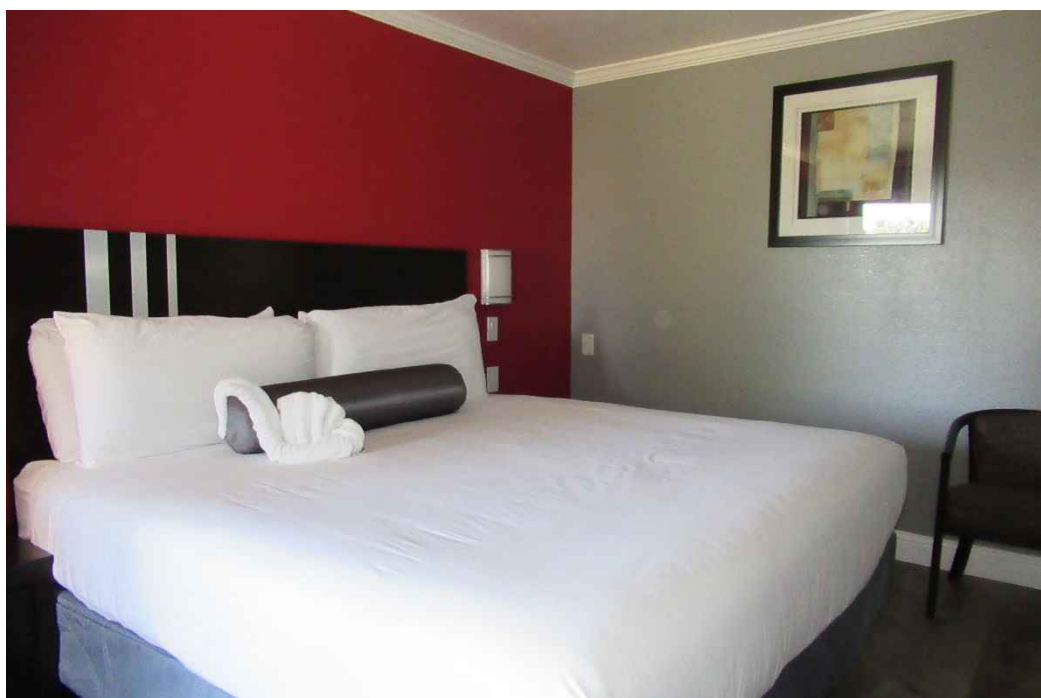


Interior View

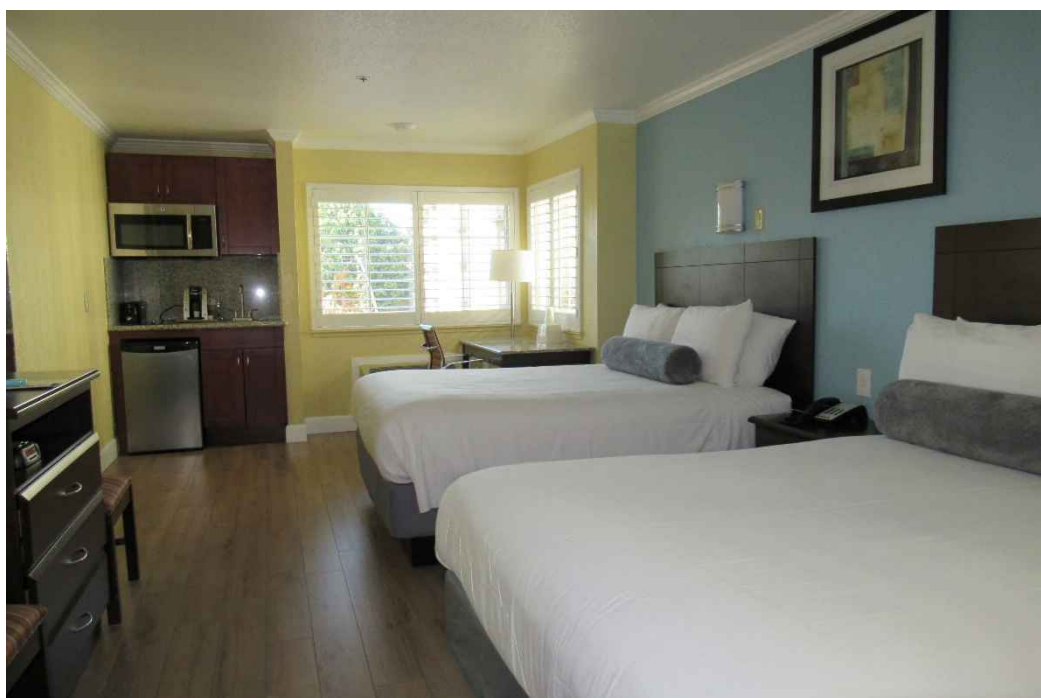


Interior View

Views of Subject



Interior View

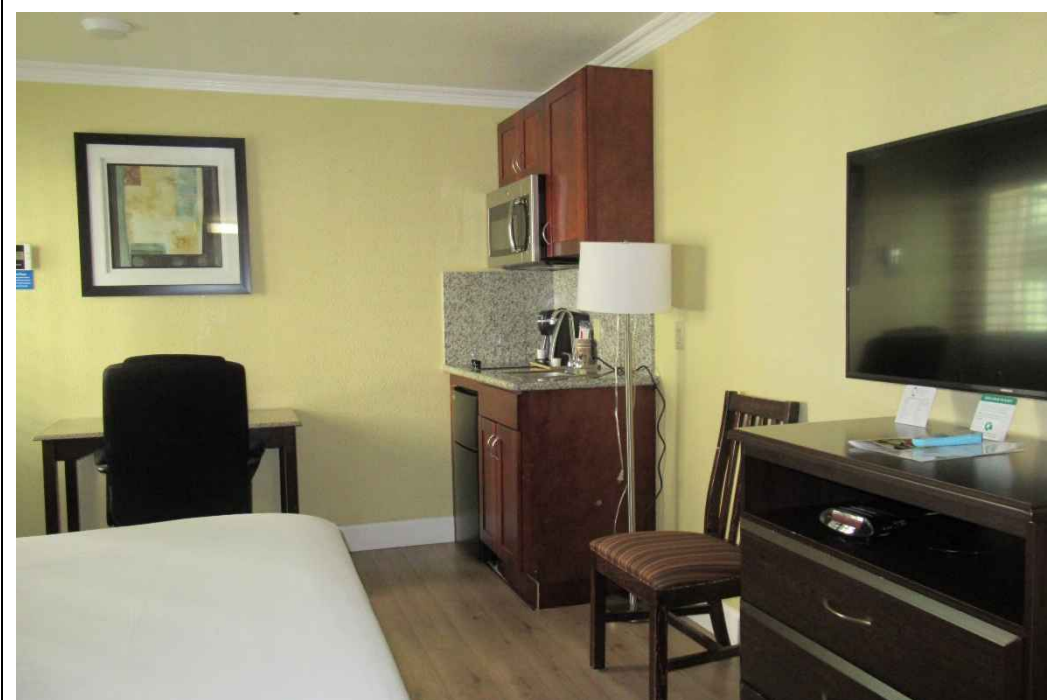


Interior View

Views of Subject

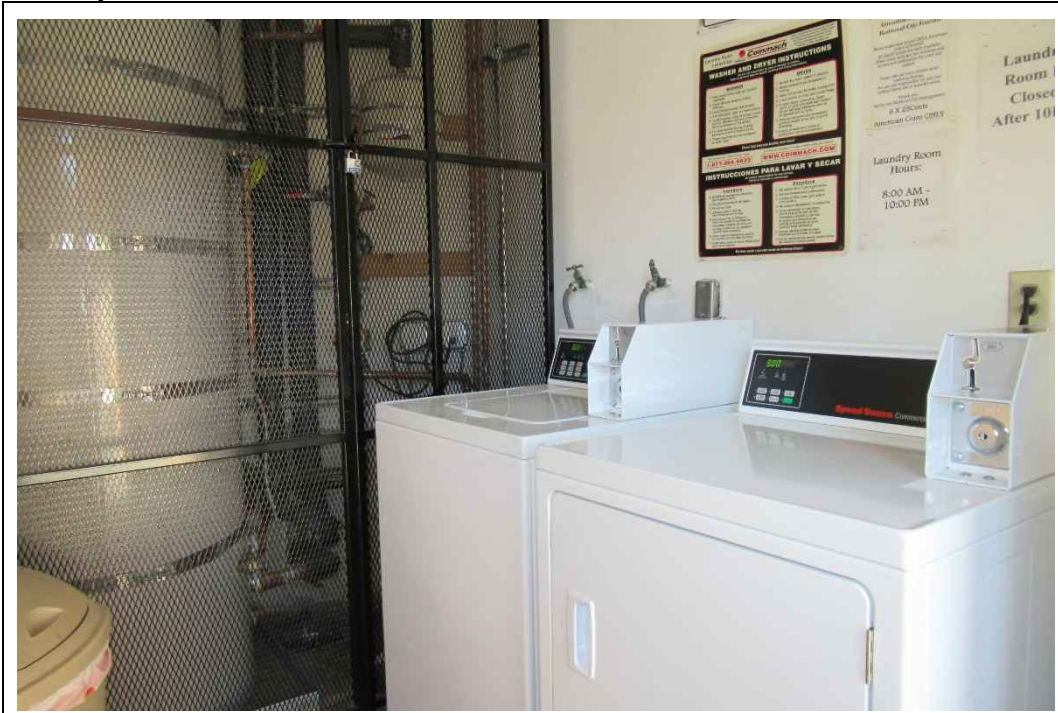


Interior View



Interior View

Views of Subject



Guest Laundry



Hotel Laundry

MARKET TRENDS, HIGHEST AND BEST USE AND METHODOLOGY

Market Trends:

The latest report on economic trends from the 12th District of the Federal Reserve follows.

FedViews – October 8, 2020

“Reuven Glick, group vice president at the Federal Reserve Bank of San Francisco, stated his views on the current economy and the outlook as of October 8, 2020

- The coronavirus (COVID-19) pandemic and associated social-distancing measures caused an unprecedented contraction in GDP, which fell 31.4% at an annual rate in the second quarter. Recent data on consumption spending, manufacturing output, purchasing manager reports, and housing construction and sales indicate the economy rebounded substantially in the third quarter, though August and September data suggest some deceleration heading into the fourth quarter. We expect continued GDP growth over the near to medium term, but it will take several years before output catches up to its potential level absent the virus. Downside risks to the current outlook include a possible resurgence of the virus and the lack of an agreement for more fiscal stimulus.
- Consumption accounts for two thirds of economic activity and is the main driver behind the economy’s plunge and recovery. In a typical recession, durable goods spending falls as consumers postpone big expenditures. In this downturn, service spending fell in March and April because of reduced outlays for “COVID-sensitive” services, such as transportation, recreation, restaurants, and hotels, which rely on extensive personal contact. Even health-care spending fell substantially, as many discretionary services were postponed in the initial phase of the pandemic.
- Since April, consumer spending has rebounded significantly, recovering most of its earlier decline, with the exception of spending on COVID-sensitive services, which is still well below normal. This disparate spending pattern reflects the two-track nature of the recovery related to the extent to which particular industries and people are directly exposed to the pandemic. The expiration of expanded unemployment insurance benefits at the end of July has caused concern that consumer spending may falter without more fiscal support or more business reopenings.
- The labor market provides more evidence that the economy is recovering. A bit more than half of the 22 million jobs lost in March and April have been added, though the rate of job gains is slowing. A disproportionate share of the job losses has occurred for service industry workers interacting with the public. Correspondingly, since spiking to 14.7% in April, unemployment has fallen almost by half, reaching 7.9% in September. There is still a long way to go, as unemployment is more than twice as high as its pre-pandemic level of near 4%.
- The huge negative hit to aggregate demand in the second quarter, coupled with drops in oil prices, pushed down both headline and core inflation, where core excludes food and energy. Inflation has risen recently as economic activity has picked up. Headline inflation in August rose 1.4% on a 12-month basis, up from 1.1% in July, while core inflation rose to 1.6%, up from 1.4% in the prior month. We expect inflation to recover more going forward, but we do not expect to see a return to the 2% target for several years.
- The Federal Reserve responded very quickly to the effects of the coronavirus on the economy, lowering the federal funds target rate to essentially zero. That policy, combined with other market forces, pushed down other interest rates, especially Treasury bond yields, to near historic lows.

Hence, monetary policy and financial conditions are quite accommodative and likely are contributing substantially to the economic recovery, along with fiscal stimulus.

- The FOMC regularly emphasizes that “the path of the economy will depend significantly on the course of the virus.” The spread of COVID-19 has been generally slowing since July, though its uneven pattern has raised concerns that it might pick up again. Notably, the number of deaths during the summer stayed well below the spring’s elevated levels. Possible explanations for the reduced death rates include better treatment of those infected and a change in the composition of cases, with more new cases being younger with much lower fatality rates.
- The number of COVID-19 cases and deaths has varied by region. Cases and deaths peaked in the Northeast in April, while in the rest of the country they peaked in the summer months. However, the number of daily fatalities in the South and West have remained well below those seen in the Northeast in the spring.
- Cases and deaths have also varied by age. According to data from the Centers for Disease Control and Prevention (CDC), most people who have died from COVID were 65 years or older and account for almost 80% of the deaths, but only 15% of the total cases to date. In contrast, people under 40 years of age account for less than 2% of deaths, but almost 50% of total cases. The CDC also reported the share of cases under age 40 has increased, which may help explain why the nationwide death total has not risen as much as the nationwide case total.
- The incidence of COVID-19 varies by race and ethnicity as well. Black and Latino people have disproportionately contracted the virus relative to their shares of the population. This possibly reflects that they are more likely to work outside the home in jobs interacting with the public, to live in cramped conditions, and to rely on public transit, all of which can increase exposure to the coronavirus.
- The virus has affected the economy largely through reduced social and market interactions. Google community “mobility” indices track people’s movements through their smartphones and provide a picture of how actively people are shopping, going to work, or engaging in recreation. These measures bottomed out in early April, then rose through June, but have since plateaued below the pre-pandemic baseline of 100.
- Mobility varies across destinations. Trips for essentials like groceries or medicine are close to normal, while commuting to work is depressed because many are working remotely or businesses have not reopened. Retail and recreation-related trips are roughly 20% of baseline, which is consistent with the weakness in consumer spending on COVID-sensitive services.
- Returning to “normal” levels of economic activity depends on people’s perceptions of the risks of infection, which in turn depends on more testing and the development and distribution of a vaccine, expected next year.”

Comments on Market Trends

GDP dropped over 31% in the second quarter of 2020 due to the lockdowns throughout the U.S., but it increased over 30% in the third quarter of the year. The sectors that saw the most disruption were transportation, recreation, restaurants and hotels according to the Federal Reserve. Consumer spending has rebounded, and job growth has picked up, but inflation has dropped along with demand and is not expected to be an economic issue over the next few years. It will likely be later in 2021 before a return to normalized social and economic activity can be anticipated.

In the real estate markets, brokers report some buyers are still active, but sellers are cautious. Property owners with no need to sell quickly who are not highly leveraged can wait out a short disruption. There may be some sellers who will need to liquidate real estate holdings, but this would likely not meet the definition of market value where the seller is not capable of holding on for better conditions or willing to wait. Such transactions will be viewed as forced sales and will likely be outliers compared with the longer-term market trend. Of note, however, the retail and office markets are being viewed skeptically because shelter-in-place orders have been most disruptive to those sectors. There are long-term impacts to be sorted out, but it is too early in this unusual period of history to reliably measure the influence on value as there are fewer closed sales and rentals.

Inflation has been below the Fed's target of 2% on the national level. The Fed expects core inflation to continue to increase slowly over time, but inflation is typically higher in the Bay Area. The PCE (personal consumption expenditures) inflation index used by the Fed is prepared by the Bureau of Economic Analysis (BEA) instead of the BLS and it tends to run lower than the more volatile CPI measure. The CPI is a better-known index, and it is also frequently used in real estate transactions, especially leases, as a measure of inflation.

Overall, inflation has trended downward over the past year in the San Francisco Bay Area market. Prior to the Covid-19 Pandemic it had trended upward slightly in the West Region and nationally. The local rate of inflation as measured by the CPI All Urban Consumers for the San Francisco Bay Area was 1.59% for August 2020 compared with 1.31% on a nationwide basis. As of August 2020, the 24-month average CPI for the San Francisco Bay Area was 3.02% versus 1.75% nationally.

Single-family mortgage rates generally fell in 2019 but stabilized late in the year and have fallen in 2020. This year started with the FHLMC 30-year fixed rate at 3.72%. The rate hit a low of 2.81% and a high of 3.78% over the past 12 months with an average of 3.32%. It was 2.81% as of October 15, 2020. February 2020 marks the beginning of the Covid-19 Pandemic influence on market trends. Even with low mortgage rates home sales have been limited by a small inventory of property for sale and stringent credit requirements for borrowers.

The Fed lowered the discount rate to a range of 0% and 0.25% in early March 2020, but the 12th District's rate is 0.25%. The discount rate remains low by historical standards and the correlation between interest rates and overall rates of capitalization is often fuzzy. There is, however, expectation that capitalization rates may rise over time. How much and how fast rates will change is uncertain.

Housing prices have improved in core areas but the pace of the upward trend in prices moderated for a time. Buyers looking to escape urban areas and a lack of inventory for sale has pushed prices higher recently, but this is tempered by an increasing rate of late mortgage payments. This could lead to more property coming to the market in the near term.

Residential land markets were active through 2019, but some slowing has been evident recently. Land prices have reached very lofty levels and there are concerns that the high rental prices that drove land purchases may not be sustainable in the long run.

San Francisco Bay Area			
Median Home Prices by County			
Source: Corelogic			
County	Aug. 2020	Aug. 2019	% Chg.
Alameda	N/A	N/A	N/A
Contra Costa	\$720,000	\$630,000	14.3%
Marin	\$1,295,000	\$1,010,000	28.2%
Napa	\$739,500	\$635,000	16.5%
San Francisco	N/A	N/A	N/A
San Mateo	\$1,467,500	\$1,289,000	13.8%
Santa Clara	\$1,225,000	\$1,024,000	19.6%
Solano	\$483,000	\$440,000	9.8%
Sonoma	\$615,000	\$615,000	0.0%
Average of Medians:	\$935,000	\$806,143	16.0%

In the Bay Area, apartment rental rates have been under upward pressure in areas with strong employment growth such as San Francisco, San Mateo County and Santa Clara County but price growth moderated. According to *Kidder Mathews*, Bay Area vacancy stood at 5.7% as of the second quarter of 2020. Average rent is \$2,356 per month for a year-over-year decrease of -2.16%. Other data suggest prices have declined sharply at the upper end of the rental market in San Francisco while other markets show slowing price trends and more significant declines.

The West Bay counties have seen the greatest growth in employment with more modest improvements in the other Bay Area counties. The employment outlook is weak in the short term.

Total current (Sep-2020) Bay Area employment of 3,701,400 is 461,300 below the recent peak figure of 4,162,700. The labor force is 227,400 below the recent peak figure of 4,256,400. Job growth over the past three months was 109,200 versus 99,200 for the same period last year. Mar-2020 represents the first month of significant job loss due to the Covid-19 virus. Recent growth reflects partial reopening of the local economy.

Some speculative commercial real estate development will likely continue, and prices were slowly moving higher in some markets but there are expectations that prices may moderate or fall in the near term. The industrial and R&D markets appear to be the most stable. The multi-family market has seen some deals fall through and modest price declines. The office market and retail sectors have seen the greatest impact with many stores and offices closed and expected to remain closed into mid-2021.

Gold prices had fallen over time but have seen strength recently. Oil had been relatively stable trading in a \$45 to \$65 range, but coincident with the Coronavirus outbreak,

Saudi Arabia and Russia engaged in a battle for control of the market and the price of oil plunged to \$20 to \$30 per barrel. The price recovered to the \$35 to \$45 range recently. The energy market is expected to remain volatile.

The economy was strong prior to the impact of the Coronavirus. The real estate markets will face headwinds in 2020 due to uncertainty over recovery. It is too early in the period marked by the pandemic to accurately judge the long-term effects on property prices. Various legislative efforts have been taken to protect tenants from eviction for any reason. Other efforts are being considered to further protections which may be detrimental to property owners in the short run. Finally, property prices have been high which further suggests more market risk in the near term.

Market Analysis:

Tourism overview: Tourism is a multi-billion dollar industry in the San Francisco Bay Area. According to the San Francisco Travel Association, The City hosted 26.2 million visitors in 2019. This represents 10 years of increases with a 1.5% growth over 2018. Spending is forecast at \$9.56 billion. The pandemic has resulted in a substantial decline in travel, but it is expected to increase starting in 2021.

According to *STR, Inc.*, the national average daily rate in mid-October 2020 was \$95.49, a -29.4% decrease over the prior year. Revenue per available room was \$45.83, a -51.8% decrease over the prior year. Occupancy was just 48% in mid-October, but up sharply from the low point of 22% in March/April of this year.

Redwood City is a small metro market, but it benefits from proximity to major national and international businesses such as *Oracle Corporation, Facebook* and *Google*. There are a number of hotels in the city (see summary on next page).

The subject falls into the fringe/downtown market. It is close to the town of Atherton, however, which provides it with limited competition as there are no hotels in this high-end residential market.

1. Product Definition: the subject is an older medium-scale independent property with recent improvements, and it is competitive with newer properties.
2. Market Delineation: the subject is oriented toward local tourists and business travelers.
3. Demand Factors: this is a portion of the market with steady demand. The property is suffering, like the rest of the hospitality industry, from Covid-19 related reductions in travel, but the business sector is less impacted than tourism.
4. Supply Factors: the overall market has a reasonable supply of hotel rooms and occupancy was high prior to the pandemic. Even so, new hotel construction is not anticipated in the immediate market because of the high cost of land.
5. Residual Demand: the local economy was very strong prior to the pandemic. There

Figure 6 - Summary of Local Hotels

REDWOOD CITY HOTEL ROOM INVENTORY

	FACILITY	LOCATION	COMMENTS	ROOMS	TOTAL
1	Pullman San Francisco Bay	223 Twin Dolphin Drive	Newer mid-rise hotel	421	
2	Courtyard by Marriott	600 Bair Island Road	Newer mid-rise hotel	177	
3	Good Nite Inn	485 Veterans Boulevard	Larger freeway-adjacent hotel	126	
4	Towne Place Suites by Marriott	1000 Twin Dolphin Drive	Newer mid-rise hotel	95	
5	Pacific Inn	2610 El Camino Real	Smaller low-rise hotel	74	
6	Days Inn	2650 El Camino Real	Older low-rise hotel	68	
7	Holiday Inn Express	1836 El Camino Real	Newer facility near downtown	62	
8	Comfort Inn	1818 El Camino Real	Smaller low-rise hotel	51	
9	Capri Motel	2380 El Camino Real	Older budget motel	50	
10	Budget Inn	2526 El Camino Real	Smaller low-rise hotel	40	
11	Redwood Creek Inn	1090 El Camino Real	Smaller low-rise hotel	39	
12	Atherton Park Inn and Suites	2834 El Camino Real	Smaller low-rise hotel	38	
13	Best Western	316 El Camino Real	Older facility near downtown	31	
14	Best Western Plus	25 5th Avenue	Smaller low-rise hotel	29	
15	Sequoia Inn	526 El Camino Real	Smaller low-rise hotel	22	
SOURCE: Hotels.com					1,323

has been considerable new office and residential development. Hotel usage was good and the long-term outlook favorable. The economy is in a period of uncertainty now. This is not good for business, but it is generally anticipated that businesses will return to a more normal environment starting in the second quarter of 2021.

6. Subject Capture: the subject is a smaller-sized property relative to the total market, so this aspect of the analysis is less significant. It has been a productive property and is well positioned to compete for business travelers and tourists staying close to the downtown area. This should continue into the future and further improvements in the overall economy will leave the subject well positioned to compete with smaller budget facilities and larger chain hotels, as well.

Highest and Best Use As If Vacant:

The mixed-use corridor zoning is intended to permit a mix of commercial and residential uses with a residential density of up to 60 units per acre plus a commercial density of 1.0. Physically, the site is relatively narrow for its overall size as it is deeper than most similar lots along El Camino Real. It could, however, accommodate a maximal residential development. The frontage would not support maximal commercial use given its depth and lack of corner access.

Tests of highest and best use are applicable in this instance. The subject is an older property on a valuable parcel. The building has many years of useful and economic life remaining, but the market has been active with much new development. A static highest and best use analysis provides the best measure for testing a site's highest and best use. This is done by comparing market rents with feasibility rent. Feasibility rent is the income (per square foot) that would produce the necessary net income to make a new project economically viable according to typical (market) cost, expense and required return parameters.

The most likely development on the site would be residential, either for rent or for sale. For this analysis, a rental property is assumed as most new development in the area has been for rent.

A brief summary of land sales is included at the end of this section. The market has been active, even with the pandemic. While smaller-scale projects are facing more difficulty because of financing, larger-scale properties with national developer backing are continuing to move forward. The sales considered range from roughly \$130 to \$450 per square foot. A more probable range is \$200 to \$300 per square foot with the lower end of the narrowed range most likely for the subject. The spot estimate used is \$225 per square foot given the high allowable density tempered by the shape of the site. This equates to a land value of \$14,623,000. An estimated maximal development of 90 units at an estimated land value of \$150,000 per unit equates to \$13,500,000. A market value for the highest and best use analysis is estimated at \$14,000,000.

Market rents, building costs, operating expenses and required rate of return are taken from broad market data and do not reflect an actual project. The forecast of market and feasibility rents follows. See Addenda for cost summary.

Static HBU Analysis - New Residential

General Market Rent	97,487	sq. ft.
and	\$4.00	/sq. ft.
Market NOI	\$389,946	/mo.
Annualized	12	
Annual Rent	\$4,679,352	
Less Vacancy & Expenses	\$1,871,741	40.0%
Projected NOI	\$2,807,611	

Feasibility Rent

Cost New	\$48,721,139
Land Estimate	\$14,000,000
Total	\$62,721,139
Required Market OAR - New	5.5%
Required NOI - New	\$3,449,663
Gross Up (1-Tot. Exp. Ratio)	60.0%
Required Gross Rent - New	\$5,749,438
Building Area	97,487
Required Rent/Ann. - New	\$58.98
Required Rent/Mo. - New	\$4.91

The static analysis indicates feasibility rent is well above market rent so new development would be speculative. If the site were vacant it would most likely be land banked for future residential development.

Highest and Best Use As Is:

The current use is a logical use and a legal but conditional use. Physically, the property has some limitations compared with a modern facility, but this is typical for older hotels. It does have a variety of rooms that are competitive with other smaller hotels in the area. It does not appear financially feasible to develop a new hotel facility in this location, but this is primarily a function of current economic conditions.

The usual static highest and best use analysis of market versus feasibility rent follows. Market ADR, building costs, operating expenses and required rate of return are taken from broad market data and do not reflect an actual project. The forecast of market and feasibility rents follows. See Addenda for cost summary.

Static HBU Analysis - As Is

General Market Rent (ADR)	74 rms.
and (1)	\$125.00 /rm.
Market NOI	\$277,500 /mo.
Annualized	12
Annual Rent	\$3,330,000
Less Vacancy & Expenses	\$2,164,500 65.0%
Projected NOI	\$1,165,500

Feasibility Rent

Cost New	\$14,564,393
Land Estimate	\$14,000,000
Total	\$28,564,393
Required Market OAR - New	6.50%
Required NOI - New	\$1,856,686
Gross Up (1-Tot. Exp. Ratio)	35.0%
Required Gross Rent - New	\$5,304,816
Building Area	74
Required Rent/Ann. - New	\$71,686.70
Required Rent/Mo.-New (2)	\$199.13

This analysis indicates an average daily rate of nearly \$200 per day would be necessary to justify new construction. The site has a high value and could support a much higher density residential development. It is not probable that a developer would acquire the subject site for new hotel development like the subject. The required ADR would not likely support a larger hotel development, either.

There is no financial incentive to raze the building and redevelop the same use or an alternate use in a modern form, but, the property does generate a significant return and the value as is exceeds the value of the land as if vacant.

This is evident in a second test of highest and best use. This factors in the return on land and is summarized at the end of this section. It indicates the existing use produces a positive return and is the highest and best use with the least risk. A brief cost approach estimate is also included in the addenda. It was developed as part of the highest and best use analysis and is not considered a primary indicator of value in this assignment.

Differences in highest and best use as vacant and as improved are the result of zoning and market conditions for hotels. The current zoning makes hotel use conditional. While there is some new hotel development in more urbanized markets this is a slightly more speculative hotel setting.

The current use produces a significant income and is the highest and best use both now and into the foreseeable future.

Methodology:

The application of the sales comparison and income approaches are the most logical in valuing an improved property such as this. The cost approach is not typically applied to older properties in this market and it is not necessary to produce a reliable opinion of value. The brief cost analysis that is part of the highest and best use analysis does, however, support the value conclusions that follow.

SUMMARY OF LAND SALES
2610 El Camino Real, Redwood City

No.	Location/APN	Date of Sale	Zoning / Highest and Best Use	Land Area / DU / Acre	Sale Price			
					Total	per Sq. Ft. Land	per Unit	
1	1 Adrian Court Burlingame 025-169-360 and 370	March-20	N-RR Mixed-use	123,449 sq.ft. 2.834 acres 60.0 DU/ac.	\$25,850,000	\$209	\$152,023	
2	847 Woodside Road Redwood City 059-240-810	December-19	MUN Mixed-use	45,302 sq.ft. 1.040 acres 40.0 DU/ac.	\$6,000,000	\$132	\$144,231	
3	2233 Middlefield Road Redwood City 053-364-100	July-19	MUN Mixed-use	13,068 sq.ft. 0.300 acres 40.0 DU/ac.	\$2,025,000	\$155	\$168,750	
4	1525 San Carlos Avenue San Carlos 050-123-170	May-19	MU-SC Mixed-use	13,068 sq.ft. 0.300 acres 59.0 DU/ac.	\$5,882,000	\$450	\$332,316	
5	1540 El Camino Real Menlo Park 061-422-370	February-19	SP-ECR-D Mixed-use	74,575 sq.ft. 1.712 acres 31.5 DU/ac.	\$23,000,000	\$308	\$425,926	
6	120 El Camino Real Redwood City 052-064-160	Pending	MUN Residential	20,038 sq.ft. 0.460 acres 26.1 DU/ac.	\$5,300,000 Est.	\$265	\$441,667	
SUBJECT: 2610 El Camino Real Redwood City 059-162-520					N/A	MUC Residential	64,991 sq.ft. 1.492 acres 60.0 DU/ac.	<u>Sales Weighted Average</u> \$235 /SF Land \$221,439 /DU

Static HBU Analysis - As Is

General Market Rent (ADR) and Market NOI		74 rms.	Feasibility Test				
(1)	\$125.00	/rm.	(3) New	(4) New @	(5) Depreciated		
			Cost New Estimate	As If Vacant	Market Val.	Value (As Is)	
Market NOI	\$277,500	/mo.	Total Hard Costs	\$9,244,998	\$9,244,998	\$20,500,000	Market Value As Is
Annualized	12		Total Soft Costs & Ohd. & Profit	\$5,319,395	\$5,319,395	\$14,000,000	Less Land
Annual Rent	\$3,330,000		Replacement Cost New	\$14,564,393	\$14,564,393	\$6,500,000	Impr. Value As Is
Less Vacancy & Expenses	\$2,164,500	65.0%	*Required OAR for Improvements @	7.00%	7.00%	6.25%	*Req. OAR
Projected NOI	\$1,165,500		Priority Cash Flow to Improvements	\$1,019,508	\$1,019,508	\$406,250	Cash Flow/Impr.
			Projected Market NOI	\$1,165,500	\$1,165,500	\$1,218,939	Projected NOI As Is
Feasibility Rent			Residual Cash Flow to Land	\$145,992	\$145,992	\$812,689	Residual
Cost New	\$14,564,393		Land Value / Market Value	\$14,000,000	\$20,500,000	\$14,000,000	Land Value
Land Estimate	\$14,000,000		Indicated Return/Land	1.04%	0.71%	5.80%	Indicated Return/Land
Total	\$28,564,393						
Required Market OAR - New	6.50%						
Required NOI - New	\$1,856,686						
Gross Up (1-Tot. Exp. Ratio)	35.0%						
Required Gross Rent - New	\$5,304,816						
Building Area	74						
Required Rent/Ann. - New	\$71,686.70						
Required Rent/Mo.-New (2)	\$199.13						

* 1/2% Premium to Property OAR new and ** 1/4% Premium for Improvements As Is

Static analysis assumes a new project is up and running on the site as of the date of value. Market rent (1) is lower than feasibility rent (2) indicating the site would be speculative for development if it were vacant. Tests of feasibility show lower returns for new development (3) even if the buyer paid full price and demolished the structure (4) but this would be speculative. As is, the property produces a higher return (5) than it would if the property were redeveloped (4) but this does not measure the risk inherent in a new project and all of the costs of development. Current use is the highest and best use according to this analysis as is as it produces the highest return to the land with the least risk.

Feasibility rent is the income (per square foot) that would produce the necessary net income to make a new project economically viable according to typical (market) cost, expense and required return parameters. It is not indicative of an actual project so is it not a cost estimate or a means of valuation. The static analysis also assumes the project is built and occupied so it does not include the costs of land acquisition and planning nor does it include an allowance for the time cost of money.

SALES COMPARISON APPROACH

To estimate the value of the property under the sales comparison approach recent sale transactions and listings in the market area of the subject property and other areas considered comparable were researched and analyzed. Certain elements of comparison are used to analyze the market data and adjust for various points of difference. The primary elements of comparison for improved sales are as follows.

Property Rights Conveyed	Financing Terms
Conditions of Sale	Market Conditions (time)
Location	Physical Characteristics
Income Characteristics	

Location includes not only the actual position of the site, i.e. corner versus interior site, but also the quality and characteristics of the neighborhood. Physical characteristics include elements such as building size, quality, condition, style, age, utility, size, and amenities. We have, for the purposes of this report, divided physical characteristics into quality (including style and amenities), and condition (including age). Income characteristics include factors such as credit worthiness of tenants, length of existing leases, size of the property's cash flow, the level of occupancy, and the income potential for the future.

Unit(s) of comparison that are commonly utilized in the marketplace are analyzed. In this case, the most appropriate unit of comparison is the price per room along with the price per square foot of building area and the price per square foot of land area was also considered.

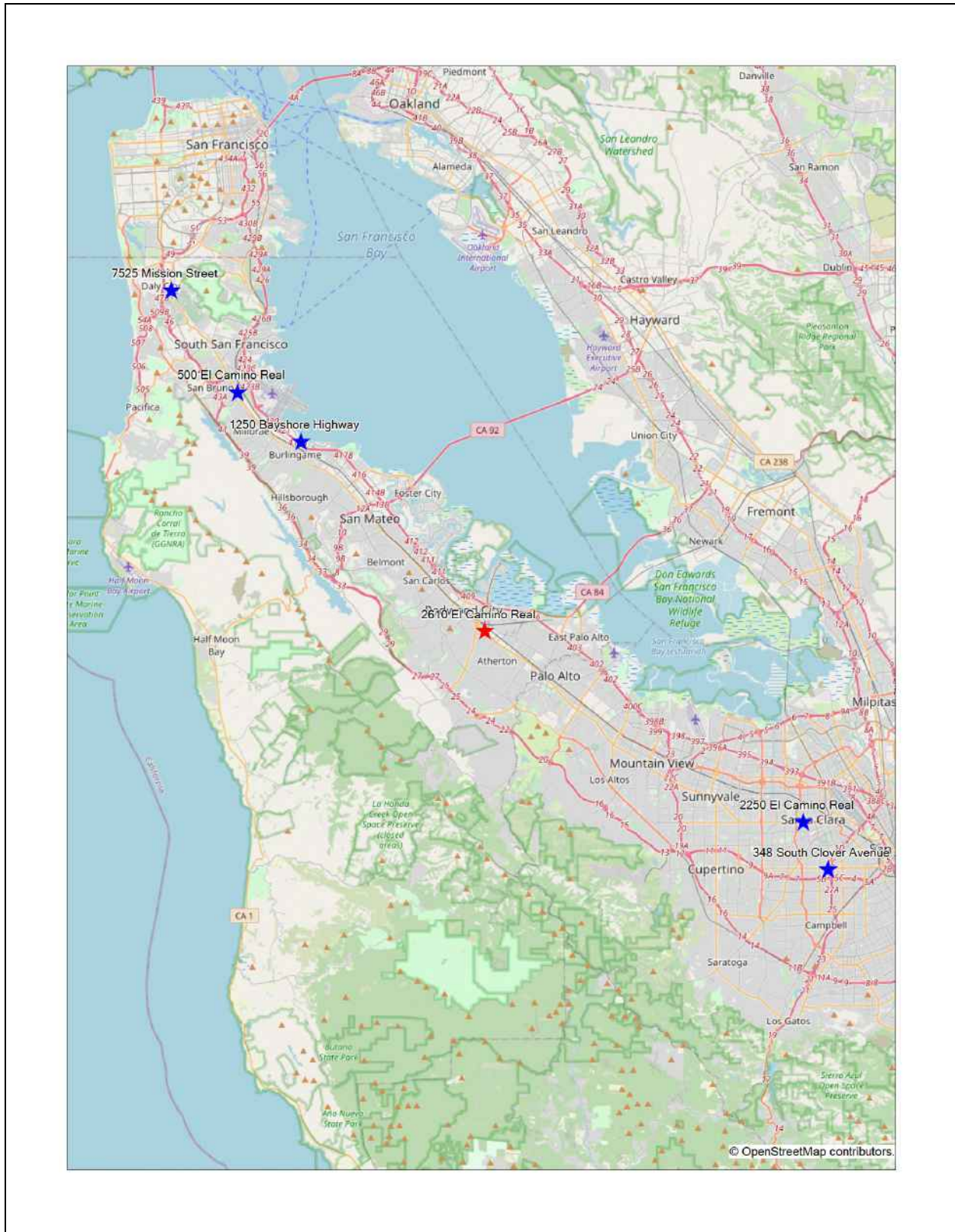
Market Data

The comparable sales are summarized on the table that follows this page. A discussion of the comparables and the warranted adjustments are found on the pages that follow.

SUMMARY OF IMPROVED SALES
2610 El Camino Real, Redwood City

No.	Location/APN	Date of Sale	Year Built / Use	Total Units	Bldg. Area / Land Area / FAR	Sale Price			Stabilized PGIM / OAR	
						Total	Per Sq. Ft. Bldg.	Per Sq. Ft. Land		per Unit
1	2250 El Camino Real Santa Clara 290-10-072	March-20	1954 31 Units / 31 Cml.	31	+ - 14,236 sq.ft. + - 43,560 sq.ft. 0.33	\$9,000,000	\$632	\$207	\$290,323	N/A N/A
2	348 South Clover Avenue San Jose 277-34-053	January-20	2002 64 Units / 64 Cml.	64	+ - 24,037 sq.ft. + - 28,649 sq.ft. 0.84	\$21,000,000	\$874	\$733	\$328,125	9.11 N/A
3	1250 Bayshore Highway Burlingame 026-142-140	March-18	1980 146 / 146	146	+ - 81,814 sq.ft. + - 164,657 sq.ft. 0.5	\$34,244,000	\$419	\$208	\$234,548	N/A 6.00%
4	7525 Mission Street Daly City 006-392-360	January-18	1950 36 Units / 36 Cml.	36	+ - 26,680 sq.ft. + - 24,829 sq.ft. 1.07	\$7,600,000	\$285	\$306	\$211,111	6.15 6.51%
5	500 El Camino Real San Bruno 020-361-280	February-17	1992 61 / 61	61	+ - 49,407 sq.ft. + - 30,928 sq.ft. 1.6	\$11,550,000	\$234	\$373	\$189,344	N/A 7.50%
SUBJECT: 2610 El Camino Real Redwood City						Sales Data Weighted Average				
						\$425	\$285	\$246,728		
						/SF Bldg.	/SF Land	/DU		

Figure 10 - Improved Sales Location Map



LOCATION:	2250 El Camino Real		
CITY:	Santa Clara	COUNTY:	Santa Clara
BLDG./PARCEL NAME:	Western Motel		
APN:	290-10-072		
NEIGHBORHOOD:	Mixed-Use		
LAND AREA:	43,560	SQ. FT. ±	1.000 ACRES ±
TOPOGRAPHY:	Mostly level	SITE:	Fully improved
PARCEL SHAPE:	Rectangular		
ZONING:	CC		
PRESENT USE:	31 Units / 31 Cml.		
HIGHEST & BEST USE:	Current Use		
ENVIRONMENTAL ISSUES:	None reported		
BUILDING AREA:	+ - 14,236 sq.ft.		
IMPROVEMENTS:	This is the sale of a small, dated motel property along the El Camino Real corridor in Santa Clara. Most nearby properties are newer retail, office or mixed-use developments. The property was in contract to an affordable housing developer which assigned the agreement to the Santa Clara County Office of Supportive Housing. The property sold in a direct transaction without broad market exposure for \$9,000,000.		
DATE OF SALE:	3/13/2020		
DOCUMENT:	24429348		
BUYER:	County of Santa Clara		
SELLER:	Green Valley Corporation		
SALE PRICE - AS IS:	\$9,000,000		
FINANCING:	N/A, All cash to seller		
CASH EQUIVALENT:	\$9,000,000		
PRICE/SQ. FT./BLDG:	\$632	LOAN AMOUNT:	N/A
PRICE/SQ. FT./LAND:	\$207	LOAN-TO-VALUE:	N/A
PRICE/UNIT:	\$290,323		
PRICE/RM:	\$290,323	PGIM:	N/A
NON REALTY ITEMS:	None	OAR:	N/A
CONDITIONS OF SALE:	Direct sale		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		



LOCATION:	348 South Clover Avenue		
CITY:	San Jose	COUNTY:	Santa Clara
BLDG./PARCEL NAME:	Studios Inn		
APN:	277-34-053		
NEIGHBORHOOD:	Mixed-Use		
LAND AREA:	28,649	SQ. FT. ±	0.658 ACRES ±
TOPOGRAPHY:	Mostly level	SITE:	Fully improved
PARCEL SHAPE:	Rectangular		
ZONING:	C-2H		
PRESENT USE:	64 Units / 64 Cml.		
HIGHEST & BEST USE:	Current Use		
ENVIRONMENTAL ISSUES:	None reported		
BUILDING AREA:	+ - 24,037 sq.ft.		
IMPROVEMENTS:	This is the sale of a single-room occupancy hotel. It is comprised of 64 small studio units that are fully furnished. The property is not rented nightly, but is priced nightly at \$99 with a six-night minimum stay. It is a newer property, but it has limited on-site parking. The property has a mixed residential and office setting just off El Camino Real in San Jose. It was a direct sale for \$21,000,000.		
DATE OF SALE:	1/27/2020		
DOCUMENT:	24389401		
BUYER:	Daiwa Living Nesuto San Jose, LLC		
SELLER:	Inter City Studios, LLC		
SALE PRICE - AS IS:	\$21,000,000		
FINANCING:	N/A, All cash to seller		
CASH EQUIVALENT:	\$21,000,000		
PRICE/SQ. FT./BLDG:	\$874	LOAN AMOUNT:	N/A
PRICE/SQ. FT./LAND:	\$733	LOAN-TO-VALUE:	N/A
PRICE/DU:	\$328,125		
PRICE/RM:	\$328,125	PGIM:	9.11
NON REALTY ITEMS:	Furnished rooms	OAR	N/A
CONDITIONS OF SALE:	Direct sale		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		



LOCATION:	1250 Bayshore Highway		
CITY:	Burlingame	COUNTY:	San Mateo
BLDG./PARCEL NAME:	Holiday Inn Express		
APN:	026-142-140		
NEIGHBORHOOD:	Mixed-Use		
LAND AREA:	164,657	SQ. FT. ±	3.780 ACRES ±
TOPOGRAPHY:	Mostly level	SITE:	Fully improved
PARCEL SHAPE:	Irregular		
ZONING:	EA-C4		
PRESENT USE:	146 / 146		
HIGHEST & BEST USE:	Current Use		
ENVIRONMENTAL ISSUES:	None reported		
BUILDING AREA:	+ - 81,814 sq.ft.		
IMPROVEMENTS:	This is the sale of a larger mid-rise hotel that backs to San Francisco Bay just north of SFO in Burlingame. It is a modern facility that has typical amenities but it sits on an irregular lot with slightly limited identity. It was slightly dated at the time of sale and the buyer spent \$4 million on a soft upgrade after the close. it sold for \$34,244,000 in a direct transaction including FF&E. The owner reports he has had recent letters of intent to purchase the property for between \$40 and \$42 million prior to the pandemic.		
DATE OF SALE:	3/27/2018		
DOCUMENT:	2018-023161		
BUYER:	GRM Bayshore Property Owner, LLC		
SELLER:	Terrapin 1250 Bayshore Property Owners, LLC		
SALE PRICE - AS IS:	\$34,244,000		
FINANCING:	N/A, Assumption		
CASH EQUIVALENT:	\$34,244,000		
PRICE/SQ. FT./BLDG:	\$419	LOAN AMOUNT:	\$23,000,000
PRICE/SQ. FT./LAND:	\$208	LOAN-TO-VALUE:	67.2%
PRICE/DU:	\$234,548		
PRICE/RM:	\$234,548	PGIM:	N/A
NON REALTY ITEMS:	Furnished rooms	OAR	6.00%
CONDITIONS OF SALE:	Direct sale		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		



LOCATION:	7525 Mission Street		
CITY:	Daly City	COUNTY:	San Mateo
BLDG./PARCEL NAME:	El Camino Inn		
APN:	006-392-360		
NEIGHBORHOOD:	Mixed-Use		
LAND AREA:	24,829	SQ. FT. ±	0.570 ACRES ±
TOPOGRAPHY:	Slightly sloping	SITE:	Fully improved
PARCEL SHAPE:	L-Shape		
ZONING:	C1		
PRESENT USE:	36 Units / 36 Cml.		
HIGHEST & BEST USE:	Current Use		
ENVIRONMENTAL ISSUES:	None reported		
BUILDING AREA:	+- 26,680 sq.ft.		
IMPROVEMENTS:	This is the sale of a small, dated motel property along Mission Street in Daly City close to the Colma BART Station. The setting is transitional with a mix of older retail, office, residential and cemetery-related properties nearby. The property sold for \$7,600,000 in a conventional transaction and no goodwill was allotted to the sale price.		
DATE OF SALE:	1/18/2018		
DOCUMENT:	2018-003217		
BUYER:	Balboa Hotel LLC		
SELLER:	Motels-Mission Serra Inc.		
SALE PRICE - AS IS:	\$7,600,000		
FINANCING:	Community Bank of the Bay, Conventional		
CASH EQUIVALENT:	\$7,600,000		
PRICE/SQ. FT./BLDG:	\$285	LOAN AMOUNT:	\$5,905,000
PRICE/SQ. FT./LAND:	\$306	LOAN-TO-VALUE:	77.7%
PRICE/DU:	\$211,111	PGIM:	6.15
PRICE/RM:	\$211,111	OAR	6.51%
NON REALTY ITEMS:	Furnished rooms		
CONDITIONS OF SALE:	Market		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		



LOCATION: 500 El Camino Real
CITY: San Bruno **COUNTY:** San Mateo
BLDG./PARCEL NAME: San Bruno Inn
APN: 020-361-280
NEIGHBORHOOD: Mixed-Use

LAND AREA: 30,928 **SQ. FT. ±** 0.710 **ACRES ±**
TOPOGRAPHY: Mostly level **SITE:** Fully improved
PARCEL SHAPE: Irregular
ZONING: C/CBD
PRESENT USE: 61 / 61
HIGHEST & BEST USE: Current Use
ENVIRONMENTAL ISSUES: None reported
BUILDING AREA: +- 49,407 sq.ft.
IMPROVEMENTS: This is the sale of a smaller, modern low-rise hotel along El Camino Real in downtown San Bruno. The property had been updated over time and has a prominent corner setting. It sold in a brokered transaction at a price of \$11,550,000.

DATE OF SALE: 2/1/2017
DOCUMENT: 2017-010517
BUYER: Franklin Street Hospitality
SELLER: San Bruno Inn
SALE PRICE - AS IS: \$11,550,000
FINANCING: Savings Bank of Mendocino County, Conventional
CASH EQUIVALENT: \$11,550,000
PRICE/SQ. FT./BLDG: \$234 **LOAN AMOUNT:** \$8,130,000
PRICE/SQ. FT./LAND: \$373 **LOAN-TO-VALUE:** 70.4%
PRICE/DU: \$189,344 **PGIM:** N/A
PRICE/RM: \$189,344 **OAR:** 7.50%
NON REALTY ITEMS: Furnished rooms
CONDITIONS OF SALE: Market
SALES IN PRIOR 3 YRS.: None during prior 3 years



SALES ADJUSTMENT GRID

Location	Subject:	Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4	Sale No. 5
	2610 El Camino Real Redwood City	2250 El Camino Real Santa Clara	348 South Clover Avenue San Jose	1250 Bayshore Highway Burlingame	7525 Mission Street Daly City	500 El Camino Real San Bruno
Sale / Listing Price	N/A	\$9,000,000	\$21,000,000	\$34,244,000	\$7,600,000	\$11,550,000
Property Rts. Conveyed	Fee Simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple
Financing Terms	Assumed Market	All cash to seller	All cash to seller	Assumption	Conventional	Conventional
Conditions of Sale	Market	Direct sale	Direct sale	Direct sale	Market	Market
Date of Sale	Oct-20	Mar-20	Jan-20	Mar-18	Jan-18	Feb-17
Location	Mixed-Use	Mixed-Use	Mixed-Use	Mixed-Use	Mixed-Use	Mixed-Use
Quality and Condition	Avg.-Gd./Avg.-Gd.	Avg./Fair	Avg.-Gd./Avg.-Gd.	Avg.-Gd./Avg.	Avg./Avg.	Avg.-Gd./Avg.-Gd.
Date of Construction	1955	1954	2002	1980	1950	1992
Rooms/Avg. Size/Rms per DU	74 / 400 / 1.00	31 / 459 / 1.00	64 / 376 / 1.00	146 / 560 / 1.00	36 / 741 / 1.00	61 / 810 / 1.00
FAR	0.46	0.33	0.84	0.5	1.07	1.6
Parking	None / N/A /DU	30 / 1.0 /DU	42 / 0.7 /DU	350 / 2.4 /DU	15 / 0.4 /DU	80 / 1.3 /DU
Non-Realty Items	N/A	None	Furnished rooms	Furnished rooms	Furnished rooms	Furnished rooms
PGI/sf / NOI/sf	\$86.20 / \$41.19	N/A / N/A	\$95.85 / N/A	N/A / \$25.11	\$46.34 / \$18.53	N/A / \$17.53
PGIM / OAR	N/A	N/A / N/A	9.11 / N/A	N/A / 6.0%	6.15 / 6.51%	N/A / 7.5%
Vacancy/Income Charact.	Average	Average	Average	Average	Pro-Forma	Average
Building Area (Sq. Ft.)	29,593	14,236	24,037	81,814	26,680	49,407
Unadjusted Price/Sq. Ft.	N/A	\$632.20	\$873.65	\$418.56	\$284.86	\$233.77
Financing/Fee/Conditions						
Market Conditions (Time)	7.50%			19.4%	20.6%	27.5%
Adjusted Price/Sq. Ft.		\$632.20	\$873.65	\$499.68	\$343.62	\$298.06
Location/Access		-5%	5%	-5%	25%	5%
Quality/Condition		20%		10%	10%	
Building Age / Use			-25%			
Parking/Loading			5%	-10%	15%	
Non-Realty/Vac./Inc. Ch.		-1.5%	-1.5%	-1.5%	-1.5%	-1.5%
Total Adjustments Before Size		14%	-17%	-7%	49%	4%
Adjusted Price Before Size		\$717.55	\$729.50	\$467.20	\$510.28	\$308.49
Size Adj. Per 1000 Sq. Ft.	\$4.232	-\$64.99	-\$23.51	\$221.01	-\$12.33	\$83.86
Size Adj. as a %		-9.1%	-3.2%	47.3%	-2.4%	27.2%
Final Adjusted Price/Sq. Ft.		\$653	\$706	\$688	\$498	\$392
Net Adjustment		3%	-19%	64%	75%	68%
Gross Adjustment		37%	39%	99%	76%	70%
		Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4	Sale No. 5
Price Per Room Analysis	Price Per Room	\$290,323	\$328,125	\$234,548	\$211,111	\$189,344
	Net Adj. From Above	\$39,194	-\$54,141	\$30,210	\$145,941	\$58,697
	\$0.00 Room Size Adjustment	\$0	\$0	\$0	\$0	\$0
	per DU Size Adj. Price	\$329,516	\$273,984	\$264,758	\$357,052	\$248,041
	Average	\$294,670				

Description of Improved Sales Market Data

Five sales were found suitable for this analysis. The San Mateo County market has not been active of late. The data lacked strong comparability as this is a small segment of the market with widely varying properties. The sales exhibit the following characteristics:

	SCA Values			
Date of Sale:	February-17	To	March-20	October-20
Building Area:	14,236	To	81,814	29,593
Price/Sq. Ft. Bldg.:	\$234	To	\$874	\$693
Land Area:	24,829	To	164,657	64,991
Price Per Sq. Ft. Land:	\$207	To	\$733	\$315
Price Per Room:	\$189,344	To	\$328,125	\$277,027

We considered sales from various markets on the Peninsula and the South Bay and from throughout the suburbanized markets of the broader Bay Area. There is an adequate amount of data even though the sales vary widely in size and location. They present a satisfactory cross section of sales for comparison and analysis.

Comparable Improved Sale 1 is the March 2020 sale of a 31-room motel at 2250 El Camino Real in the city of Santa Clara approximately 16 miles southeast of the subject. The property was constructed in 1954 and it was of average quality and fair condition at the time of sale. The indicated sale price of \$9,000,000 represents \$290,323 per room and \$632 per square foot of building area. The property is set on a lot of 43,560 square feet giving it an FAR of 0.33 : 1. The site has a rectangular shape and a mostly level topography with average overall site utility. The property has adequate on-site parking. Set along a mixed-use street in a mixed-use neighborhood, the overall location is slightly superior to the subject's based on core market area setting. The transaction was all cash to seller. No unusual concessions or conditions that affected price were reported, but the property was acquired by the County of Santa Clara for use as interim housing. Income information was not available on this sale as it was vacant at the time of sale. The current use of the property represents its highest and best use and there is no real current potential for expansion or assemblage to create a higher use.

Comparable Improved Sale 2 is the January 2020 sale of a 64-unit single-room occupancy facility at 348 South Clover Avenue in the city of San Jose approximately 18 miles southeast of the subject. The property was constructed in 2002 and it was of average-to-good quality and average-to-good condition at the time of sale. The indicated sale price of \$21,000,000 represents \$328,125 per room and \$874 per square foot of building area. The property is set on a lot of 28,649 square feet giving it an FAR of 0.84 : 1. The site has a rectangular shape and a mostly level topography with average overall site utility. The property is under parked with only on-site 42 spaces. Set along a mixed-use street in a mixed-use neighborhood, the overall location is slightly inferior to the subject's based on side-street setting. The transaction was all cash to seller. No unusual concessions or conditions that affected price were reported. Potential

gross income was reported as \$2,304,000 at the time of sale for an indicated gross income multiplier of 9.11. Net income information was not available. The current use of the property represents its highest and best use and there is no real current potential for expansion or assemblage to create a higher use.

Comparable Improved Sale 3 is the March 2018 sale of the 146-room hotel at 1250 Bayshore Highway in the city of Burlingame approximately 10 miles northwest of the subject. The property was constructed in 1980 and it was of average-to-good quality and average condition at the time of sale. The indicated sale price of \$34,244,000 represents \$234,548 per room and \$419 per square foot of building area. The property is set on a lot of 164,657 square feet giving it an FAR of 0.50 : 1. The site has an irregular shape and a mostly level topography with average overall site utility. The property has above average on-site parking. Set along a mixed-use street in a mixed-use neighborhood, the overall location is slightly superior to the subject's based on proximity to SFO and city characteristics. The buyer assumed an existing loan in the transaction. No unusual concessions or conditions that affected price were reported. Potential gross income was not reported. The property was operating at a stabilized income and expense level and the projected net operating income was \$2,054,640 for an overall rate of return of 6%. The current use of the property represents its highest and best use and there is no real current potential for expansion or assemblage to create a higher use.

Comparable Improved Sale 4 is the January 2018 sale of a 36-room motel at 7525 Mission Street in the city of Daly City approximately 20 miles northwest of the subject. The property was constructed in 1950 and it was of average quality and average condition at the time of sale. The indicated sale price of \$7,600,000 represents \$211,111 per room and \$285 per square foot of building area. The property is set on a lot of 24,829 square feet giving it an FAR of 1.07 : 1. The site has an L-shaped lot and a slightly sloping topography with average overall site utility. On-site parking is below average. Set along a mixed-use street in a mixed-use neighborhood, the overall location is significantly inferior to the subject's based on the transitional nature of the immediate neighborhood. The transaction was conventionally financed. No unusual concessions or conditions that affected price were reported. Pro-forma income was reported as \$1,236,254 at the time of sale for an indicated gross income multiplier of 6.15 times. The property was operating at a stabilized income and expense level and the projected net operating income was \$494,502 for an overall rate of return of 6.5%. The current use of the property represents its highest and best use and there is no real current potential for expansion or assemblage to create a higher use.

Comparable Improved Sale 5 is the February 2017 sale of a 61-room hotel at 500 El Camino Real in the city of San Bruno approximately 15 miles northwest of the subject. The property was constructed in 1992 and it was of average-to-good quality and average-to-good condition at the time of sale. The indicated sale price of \$11,550,000 represents \$189,344 per room and \$234 per square foot of building area. The property is set on a lot of 30,928 square feet giving it an FAR of 1.60 : 1. The site has an irregular shape and a mostly level topography with average overall site utility.

The property has adequate on-site parking. Set along a mixed-use street in a mixed-use neighborhood, the overall location is inferior to the subject's based on city characteristics. The transaction was conventionally financed. No unusual concessions or conditions that affected price were reported. Gross income information was not available on this sale. The property was operating at a stabilized income and expense level and the projected net operating income was \$866,250 for an overall rate of return of 7.5%. The current use of the property represents its highest and best use and there is no real current potential for expansion or assemblage to create a higher use.

Analysis and Value Conclusion

Five closed sales were analyzed with the following price per square foot ranges.

Unadjusted Price		Adjusted Price
\$234	Low	\$392
\$874	High	\$706
Mean Unadjusted Price		\$489
Weighted Mean Unadjusted Price		\$369
Mean Adjusted Price		\$587
Diff. of Range/Mean Adj. Price		26.7%

The sales were highly dissimilar and none were from the immediate Redwood City market. No highly comparable listings were found nearby either. This is typical for the current market. Agents indicated there is a limited inventory of property for sale and there have been few recent transactions. The market is also diverse in age, size, type of construction and location with older properties having very little conformity. The percentage adjustments made earlier are, in this instance, based primarily on subjective analyses of the data and not typical extraction techniques because of the lack of consistency between the sales.

The price per square foot range is \$234 to \$874 per square foot before adjustment. After adjustment, the indicated range is \$392 to \$706 per square foot with an average of \$587.

None of the sales required adjustment for unusual terms or conditions or fee interest.

Market evidence and price trends suggest that prices were under upward pressure prior to the pandemic. This is also confirmed by sales and rental surveys. The older sales have upward time (market condition) adjustments.

Location adjustments are made to each sale based on analysis of the various cities and neighborhoods and typical factors such as nearby uses, land prices and rents. Sales 1 and 3 have slightly superior city settings. Sales 2 and 5 are slightly inferior. Sale 4 is significantly inferior as it has a secondary mix of uses in a transitional neighborhood with limited hotel demand.

The subject and the sales were generally of average or better quality and condition. Sale 1 was least similar in condition as it had been poorly maintained and was dated. Sale 3 is a newer property, but it needed substantial updating at the time of sale according to the buyer. Sale 4 is of inferior quality and condition, as well.

Sale 2 is a newer property of higher use and warranted downward adjustment. The other sales had similar effective ages compared to the subject after accounting for condition.

Adjustments were made to three of the sales for parking.

Each sale was adjusted for superior income characteristics as they all occurred prior to the pandemic.

Adjustment for size was determined after all the other adjustments were set. We used a simple linear regression analysis of the adjusted prices (excluding size). The resulting regression line's slope provides a measure of difference per room.

The data has an inverse relationship with larger sales having lower prices after adjustment for all other elements of comparison and a factor of \$4.232 per 1000 square feet of difference in size was extracted. The coefficient of correlation is -0.64284 or a moderate-strong inverse indicator.

The three most recent sales support a higher value per square foot. The older sales fall below the range and reflect significantly different market conditions.

The most probable value range is roughly \$690 to \$710 per square foot. This is also within the unadjusted range. Based on the most recent sales, the most probable value for the subject is \$700 per square foot.

A weighting technique is also applied to the sales to arrive at a benchmark price per square foot, as follows.

Sale	Price /Sq. Ft.	Weight	Weight /Sq. Ft.
1	\$653	20%	\$131
2	\$706	20%	\$141
3	\$688	25%	\$172
4	\$498	15%	\$75
5	\$392	20%	\$78
Totals		100%	\$597

Sales 1, 2 and 3 are given the most weight for timeliness. Sales 4 and 5 are older and less reflective of current conditions. The weighted average is supportive of a value

around \$600 per square foot. This is lower than the figure derived from comparison, but it is skewed downward by the older sales.

The subject has a favorable location, is weighted toward larger rooms and has highly competitive room updates and suggests a higher value with a most probable value at around \$700 per square foot, as follows.

VALUATION SUMMARY - PRICE PER SQ. FT.

2610 El Camino Real

29,593	sq. ft. @	\$690	per sq. ft. =	\$20,419,170
29,593	sq. ft. @	\$700	per sq. ft. =	\$20,715,100
29,593	sq. ft. @	\$710	per sq. ft. =	\$21,011,030

The most probable value on the basis of price per square foot is \$20,715,000.

Other indicators of value are the price room, the price per square foot of land area and the PGIM indicator. The most probable value ranges for these units of comparison are summarized in the following tables.

The price per room analysis is at the bottom of the adjustment grid. The price per room range is \$189,344 to \$328,125 per room before adjustment. After adjustment (see bottom of adjustment grid), the indicated range is \$248,041 to \$357,052 per room with an average of \$294,670. The best indicators based on size suggest a range of roughly \$265,000 to \$325,000. The lower end of the range is most probable for an independent facility like the subject, as follows.

VALUATION SUMMARY - PRICE PER ROOM

2610 El Camino Real

74	rooms @	\$265,000	per room =	\$19,610,000
74	rooms @	\$275,000	per room =	\$20,350,000
74	rooms @	\$285,000	per room =	\$21,090,000

The most probable value on the basis of price per unit is \$20,350,000.

The price per square foot of land area and the PGIM are less reliable. The sales had widely divergent lot areas making the price range too broad for reasonable analysis. There was limited PGIM data, as well. The most probable value ranges for each follow.

VALUATION SUMMARY - PGIM

2610 El Camino Real

\$2,550,875	Ann. Gross x	8.25	=	\$21,044,719
\$2,550,875	Ann. Gross x	8.50	=	\$21,682,438
\$2,550,875	Ann. Gross x	8.75	=	\$22,320,156

FAR adjusted land price per square foot follows.

Sale	1	2	3	4	5
Market Value	\$9,000,000	\$21,000,000	\$34,244,000	\$7,600,000	\$11,550,000
MV / Sq. Ft. Land	\$207	\$733	\$208	\$306	\$373
Comp FAR/SP FAR	71.7%	182.6%	108.7%	232.6%	347.8%
FAR Adj. Land Price	\$288	\$401	\$191	\$132	\$107
				Minimum	\$107
				Maximum	\$401
				Mean	\$224

A price per square foot of land value at the middle to upper end of the range is supported by location, offset slightly by the shape of the lot, as follows.

VALUATION SUMMARY - PRICE PER SQ. FT. LAND

2610 El Camino Real

64,991	sq. ft. @	\$315	per sq. ft. =	\$20,472,165
64,991	sq. ft. @	\$325	per sq. ft. =	\$21,122,075
64,991	sq. ft. @	\$335	per sq. ft. =	\$21,771,985

The four units of comparison are as follows:

Price Per Sq. Ft.	\$20,715,000
Price Per Room	\$20,350,000
PGIM	\$21,682,000
Price Per Sq. Ft. / Land	\$21,122,000

The adjustment process suggests more weight should be given to the price per square foot and the price per room. The other approaches are supportive and indicated a slightly higher value. The units of comparison have been adjusted and the various factors suggest a value from the lower end to middle of the above range has the most support and the value estimate under the sales comparison approach is, therefore

Indicated Value - Sales Comparison Approach - As Is (Rounded) \$20,750,000

INCOME APPROACH

The subject is operated as a limited service hotel facility. The income approach is a meaningful indicator of the value for hotels or motels but there is limited information for smaller facilities. Given unusual conditions in the market, a brief discounted cash flow analysis is used to supplement the more traditional direct capitalization method.

Gross Income

The subject has income from room sales plus miscellaneous revenues.

Occupancy and Average Daily Room Rates (ADR)

To estimate the potential gross income (PGI) the subject is capable of generating a rental survey of hotels in the market area was conducted. The survey is summarized on the table that follows.

The survey focused on nearby hotels from the immediate market. The rates varied significantly. The properties exhibit a wide range of styles, sizes and amenities. There are a number of larger chain hotels along the El Camino Real corridor as well as some independent hotels. The primary competitors are similar smaller hotels.

The typical rental range (low season) was from the \$60s to roughly \$170 with most similar single rooms in the \$75 to \$125 range per night.

Pricing varies widely and changes day by day according to availability in the hotel. The current survey reflects the slow season and a slow time in the market because of pandemic reduced travel.

Average daily rate takes into consideration the various rooms, seasonal conditions, pricing schemes and discounts available and the most probable range for the subject is closer to the middle of market. It has larger rooms, on average, with many recent and competitive updates and has traditionally attracted business travelers more than tourists which tend to be more stable clients.

Asking Rate Per Expedia**Standard Single Room****Facility**

	Rates	Rates		
	Weekday	Weekend	Street Address	City

Street Address**City****Holiday Inn Express**

\$125

\$94

1836 El Camino Real

Redwood City

Newer 62-room facility with similar location and setting. Typical amenities.

Capri Motel

\$129

\$129

2380 El Camino Real

Redwood City

Older budget facility with 50 rooms. Similar layout and location but inferior quality and condition.

Days Inn by Wyndham

\$70

\$70

2650 El Camino Real

Redwood City

Older 68-room facility with rooms set off street. Typical amenities.

Best Western Plus

\$109

\$99

25 5th Avenue

Redwood City

Smaller 29-room facility with recently updated rooms. Secondary setting. Typical amenities.

Atherton Park Inn & Suites

\$169

\$118

2834 El Camino Real

Redwood City

Smaller 38-room facility with corner setting. Typical amenities.

Redwood Creek Inn

\$85

\$85

1090 El Camino Real

Redwood City

Smaller 39-room facility with similar layout but inferior quality and condition. Typical amenities.

Comfort Inn

\$93

\$88

1818 El Camino Real

Redwood City

Smaller 51-room hotel with similar layout and location. Typical amenities.

Budget Inn

\$63

\$63

2526 El Camino Real

Redwood City

Smaller 40-room facility with similar layout and location, inferior quality and condition. Typical amenities.

Average

\$105

\$93

Pacific Inn, Redwood City

\$72

\$72

2610 El Camino Real

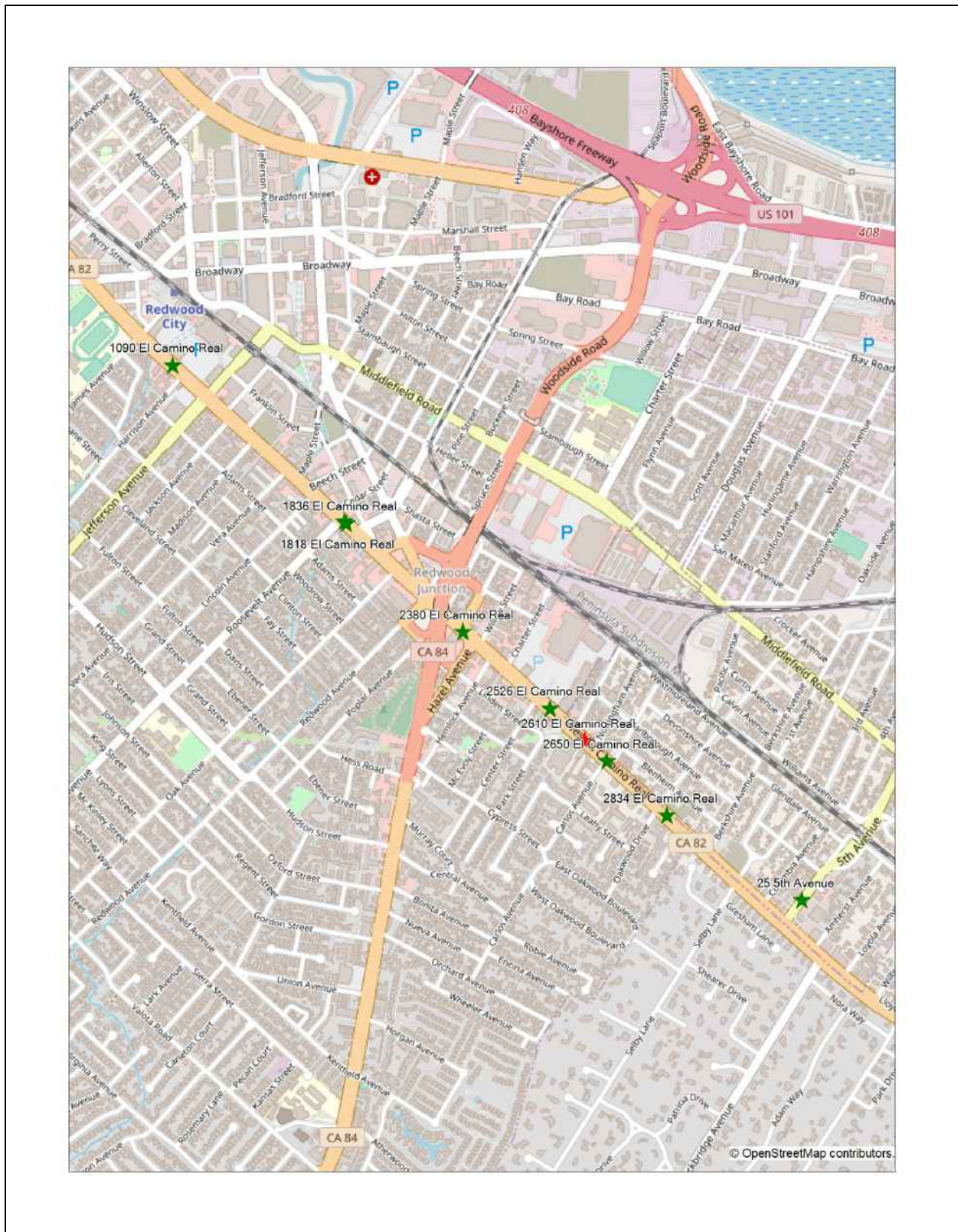
Redwood City

Pacific Inn vs. Average

68%

77%

Figure 13 - Comparable Hotel Rentals Location Map



VIEWS OF RENTAL DATA



Holiday Inn Express, 1836 El Camino Real



Capri Motel, 2380 El Camino Real

VIEWS OF RENTAL DATA



Days Inn by Wyndham, 2650 El Camino Real



Best Western Plus, 25 5th Avenue

VIEWS OF RENTAL DATA



Atherton Park Inn & Suites, 2834 El Camino Real



Redwood Creek Inn, 1090 El Camino Real

IEWS OF RENTAL DATA



Comfort Inn, 1818 El Camino Real



Budget Inn, 2526 El Camino Real

The subject's quality, condition and location support average prices as follows.

Room Mix	Lg. King	King	Dlx. Queen	Suites	Std. Queen	King w/Kit.	ADA Queen	ADA Dbl. Qu.
	25	11	22	5	1	6	3	1
Prob. ADR	\$115.00	\$115.00	\$110.00	\$140.00	\$100.00	\$140.00	\$100.00	\$110.00
Weighted	\$38.85	\$17.09	\$32.70	\$9.46	\$1.35	\$11.35	\$4.05	\$1.49
Total	\$116.35							

There is anticipation that the market will continue to improve as average daily rates and occupancy have been at low levels. Local businesses plan to reopen offices starting in March through June of 2021. This will increase demand and prices and/or occupancy will likely rebound further in the second half of 2021. Hotel operators have not been willing to provide precise occupancy data, but our survey and other published data (see market analysis) suggests that local operators are still suffering through low occupancy levels. The owner reports the following price and occupancy trends (also see summary on next page):

Year	Occupancy	ADR	RevPAR
2017	86.92%	\$ 123.66	\$ 108.14
2018	78.24%	\$ 140.60	\$ 110.91
2019	80.95%	\$ 130.78	\$ 105.95

Seasonal differences are adjusted in our analysis and a 77.5% stabilized occupancy rate is used in the forecast based on the subject's location, historical data and anticipating improved market conditions in the near term. A \$5 weekend premium was extracted from market data and a 7.5% premium for high season.

Pacific Inn - 2610 El Camino Real

Weekday Rate	Weekend Rate			
\$116.35	\$121.35	Low Season		
74	74	Income/Week		
\$8,610	\$8,980	Weeks	Max Rev.	
5	2	26	\$1,586,242	
\$43,050	\$17,960	High Season		
107.5%	107.5%	Weeks	Max ADR	
\$46,278	\$19,307	26	\$1,705,210	
		Max PGI	\$3,291,452	\$121.8605
		Occupancy	77.5%	
		Eff. PGI	\$2,550,875	

Operating Income

Total operating revenues come from room sales and other revenues.

DEPARTMENT SALES

Rooms	74
ADR (Rounded Estimate)	<u>\$121.8605</u>
Potential Gross Income Per Day	\$9,017.68
Days Per Year	<u>365</u>
Potential Gross Income Per Year	\$3,291,452
Projected Occupancy Rate	<u>77.5%</u>
Projected Room Revenues	\$2,550,875
Other Revenues	\$60,000
Total Department Sales	\$2,610,875

Operating Expenses

The valuation relies on operating history provided by the owner in the projection of revenues and expenses. This information is assumed to be accurate. The property is a seasoned operation with a history of growing revenues and stabilized expenses as reported by the owner. Most limited-service hotel sales data and broker interviews suggest expense rates of 50% to 60% or above and this is appropriate for a property with the size and location of the subject. The trend is typically toward higher expenses, but room rate growth has been favorable. The analysis will use an expense ratio of 45% plus property taxes based on a Prop. 13 reassessment at the current tax rate plus direct assessments. This produces a total operating expense ratio of 53.3%. Smaller hotels are typically family operations and expense ratios are kept low. They do not need to maintain higher facility standards like the chain/franchise facilities, although the subject has been maintained at a higher level. This is evident in the operating statements included in the addenda. The owners 2018 and 2019 statements are revised to exclude interest, depreciation, amortization and other non-operating or atypical expenses. Even with higher than ordinary maintenance and repair costs and higher than average labor charges, the operating expenses for the two years were around 65%. Without extraordinary maintenance and repairs total expenses are closer to 50%.

Net Operating Income

Estimated net income is \$1,218,939 for the first year after the date of valuation.

This figure includes stabilized income. It is anticipated that there will be reduced rental income for the next six months, however, as local businesses slowly resume normal operations. A rent loss adjustment is included in the final value to reflect current conditions.

Covid-19 Obsolescence

Monthly EPGI	\$212,573
Rent Loss @ 25%	\$53,143
Months Lost	6
Total	\$318,859
Rounded	\$319,000

Capitalization Rate

Very little data is available on rates of capitalization for small hotels. There have been few local sales of smaller properties with a meaningful net income. Three of the sales had indications of 6% to 7.5%. For a smaller independent facility, the lower end of the range is indicated, or

CAPITALIZATION

NET OPERATING INCOME	<u>\$1,218,939</u>	
OVERALL RATE	5.75%	\$21,198,939
OVERALL RATE	6.00%	\$20,315,650
OVERALL RATE	6.25%	\$19,503,024

Rent loss of \$319,000 is deducted from the most likely value above to reflect the value of the property, as is.

The income approach summary is provided on the following page. This represents the estimate of value under the direct capitalization technique as of the date of value and subject to the stated limiting conditions, assumptions and definition of market value.

Indicated Value Income Approach - Rounded **\$20,000,000**

**Pacific Inn - 2610 El Camino Real
Income and Expense Projection
11/1/2020 - 10/31/2021**

DEPARTMENT SALES

Rooms		74	
ADR (Rounded Estimate)		\$121,860.5	
Potential Gross Income Per Day		\$9,017.68	
Days Per Year		365	
Potential Gross Income Per Year		\$3,291,452	
Projected Occupancy Rate		77.5%	
Projected Room Revenues		\$2,550,875	
Other Revenues		\$60,000	
Total Department Sales		\$2,610,875	RevPAR \$96.66

DEPARTMENTAL EXPENSES

Projected Expense Ratio/Excl. Taxes	45.0%	\$1,174,894	
Property Taxes		\$217,042	
Total Department Expense		\$1,391,936	Tot. Op. Exp. Ratio 53.3%

NET OPERATING INCOME

\$1,218,939

CAPITALIZATION

NET OPERATING INCOME	\$1,218,939	
OVERALL RATE	5.75%	\$21,198,939
OVERALL RATE	6.00%	\$20,315,650
OVERALL RATE	6.25%	\$19,503,024
Indicated Value		\$20,315,650
Adjustments to Value		(\$319,000)
Total Value Indication		\$19,996,650
INDICATED STABILIZED VALUE (Rounded)		\$20,000,000
Per Room		\$270,270

Discounted Cash Flow Analysis

A brief discounted cash flow analysis is included as a check on the primary income approach. This reflects current conditions as they relate to income and operating expenses. The 10-year analysis assumes a 25% rent loss for first six months then a return to current ADR then rent growth at 3% for the remainder of term.

Operating expenses use the same assumptions as the direct capitalization. The 11th years NOI is capitalized at a 6.5% going out rate. The 10 years of cash flows are discounted at an 8.5% discount rate to arrive at the present value, as follows.

PROJECTED RENTAL INCOME

Pacific Inn - 2610 El Camino Real

		1	2	3	4	5	6	7	8	9	10	11
Rent Growth	3.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
ADR/Room	\$122	\$122	\$126	\$129	\$133	\$137	\$141	\$146	\$150	\$154	\$159	\$164
CPI	2.5%											

Suite/Tenant	Size	Market Rent	Year										
Room Rate	N/A	\$121.86	11/20-10/21	2	3	4	5	6	7	8	9	10	11
	Month		1	2	3	4	5	6	7	8	9	10	11
			\$202,897.73	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
			\$202,897.73	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
Assumptions: 25% rent loss			\$202,897.73	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
for first six months then return			\$202,897.73	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
to current ADR then rent			\$202,897.73	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
growth at above CPI for			\$202,897.73	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
remainder of term.			\$270,530.31	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
			\$270,530.31	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
			\$270,530.31	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
			\$270,530.31	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
			\$270,530.31	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
			\$270,530.31	\$278,654.40	\$287,023.80	\$295,637.40	\$304,517.40	\$313,663.80	\$323,076.60	\$332,778.00	\$342,768.00	\$353,046.60	\$363,636.00
Total (Rnd).			\$2,840,568	\$3,343,853	\$3,444,286	\$3,547,649	\$3,654,209	\$3,763,966	\$3,876,919	\$3,993,336	\$4,113,216	\$4,236,559	\$4,363,632

DISCOUNTED CASH FLOW ANALYSIS

Pacific Inn - 2610 El Camino Real

Income		1	2	3	4	5	6	7	8	9	10	11
Projected Rent		\$2,840,568	\$3,343,853	\$3,444,286	\$3,547,649	\$3,654,209	\$3,763,966	\$3,876,919	\$3,993,336	\$4,113,216	\$4,236,559	\$4,363,632
Allowance for Collection	1%	\$28,406	\$33,439	\$34,443	\$35,476	\$36,542	\$37,640	\$38,769	\$39,933	\$41,132	\$42,366	\$43,636
Effective Gross Income		\$2,812,162	\$3,310,414	\$3,409,843	\$3,512,173	\$3,617,667	\$3,726,326	\$3,838,150	\$3,953,403	\$4,072,084	\$4,194,193	\$4,319,996
Projected Occupancy	77.5%	\$2,179,426	\$2,565,571	\$2,642,628	\$2,721,934	\$2,803,692	\$2,887,903	\$2,974,566	\$3,063,887	\$3,155,865	\$3,250,500	\$3,347,997
Additional Revenues		\$60,000	\$61,800	\$63,654	\$65,564	\$67,531	\$69,556	\$71,643	\$73,792	\$76,006	\$78,286	\$80,635
Operating Income		\$2,239,426	\$2,627,371	\$2,706,282	\$2,787,498	\$2,871,222	\$2,957,459	\$3,046,209	\$3,137,680	\$3,231,871	\$3,328,786	\$3,428,632
Expenses												
Property Taxes	2%	\$210,823	\$215,039	\$219,340	\$223,727	\$228,202	\$232,766	\$237,421	\$242,169	\$247,012	\$251,952	\$256,991
Operating Expense Ratio	45%	\$1,007,741	\$1,182,317	\$1,217,827	\$1,254,374	\$1,292,050	\$1,330,857	\$1,370,794	\$1,411,956	\$1,454,342	\$1,497,954	\$1,542,884
Total Expenses		\$1,218,564	\$1,397,356	\$1,437,167	\$1,478,101	\$1,520,252	\$1,563,623	\$1,608,215	\$1,654,125	\$1,701,354	\$1,749,906	\$1,799,875
Net Operating Income		\$1,020,861	\$1,230,015	\$1,269,115	\$1,309,397	\$1,350,970	\$1,393,837	\$1,437,994	\$1,483,555	\$1,530,517	\$1,578,880	\$1,628,757
Sq. Ft. of Vacancy												
Lease Up Cost/SF												
Adjustments to Cash Flow		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Present Value Analysis												
Discount Factor	8.50%	0.921659	0.849455	0.782908	0.721574	0.665045	0.612945	0.564926	0.520669	0.479880	0.442285	
Present Value of NOI		\$940,886	\$1,044,842	\$993,601	\$944,827	\$898,456	\$854,345	\$812,360	\$772,441	\$734,465	\$698,315	
Cumulative Value of NOI		\$940,886	\$1,985,728	\$2,979,329	\$3,924,156	\$4,822,612	\$5,676,957	\$6,489,317	\$7,261,758	\$7,996,223	\$8,694,538	
											PV of NOI	\$8,694,538
											11th Years NOI	\$1,628,757
											Going Out Cap. Rate	6.50%
											Net of Sales Costs	97%
											10th Year's Discount Rate	0.442285
											Total Present Value	\$10,750,205
												\$19,444,743
											Rounded to	\$19,445,000
											Per Sq. Ft.	\$657

RECONCILIATION AND FINAL VALUE CONCLUSION

The approaches used to estimate the market value of the property were the sales comparison and income approaches. The cost approach was used as a part of highest and best use analysis. The approaches have produced the following indications of value - as complete:

2610 El Camino Real	
Cost Approach	\$22,287,000
Site Value	\$14,000,000
Price Per Sq. Ft.	\$20,715,000
Price Per Room	\$20,350,000
PGIM	\$21,682,000
Price Per Sq. Ft. / Land	\$21,122,000
Sales Comparison Approach	\$20,750,000
Income Approach - Direct Cap.	\$20,000,000
Income Approach - DCF	\$19,445,000
Average Spread Between Indicators	3.68%
Reconciled Value - As Is	\$20,500,000
Value per Sq. Ft. of Land Area	\$315

As noted earlier, the cost approach has limited applicability in this assignment and is used as part of the highest and best use analysis.

The sales comparison approach is based on the principle of substitution. An informed buyer would not pay more for a property than the cost of acquiring an equally desirable substitute. In this case, five comparable sales were analyzed. Some were good or reasonable indicators of value while some were useful in establishing the upper and lower limits of value. The market has not been active, however, so the adjusted price range is significant. This approach is adequately supported, however, and has produced a reliable estimate of value. The marketplace for smaller properties is typically focused on unit of comparison measures for this type of property.

The income approach is a reliable indicator of value for properties such as the subject. There was adequate historical and market data on which to form income and expense projections. This technique is also the only forward-looking method that considers benefits that will be obtained in the future. This is useful in a dynamic market as other approaches are based entirely on historical data. The market had been trending upward

with strong occupancy and pricing and this is expected to resume, but at a slower pace when the pandemic wanes. This approach produces, in our opinion, a reliable indication of value but some weight should be afforded the sales comparison approach based on the relatively smaller size of the property and price per room and price per square foot indicators that are important to investors in smaller properties.

Based on the preceding, and after considering all of the factors that influence value including the area, neighborhood, site, improvements, highest and best use, and available market data, and subject to the stated limiting conditions and assumptions, certification, and definition of value, it is our opinion that, as of the date of valuation, the property, had an undivided fee simple estate market value - as is - of

TWENTY MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$20,500,000)

Special Valuation Assumption: The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) in March 2020. The reader is cautioned, and reminded, that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event after the effective date of the appraisal.

Business Enterprise Value and FF&E

As an operating hotel, the Pacific Inn has the potential for business enterprise value (BEV). That is, the value of the property as a going concern, may exceed the value of the land and improvements. In discussing this matter with several real estate agents active in the business, it appears that BEV (or goodwill) is not a material component of value for the hotel alone at this time. BEV is estimated to be of nominal value at this time in the market.

Some of the comparable sales included furniture, fixtures and equipment (FF&E), but some did not, or it had nominal value relative to the total value of the property. Sale 1 did not, Sale 2 did include FF&E, but it was not a typical hotel, Sale 3 included FF&E, but the buyer spent \$4 million upgrading the FF&E and other soft finishes immediately after close of escrow. Sale 4's FF&E was of nominal value and Sale 5 did have some value. Essentially, four of the five sales suggest the FF&E plays a nominal role in the valuation of the property and the concluded value represents the value of the real estate in this instance.

Marketing/Exposure Time Estimate

To fully understand the value opinion it is relevant to place the figure in the perspective of marketing or exposure time. Real estate is not a liquid investment. It takes time to properly market. It is also a complex investment with significant legal impediments to transfer. For these reasons, it is important to understand how long a property may take to sell in the open market. Exposure time is based on the presumption that the property has been on the market in advance of the effective date of value. Marketing time is based on the presumption that the property will be put on the market as of the effective date of value. In this instance, market conditions are uncertain. Any data on historical sale times is essentially irrelevant. A few sales considered but not used for analysis had marketing times of 150 to 180 days. There is interest in the market, but few listings right now. Given dated information on sales and the lack of listings a best guess exposure time for the subject is three to six months considering its financial record, condition and location.

Exposure Time:

3 to 6 months

Definitions

The following definitions, as applicable, are used in this appraisal. They are taken from the *The Dictionary of Real Estate Appraisal, Sixth Edition*, unless otherwise noted.

Market Value

"Market Value" is defined in Section 1263.320 of the California Code of Civil Procedure as:

- "(a) *The fair-market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.*
- "(b) *The fair-market value of property taken for which there is no relevant comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable*".

"As-Is" Market Value Estimate

The estimate of market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines and 6th Edition of The Dictionary of Real Estate Appraisal).

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (6th Edition of The Dictionary of Real Estate Appraisal)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (6th Edition of The Dictionary of Real Estate Appraisal)

Leasehold Interest

The interest held by the lessee to use and occupy real estate for a stated term under the conditions specified in the lease. (6th Edition of The Dictionary of Real Estate Appraisal)

Easement

The right to use another's land for a stated purpose. (6th Edition of The Dictionary of Real Estate Appraisal)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements. (6th Edition of The Dictionary of Real Estate Appraisal)

Condominium Ownership (Fee)

A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real property. (6th Edition of The Dictionary of Real Estate Appraisal)

Planned Unit Development (PUD)

A type of building development designated as a grouping of complementary land uses, such as housing, schools, recreation, retail, office, and industrial parks, contained within a single master development; usually includes common area and common area maintenance obligations in the form of owners association dues. (6th Edition of The Dictionary of Real Estate Appraisal)

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Sales Comparison Approach

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.

Income Approach

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

R-squared – Coefficient of Determination

R² is the proportion of the variance in the dependent variable that is predictable from the independent variable and is used in the prediction of future outcomes or the testing of hypotheses. (Multiple sources combined.)

R – Correlation Coefficient or the Coefficient of Correlation

The correlation coefficient, denoted by r , tells how closely data in a scatterplot falls along a straight line. The closer that the absolute value of r is to 1 or -1, the closer that the data is described by a linear equation. (Multiple sources combined.)

Addendum: Preliminary Title Report



First American Title Insurance Company
National Commercial Services
333 W. Santa Clara Street, Ste. 220
San Jose, CA 95113-1714

Alycia Moulton
County of San Mateo
400 County Ctr
Redwood City, CA 94063-1662

Property: 2610 El Camino Real, Redwood City, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of July 21, 2020 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

Reno Motel Investments, Inc., a California corporation

The estate or interest in the land hereinafter described or referred to covered by this Report is:

Fee

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2020-2021, a lien not yet due or payable.
2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. An easement for right of way and easement for road purposes and incidental purposes, recorded May 26, 1922 as [Book 37, Page 395](#) of Official Records.
In Favor of: County of San Mateo No. 8233
Affects: As Described Therein
4. An easement for ingress and egress and public utilities and incidental purposes, recorded September 24, 1962 as Instrument No. 15506-V in [Book/Reel 4297, Page/Image 69](#) of Official Records.
In Favor of: Salvatore Oliveri and Elena M. Oliveri, his wife, as joint tenants
Affects: As Described Therein
5. The terms and provisions contained in the document entitled "Ordinance No. 600.159" recorded March 20, 1964 as [Book 4671, Page 153](#) of Official Records.

6. An easement for flowage of water originating from the flooding of the abutting State Highway and incidental purposes, recorded May 26, 1978 as Instrument No. 71395-AM in [Book/Reel 7747](#), [Page/Image 494](#) of Official Records.
In Favor of: State of California, The County of San Mateo, The City of Redwood City and The Town of Atherton
Affects: As Described Therein
7. The terms and provisions contained in the document entitled "Resolution No. 9202" recorded October 26, 1982 as Instrument No. [82092175](#) of Official Records.
8. A document entitled "State of Intention" recorded October 26, 1982 as Instrument No. [82092177](#) of Official Records.
9. A deed of trust to secure an original indebtedness of \$2,804,517.38 recorded September 13, 2011 as Instrument No. [2011-104279](#) of Official Records.
Dated: August 30, 2011
Trustor: Reno Motel Investments, Inc., a California Corporation
Trustee: Prime Pacific, a California Corporation
Beneficiary: Savings Bank of Mendocino County
10. Any claim that the Title is subject to a trust or lien created under The Perishable Agricultural Commodities Act, 1930 (7 U.S.C. §§499a, et seq.) or the Packers and Stockyards Act (7 U.S.C. §§181 et seq.) or under similar state laws.
11. Water rights, claims or title to water, whether or not shown by the Public Records.
12. Rights of parties in possession.

INFORMATIONAL NOTES

ALERT - CA Senate Bill 2 imposes an additional fee of \$75 up to \$225 at the time of recording on certain transactions effective January 1, 2018. Please contact your First American Title representative for more information on how this may affect your closing.

1. Taxes for proration purposes only for the fiscal year 2019-2020.

First Installment: \$31,488.78, PAID
Second Installment: \$31,488.78, PAID
Tax Rate Area: 09-001
APN: 059-162-520

2. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Commercial Structure known as 2610 El Camino Real, Redwood City, CA.
3. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None
4. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.
5. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:

A. WITH RESPECT TO A CORPORATION:

1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
3. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:

1. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
2. A full copy of the partnership agreement and any amendments;
3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

- C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:
1. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;
 2. A full copy of the partnership agreement and any amendment;
 3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
 4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
 5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- D. WITH RESPECT TO A GENERAL PARTNERSHIP:
1. A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-I), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), to be recorded in the public records;
 2. A full copy of the partnership agreement and any amendments;
 3. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.
- E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:
1. A copy of its operating agreement and any amendments thereto;
 2. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
 3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
 4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
 5. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
 6. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- F. WITH RESPECT TO A TRUST:
1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
 2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
 3. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.
- G. WITH RESPECT TO INDIVIDUALS:
1. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Redwood City, County of San Mateo, State of California, described as follows:

PARCEL 1, AS DESIGNATED ON THE MAP ENTITLED "PARCEL MAP NO. 82-5, BEING A PORTION OF LAND DESCRIBED IN THE DEED FROM LOUIS J. DEVINCENZI, ET AL, TO IVAN GINESI, ET UX AND REMO GINESI, ET UX RECORDED OCTOBER 8, 1963 IN [VOLUME 4564 AT PAGE 38](#) SAN MATEO COUNTY RECORDS", WHICH MAP WAS FILED IN THE OFFICE OF SAID COUNTY AND STATE, ON OCTOBER 26, 1982 IN [BOOK 52 OF PARCEL MAPS AT PAGE 100](#).

APN: 059-162-520; JPN: 059-016-162-21A

Addendum: Highest and Best Use and Cost Approach Data

Cost Approach Inputs

Hotel - As Is

Owner/Tenant:
Address: 2610 El Camino Real
City:
County
APN:
Zoning:
Prob. of Zoning Chg.
General Plan:
Status of GP:
Lot Area: 64,991 sq. ft. (usable)
Land by Extraction/Sq. Ft.: \$215 /sq. ft.
Total Land: \$14,000,000
Use: Apartments
Age: 65 years +-
Useful Life: 55 years +-
Eff. Age 22.5 years +-
Bldg. Area: 29,593 sq. ft.
Sub. Area: 29,593 Residential
Sub. Area:
Sub. Area:
1stFloor 20,000 Approximate
Net Land Area 44,991 Approximate
Parking:

Base Cost Estimate

Use:	Hotel
Class:	D
Quality:	Avg.-Gd.
Base Cost:	\$275.00
HVAC Adj.:	\$0.00
Multi-Story Adj.:	\$0.00
Sprinklers:	\$1.50
Sub-Total	<u>\$276.50</u>
Perim. Adj.:	1.000
Elevator	1.000
Adj. Cost:	<u>\$276.50</u>
Bldg. Area:	29,593
Cost/Use:	<u>\$276.50</u>
Total Base Cost:	\$8,182,465
Total:	\$8,182,465

Cost Approach Summary**2610 El Camino Real****Subject - As Is****Cost New Estimate****Hard Costs**

			<u>Totals</u>	<u>/Sq. Ft.</u>
Base Cost New			\$8,182,465	\$276.50
Site Improvements	5.0%		\$409,123	\$13.82
Yard Improvements	\$10.00		\$449,910	\$15.20
FF&E	74	\$2,750	\$203,500	6.87663
Total Hard Costs			<u>\$9,244,998</u>	<u>\$312.40</u>

Soft Costs

Financing Fees and Services	3%	\$277,350		
Property Taxes	1.0842%	\$201,905		
Marketing	5%	<u>\$1,114,350</u>		
Total Soft Costs			<u>\$1,593,605</u>	<u>\$53.85</u>
Total Hard and Soft Costs			<u>\$10,838,603</u>	<u>\$366.26</u>

Developer's Overhead/Profit (% of Total) 15% \$3,725,790 \$125.90

Replacement Cost New \$14,564,393 \$492.16

Less Deterioration and Obsolescence/Adjustments

Physical Deterioration		\$5,958,161		
Obsolescence		\$319,000		
Leased Fee Adjustment		<u>\$0</u>		
Total Depreciation/Adjustments			<u>\$6,277,161</u>	<u>\$212.12</u>

Depreciated Replacement Cost \$8,287,232 \$280.04

Plus Land Value \$14,000,000 \$473.08

Cost Analysis for HBU - Not Market Value Estimate \$22,287,232 \$753.13

Rounded to \$22,287,000
\$753 /sq. ft.

Cost Approach Inputs

New Residential

Owner/Tenant:
Address: 2610 El Camino Real
City:
County:
APN:
Zoning:
Prob. of Zoning Chg.
General Plan:
Status of GP:
Lot Area: 64,991 sq. ft. (usable)
Land by Extraction/Sq. Ft.: \$215 /sq. ft.
Total Land: \$14,000,000
Use: Apartments
Age: 65 years +-
Useful Life: 55 years +-
Eff. Age: 0 years +-
Bldg. Area: 97,487 sq. ft.
Sub. Area: 97,487 Residential
Sub. Area: 32,496 Common (Estimated)
Sub. Area: 60,000 Parking (Estimated)
1stFloor: 4,991 Approximate
Net Land Area: 60,000 Approximate
Parking:

Base Cost Estimate

Use:	Apartments	Common
Class:	C/D	D
Quality:	Good	Good
Base Cost:	\$275.00	\$82.50
HVAC Adj.:	\$0.00	\$0.00
Multi-Story Adj.:	\$0.00	\$0.00
Sprinklers:	\$1.50	\$1.50
Sub-Total	\$276.50	\$84.00
Perim. Adj.:	1.100	1.000
Elevator	1.000	1.000
Adj. Cost:	\$304.15	\$84.00
Bldg. Area:	97,487	32,496
Cost/Use:	\$304.15	\$84.00
Total Base Cost:	\$29,650,519	\$2,729,622
Total:	\$32,380,141	

Cost Approach Summary**2610 El Camino Real****New Residential****Cost New Estimate****Hard Costs**

			<u>Totals</u>	<u>/Sq. Ft.</u>
Base Cost New			\$32,380,141	\$332.15
Site Improvements	10%		\$3,238,014	\$33.21
Yard Improvements	\$10.00		\$600,000	\$6.15
FF&E	89	\$3,000	\$267,000	2.73884
Total Hard Costs			<u>\$36,485,155</u>	<u>\$374.26</u>

Soft Costs

Financing Fees and Services	3%	\$1,094,555		
Property Taxes	1.084%	\$524,361		
Marketing	5%	<u>\$3,178,750</u>		
Total Soft Costs			<u>\$4,797,666</u>	<u>\$49.21</u>
Total Hard and Soft Costs			<u>\$41,282,821</u>	<u>\$423.47</u>

Developer's Overhead/Profit (% of Total) 15% \$8,292,423 \$85.06

Replacement Cost New \$49,575,244 \$508.53

Less Deterioration and Obsolescence/Adjustments

Physical Deterioration		\$0		
Obsolescence		\$0		
Leased Fee Adjustment		<u>\$0</u>		
Total Depreciation/Adjustments			<u>\$0</u>	<u>\$0.00</u>

Depreciated Replacement Cost \$49,575,244 \$508.53

Plus Land Value \$14,000,000 \$143.61

Cost Analysis for HBU - Not Market Value Estimate \$63,575,244 \$652.14

Rounded to \$63,575,000
\$652 /sq. ft.

Addendum: Income/Expense Data

RENO MOTEL INVESTMENTS INC
Statement of Revenue and Expenses - Tax-Basis
for the three months and twelve months ended Dec 31, 2018

	Oct - Dec 18	Jan - Dec 18
Ordinary Income/Expense		
Income		
Misc. Income	6,893.97	58,902.65
Phone Income	0.00	20.00
Rental Income	659,760.98	2,912,386.92
Total Income	666,654.95	2,971,309.57
Gross Profit	666,654.95	2,971,309.57
Expense		
Advertising & Marketing	1,117.37	4,186.23
Amortization expense	139.00	556.00
Automobile Expense	347.06	1,681.18
Bank Charges	0.00	5.10
Breakfast /Foods	3,993.54	21,732.17
Cable TV	2,802.87	11,288.44
Charitable Contributions	101.00	101.00
Commission	29,568.90	135,961.66
Credit card discounts	41,621.89	120,277.72
Depreciation Expense	9,217.50	36,870.00
Fire Protection	622.72	3,570.96
Gift	300.00	900.00
Insurance Expense	11,647.45	71,261.85
Interest - Mendocino Bank	24,074.07	108,481.94
Internet Expense	1,967.62	7,924.70
Landscaping and Groundskeeping	820.00	9,552.38
Laundry	12,164.84	49,972.02
Legal & Accounting	4,473.75	18,300.74
Licenses & fees	1,167.00	4,084.00
Office expense	8,987.88	61,075.70
Outside services	34,156.78	34,156.78
Payroll tax	-21,762.53	53,008.40
Penalty	0.00	200.16
Pest Control / Exterminator	1,499.44	4,756.65
Postage & Delivery	89.29	1,651.01
Rent - Equipment	0.00	594.00
Repairs & maintenance	151,857.43	360,977.36
Security	0.00	1,685.66
State taxes paid	0.00	14,012.00
Supplies	23,743.05	137,956.98
Taxes - other,	405.00	6,215.37
Taxes - property	61,291.06	61,291.06
Telephone	5,789.73	29,321.89
Utilities	37,255.00	148,241.05
Wages & Salaries	176,850.73	597,859.44
Workers Compensation	15,690.80	57,518.76
Total Expense	642,000.24	2,177,230.36
Net Ordinary Income	24,654.71	794,079.21
Other Income/Expense		
Other Income		
Interest income	239.12	239.12
Total Other Income	239.12	239.12
Other Expense	0.00	0.00
Net Other Income	239.12	239.12
Net Income	24,893.83	794,318.33

RENO MOTEL INVESTMENTS INC

Statement of Revenue and Expenses - Tax-Basis

for the three months and twelve months ended Dec 31, 2018

	<u>Oct - Dec 18</u>	<u>Jan - Dec 18</u>	
Ordinary Income/Expense Income			
Misc. Income	6,893.97	58,902.65	
Phone Income	0.00	20.00	
Rental Income	659,760.98	2,912,386.92	
Total Income	<u>666,654.95</u>	<u>2,971,309.57</u>	
Gross Profit	666,654.95	2,971,309.57	
Expense			
Advertising & Marketing	1,117.37	4,186.23	
Amortization expense	139.00	556.00	
Automobile Expense	347.06	1,681.18	
Bank Charges	0.00	5.10	
Breakfast /Foods	3,993.54	21,732.17	
Cable TV	2,802.87	11,288.44	
Charitable Contributions	101.00	101.00	
Commission	29,568.90	135,961.66	
Credit card discounts	41,621.89	120,277.72	
Fire Protection	622.72	3,570.96	
Insurance Expense	11,647.45	71,261.85	
Internet Expense	1,967.62	7,924.70	
Landscaping and Groundskeeping	820.00	9,552.38	
Laundry	12,164.84	49,972.02	
Legal & Accounting	4,473.75	18,300.74	
Licenses & fees	1,167.00	4,084.00	
Office expense	8,987.88	61,075.70	
Payroll tax	-21,762.53	53,008.40	
Penalty	0.00	200.16	
Pest Control / Exterminator	1,499.44	4,756.65	
Postage & Delivery	89.29	1,651.01	
Rent - Equipment	0.00	594.00	
Repairs & maintenance	151,857.43	360,977.36	
Security	0.00	1,685.66	
Supplies	23,743.05	137,956.98	
Telephone	5,789.73	29,321.89	
Utilities	37,255.00	148,241.05	
Wages & Salaries	176,850.73	597,859.44	
Workers Compensation	15,690.80	57,518.76	
Total Expense	<u>1,915,303.21</u>	<u>64.5%</u>	
Net Ordinary Income		<u>1,056,006.36</u>	

RENO MOTEL INVESTMENTS INC
Statement of Revenue and Expenses - Tax-Basis
for the three months and twelve months ended Dec 31, 2019

	Oct - Dec 19	Jan - Dec 19
Ordinary Income/Expense		
Income		
Misc. Income	18,295.07	62,847.86
Rental Income	660,239.97	2,805,758.60
Total Income	<u>678,535.04</u>	<u>2,868,606.46</u>
Gross Profit	678,535.04	2,868,606.46
Expense		
Advertising & Marketing	20,489.95	41,645.01
Amortization expense	139.00	556.00
Automobile Expense	2,992.27	12,793.52
Breakfast /Foods	5,619.49	37,108.40
Business Property Tax	62,977.56	64,144.56
Cable TV	3,052.55	10,852.87
Charitable Contributions	476.64	476.64
Commission	27,470.58	103,020.57
Credit card discounts	27,161.65	83,665.16
Depreciation Expense	62,614.25	89,657.00
Fire Protection	585.27	1,301.27
Gift	1,182.44	2,182.44
Insurance Expense	0.00	26,242.03
Interest - Mendocino Bank	24,457.51	101,438.50
Interest Expense	0.00	1,237.87
Internet Expense	1,710.45	15,070.92
Landscaping and Groundskeeping	2,164.00	8,584.00
Laundry	6,771.20	36,389.85
Legal & Accounting	1,364.72	13,899.14
Office expense	8,984.45	38,706.97
Outside services	8,914.53	19,992.53
Payroll Service Fee	694.00	2,158.00
Payroll tax	16,204.13	60,572.76
Penalty	0.00	25.00
Pest Control / Exterminator	1,320.00	5,015.41
Postage & Delivery	159.05	203.79
Repairs & maintenance	33,751.99	401,975.87
Security	1,167.16	3,276.15
Shareholder's Health Insurance	16,911.87	62,010.19
State taxes paid	0.00	9,974.00
Supplies	48,673.28	111,863.24
Taxes - other	0.00	1,130.00
Telephone	4,085.42	19,037.78
Tourism Assessment	0.00	1,966.50
Travel	1,348.71	1,348.71
Utilities	37,993.86	155,534.42
Wages & Salaries	186,418.78	693,362.00
Workers Compensation	1,379.00	37,507.69
Total Expense	<u>619,235.76</u>	<u>2,275,926.76</u>
Net Ordinary Income	59,299.28	592,679.70
Other Income/Expense		
Other Income		
Interest income	29.24	125.35
Total Other Income	<u>29.24</u>	<u>125.35</u>
Net Other Income	29.24	125.35
Net Income	<u><u>59,328.52</u></u>	<u><u>592,805.05</u></u>

RENO MOTEL INVESTMENTS INC

Statement of Revenue and Expenses - Tax-Basis

for the three months and twelve months ended Dec 31, 2019

	<u>Oct - Dec 19</u>	<u>Jan - Dec 19</u>
Ordinary Income/Expense		
Income		
Misc. Income	18,295.07	62,847.86
Rental Income	660,239.97	2,805,758.60
Total Income	<u>678,535.04</u>	<u>2,868,606.46</u>
Gross Profit	678,535.04	2,868,606.46
Expense		
Advertising & Marketing	20,489.95	41,645.01
Breakfast /Foods	5,619.49	37,108.40
Cable TV	3,052.55	10,852.87
Commission	27,470.58	103,020.57
Credit card discounts	27,161.65	83,665.16
Fire Protection	585.27	1,301.27
Insurance Expense	0.00	26,242.03
Internet Expense	1,710.45	15,070.92
Landscaping and Groundskeeping	2,164.00	8,584.00
Laundry	6,771.20	36,389.85
Legal & Accounting	1,364.72	13,899.14
Office expense	8,984.45	38,706.97
Payroll tax	16,204.13	60,572.76
Pest Control / Exterminator	1,320.00	5,015.41
Postage & Delivery	159.05	203.79
Repairs & maintenance	33,751.99	401,975.87
Security	1,167.16	3,276.15
Supplies	48,673.28	111,863.24
Telephone	4,085.42	19,037.78
Tourism Assessment	0.00	1,966.50
Utilities	37,993.86	155,534.42
Wages & Salaries	186,418.78	693,362.00
Workers Compensation	1,379.00	37,507.69
Total Expense	<u>1,906,801.80</u>	<u>6,966,801.80</u>
Net Ordinary Income		961,804.66

66.5%

Addendum: Qualifications

Joseph I. Napoliello, MAI

Commercial – Industrial – Residential – Real Estate Appraisal and Consultation

840 Olive Avenue #3, So. San Francisco, CA 94080

415-309-6728

Joe@JNval.com

QUALIFICATIONS

Joseph I. Napoliello, MAI

GENERAL

Bay Area resident since 1982; born and raised in southern New Jersey

EDUCATION

Boston University, Boston, MA
M.S.B.A. Business, 1978
Loyola University, New Orleans, LA
B.B.A. Finance, 1976

Recent professional coursework and exams:

Real Estate Appraisal Principles (AI)

Basic Valuation Procedures (AI)

Capitalization Theory - Part A (AI)

Capitalization Theory - Part B (AI)

Standards of Professional Practice (AI)

Case Studies in R.E. Valuation (AI)

Report Writing and Valuation Analysis (AI)

Highest and Best Use and Feasibility Analysis - Non-Residential (Seminar)

Highest and Best Use and Market Analysis (AI)

Rates, Ratios and Reasonableness (Seminar)

Easement Valuation (Seminar)

Valuation of Detrimental Conditions (Seminar)

PROFESSIONAL PRESENTATIONS

2004 Appraisal Institute Valley Seminar: "Critical Documents – The Preliminary Title Report"

2004 Appraisal Today – Moderator – Commercial Appraisal Liability

PROFESSIONAL AFFILIATIONS

State Certified General Appraiser - California - #AG003794

MAI Member, Appraisal Institute, #11786

Past Member, Board of Directors, Northern California Chapter of the Appraisal Institute, past Chair of Education Committee

COURT TESTIMONY

Qualified as an expert witness in Superior Court - Counties of San Francisco and San Mateo

Joseph I. Napoliello, MAI

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EMPLOYMENT

Owner and Senior Appraiser (since August 1989), San Bruno, CA. - independent fee appraisers and consultants specializing in commercial, industrial, and multi-family residential properties. (Formerly Haley Appraisal Company, Inc.)

February 2002 to 2006:

Land acquisition agent for County of San Mateo and various cities on the San Francisco Peninsula on public right-of-way projects.

August 1987 to August 1989:

Vice President, General Manager and Associate Appraiser, Haley, O'Brien and O'Brien, San Francisco, CA. - Independent fee appraisers specializing in commercial and industrial properties.

August 1986 to July 1987:

Staff Appraiser, Class II, Sears Mortgage Corporation, South San Francisco, CA. - residential appraisals of single family, condo, PUD, and 2-4 unit properties.

August 1985 to August 1986:

Residential Loan Representative, Sears Mortgage Corporation, Daly City, CA.

January 1981 to August 1985:

Sales and Marketing Positions, Dean Witter Reynolds Inc., Monterey, CA and San Francisco, CA - major securities dealer.

May 1976 to January 1981:

Finance and Accounting Officer, U.S. Army, various duty stations.

PROPERTY TYPES APPRAISED

Office buildings	Industrial buildings
Mixed-use buildings	Vacant land
Shopping Centers	Leased Land
Apartment complexes	Retail buildings
Condominium projects	Single Family Residences / Condo & PUD Units
Hotels	Special Purpose Properties
Easements and partial takings	Appraisal Reviews