



# SAN FRANCISCO PLANNING DEPARTMENT

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## Executive Summary Conditional Use Authorization

HEARING DATE: JULY 30, 2020

*Record No.:* 2019-019722CUA  
*Project Address:* 916 KEARNY STREET  
*Zoning:* Chinatown-Community Business (CCB) Zoning District  
65-N Height and Bulk District  
*Block/Lot:* 0176/013  
*Project Sponsor:* Tara Sullivan  
Reuben, Junius & Rose, LLP  
1 Bush Street, Suite 600  
San Francisco, CA 94104  
*Property Owner:* Sofia Properties, LP  
916 Kearny Street  
San Francisco, CA 94133  
*Staff Contact:* Jonathan Vimr – (415) 575-9109  
jonathan.vimr@sfgov.org  
*Recommendation:* **Approval with Conditions**

1650 Mission St.  
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**415.558.6378**

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### PROJECT DESCRIPTION

The Project would convert an existing office use at floors three through seven of the landmark Columbus Tower (aka Sentinel Building) to a Hotel use occupying 5,743 square feet and accommodating 15 guest rooms. Limited ground floor interior alterations are proposed to create the hotel lobby and reception area. No changes are proposed for the exterior, basement, ground floor restaurant, second, or eighth floors.

### REQUIRED COMMISSION ACTION

In order for the Project to proceed, the Commission must grant a Conditional Use Authorization, pursuant to Planning Code Sections 121.4, 303, and 810, to allow for a change of use to a Hotel exceeding 5,000 square feet in the Chinatown-Community Business Zoning District.

### ISSUES AND OTHER CONSIDERATIONS

- **Public Comment & Outreach.**
  - **Support/Opposition:** As of the writing of this report, the Department has received no letters in support of or opposition to the project.
- **Hotel Use.**
  - **Coronavirus Pandemic:** In order to approve a Conditional Use Authorization for a hotel the Planning Commission must consider, among other things, the market demand for a hotel of the type proposed. Prior to the ongoing pandemic, hotel uses in San Francisco have

consistently seen occupancy rates in the low-mid 80s percent range. Year to year, the occupancy rate has remained approximately 20 points above the national average and the city has been among the strongest lodging markets in the country. In light of the effects to tourism and the lodging industry created by the crisis, the Department requested an update to the initially submitted market demand study (see Appendix G). This addendum projected that demand will have a substantial recovery in 2021, returning to the 2019 occupancy rate by the end of 2023. Given the time associated with obtaining permits and completing construction, the proposed hotel would likely open at some point within this recovery period.

## **ENVIRONMENTAL REVIEW**

The Project is exempt from the California Environmental Quality Act ("CEQA") as a Class 1 and Class 3 categorical exemption.

## **BASIS FOR RECOMMENDATION**

The Department finds that the Project is, on balance, consistent with the Mission Area Plan and the Objectives and Policies of the General Plan. The project converts an existing commercial use occupying five levels of the subject building to a small Hotel use, which will partially address San Francisco's projected market demand (even despite the current health pandemic) and provide guest rooms in a tourism-rich area of the city. The Department also finds the project to be necessary, desirable, and compatible with the surrounding neighborhood, and not to be detrimental to persons or adjacent properties in the vicinity.

## **ATTACHMENTS:**

Draft Motion – Conditional Use Authorization with Conditions of Approval  
Exhibit B – Plans and Renderings  
Exhibit C – Environmental Determination  
Exhibit D – Land Use Data  
Exhibit E – Maps and Context Photos  
Exhibit F - Project Sponsor Brief  
Exhibit G – Market Demand Analyses



# SAN FRANCISCO PLANNING DEPARTMENT

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## Planning Commission Draft Motion

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*Recommendation:* **Approval with Conditions**

**ADOPTING FINDINGS TO APPROVE A CONDITIONAL USE AUTHORIZATION PURSUANT TO PLANNING CODE SECTIONS 121.4, 303, AND 810, TO ALLOW A CHANGE IN USE TO A HOTEL AT FLOORS THREE THROUGH SEVEN OF THE PROEPRTY LOCATED AT 916 KEARNY STREET, LOT 013 IN ASSESSOR'S BLOCK 0176, WITHIN THE CCB (CHINATOWN-COMMUNITY BUSINESS) ZONING DISTRICT AND A 65-N HEIGHT AND BULK DISTRICT, AND ADOPTING FINDINGS UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT. THE HOTEL USE WOULD OCCUPY APPROXIMATELY 5,743 SQUARE FEET ON FLOORS THREE THROUGH SEVEN AND ACCOMMODATE FIFTEEN GUEST ROOMS.**

### PREAMBLE

On October 18, 2019, Tara Sullivan of Reuben, Junius & Rose, LLP (hereinafter "Project Sponsor") filed Application No. 2019-019722CUA (hereinafter "Application") with the Planning Department (hereinafter "Department") for a Conditional Use Authorization to convert floors three through seven of the landmark Columbus Tower (aka Sentinel Building) from an office use to a fifteen room, approximately 5,743 square-foot hotel at 916 Kearny Street, Block 1076 Lots 013, 007 and 024 (hereinafter "Project Site").

The project is exempt from the California Environmental Quality Act ("CEQA") as a Class 1 and Class 3 categorical exemption.

On July 30, 2020, the San Francisco Planning Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting on Conditional Use Authorization Application No. 2019-019722CUA.

The Planning Department Commission Secretary is the custodian of records; the File for Record No. 2019-019722CUA is located at 1650 Mission Street, Suite 400, San Francisco, California.

The Commission has heard and considered the testimony presented to it at the public hearing and has further considered written materials and oral testimony presented on behalf of the applicant, Department staff, and other interested parties.

**MOVED**, that the Commission hereby authorizes the Conditional Use Authorization as requested in Application No. 2019-019722CUA, subject to the conditions contained in "EXHIBIT A" of this motion, based on the following findings:

## FINDINGS

Having reviewed the materials identified in the preamble above, and having heard all testimony and arguments, this Commission finds, concludes, and determines as follows:

1. The above recitals are accurate and constitute findings of this Commission.
2. **Project Description.** The Project includes a change in use on floors three through seven of the subject property from an existing office use to a hotel. The hotel would occupy approximately 5,743 square feet and accommodate 15 guest rooms. Limited ground floor interior alterations are proposed to create the hotel lobby and reception area. No changes are proposed for the exterior, basement, ground floor restaurant, second, or eighth floors.
3. **Site Description and Present Use.** The subject property occupies a triangular lot at the south end of the intersection of Kearny Street and Columbus Avenue, with Jackson Street to the south of the property at Block 0176, Lot 013. The parcel is approximately 1,219 square feet in area. The property is located at an eastern edge of the CCB (Chinatown-Community Business) Zoning District, and the 65-N Height and Bulk District. It is developed with the 8-story over basement, landmark Columbus Tower (aka Sentinel Building) completed in 1907. Its present use consists of mechanical/storage mixed with some office in the basement, Café Zoetrope at the ground floor, office use at floors two through seven, and a single residence occupying the top level.
4. **Surrounding Properties and Neighborhood.** The Project Site is located on the eastern edge of the Chinatown-Community Business Zoning District, forming a sort of transition from the Financial District to the south into either Chinatown to west, or Jackson Square and North Beach immediately to the east and north. Parcels within the vicinity consist of mixed-use buildings, generally with ground-floor retail and other commercial (office, hotel) uses above, though some residential use also prevails. Many of the structure date to the post-1906 earthquake and fire reconstruction, with several more recent buildings scattered in.
5. **Public Outreach and Comments.** As of drafting this document, the Department has received no correspondence expressing opposition to or support of the project.

6. **Planning Code Compliance.** The Commission finds that the Project is consistent with the relevant provisions of the Planning Code in the following manner:

- A. **Hotel.** Planning Code Section 810 states that the Hotel use is conditionally permitted in the CCB Zoning District, as defined by Planning Code Sections 102 and 303.

*The Project proposes conversion of floors three through seven to create a Hotel use consisting of 15 guest rooms and occupying 5,743 square feet.*

*The Project will create new hotel jobs, with the Project Sponsor expecting that new hires will largely be local, minimizing effects on the demand for new housing, public transit, childcare, and other social services. The project site is well served by numerous public transit options and accessible via bike and foot.*

*The Project Sponsor intends to largely hire local residents for the Project's construction work, and for the hotel's operation (see Section 8 of this motion for Planning Code Section 303(g) Hotel findings).*

- B. **Non-Residential Use Size Limits in Mixed Use Districts.**

*Planning Code Section 121.4 states that commercial uses exceeding the use size limits listed in Section 121.4 shall be permitted only as Conditional Uses subject to the provisions of Planning Code Section 303 (see Section 7 of this motion for Planning Code Section 303 findings). The Chinatown-Community Business District has a use size limit of 5,000 square feet, with no use size maximum. Therefore the proposed 5,743 square foot hotel can be approved provided it obtains Conditional Use Authorization.*

7. **Conditional Use Findings.** Planning Code Section 303 establishes criteria for the Planning Commission to consider when reviewing applications for Conditional Use authorization. On balance, the project complies with said criteria in that:

- A. The proposed new uses and building, at the size and intensity contemplated and at the proposed location, will provide a development that is necessary or desirable, and compatible with, the neighborhood or the community.

*The project will replace office space with revenue-generating hotel rooms, while maintaining the ground floor retail component. The size and intensity of the hotel is compatible with the neighborhood, and is desirable, as the area, among the most tourist-rich in the city, is/will be in need of additional hotel rooms. The project does not propose any exterior alterations, if such work were to be proposed in the future it would remain subject to the provisions of Article 10 of the Planning Code.*

- B. The proposed project will not be detrimental to the health, safety, convenience or general welfare of persons residing or working in the vicinity. There are no features of the project that could be detrimental to the health, safety or convenience of those residing or working the area, in that:

- (1) Nature of proposed site, including its size and shape, and the proposed size, shape and arrangement of structures;

*The height and bulk of the existing building will remain the same and will not alter the existing appearance or character of the project vicinity. The proposed work will not affect the building envelope as it is limited to interior alterations and a change of use on floors three through seven.*

- (2) The accessibility and traffic patterns for persons and vehicles, the type and volume of such traffic, and the adequacy of proposed off-street parking and loading;

*The Planning Code does not require parking or loading for a 5,743 square-foot hotel. The proposed use is designed to meet the needs of the immediate neighborhood and should not generate significant amounts of vehicular trips from the immediate neighborhood or citywide. The area is richly served by public transit, and with only 15 guest rooms it is not anticipated that hotel users would diminish pedestrian or vehicular traffic patterns.*

- (3) The safeguards afforded to prevent noxious or offensive emissions such as noise, glare, dust and odor;

*The proposed use is subject to the standard conditions of approval for hotels as outlined in Exhibit A. Condition 7 specifically obligates the project sponsor to appropriate store garbage, composting, and recycling.*

- (4) Treatment given, as appropriate, to such aspects as landscaping, screening, open spaces, parking and loading areas, service areas, lighting and signs;

*No exterior work to the building is proposed as part of the project; if it were to be proposed in the future such work would be subject to the provisions of Article 10 of the Planning Code. Three new Class 2 bicycle parking spaces are intended to be placed on the sidewalk along Columbus Avenue.*

- C. That the use as proposed will comply with the applicable provisions of the Planning Code and will not adversely affect the General Plan.

*The Project complies with all relevant requirements and standards of the Planning Code and is consistent with objectives and policies of the General Plan as detailed below.*

8. **Planning Code Section 303(g).** Planning Code Section 303(g) establishes criteria for the Planning Commission to consider when reviewing applications for hotel projects through the Conditional Use process. On balance, the project complies with said criteria in that:

- A. The impact of the employees of the hotel or motel on the demand in the City for housing, public transit, child-care, and other social services. To the extent relevant, the Commission shall also consider the seasonal or part-time nature of employment in the hotel or motel.

*The Project Sponsor intends to fill the modest number of needed positions through largely local hires, which is anticipated to minimize any negative effects on the demand for housing, public transit, child-*

*care, and other social services. The subject property is well-served by public transit options, in proximity to regional transit options, and is accessible by bicycle and foot. A host of different neighborhoods and their associated amenities are also in the vicinity.*

- B. The measures that will be taken by the project sponsor to employ residents of San Francisco in order to minimize increased demand for regional transportation.

*The Project Sponsor has stated that they intend to largely hire local residents for both the construction and operation of the proposed hotel.*

- C. The market demand for a hotel or motel of the type proposed.

*CBRE, Inc. prepared a market demand study for the proposed hotel on October 30, 2019. The study states that the San Francisco Bay Area is one of the strongest lodging markets in the United States, with occupancy rates approximately 20 points above the national average for each of the past five years (ranging within the low to mid-80s percent range). The report also notes that San Francisco is significantly underserved in regard to hotel room supply, thereby shifting that unmet demand to other regional markets.*

*In light of the date of this hearing, as well as the ongoing global health pandemic, an addendum to this study was completed on May 29, 2020. While citing the uncertainty of the market ahead, the findings in the report anticipate that occupancy levels and overall travel demand will return to 2019 levels by the end of 2023. With the anticipated timing for permitting and construction, the proposed project would likely be completed while this demand is returning.*

9. **General Plan Compliance.** The Project is, on balance, consistent with the following Objectives and Policies of the General Plan:

## **COMMERCE AND INDUSTRY ELEMENT**

### **Objectives and Policies**

#### **OBJECTIVE 1:**

MANAGE ECONOMIC GROWTH AND CHANGE TO ENSURE ENHANCEMENT OF THE TOTAL CITY LIVING AND WORKING ENVIRONMENT.

#### **Policy 1.1**

Encourage development which provides substantial net benefits and minimizes undesirable consequences. Discourage development which has substantial undesirable consequences that cannot be mitigated.

*The Project will affirmatively support this policy by adding additional hotel rooms, creating new jobs and increasing hotel capacity in the city.*

#### **Policy 1.3**

Locate commercial and industrial activities according to a generalized commercial and industrial land use plan.

**OBJECTIVE 2:**

MAINTAIN AND ENHANCE A SOUND AND DIVERSE ECONOMIC BASE AND FISCAL STRUCTURE FOR THE CITY.

**Policy 2.1**

Seek to retain existing commercial and industrial activity and to attract new such activity to the city.

*The Project proposes to provide a new hotel use through converting existing office space, attracting additional income to the city and providing hotel capacity for local businesses in an area composed of some of the most tourism-rich neighborhoods.*

**OBJECTIVE 3:**

PROVIDE EXPANDED EMPLOYMENT OPPORTUNITIES FOR CITY RESIDENTS, PARTICULARLY THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED.

**Policy 3.1**

Promote the attraction, retention and expansion of commercial and industrial firms which provide employment opportunities for unskilled and semi-skilled workers.

**Policy 3.2**

Promote measures designed to increase the number of San Francisco jobs held by San Francisco residents.

*The Project will promote these policies as it will create job opportunities for unskilled and semi-skilled workers during both construction and operation. The Project Sponsor intends to hire local residents.*

**OBJECTIVE 6:**

MAINTAIN AND STRENGTHEN VIABLE NEIGHBORHOOD COMMERCIAL AREAS EASILY ACCESSIBLE TO CITY RESIDENTS.

**Policy 6.1**

Ensure and encourage the retention and provision of neighborhood-serving goods and services in the city's neighborhood commercial districts, while recognizing and encouraging diversity among the districts.

*The Project would retain an existing ground-floor restaurant (dba Café Zoetrope) while converting upper level office space to a hotel use, thereby enhancing tourism-related retail opportunities.*

**CHINATOWN AREA PLAN**

**HOUSING AND OPEN SPACE**



## Objectives and Policies

### OBJECTIVE 4:

PRESERVE THE URBAN ROLE OF CHINATOWN AS A RESIDENTIAL NEIGHBORHOOD.

#### Policy 4.3

Guide the location of tourist oriented uses away from predominantly residential neighborhood commercial areas.

*The project site is sited away from the predominantly residential areas of Chinatown. It is bounded by Kearny Street, Columbus Avenue, and Jackson Street at the eastern edge of the Chinatown as it variably transitions to the Financial District, North Beach, and Jackson Square.*

## TOURISM

### Objectives and Policies

### OBJECTIVE 5:

RETAIN AND ENHANCE CHINATOWN'S AS A VISITOR ATTRACTION.

#### Policy 5.1

Maintain Grant Avenue as the traditional specialty retailing area.

*Objective 5 states that an estimated third of the estimated 20,000 jobs in Chinatown is related to visitors and tourism is therefore important to the neighborhood. The proposed hotel would bring such visitors to the neighborhood, while being housed within an existing structure at Kearny Street and Columbus Avenue, thereby resulting in no change to the character of Grant Avenue.*

10. **Planning Code Section 101.1(b)** establishes eight priority-planning policies and requires review of permits for consistency with said policies. On balance, the project complies with said policies in that:

- A. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses be enhanced.

*The existing Restaurant use (dba Café Zoetrope) at the ground floor will be retained, with only a minor reduction in its size (approximately 20 square feet) to accommodate the hotel reception area.*

- B. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods.

*The project site possesses a single dwelling unit at the eighth floor, which will be retained.*

- C. That the City's supply of affordable housing be preserved and enhanced,

*Not applicable as the project does not include any increase or reduction of dwelling units.*

- D. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

*The Project Site is served by nearby public transportation options. Prior to reduction in SFMTA service due to the COVID-19 pandemic, the property was richly served by numerous bus lines in immediate proximity, but even now is directly adjacent to a stop for the 12 Folsom/Pacific line. Future guests would be afforded proximity to a bus line. The 15 guest rooms to be provided are also not likely to attract more uses to the building than the previous office use.*

- E. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced.

*The Project does not include commercial office development; indeed, it would remove existing office space.*

- F. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*The Project will be designed and will be constructed to conform to the structural and seismic safety requirements of the Building Code. This proposal will not impact the property's ability to withstand an earthquake.*

- G. That landmarks and historic buildings be preserved.

*No work is proposed to the exterior of the subject landmark building. If such work were to be proposed in the future it would be subject to the provisions of Article 10 of the Planning Code.*

- H. That our parks and open space and their access to sunlight and vistas be protected from development.

*There is no change proposed to the exterior or envelope of the building. No parks or open spaces would be affected.*

11. The Project is consistent with and would promote the general and specific purposes of the Code provided under Section 101.1(b) in that, as designed, the Project would contribute to the character and stability of the neighborhood and would constitute a beneficial development.
12. The Commission hereby finds that approval of the Conditional Use Authorization would promote the health, safety and welfare of the City.

## DECISION

That based upon the Record, the submissions by the Applicant, the staff of the Department and other interested parties, the oral testimony presented to this Commission at the public hearings, and all other written materials submitted by all parties, the Commission hereby **APPROVES Conditional Use Authorization Application No. 2019-019722CUA** subject to the following conditions attached hereto as "EXHIBIT A" in general conformance with plans on file, dated September 12, 2019 and stamped "EXHIBIT B", which is incorporated herein by reference as though fully set forth.

**APPEAL AND EFFECTIVE DATE OF MOTION:** Any aggrieved person may appeal this Conditional Use Authorization to the Board of Supervisors within thirty (30) days after the date of this Motion. The effective date of this Motion shall be the date of this Motion if not appealed (after the 30-day period has expired) OR the date of the decision of the Board of Supervisors if appealed to the Board of Supervisors. For further information, please contact the Board of Supervisors at (415) 554-5184, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

**Protest of Fee or Exaction:** You may protest any fee or exaction subject to Government Code Section 66000 that is imposed as a condition of approval by following the procedures set forth in Government Code Section 66020. The protest must satisfy the requirements of Government Code Section 66020(a) and must be filed within 90 days of the date of the first approval or conditional approval of the development referencing the challenged fee or exaction. For purposes of Government Code Section 66020, the date of imposition of the fee shall be the date of the earliest discretionary approval by the City of the subject development.

If the City has not previously given Notice of an earlier discretionary approval of the project, the Planning Commission's adoption of this Motion, Resolution, Discretionary Review Action or the Zoning Administrator's Variance Decision Letter constitutes the approval or conditional approval of the development and the City hereby gives **NOTICE** that the 90-day protest period under Government Code Section 66020 has begun. If the City has already given Notice that the 90-day approval period has begun for the subject development, then this document does not re-commence the 90-day approval period.

I hereby certify that the Planning Commission ADOPTED the foregoing Motion on July 30, 2020.

Jonas P. Ionin  
Commission Secretary

AYES:

NAYS:

ABSENT:

ADOPTED: July 30, 2020

## EXHIBIT A

### AUTHORIZATION

This authorization is for a conditional use to allow a hotel use on floor three through seven of the property located at 916 Kearny Street, Block 0176, and Lot 013 pursuant to Planning Code Section(s) 121.4, 303, and 810 within the CCB (Chinatown-Community Business) Zoning District and a 65-N Height and Bulk District; in general conformance with plans, dated September 12, 2019 and stamped "EXHIBIT B" included in the docket for Record No. 2019-019722CUA and subject to conditions of approval reviewed and approved by the Commission on July 30, 2020 under Motion No. XXXXXX. This authorization and the conditions contained herein run with the property and not with a particular Project Sponsor, business, or operator.

### RECORDATION OF CONDITIONS OF APPROVAL

Prior to the issuance of the building permit or commencement of use for the Project the Zoning Administrator shall approve and order the recordation of a Notice in the Official Records of the Recorder of the City and County of San Francisco for the subject property. This Notice shall state that the project is subject to the conditions of approval contained herein and reviewed and approved by the Planning Commission on July 30, 2020 under Motion No. XXXXXX.

### PRINTING OF CONDITIONS OF APPROVAL ON PLANS

The conditions of approval under the 'Exhibit A' of this Planning Commission Motion No. XXXXXX shall be reproduced on the Index Sheet of construction plans submitted with the site or building permit application for the Project. The Index Sheet of the construction plans shall reference to the Conditional Use authorization and any subsequent amendments or modifications.

### SEVERABILITY

The Project shall comply with all applicable City codes and requirements. If any clause, sentence, section or any part of these conditions of approval is for any reason held to be invalid, such invalidity shall not affect or impair other remaining clauses, sentences, or sections of these conditions. This decision conveys no right to construct, or to receive a building permit. "Project Sponsor" shall include any subsequent responsible party.

### CHANGES AND MODIFICATIONS

Changes to the approved plans may be approved administratively by the Zoning Administrator. Significant changes and modifications of conditions shall require Planning Commission approval of a new Conditional Use authorization.

## Conditions of Approval, Compliance, Monitoring, and Reporting

### PERFORMANCE

1. **Validity.** The authorization and right vested by virtue of this action is valid for three (3) years from the effective date of the Motion. The Department of Building Inspection shall have issued a Building Permit or Site Permit to construct the project and/or commence the approved use within this three-year period.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

2. **Expiration and Renewal.** Should a Building or Site Permit be sought after the three (3) year period has lapsed, the project sponsor must seek a renewal of this Authorization by filing an application for an amendment to the original Authorization or a new application for Authorization. Should the project sponsor decline to so file, and decline to withdraw the permit application, the Commission shall conduct a public hearing in order to consider the revocation of the Authorization. Should the Commission not revoke the Authorization following the closure of the public hearing, the Commission shall determine the extension of time for the continued validity of the Authorization.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

3. **Diligent Pursuit.** Once a site or Building Permit has been issued, construction must commence within the timeframe required by the Department of Building Inspection and be continued diligently to completion. Failure to do so shall be grounds for the Commission to consider revoking the approval if more than three (3) years have passed since this Authorization was approved.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

4. **Extension.** All time limits in the preceding three paragraphs may be extended at the discretion of the Zoning Administrator where implementation of the project is delayed by a public agency, an appeal or a legal challenge and only by the length of time for which such public agency, appeal or challenge has caused delay.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

5. **Conformity with Current Law.** No application for Building Permit, Site Permit, or other entitlement shall be approved unless it complies with all applicable provisions of City Codes in effect at the time of such approval.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

## DESIGN – COMPLIANCE AT PLAN STAGE

6. **Final Materials.** The Project Sponsor shall continue to work with Planning Department on the building design. Final materials, glazing, color, texture, landscaping, and detailing shall be subject to Department staff review and approval. The architectural addenda shall be reviewed and approved by the Planning Department prior to issuance.

*For information about compliance, contact the Case Planner, Planning Department at 415-558-6378, [www.sf-planning.org](http://www.sf-planning.org)*

7. **Garbage, Composting and Recycling Storage.** Space for the collection and storage of garbage, composting, and recycling shall be provided within enclosed areas on the property and clearly labeled and illustrated on the building permit plans. Space for the collection and storage of recyclable and compostable materials that meets the size, location, accessibility and other standards specified by the San Francisco Recycling Program shall be provided at the ground level of the buildings.

*For information about compliance, contact the Case Planner, Planning Department at 415-558-6378, [www.sf-planning.org](http://www.sf-planning.org)*

8. **Rooftop Mechanical Equipment.** Pursuant to Planning Code 141, the Project Sponsor shall submit a roof plan to the Planning Department prior to Planning approval of the building permit application. Rooftop mechanical equipment, if any is proposed as part of the Project, is required to be screened so as not to be visible from any point at or below the roof level of the subject building.

*For information about compliance, contact the Case Planner, Planning Department at 415-558-6378, [www.sf-planning.org](http://www.sf-planning.org)*

## PARKING AND TRAFFIC

9. **Managing Traffic During Construction.** The Project Sponsor and construction contractor(s) shall coordinate with the Traffic Engineering and Transit Divisions of the San Francisco Municipal Transportation Agency (SFMTA), the Police Department, the Fire Department, the Planning Department, and other construction contractor(s) for any concurrent nearby Projects to manage traffic congestion and pedestrian circulation effects during construction of the Project.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

## MONITORING - AFTER ENTITLEMENT

10. **Enforcement.** Violation of any of the Planning Department conditions of approval contained in this Motion or of any other provisions of Planning Code applicable to this Project shall be subject to the enforcement procedures and administrative penalties set forth under Planning Code Section 176 or Section 176.1. The Planning Department may also refer the violation complaints to other city departments and agencies for appropriate enforcement action under their jurisdiction.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

11. **Revocation due to Violation of Conditions.** Should implementation of this Project result in complaints from interested property owners, residents, or commercial lessees which are not

resolved by the Project Sponsor and found to be in violation of the Planning Code and/or the specific conditions of approval for the Project as set forth in Exhibit A of this Motion, the Zoning Administrator shall refer such complaints to the Commission, after which it may hold a public hearing on the matter to consider revocation of this authorization.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*

## OPERATION

12. **Sidewalk Maintenance.** The Project Sponsor shall maintain the main entrance to the building and all sidewalks abutting the subject property in a clean and sanitary condition in compliance with the Department of Public Works Streets and Sidewalk Maintenance Standards.

*For information about compliance, contact Bureau of Street Use and Mapping, Department of Public Works, 415-695-2017, <http://sfdpw.org>*

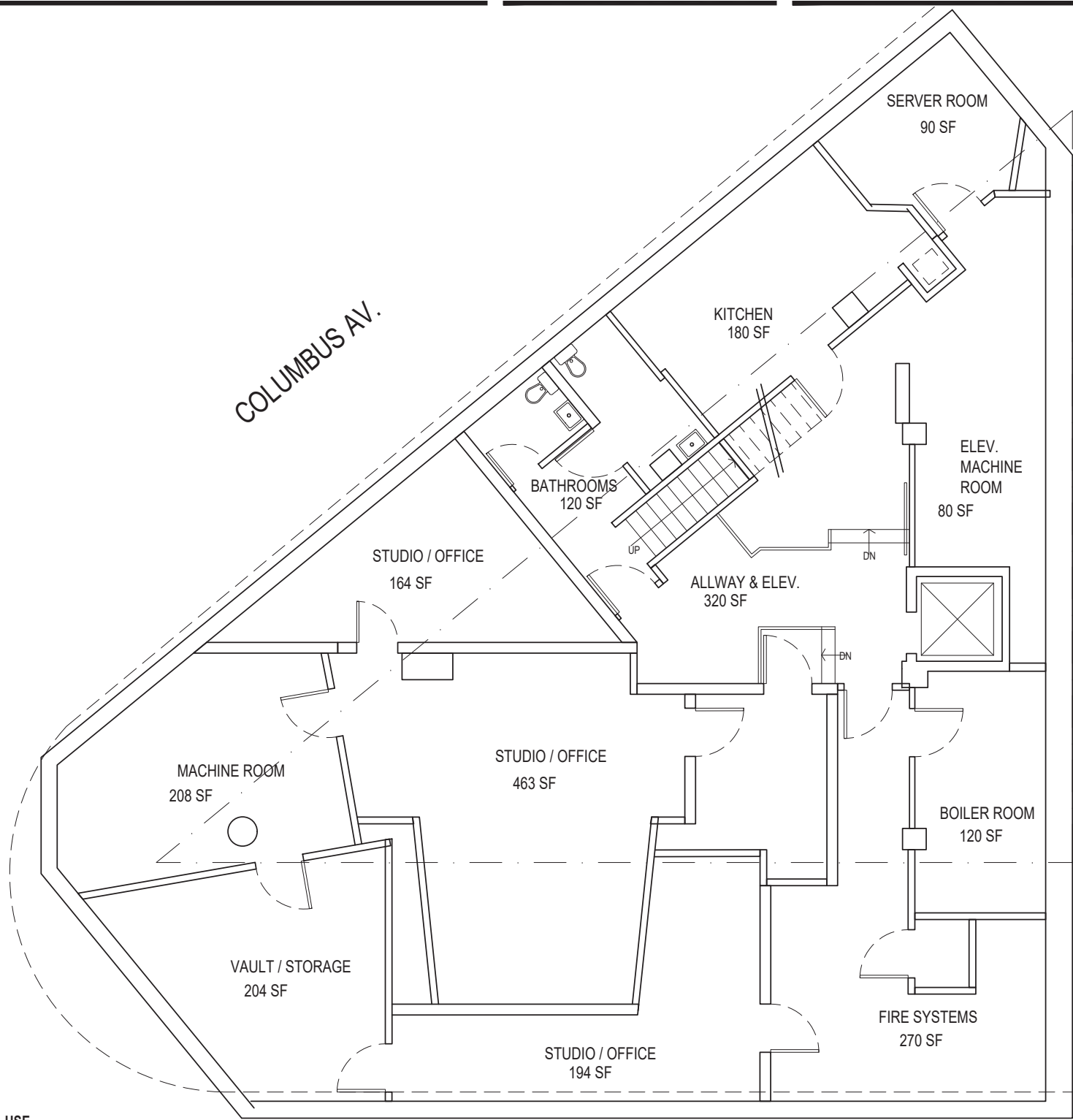
13. **Community Liaison.** Prior to issuance of a building permit to construct the project and implement the approved use, the Project Sponsor shall appoint a community liaison officer to deal with the issues of concern to owners and occupants of nearby properties. The Project Sponsor shall provide the Zoning Administrator and all registered neighborhood groups for the area with written notice of the name, business address, and telephone number of the community liaison. Should the contact information change, the Zoning Administrator and registered neighborhood groups shall be made aware of such change. The community liaison shall report to the Zoning Administrator what issues, if any, are of concern to the community and what issues have not been resolved by the Project Sponsor.

*For information about compliance, contact Code Enforcement, Planning Department at 415-575-6863, [www.sf-planning.org](http://www.sf-planning.org)*









BASEMENT		
ROOM	AREA	USE
STUDIO / OFFICE	463SF	OFFICE
STUDIO / OFFICE	194SF	OFFICE
STUDIO / OFFICE	164SF	OFFICE
ALLWAY & ELEVATOR	320SF	OFFICE
TOTAL GSF	1141SF	
BATHROOMS	120SF	RETAIL
KITCHEN	180SF	RETAIL
TOTAL GSF	300SF	
VAULT / STORAGE	204SF	
FIRE SYSTEM	270SF	
BOILER ROOM	120SF	
MACHINE ROOM	208SF	
SERVER ROOM	90SF	

EXISTING BASEMENT FLOOR PLAN -- NO CHANGE OF USE

SCALE: 1/4"

SENTINEL  
BUILDING  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature

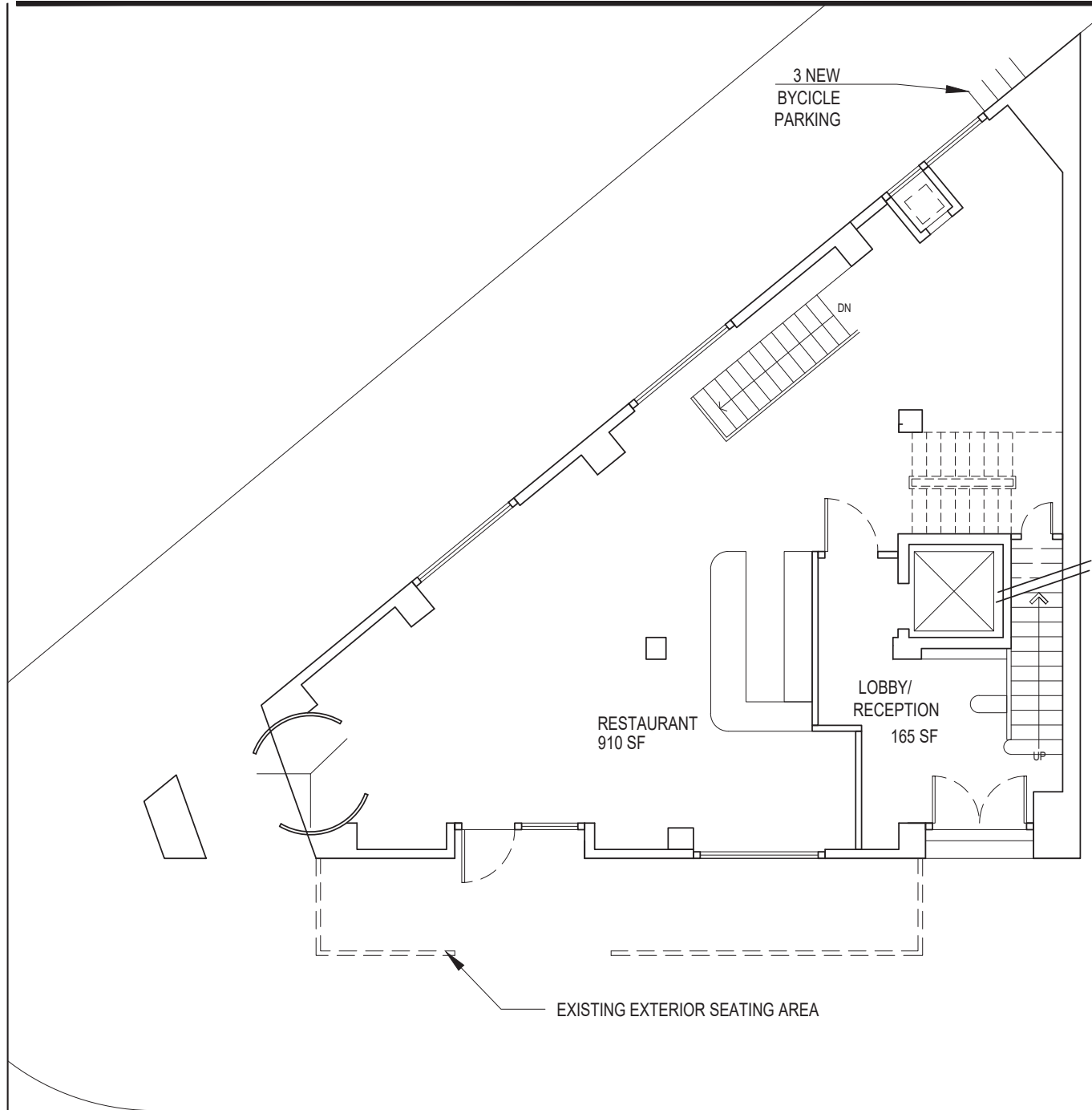


Project Name  
FFC SENTINEL BUILDING

Project Number  
FFC-SENT  
CAD File Name

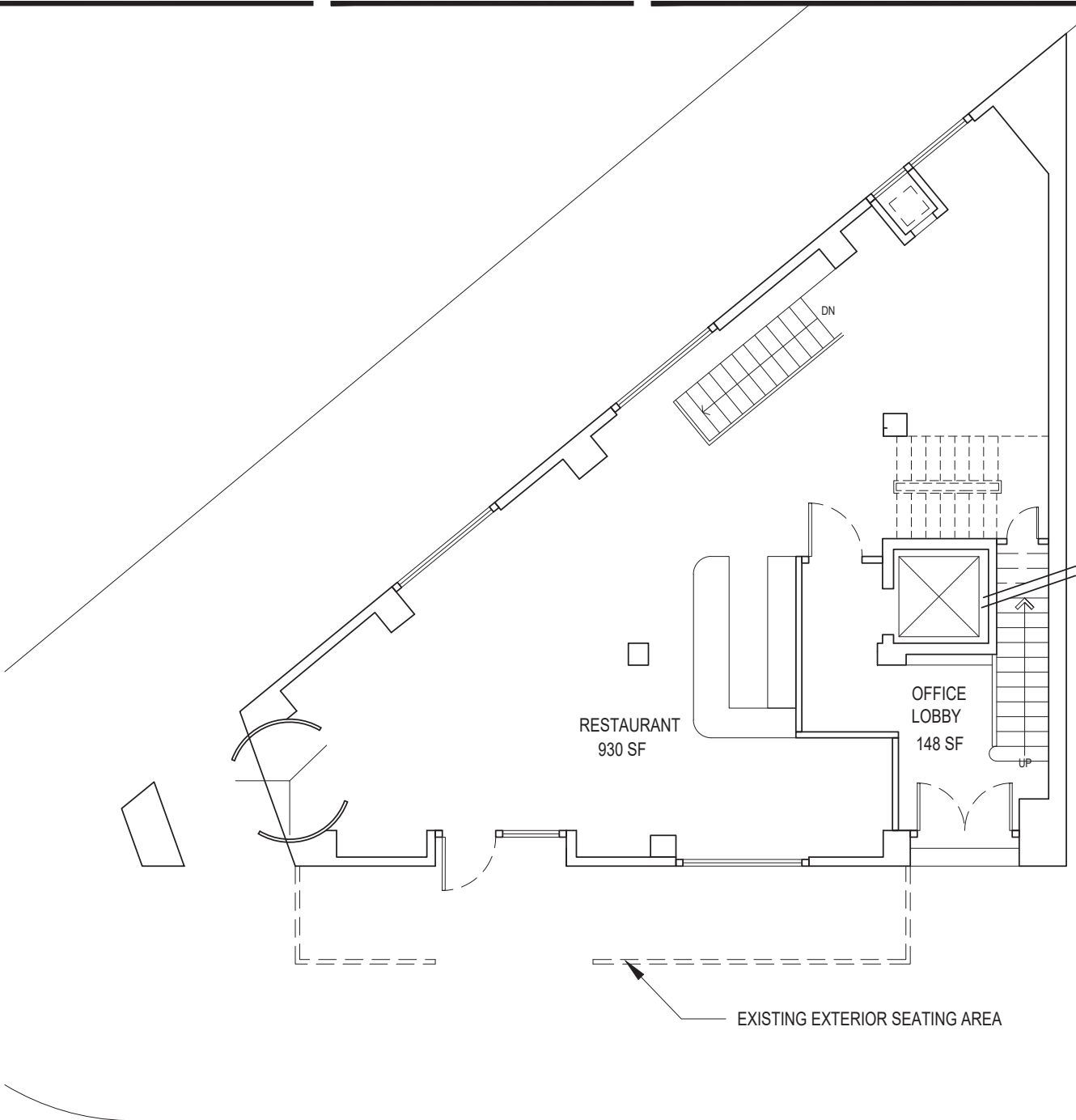
Description BASEMENT PLAN

Scale AS NOTED



**PROPOSED 1ST FLOOR**  
SCALE: 1/4"

1ST FLOOR		
ROOM	AREA	USE
RESTAURANT	910SF	RETAIL
TOTAL GSF	910SF	
HOTEL LOBBY & ELEVATOR	168SF	HOTEL
TOTAL GSF	168SF	



**EXISTING 1ST FLOOR**  
SCALE: 1/4"

1ST FLOOR		
ROOM	AREA	USE
RESTAURANT	930SF	RETAIL
TOTAL GSF	930SF	
OFFICE LOBBY & ELEVATOR	148SF	OFFICE
TOTAL GSF	148SF	

**SENTINEL  
BUILDING**  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature

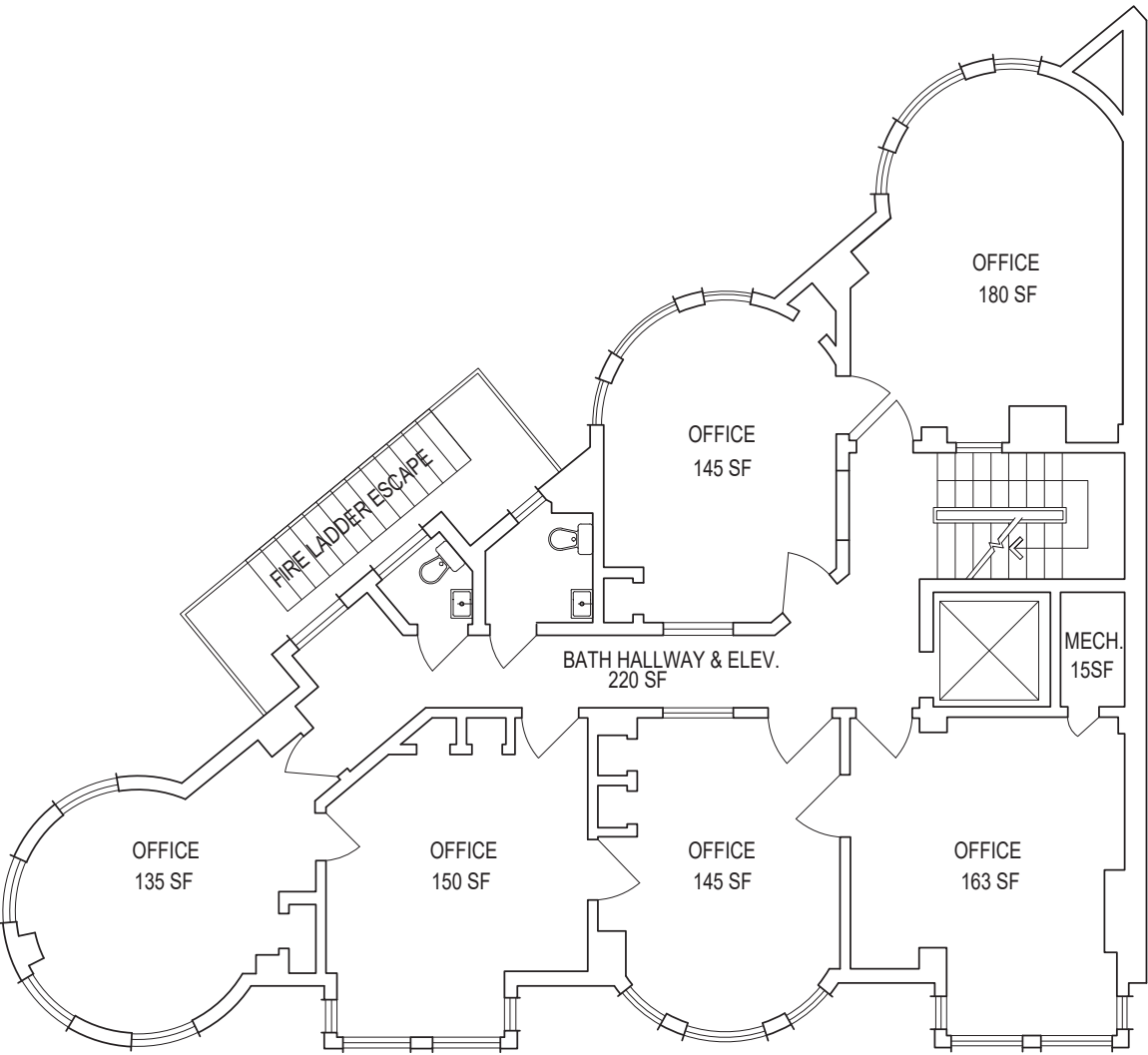


Project Name  
FFC SENTINEL BUILDING

Project Number  
FFC-SENT  
CAD File Name

Description 1ST FLOOR PLAN

Scale AS NOTED



**EXISTING 2ND FLOOR --- NO CHANGE OF USE**

SCALE: 1/4"

3RD FLOOR TO 6TH FLOOR

ROOM	AREA	USE
BATH HALLWAY & ELEVATOR	220SF	OFFICE
OFFICE	163SF	OFFICE
OFFICE	145SF	OFFICE
OFFICE	150SF	OFFICE
OFFICE	135SF	OFFICE
OFFICE	180SF	OFFICE
OFFICE	145SF	OFFICE
TOTAL GSF	1138SF	
MECHANICAL	15SF	

SENTINEL  
BUILDING  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature



Project Name

FFC SENTINEL BUILDING

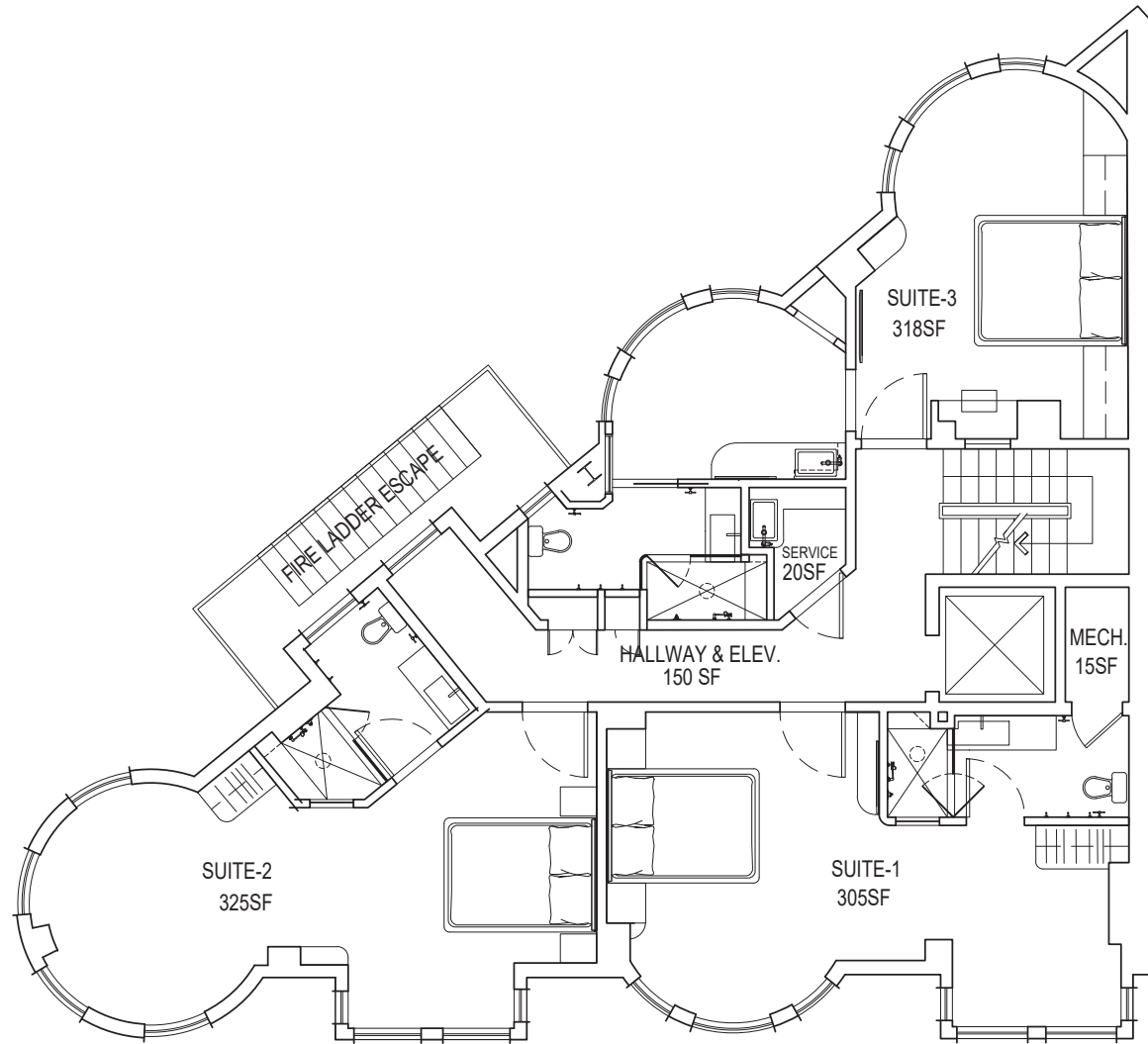
Project Number

FFC-SENT

CAD File Name

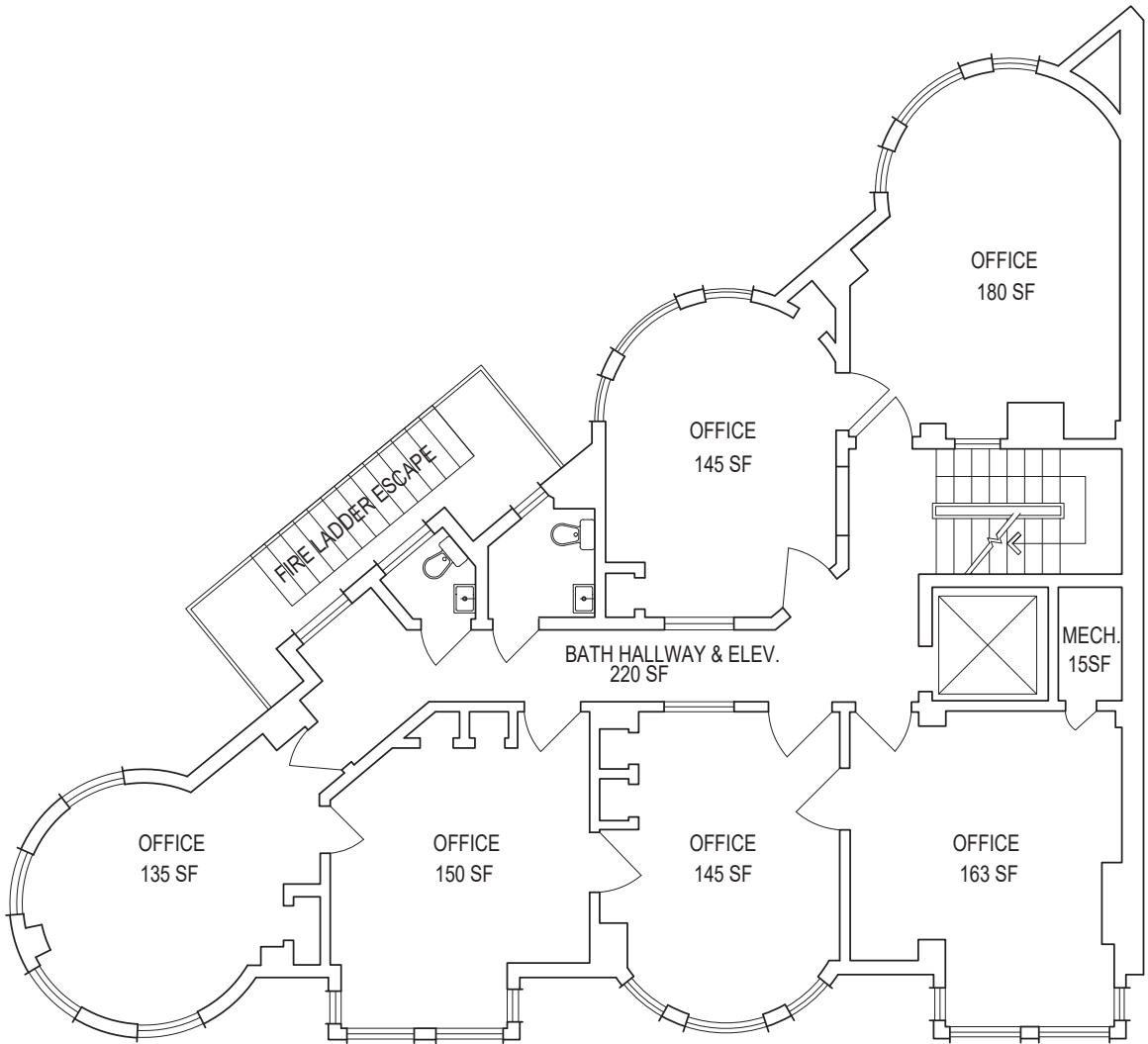
Description 2ND FLOOR PLAN

Scale AS NOTED



PROPOSED 3RD FLOOR TO 6TH FLOOR  
SCALE: 1/4"

3RD FLOOR TO 6TH FLOOR		
ROOM	AREA	USE
HALLWAY & ELEVATOR	170SF	HOTEL
SERVICE	20SF	HOTEL
SUITE 1	305SF	HOTEL
SUITE 2	325SF	HOTEL
SUITE 3	318SF	HOTEL
TOTAL GSF	1138SF	
MECHANICAL	15SF	



EXISTING 3RD FLOOR TO 6TH FLOOR  
SCALE: 1/4"

3RD FLOOR TO 6TH FLOOR		
ROOM	AREA	USE
BATH HALLWAY & ELEVATOR	220SF	OFFICE
OFFICE	163SF	OFFICE
OFFICE	145SF	OFFICE
OFFICE	150SF	OFFICE
OFFICE	135SF	OFFICE
OFFICE	180SF	OFFICE
OFFICE	145SF	OFFICE
TOTAL GSF	1138SF	
MECHANICAL	15SF	

SENTINEL  
BUILDING  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature

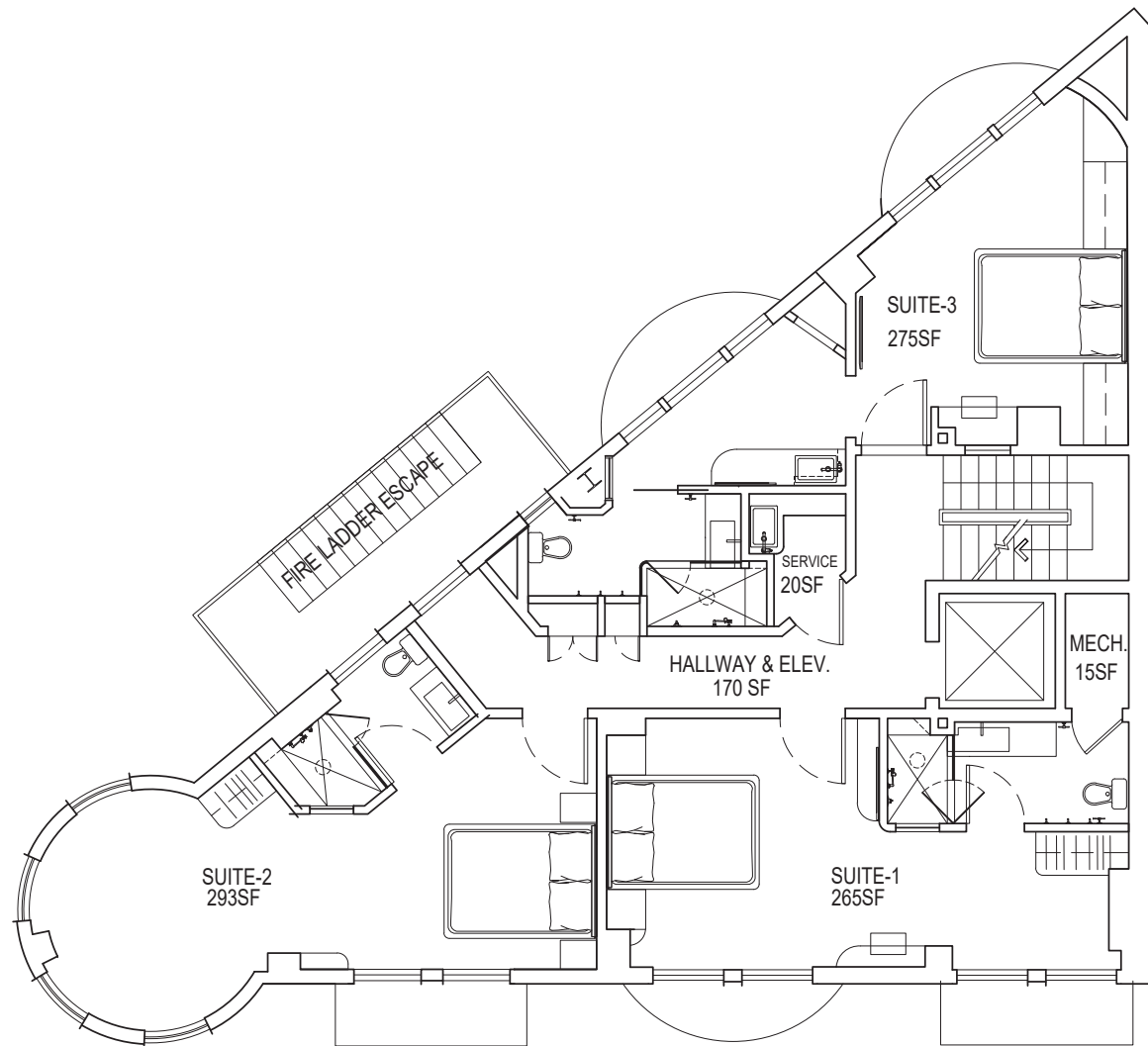


Project Name  
FFC SENTINEL BUILDING

Project Number  
FFC-SENT  
CAD File Name

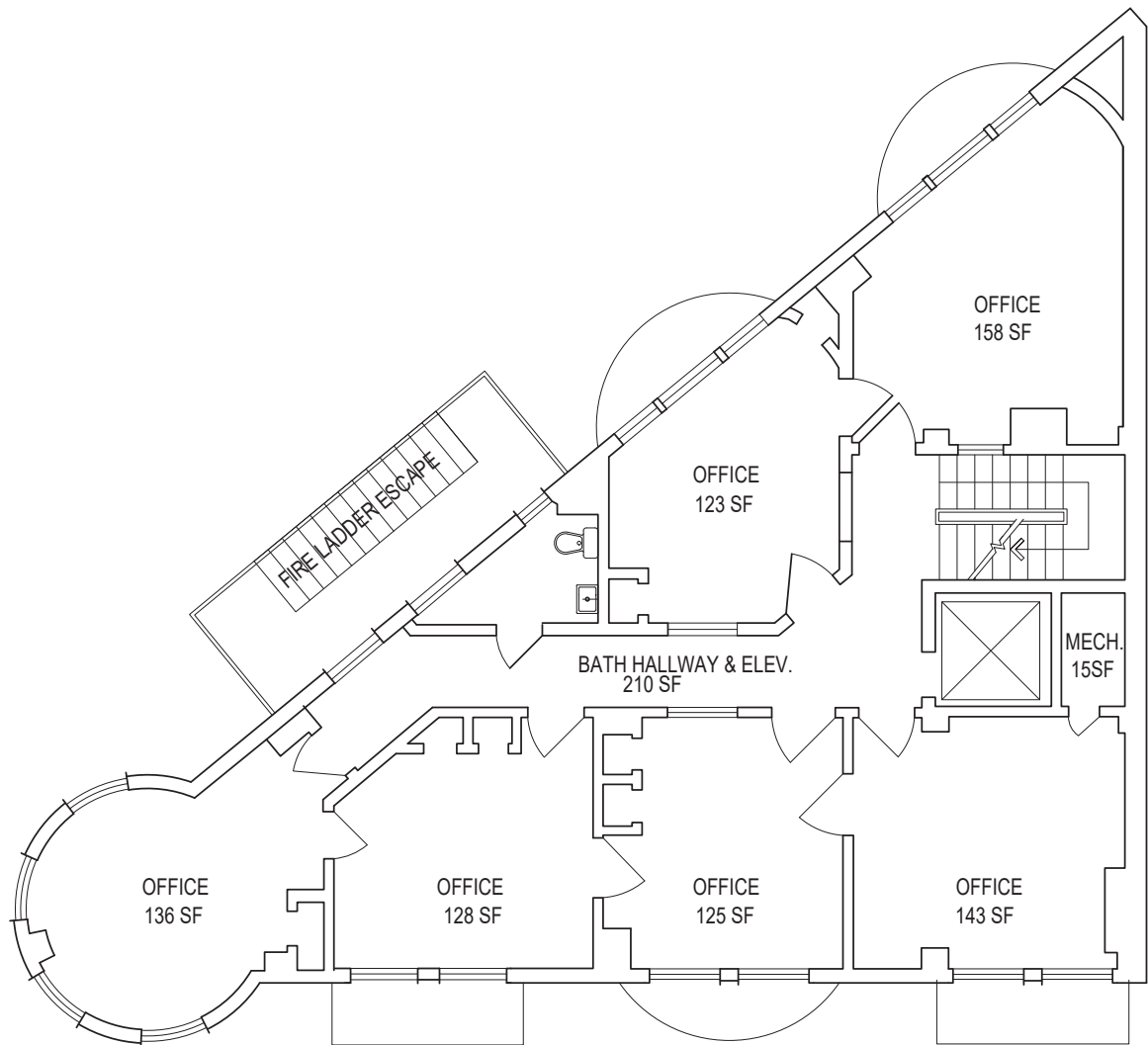
Description 3RD - 6TH FLOOR PLANS

Scale AS NOTED



PROPOSED 7TH FLOOR  
SCALE: 1/4"

7TH FLOOR		
ROOM	AREA	USE
HALLWAY & ELEVATOR	170SF	HOTEL
SERVICE	20SF	HOTEL
SUITE 1	265SF	HOTEL
SUITE 2	293SF	HOTEL
SUITE 3	275SF	HOTEL
TOTAL GSF	1023SF	
MECHANICAL	15SF	



EXISTING 7TH FLOOR  
SCALE: 1/4"

7TH FLOOR		
ROOM	AREA	USE
BATH HALLWAY & ELEVATOR	210SF	OFFICE
OFFICE	143SF	OFFICE
OFFICE	125SF	OFFICE
OFFICE	128SF	OFFICE
OFFICE	136SF	OFFICE
OFFICE	158SF	OFFICE
OFFICE	123SF	OFFICE
TOTAL GSF	1023SF	
MECHANICAL	15SF	

SENTINEL  
BUILDING  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature



Project Name

FFC SENTINEL BUILDING

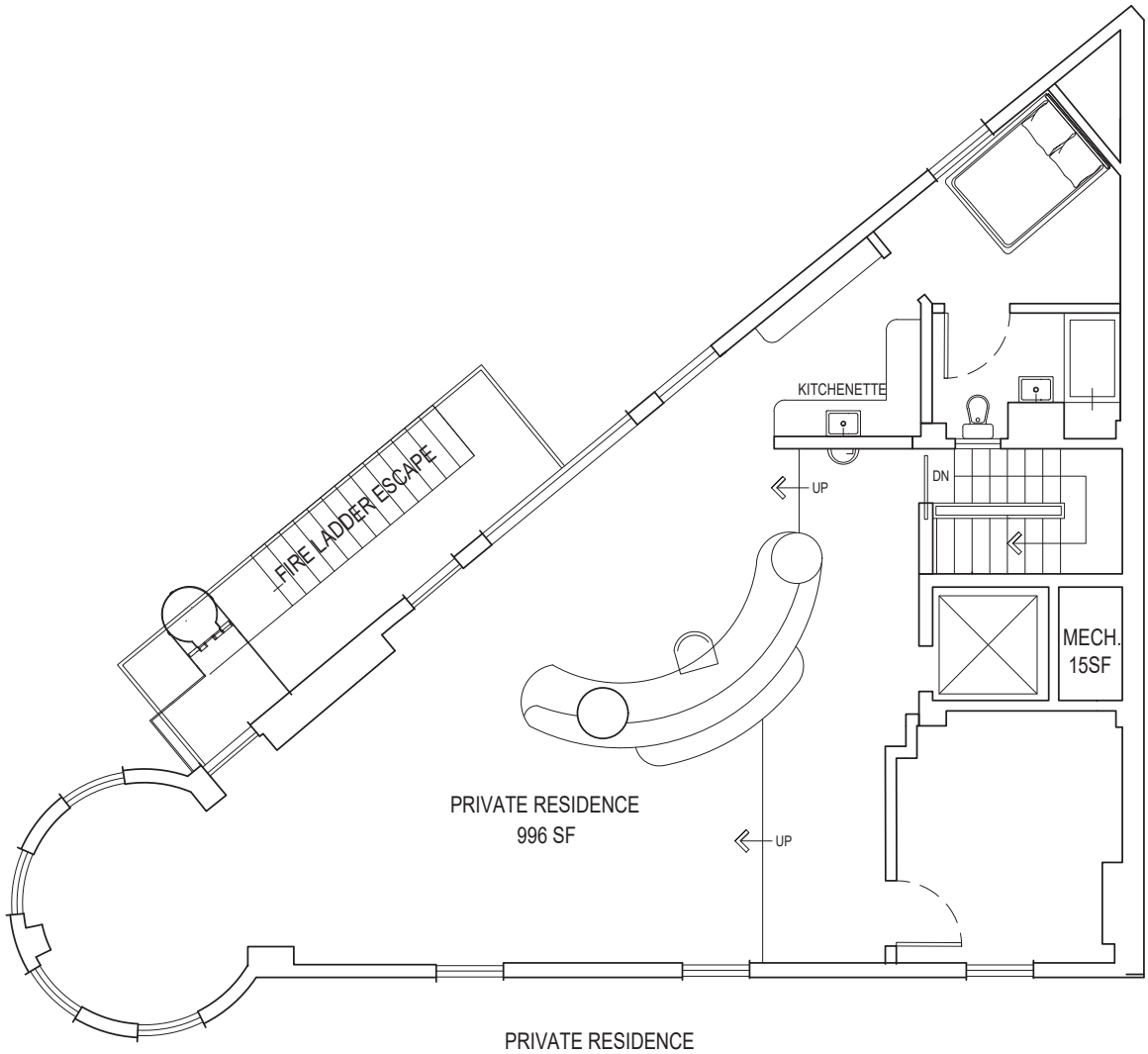
Project Number

FFC-SENT

CAD File Name

Description 7TH FLOOR PLAN

Scale AS NOTED



EXISTING 8TH FLOOR (PENTHOUSE) --- NO CHANGE OF USE

SCALE: 1/4"

8TH FLOOR - PENTHOUSE

ROOM	AREA	USE
ELEVATOR	40SF	RESIDENCE
PRIVATE RESIDENCE	996SF	RESIDENCE
TOTAL GSF	1036SF	
MECHANICAL	15SF	

SENTINEL  
BUILDING  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature



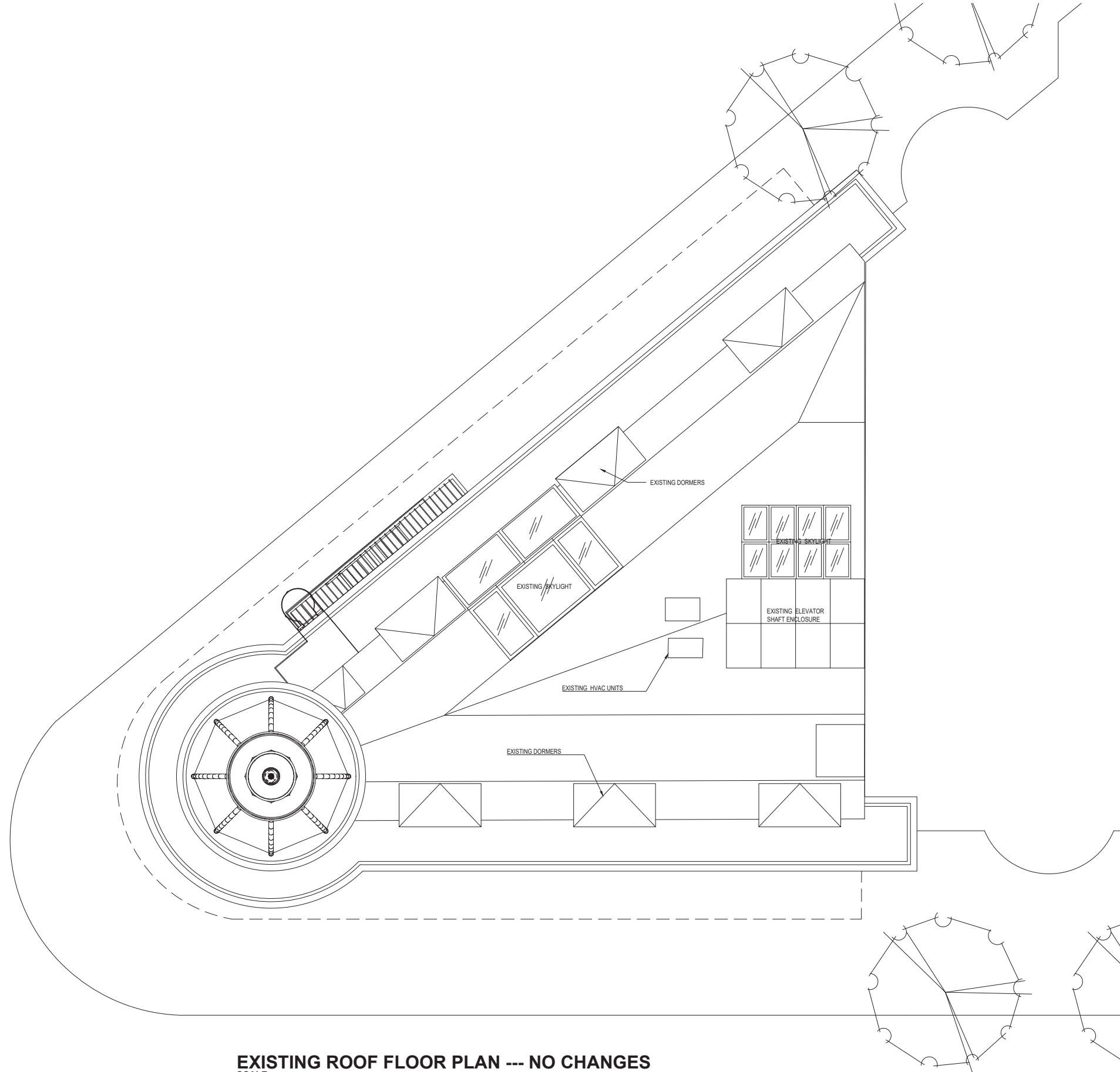
Project Name  
FFC SENTINEL BUILDING

Project Number

FFC-SENT  
CAD File Name

Description  
8TH FLOOR PLAN

Scale  
AS NOTED



EXISTING ROOF FLOOR PLAN --- NO CHANGES  
SCALE: 1/4"

**SENTINEL  
BUILDING**  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature



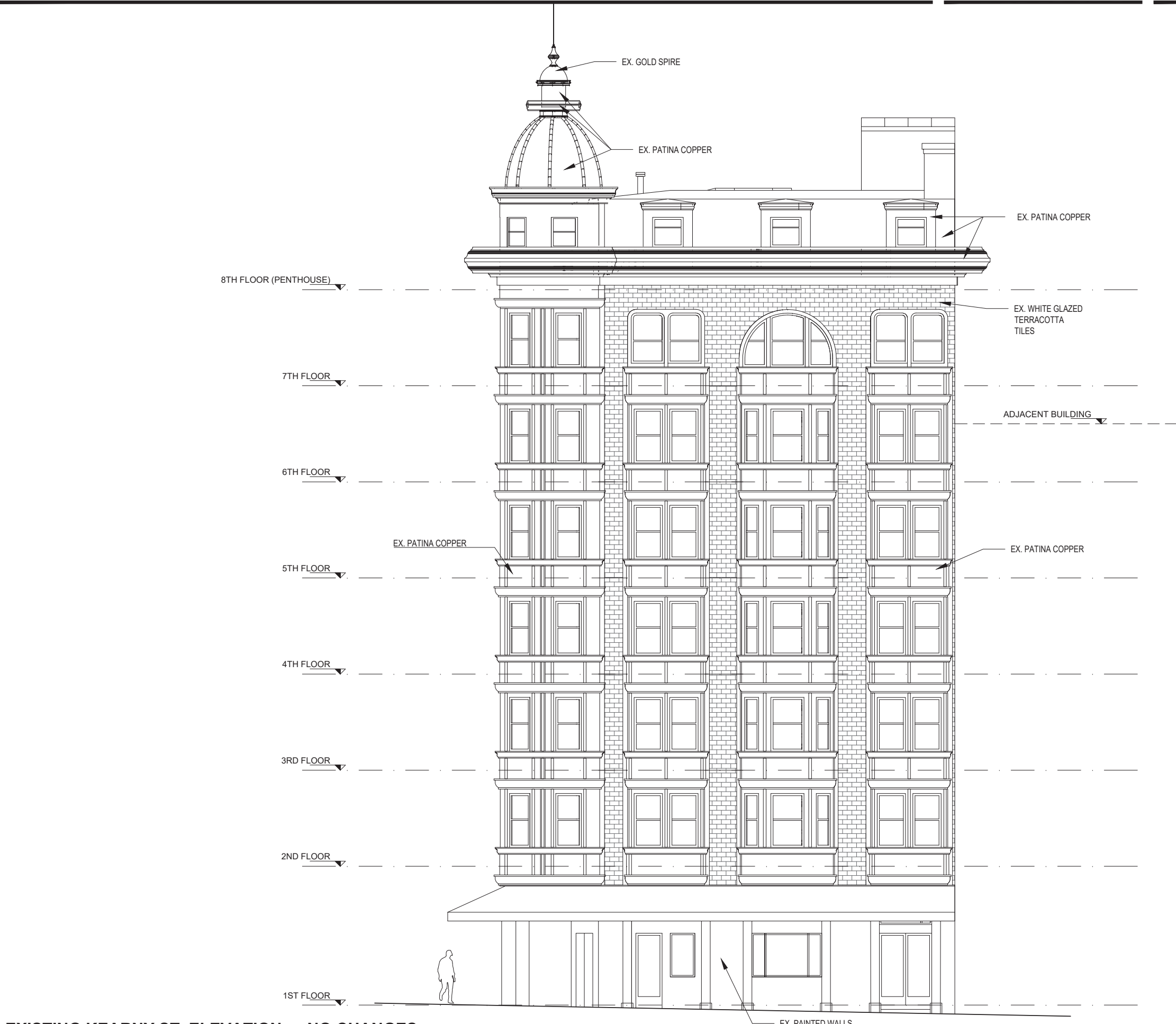
Project Name  
FFC SENTINEL BUILDING

Project Number  
FFC-SENT

CAD File Name

Description  
ROOF PLAN

Scale  
AS NOTED



EXISTING KEARNY ST. ELEVATION --- NO CHANGES  
SCALE: 3/16"

SENTINEL  
BUILDING  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature



Project Name  
FFC SENTINEL BUILDING

Project Number

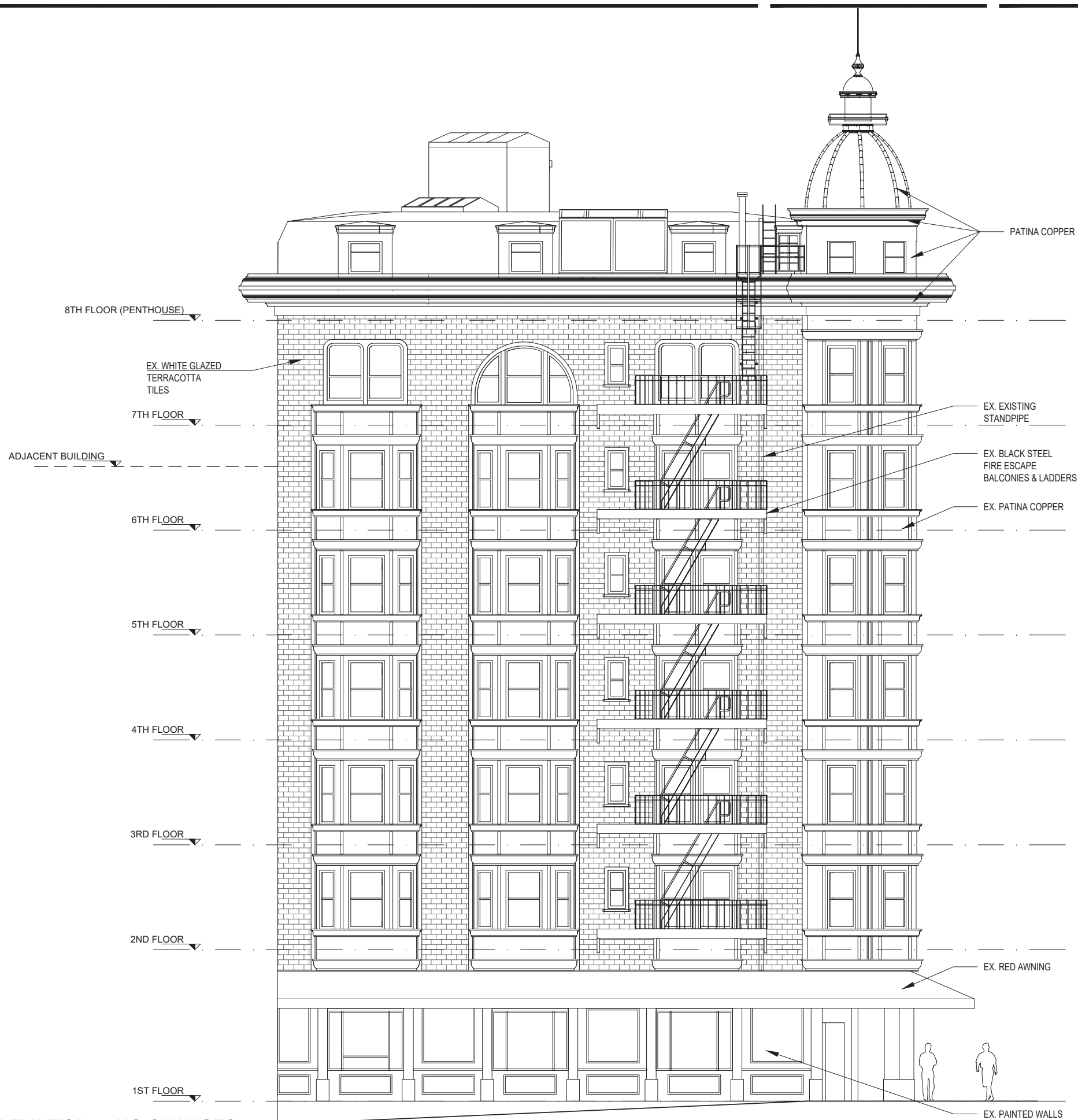
FFC-SENT  
CAD File Name

Description  
BUILDING ELEVATION

Scale  
AS NOTED

A-7





EXISTING COLUMBUS AVE. ELEVATION --- NO CHANGES  
SCALE: 3/16"

**SENTINEL  
BUILDING**  
SAN FRANCISCO  
CHANGE OF USE

Issue	Date & Issue Description	By	Check
	08.14.2019	gs	mp
	08.26.2019	gs	mp
	09.12.2019	gs	mp

Seal/Signature



Project Name  
FFC SENTINEL BUILDING

Project Number  
FFC-SENT  
CAD File Name

Description  
BUILDING ELEVATION

Scale  
AS NOTED

**A-8**



# SAN FRANCISCO PLANNING DEPARTMENT

**EXHIBIT  
C**

## CEQA Categorical Exemption Determination

### PROPERTY INFORMATION/PROJECT DESCRIPTION

<b>Project Address</b>		<b>Block/Lot(s)</b>
916 KEARNY ST		0176013
<b>Case No.</b>		<b>Permit No.</b>
2019-019722PRJ		
<input checked="" type="checkbox"/> <b>Addition/ Alteration</b>	<input type="checkbox"/> <b>Demolition (requires HRE for Category B Building)</b>	<input type="checkbox"/> <b>New Construction</b>
<b>Project description for Planning Department approval.</b> 916 Kearny Street (the "Property"), also known as the Columbus Tower/Sentinel Building (Landmark #33), contains an existing eight-story historic building in the Chinatown-Community Business zoning district. Currently, the basement and second through seventh floors of the building are used as office. The ground floor includes a restaurant and lobby, and the eighth floor is a private residence. The Project proposes a change of use on floors 3 through 7 of the Property from office to hotel to create a new 5,743-square foot tourist hotel with 15 guest rooms. The Project would also include minor ground floor improvements to accommodate the hotel lobby and reception space. No changes are proposed to the basement, the ground floor restaurant, or the second and eighth floors. No changes are proposed to the exterior of the Property. To allow for continuous retail frontage at the ground floor, no off-street parking will be provided.		

### STEP 1: EXEMPTION CLASS

<b>The project has been determined to be categorically exempt under the California Environmental Quality Act (CEQA).</b>	
<input checked="" type="checkbox"/>	<b>Class 1 - Existing Facilities.</b> Interior and exterior alterations; additions under 10,000 sq. ft.
<input checked="" type="checkbox"/>	<b>Class 3 - New Construction.</b> Up to three new single-family residences or six dwelling units in one building; commercial/office structures; utility extensions; change of use under 10,000 sq. ft. if principally permitted or with a CU.
<input type="checkbox"/>	<b>Class 32 - In-Fill Development.</b> New Construction of seven or more units or additions greater than 10,000 sq. ft. and meets the conditions described below: (a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations. (b) The proposed development occurs within city limits on a project site of no more than 5 acres substantially surrounded by urban uses. (c) The project site has no value as habitat for endangered rare or threatened species. (d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality. (e) The site can be adequately served by all required utilities and public services. <b>FOR ENVIRONMENTAL PLANNING USE ONLY</b>
<input type="checkbox"/>	<b>Class ____</b>

## STEP 2: CEQA IMPACTS

### TO BE COMPLETED BY PROJECT PLANNER

<input type="checkbox"/>	<b>Air Quality:</b> Would the project add new sensitive receptors (specifically, schools, day care facilities, hospitals, residential dwellings, and senior-care facilities within an Air Pollution Exposure Zone? Does the project have the potential to emit substantial pollutant concentrations (e.g., backup diesel generators, heavy industry, diesel trucks, etc.)? (refer to EP_ArcMap > CEQA Catex Determination Layers > Air Pollution Exposure Zone)
<input type="checkbox"/>	<b>Hazardous Materials:</b> If the project site is located on the Maher map or is suspected of containing hazardous materials (based on a previous use such as gas station, auto repair, dry cleaners, or heavy manufacturing, or a site with underground storage tanks): Would the project involve 50 cubic yards or more of soil disturbance - or a change of use from industrial to residential? <b>Note that a categorical exemption shall not be issued for a project located on the Cortese List if the applicant presents documentation of enrollment in the San Francisco Department of Public Health (DPH) Maher program, a DPH waiver from the Maher program, or other documentation from Environmental Planning staff that hazardous material effects would be less than significant (refer to EP_ArcMap &gt; Maher layer).</b>
<input type="checkbox"/>	<b>Transportation:</b> Does the project involve a child care facility or school with 30 or more students, or a location 1,500 sq. ft. or greater? Does the project have the potential to adversely affect transit, pedestrian and/or bicycle safety (hazards) or the adequacy of nearby transit, pedestrian and/or bicycle facilities?
<input type="checkbox"/>	<b>Archeological Resources:</b> Would the project result in soil disturbance/modification greater than two (2) feet below grade in an archeological sensitive area or eight (8) feet in a non -archeological sensitive area? If yes, archeo review is required (refer to EP_ArcMap > CEQA Catex Determination Layers > Archeological Sensitive Area)
<input type="checkbox"/>	<b>Subdivision/Lot Line Adjustment:</b> Does the project site involve a subdivision or lot line adjustment on a lot with a slope average of 20% or more? (refer to EP_ArcMap > CEQA Catex Determination Layers > Topography). If yes, Environmental Planning must issue the exemption.
<input type="checkbox"/>	<b>Slope = or &gt; 25%:</b> Does the project involve any of the following: (1) square footage expansion greater than 500 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap > CEQA Catex Determination Layers > Topography) <b>If box is checked, a geotechnical report is required and Environmental Planning must issue the exemption.</b>
<input type="checkbox"/>	<b>Seismic: Landslide Zone:</b> Does the project involve any of the following: (1) square footage expansion greater than 500 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap > CEQA Catex Determination Layers > Seismic Hazard Zones) <b>If box is checked, a geotechnical report is required and Environmental Planning must issue the exemption.</b>
<input type="checkbox"/>	<b>Seismic: Liquefaction Zone:</b> Does the project involve any of the following: (1) square footage expansion greater than 500 sq. ft. outside of the existing building footprint, (2) excavation of 50 cubic yards or more of soil, (3) new construction? (refer to EP_ArcMap > CEQA Catex Determination Layers > Seismic Hazard Zones) <b>If box is checked, a geotechnical report will likely be required and Environmental Planning must issue the exemption.</b>
<b>Comments and Planner Signature (optional):</b> Jonathan Vimr	

**STEP 3: PROPERTY STATUS - HISTORIC RESOURCE**  
**TO BE COMPLETED BY PROJECT PLANNER**

**PROPERTY IS ONE OF THE FOLLOWING:** (refer to *Property Information Map*)

<input checked="" type="checkbox"/>	<b>Category A:</b> Known Historical Resource. <b>GO TO STEP 5.</b>
<input type="checkbox"/>	<b>Category B:</b> Potential Historical Resource (over 45 years of age). <b>GO TO STEP 4.</b>
<input type="checkbox"/>	<b>Category C:</b> Not a Historical Resource or Not Age Eligible (under 45 years of age). <b>GO TO STEP 6.</b>

**STEP 4: PROPOSED WORK CHECKLIST**  
**TO BE COMPLETED BY PROJECT PLANNER**

**Check all that apply to the project.**

<input checked="" type="checkbox"/>	1. <b>Change of use and new construction.</b> Tenant improvements not included.
<input type="checkbox"/>	2. <b>Regular maintenance or repair</b> to correct or repair deterioration, decay, or damage to building.
<input type="checkbox"/>	3. <b>Window replacement</b> that meets the Department's <i>Window Replacement Standards</i> . Does not include storefront window alterations.
<input type="checkbox"/>	4. <b>Garage work.</b> A new opening that meets the <i>Guidelines for Adding Garages and Curb Cuts</i> , and/or replacement of a garage door in an existing opening that meets the Residential Design Guidelines.
<input type="checkbox"/>	5. <b>Deck, terrace construction, or fences</b> not visible from any immediately adjacent public right-of-way.
<input type="checkbox"/>	6. <b>Mechanical equipment installation</b> that is not visible from any immediately adjacent public right-of-way.
<input type="checkbox"/>	7. <b>Dormer installation</b> that meets the requirements for exemption from public notification under <i>Zoning Administrator Bulletin No. 3: Dormer Windows</i> .
<input type="checkbox"/>	8. <b>Addition(s)</b> that are not visible from any immediately adjacent public right-of-way for 150 feet in each direction; does not extend vertically beyond the floor level of the top story of the structure or is only a single story in height; does not have a footprint that is more than 50% larger than that of the original building; and does not cause the removal of architectural significant roofing features.

**Note: Project Planner must check box below before proceeding.**

<input type="checkbox"/>	Project is not listed. <b>GO TO STEP 5.</b>
<input type="checkbox"/>	Project <b>does not conform</b> to the scopes of work. <b>GO TO STEP 5.</b>
<input type="checkbox"/>	Project involves <b>four or more</b> work descriptions. <b>GO TO STEP 5.</b>
<input checked="" type="checkbox"/>	Project involves <b>less than four</b> work descriptions. <b>GO TO STEP 6.</b>

**STEP 5: CEQA IMPACTS - ADVANCED HISTORICAL REVIEW**  
**TO BE COMPLETED BY PROJECT PLANNER**

**Check all that apply to the project.**

<input type="checkbox"/>	1. Project involves a <b>known historical resource (CEQA Category A)</b> as determined by Step 3 and conforms entirely to proposed work checklist in Step 4.
<input checked="" type="checkbox"/>	2. <b>Interior alterations to publicly accessible spaces.</b>
<input type="checkbox"/>	3. <b>Window replacement</b> of original/historic windows that are not "in-kind" but are consistent with existing historic character.
<input type="checkbox"/>	4. <b>Façade/storefront alterations</b> that do not remove, alter, or obscure character-defining features.
<input type="checkbox"/>	5. <b>Raising the building</b> in a manner that does not remove, alter, or obscure character-defining features.
<input type="checkbox"/>	6. <b>Restoration</b> based upon documented evidence of a building's historic condition, such as historic photographs, plans, physical evidence, or similar buildings.

<input type="checkbox"/>	7. <b>Addition(s)</b> , including mechanical equipment that are minimally visible from a public right-of-way and meet the <i>Secretary of the Interior's Standards for Rehabilitation</i> .
<input type="checkbox"/>	8. <b>Other work consistent</b> with the <i>Secretary of the Interior Standards for the Treatment of Historic Properties</i> (specify or add comments):
<input type="checkbox"/>	9. <b>Other work</b> that would not materially impair a historic district (specify or add comments):  (Requires approval by Senior Preservation Planner/Preservation Coordinator)
<input type="checkbox"/>	10. <b>Reclassification of property status.</b> (Requires approval by Senior Preservation Planner/Preservation <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 45%;"> <input type="checkbox"/> Reclassify to Category A            a. Per HRER or PTR dated            b. Other (specify):         </div> <div style="width: 45%;"> <input type="checkbox"/> Reclassify to Category C            (attach HRER or PTR)         </div> </div>
<b>Note: If ANY box in STEP 5 above is checked, a Preservation Planner MUST sign below.</b>	
<input checked="" type="checkbox"/>	<b>Project can proceed with categorical exemption review.</b> The project has been reviewed by the Preservation Planner and can proceed with categorical exemption review. <b>GO TO STEP 6.</b>
<b>Comments (optional):</b>	
<b>Preservation Planner Signature:</b> Jonathan Vimr	

**STEP 6: CATEGORICAL EXEMPTION DETERMINATION**  
**TO BE COMPLETED BY PROJECT PLANNER**

<input checked="" type="checkbox"/>	<b>No further environmental review is required. The project is categorically exempt under CEQA.</b> <b>There are no unusual circumstances that would result in a reasonable possibility of a significant effect.</b>	
	<b>Project Approval Action:</b> Planning Commission Hearing	<b>Signature:</b> Jonathan Vimr 06/29/2020
	Once signed or stamped and dated, this document constitutes a categorical exemption pursuant to CEQA Guidelines and Chapter 31 of the Administrative Code. In accordance with Chapter 31 of the San Francisco Administrative Code, an appeal of an exemption determination can only be filed within 30 days of the project receiving the approval action. Please note that other approval actions may be required for the project. Please contact the assigned planner for these approvals.	

## STEP 7: MODIFICATION OF A CEQA EXEMPT PROJECT

### TO BE COMPLETED BY PROJECT PLANNER

In accordance with Chapter 31 of the San Francisco Administrative Code, when a California Environmental Quality Act (CEQA) exempt project changes after the Approval Action and requires a subsequent approval, the Environmental Review Officer (or his or her designee) must determine whether the proposed change constitutes a substantial modification of that project. This checklist shall be used to determine whether the proposed changes to the approved project would constitute a "substantial modification" and, therefore, be subject to additional environmental review pursuant to CEQA.

### MODIFIED PROJECT DESCRIPTION

Modified Project Description:

### DETERMINATION IF PROJECT CONSTITUTES SUBSTANTIAL MODIFICATION

Compared to the approved project, would the modified project:

- |                          |  |
|--------------------------|--|
| <input type="checkbox"/> | Result in expansion of the building envelope, as defined in the Planning Code;   |
| <input type="checkbox"/> | Result in the change of use that would require public notice under Planning Code Sections 311 or 312;  |
| <input type="checkbox"/> | Result in demolition as defined under Planning Code Section 317 or 19005(f)?   |
| <input type="checkbox"/> | Is any information being presented that was not known and could not have been known at the time of the original determination, that shows the originally approved project may no longer qualify for the exemption? |

**If at least one of the above boxes is checked, further environmental review is required.**

### DETERMINATION OF NO SUBSTANTIAL MODIFICATION

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | The proposed modification would not result in any of the above changes. |
|--------------------------|---|

If this box is checked, the proposed modifications are categorically exempt under CEQA, in accordance with prior project approval and no additional environmental review is required. This determination shall be posted on the Planning Department website and office and mailed to the applicant, City approving entities, and anyone requesting written notice. In accordance with Chapter 31, Sec 31.08j of the San Francisco Administrative Code, an appeal of this determination can be filed within 10 days of posting of this determination.

**Planner Name:**

**Date:**



# SAN FRANCISCO PLANNING DEPARTMENT

**EXHIBIT  
D**

## Land Use Information

PROJECT ADDRESS: 916 KEARNY ST  
RECORD NO.: 2019-019722CUA

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Reception:  
**415.558.6378**

Fax:  
**415.558.6409**

Planning  
Information:  
**415.558.6377**

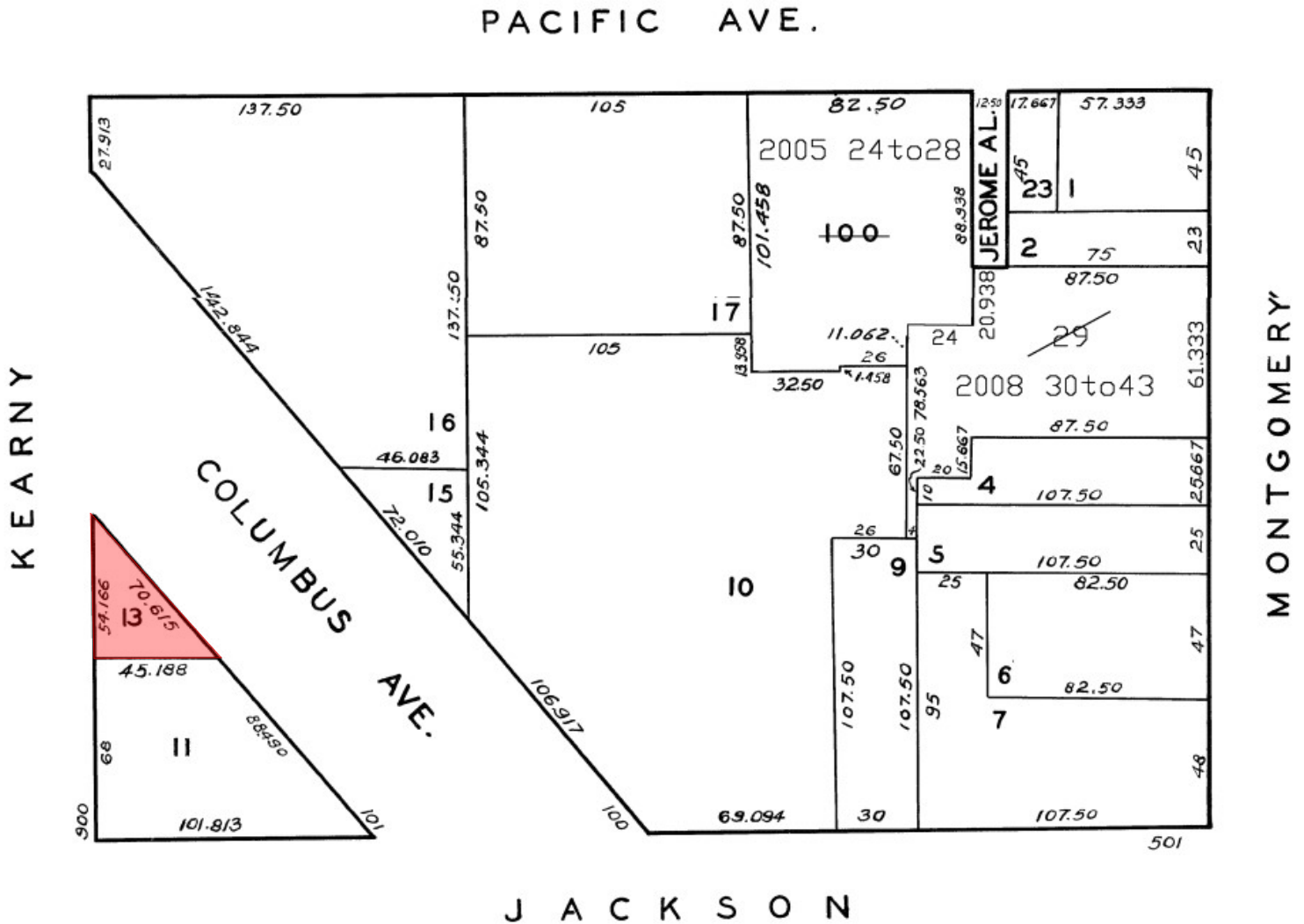
	EXISTING	PROPOSED	NET NEW
<b>GROSS SQUARE FOOTAGE (GSF)</b>			
Parking GSF	0	0	0
Residential GSF	1,036	1,036	0
Retail/Commercial GSF	1,230	1,210	-20
Office GSF	8,002	2,279	-5,723
Industrial/PDR GSF <i>Production, Distribution, &amp; Repair</i>			
Medical GSF			
Visitor GSF			
CIE GSF			
Usable Open Space			
Public Open Space			
Other (Hotel) GSF		5,743	
TOTAL GSF	10,268	10,268	0
	EXISTING	NET NEW	TOTALS
<b>PROJECT FEATURES (Units or Amounts)</b>			
Dwelling Units - Affordable	0	0	0
Dwelling Units - Market Rate	1	0	1
Dwelling Units - Total	1	0	1
Hotel Rooms	0	15	15
Number of Buildings	1	0	1
Number of Stories	8	0	8
Parking Spaces	0	0	0
Loading Spaces	0	0	0
Bicycle Spaces	0	0	0
Car Share Spaces	0	0	0
Other ( )			

	EXISTING	PROPOSED	NET NEW
<b>LAND USE - RESIDENTIAL</b>			
Studio Units			
One Bedroom Units	1	1	0
Two Bedroom Units			
Three Bedroom (or +) Units			
Group Housing - Rooms			
Group Housing - Beds			
SRO Units			
Micro Units			
Accessory Dwelling Units			



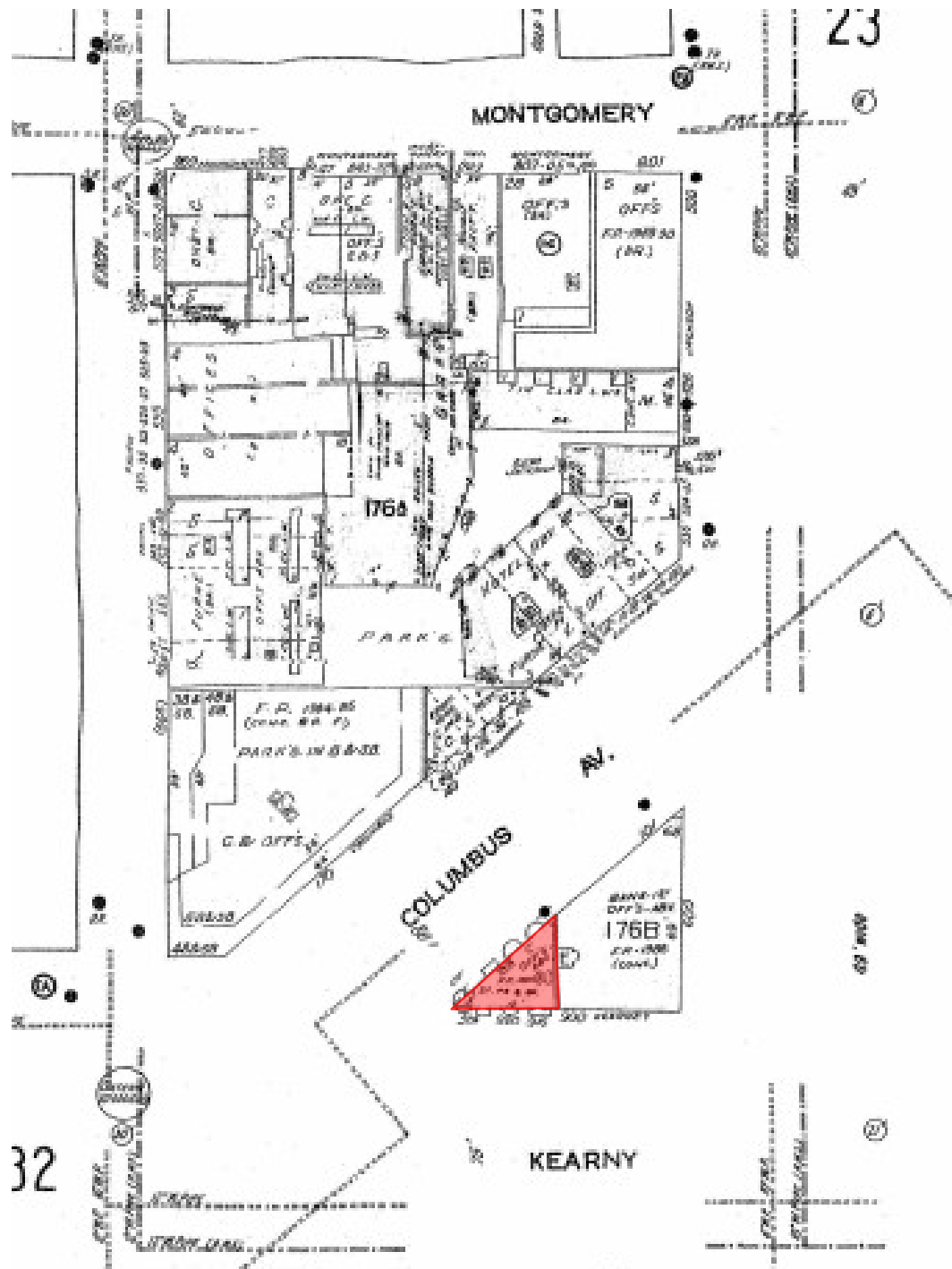
# Parcel Map

EXHIBIT  
E



Conditional Use Authorization  
Case Number 2019-019722CUA  
916 Kearny Street

# Sanborn Map\*



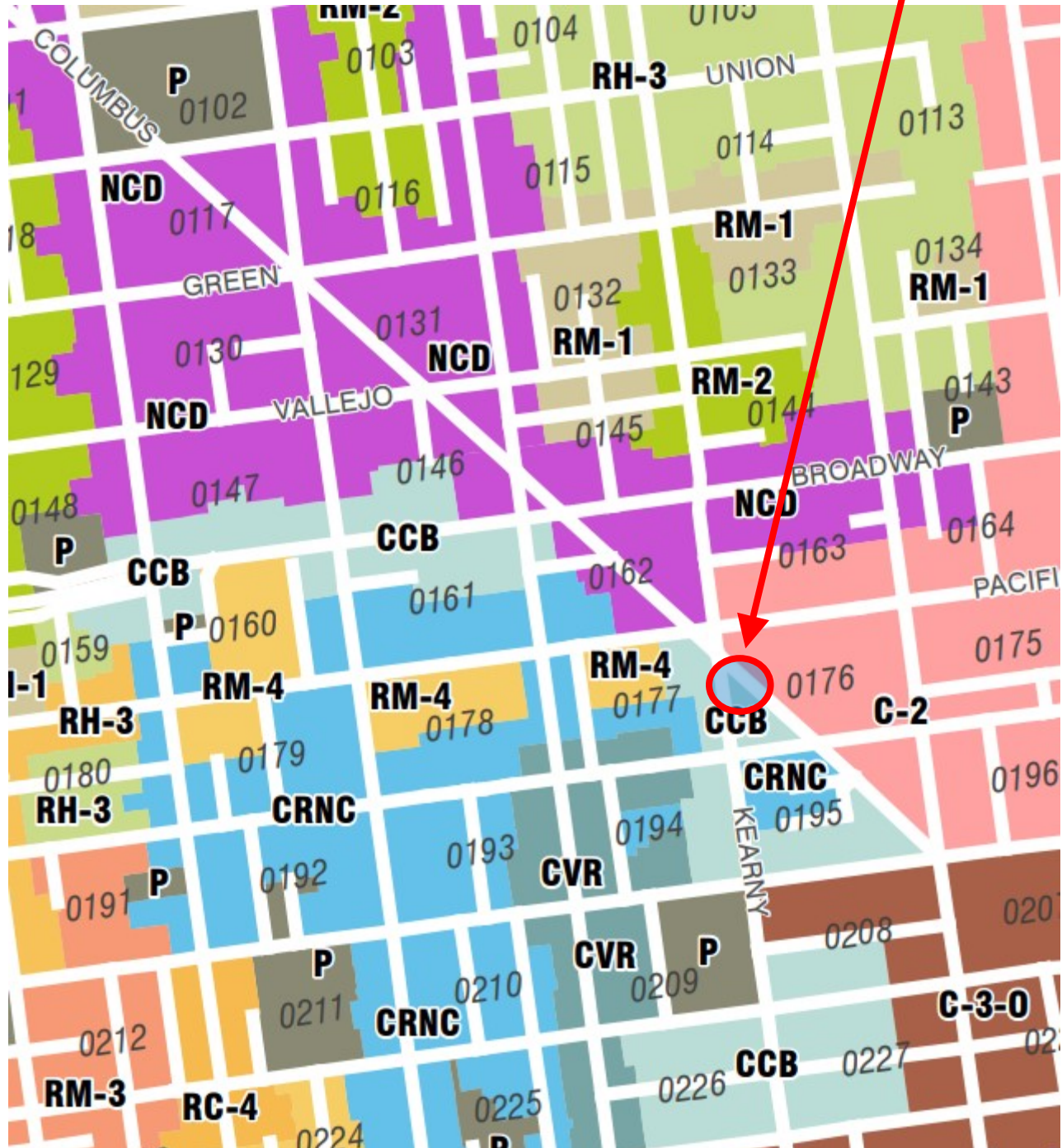
*\*The Sanborn Maps in San Francisco have not been updated since 1998, and this map may not accurately reflect existing conditions.*



Conditional Use Authorization  
**Case Number 2019-019722CUA**  
 916 Kearny Street

# Zoning Map

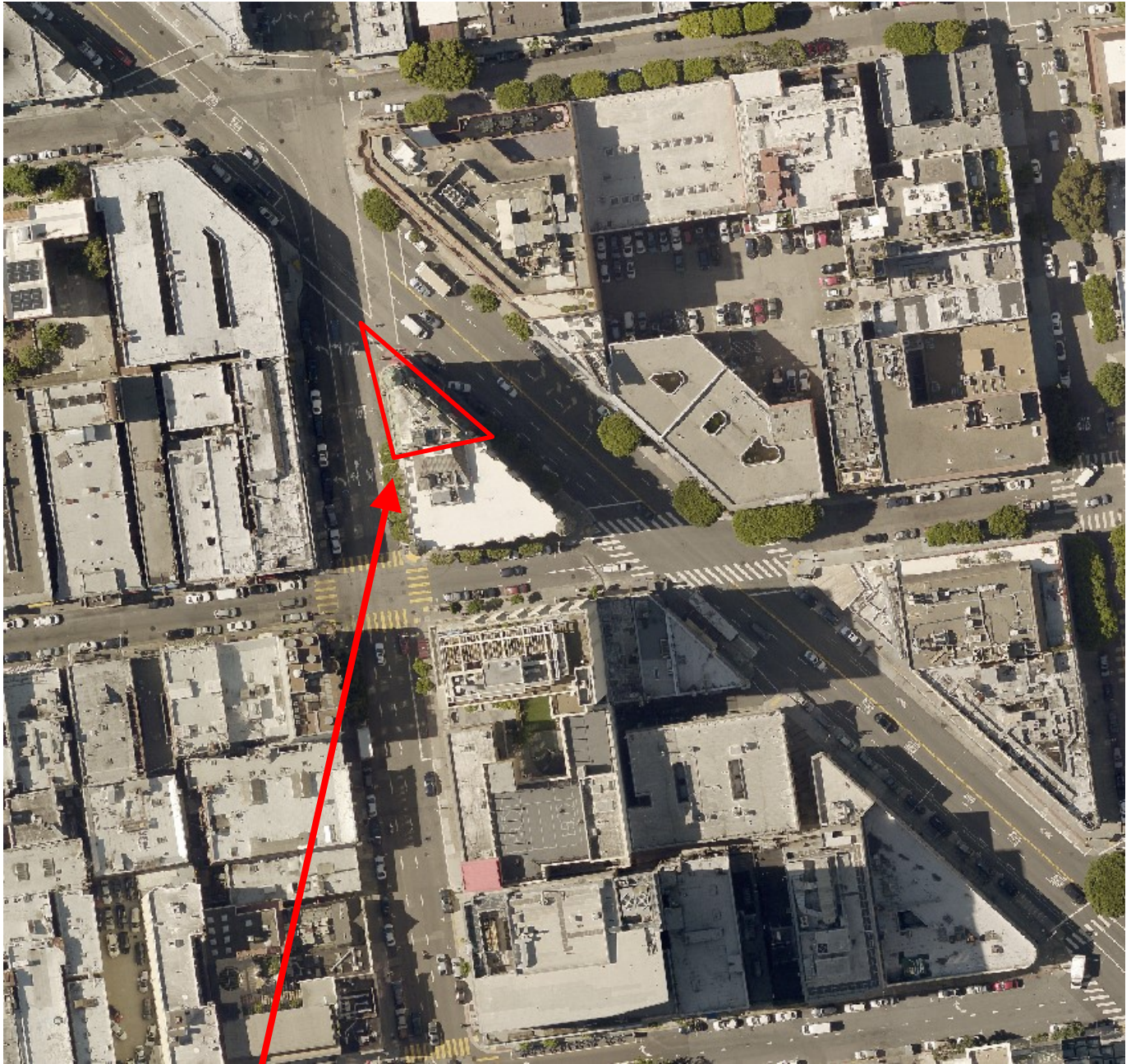
SUBJECT PROPERTY



Conditional Use Authorization  
Case Number 2019-019722CUA  
916 Kearny Street



# Aerial Photograph



**SUBJECT PROPERTY**



Conditional Use Authorization  
Case Number 2019-019722CUA  
916 Kearny Street



# Aerial Photograph



# Site Photo



Conditional Use Authorization  
Case Number 2019-019722CUA  
916 Kearny Street



# Site Photo



Kearny Street Hotel  
Entry

Conditional Use Authorization  
Case Number 2019-019722CUA  
916 Kearny Street

# REUBEN, JUNIUS & ROSE, LLP

# EXHIBIT F

July 15, 2020

## Delivered Via Email

President Joel Koppel  
San Francisco Planning Commission  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

**Re: 916 Kearny Street (0176 / 013)**  
**Planning Department Case No. 2019-019722CUA**  
**Hearing Date: July 30, 2020**  
**Our File No.: 10979.01**

Dear President Koppel and Commissioners:

This office represents Sofia Properties, LP, a company owned by Francis Ford Coppola, who is the owner of 916 Kearny Street (the Property"). The Property contains Landmark #33: Columbus Tower (a.k.a. the Sentinel Building), an eight-story building located on a triangle-shaped lot at the intersection of Columbus and Kearny Streets in the North Beach neighborhood. The proposal under consideration is to convert a portion of the building (5,743 square feet) from office to hotel use (the "Project"). The Project will feature 15 hotel rooms on floors three through seven.

Mr. Coppola purchased the Property in 1972 as the headquarters for his production company, American Zoetrope, which still occupies a majority of the building. The Property has been the centerpiece of Mr. Coppola's business for decades and he is passionate about its history and significance to San Francisco. Currently, the building is primarily office use, with office and studios on the basement level and office space on the second through seventh floors. The ground floor contains a restaurant (d.b.a. Café Zoetrope), a lobby area to the upper floors fronting Kearny Street, with the eighth floor containing a private residence. The Project will only convert floors three through seven to a hotel use, with the rest of the building retaining their current uses. The Project will include minor ground floor improvements to accommodate the hotel lobby and reception area.

The Project requires a Conditional Use Authorization for: 1) non-residential use size of 5,000 square feet and above (Planning Code Section 810.20); and (2) a tourist hotel use in the Chinatown Community Business zoning district (Planning Code Section 810.55). We respectfully request the Planning Commission grant the approval, because:

- **The Project will bring a new, small-scale boutique hotel to North Beach.** According to a hotel market study conducted by CBRE, San Francisco ranks among the top global destinations. North Beach is a major draw for its historic landmarks, nightlife, and year-round cultural events. There are few hotels operating in North Beach and this Project will

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One Bush Street, Suite 600, San Francisco, CA 94104  
tel: 415-567-9000 | fax: 415-399-9480

Oakland Office  
827 Broadway, 2<sup>nd</sup> Floor, Oakland, CA 94607  
tel: 510-527-5589

[www.reubenlaw.com](http://www.reubenlaw.com)



provide a unique experience in one of San Francisco's most iconic buildings. The hotel is expected to come online in 2022-2023 and will be in demand regardless of the short-term impacts due to Covid-19.

- **The Project will help preserve the Sentinel Building.** The Sentinel Building is one of San Francisco's most recognizable buildings. A city Landmark, it draws visitors for both its architectural and historic importance. The building has not undergone any significant interior improvements in several decades and the conversion to hotel will enable the buildings' systems to be upgraded to current standards. The Project will help preserve this significant landmark, allowing it to function for years to come.
- **The Project will have minimal impacts to the neighborhood.** As no vehicle parking is proposed, the Project would not add any new curb cuts, minimizing potential impact on surrounding traffic patterns. Bicycle parking will be provided. The Project's location provides close proximity to tourist destinations and is well served by public transit. The ground floor restaurant, Café Zoetrope, will remain and continue to serve local residents. The Projects small in size and will have a minimal impact to the neighborhood.

In short, the project will help ensure that the Sentinel Building continues to be a significant landmark for San Francisco. The proposal will enhance the character of North Beach while providing a unique, small boutique hotel to the neighborhood. Because it is small in size, the hotel will have a minimal impact to the neighborhood. As such, the project is consistent with the Chinatown Community Business District Zoning and the range of uses found in the area. We respectfully request that you to approve this project.

Very truly yours,

**REUBEN, JUNIUS & ROSE, LLP**



**Tara Sullivan**

cc: Vice President Kathrin Moore  
Commissioner Sue Diamond  
Commissioner Milicent Johnson  
Commissioner Frank Fung  
Commissioner Teresa Imperial  
Commissioner Deland Chan  
Jonas Ionin – Commission Secretary  
Jonathan Vimr – Planner

# MARKET DEMAND ANALYSIS

Proposed Hotel  
Sentinel Building  
916 Kearny Street  
San Francisco, CA 94133  
CBRE, Inc. File No. 19-224NW-0620

## EXHIBIT G

Mr. Ken Minami  
Francis Ford Coppola Presents  
300 Via Archimedes  
Geyserville, CA 95441

[www.cbre.com](http://www.cbre.com)  
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**CBRE**



**Julie Purnell**  
Managing Director  
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October 31, 2019

Mr. Ken Minami  
Francis Ford Coppola Presents  
300 Via Archimedes  
Geyserville, CA 95441  
Phone: (707) 857-1470  
Email: [ken.minami@ffcpresents.com](mailto:ken.minami@ffcpresents.com)

Re: Market Demand Analysis – Proposed Hotel  
Sentinel Building  
916 Kearny Street  
San Francisco, CA 94133  
CBRE, Inc. File No. 19-224NW-0620

Dear Mr. Minami:

In accordance with your request, we have completed our engagement contract, which is a study of the potential market demand for a proposed 15-room hotel (the "Subject" or "Hotel") to be located at 916 Kearny Street in San Francisco, California ("Site"). The proposed Hotel will be located within the historic Sentinel Building and will represent one component of this mixed-use development. Pursuant to our engagement, we have prepared this report summarizing our findings.

The conclusions set forth are based on an analysis of the existing and potential future supply and demand for the competitive lodging market as of the completion of our fieldwork in October of 2019. This report is intended for your internal management use as well as for presentation to representatives of the City and County of San Francisco for understanding the potential market demand for the proposed Hotel within the City of San Francisco lodging market.

As in all studies of this type, the estimated results are based on competent and efficient management and presume no significant change in the status of the competitive lodging market from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise our conclusions to reflect events or conditions that occur subsequent to the date of completion of our fieldwork. However, we are available to discuss the necessity for revisions in view of changes in the economy or market factors impacting the competitive lodging market.

Since the proposed Hotel's future performance is based on estimates and assumptions that are subject to uncertainty and variation, we do not present them as results that will actually be achieved. However, our analysis has been conscientiously prepared on the basis of information obtained during the course of this assignment and on our experience in the industry. This report is subject to the Assumptions and Limiting Conditions presented in the Addenda.

After you have had an opportunity to review this report, please feel free to contact us with any questions or comments. Thank you for the opportunity to work with you on this interesting engagement.

Yours sincerely,

**CBRE Hotels Advisory**



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By: Julie Purnell  
Managing Director  
[julie.purnell@cbre.com](mailto:julie.purnell@cbre.com) | 415.772.0262



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By: Catherine Bolstad  
Senior Director  
[catherine.bolstad@cbre.com](mailto:catherine.bolstad@cbre.com) | 415.772.0357



## A. INTRODUCTION

### 1. OVERVIEW OF THE MARKET STUDY

CBRE Hotels Advisory was formally retained on October 10, 2019 by Mr. Ken Minami of Francis Ford Coppola Presents to conduct a study of the potential market demand for a proposed hotel to be located at 916 Kearny Street in San Francisco, California. As mentioned, the proposed 15-room Hotel will represent one component of the mixed-use historic Sentinel Building.

As a component of this analysis, we first determined the market potential for a hotel by evaluating supply and demand trends within the San Francisco lodging market. Based on the recent performance of comparable hotels in the market, we then provided our projections of the occupancy and average daily room rate (“ADR”) the proposed Hotel could achieve for its first five years of operation. For the purpose of this analysis, we have assumed that the proposed Hotel would be open and available for occupancy by January 1, 2022, in line with the developer’s construction timeline.

### 2. METHODOLOGY

Specifically, in conducting the study of the potential market demand, we:

- Visited the site and assessed the impact of its accessibility, visibility, and location relative to demand generators;
- Researched and analyzed current economic and demographic trends to determine their impact on future lodging demand in the market;
- Researched the competitive lodging supply in San Francisco, with a particular focus on the hotels that would compete most directly with the proposed Hotel;
- Reviewed the historical performance of the competitive lodging market;
- Estimated the anticipated growth in supply and demand for lodging accommodations in the local market area;
- Prepared a forecast of future performance for the competitive lodging market;
- Evaluated the project’s development plan for appropriateness within the market based on projected demand growth in San Francisco and the city’s lodging needs; and,
- Prepared a forecast of the projected market penetration and the resulting occupancy levels and average daily rates (“ADR”) for the proposed Hotel’s first five years of operation.

Several sources were used in compiling the background information and preparing the analyses contained in this report. These sources include CBRE’s *Trends® in the Hotel Industry*, data gathered through direct interviews with representatives of local businesses, data provided by sources in the

lodging chains with which the competitive properties are affiliated, data from various local government agencies, and data collected by STR, Inc.

## B. SUMMARY OF FINDINGS

Based on the preceding work program, we have made a determination of the market viability for the proposed Hotel in San Francisco, California. Presented below is a summary of the historical and projected future performance of the greater San Francisco lodging market, followed by a more detailed projection of the primary sample of hotels deemed most competitive to the proposed Hotel. We have also presented the potential market performance of the proposed Hotel.

### 1. SAN FRANCISCO MSA LODGING MARKET

A summary of historical and projected future performance for the San Francisco MSA lodging market for years 2014 to 2023 is presented below (from *CBRE Hotels Hotel Horizons®*, September – November 2019 Edition). It should be noted that this table includes hotels in San Francisco, San Mateo, and Marin Counties and is generally referred to as the San Francisco MSA lodging market.

**SAN FRANCISCO MSA LODGING MARKET  
HISTORICAL AND PROJECTED PERFORMANCE**

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	84.0%	1.5%	\$208.09	11.1%	\$174.83	12.8%
2015	84.4%	0.5%	\$222.10	6.7%	\$187.50	7.2%
2016	84.3%	-0.2%	\$230.62	3.8%	\$194.32	3.6%
2017	82.8%	-1.8%	\$229.00	-0.7%	\$189.50	-2.5%
2018	81.9%	-1.0%	\$241.25	5.4%	\$197.62	4.3%
2019F	82.1%	0.2%	\$257.86	6.9%	\$211.61	7.1%
2020F	82.3%	0.3%	\$266.41	3.3%	\$219.21	3.6%
2021F	82.4%	0.1%	\$273.20	2.5%	\$225.05	2.7%
2022F	82.5%	0.2%	\$280.35	2.6%	\$231.40	2.8%
2023F	82.7%	0.2%	\$288.08	2.8%	\$238.34	3.0%

Source: CBRE Hotels Americas Research, STR, Inc, Q2 2019

The San Francisco Bay Area is one of the strongest lodging markets in the United States. Occupancy has been consistently strong between 2014 and 2018 and has been approximately 20 percentage points above national averages for each of the past five years. ADR has also been very strong with rate growth ranging between -0.7 percent in 2017 (primarily due to the temporary

closure of the Moscone Center) and 11.1 percent in 2014. The long run average (defined as the years 1988 to 2018) ADR growth rate for the San Francisco MSA lodging market is 3.9 percent, above the national long run average growth rate of 3.0 percent. Through year-end 2018, occupancy decreased by 1.0 percent, resulting in a market occupancy of 81.9 percent. The ADR for the San Francisco MSA increased by 5.4 percent, resulting in an ADR of \$241.25. It should be noted that the fluctuations in occupancy between 2016 and 2018 is largely attributable to decreased market compression resulting from the expansion construction and intermittent closure of the Moscone Center, San Francisco's convention center, which was undergoing a renovation and expansion. Over 500,000 group and convention room nights were cancelled during the time period of renovation and expansion. However, with the January 2019 re-opening of the expanded Moscone Center, occupancy for the San Francisco MSA is projected to remain in the low 80 percent range over the next five years, with continual ADR growth beginning in 2019.

## 2. COMPETITIVE LODGING MARKET

Presented in the following table is the historical and projected performance for the identified competitive market from 2013 to 2018, as well as for year-to-date ("YTD") September 2018 and 2019. Also presented below is the projected performance for these hotels from 2019 to 2026, coinciding with the first five years of operation for the proposed Hotel.

PROPOSED HOTEL - SAN FRANCISCO, CA HISTORICAL AND PROJECTED PERFORMANCE OF THE COMPETITIVE MARKET									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2013	344,195	-	269,160	-	78.2%	\$431.90	-	\$337.75	-
2014	344,195	0.0%	270,193	0.4%	78.5%	\$474.20	9.8%	\$372.25	10.2%
2015	343,465	-0.2%	263,438	-2.5%	76.7%	\$498.57	5.1%	\$382.40	2.7%
2016	343,100	-0.1%	273,794	3.9%	79.8%	\$502.18	0.7%	\$400.74	4.8%
2017	335,800	-2.1%	259,238	-5.3%	77.2%	\$501.75	-0.1%	\$387.35	-3.3%
2018	343,100	2.2%	268,990	3.8%	78.4%	\$517.35	3.1%	\$405.60	4.7%
CAGR/Avg.	-0.1%	-	0.0%	-	78.1%	3.7%	-	3.7%	-
YTD Sep '18	257,325	-	204,316	-	79.4%	\$521.01	-	\$413.68	-
YTD Sep '19	257,325	0.0%	199,942	-2.1%	77.7%	\$547.60	5.1%	\$425.49	2.9%
2018	343,100	2.2%	268,990	3.8%	78%	\$517.35	3.1%	\$405.60	4.7%
2019	343,100	0.0%	267,600	-0.5%	78%	\$543.00	5.0%	\$423.51	4.4%
2020	343,100	0.0%	267,600	0.0%	78%	\$559.00	2.9%	\$435.99	2.9%
2021	343,100	0.0%	267,600	0.0%	78%	\$576.00	3.0%	\$449.25	3.0%
2022	348,575	1.6%	271,900	1.6%	78%	\$593.00	3.0%	\$462.56	3.0%
2023	348,575	0.0%	271,900	0.0%	78%	\$611.00	3.0%	\$476.60	3.0%
2024	348,575	0.0%	271,900	0.0%	78%	\$629.00	2.9%	\$490.64	2.9%
2025	348,575	0.0%	271,900	0.0%	78%	\$648.00	3.0%	\$505.46	3.0%
2026	348,575	0.0%	271,900	0.0%	78%	\$667.00	2.9%	\$520.28	2.9%
CAGR	0.2%	-	0.2%	-	-	3.0%	-	3.0%	-

Net supply changes reflect fluctuating available room inventory due to renovations of hotels in the competitive market as well as new hotel openings.

Source: CBRE Hotels Advisory and STR, Inc.

As shown, the competitive market's occupancy ranged between 76.7 percent and 79.8 percent between 2013 and 2018, below the San Francisco MSA averages, which is attributable to the fact that the hotels comprising the identified competitive market achieve the highest ADR levels in the City of San Francisco. Over this six-year period, the competitive market's average occupancy was 78.1 percent. The ADR for the competitive market has increased at a compound annual growth rate ("CAGR") of 3.7 percent over the presented historical period, slightly below the levels achieved by the San Francisco MSA (5.2 percent). As of year-end 2018, ADR for the competitive market was approximately \$517 as compared to the \$241 ADR indicated by the San Francisco MSA.

The performance of the luxury hotels comprising the proposed Hotel's direct competitive market is amongst the strongest in the nation, surpassing both national and regional trends. We are of the opinion that the addition of the proposed Hotel will not have any material impact on the overall competitive market's long-term performance. In fact, the City of San Francisco is significantly under-served with regard to hotel rooms supply and generates a significant amount of unsatisfied demand that is displaced to other markets throughout the Bay Area such as the SFO market and Oakland/Emeryville market.

Occupancy for the competitive market is projected to remain stable at 78 percent over the next several years, in line with the six-year average annual occupancy achieved by these hotels.

### 3. SUBJECT

Finally, we have presented our projections of future performance for the 15-room proposed Hotel in the following table. As mentioned, we have assumed that the proposed Hotel will be open as of January 1, 2022. Based on discussions with the developer, we have assumed that the proposed Hotel would represent an independent, luxury boutique hotel affiliated with the Francis Ford Coppola "Hideaways" Collection.

PROPOSED HOTEL - SAN FRANCISCO, CA PROJECTED PERFORMANCE									
Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Subject Occupancy	Subject Penetration	RevPAR	Percent Change
2019	\$750.00	-							
2020	\$773.00	3.0%							
2021	\$796.00	3.0%							
2022	\$820.00	3.0%	0.0%	\$820.00	-	70%	90%	\$574.00	-
2023	\$845.00	3.0%	0.0%	\$845.00	3.0%	73%	94%	\$617.35	7.6%
2024	\$870.00	3.0%	0.0%	\$870.00	3.0%	75%	96%	\$651.51	5.5%
2025	\$896.00	3.0%	0.0%	\$896.00	3.0%	75%	96%	\$670.98	3.0%
2026	\$923.00	3.0%	0.0%	\$923.00	3.0%	75%	96%	\$691.20	3.0%

Source: CBRE Hotels Advisory



If the Hotel were open in 2019, we believe that it could achieve an ADR of approximately \$750. Our projected ADR takes into consideration the fact that the proposed Hotel would feature only 15 guestrooms, representing one of the smallest hotels in the City of San Francisco, and would represent the newest hotel and offer one of the most unique experiences in the San Francisco market due to the history and architecture of the building, as well as its affiliation with Francis Ford Coppola. This ADR is deemed reasonable based on our review of the individual performance levels of luxury hotels located in San Francisco. Applying the same growth rates for the competitive market to the proposed Hotel, we project an ADR of \$820 for the proposed Hotel upon opening in 2022. We expect the proposed Hotel to achieve a stabilized occupancy in 2024 of 75 percent, slightly below our projected stabilized occupancy level for the overall competitive market but deemed to be reasonable given our ADR projections for the proposed Hotel.

## C. PROJECT AND SITE DESCRIPTION

The proposed Subject will represent a 15-room independent, luxury boutique hotel. It will be located within the historic and iconic Sentinel Building; the physical address is 916 Kearny Street, San Francisco, California. The Sentinel Building, also commonly referred to as the Columbus Tower or Coppola's Cupola, was designed by Salfeld and Kohlberg and represents a flatiron building clad in white tile and copper. Construction began prior to the 1906 Earthquake and Fire. The framing survived the disaster, and the building was completed in 1907. Francis Ford Coppola bought the building in 1972 to locate his headquarters for his production company, American Zoetrope. Café Zoetrope, which functions as a wine bar and a restaurant in the style of a Roman Trattoria, opened in 1999.

The eight-story structure is one of the most photographed and recognizable structures in North Beach and San Francisco. This mixed-use development currently features a recording studio and screening room in the basement, Café Zoetrope on the ground floor, office space on floors two through seven, and a private penthouse on the eighth floor.

As we understand it, the proposed 15-room Hotel will occupy floors three through seven with three guestrooms on each level. The recording studio and screening room will continue to operate in the basement, Café Zoetrope will remain on the first floor, office space will continue to occupy the second floor, and the private penthouse will remain on the eighth floor. The proposed Hotel's guestrooms, which will represent three suite types, will range in size from 265 square feet to 325 square feet; the weighted average guestroom size is 308 square feet. The layout of the guestroom floors will allow guests to rent an entire floor, a unique feature in the San Francisco lodging market. We understand that the proposed Hotel will be outfitted with the latest high-end technology and will be designed with luxurious finishes. Additionally, we understand that guests will have access to the private recording studio and screening room in the basement of the historic Sentinel Building where a number of Coppola's films including the *Godfather II and III*, *Apocalypse Now*, *The*

*Conversation, One From The Heart, The Outsiders, and Dracula* were written, edited, or sound mixed within the walls of the basement recording studio.

For the purpose of this analysis, we have assumed that the proposed Subject would represent a 15-room, independent, luxury boutique hotel affiliated with the Francis Ford Coppola “Hideaways” Collection and would be open and available for occupancy in January of 2022. The Family Hideaways Collection currently includes Blancaneaux Lodge in Belize, Turtle Inn in Belize, La Lancha in Guatemala, Palazzo Margherita in Southern Italy, and Jardin Escondido in Buenos Aires.

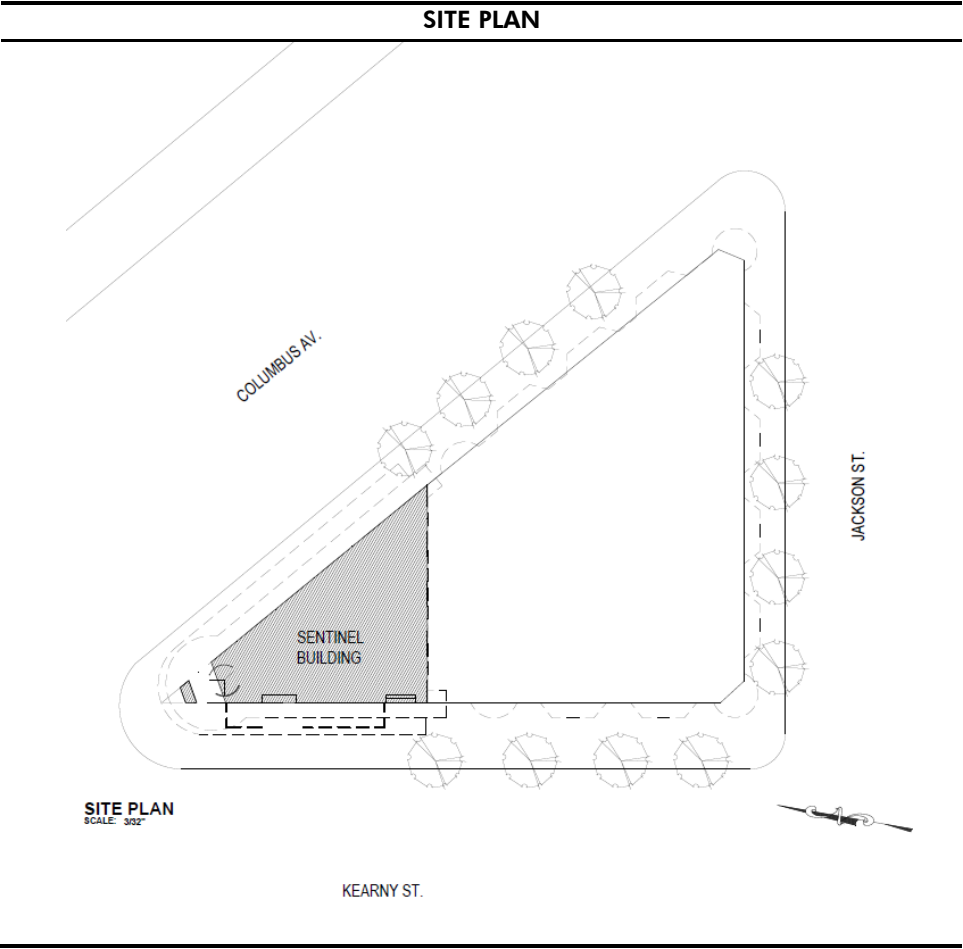
The proposed Hotel will be located at the convergence of the North Beach and Chinatown districts of San Francisco, and proximate to the Jackson Square and Financial District neighborhoods. Bound by Kearny Street and Columbus Avenue, the proposed Hotel will feature convenient access via public transportation to destinations throughout the City of San Francisco as well as throughout the greater San Francisco Bay Area.

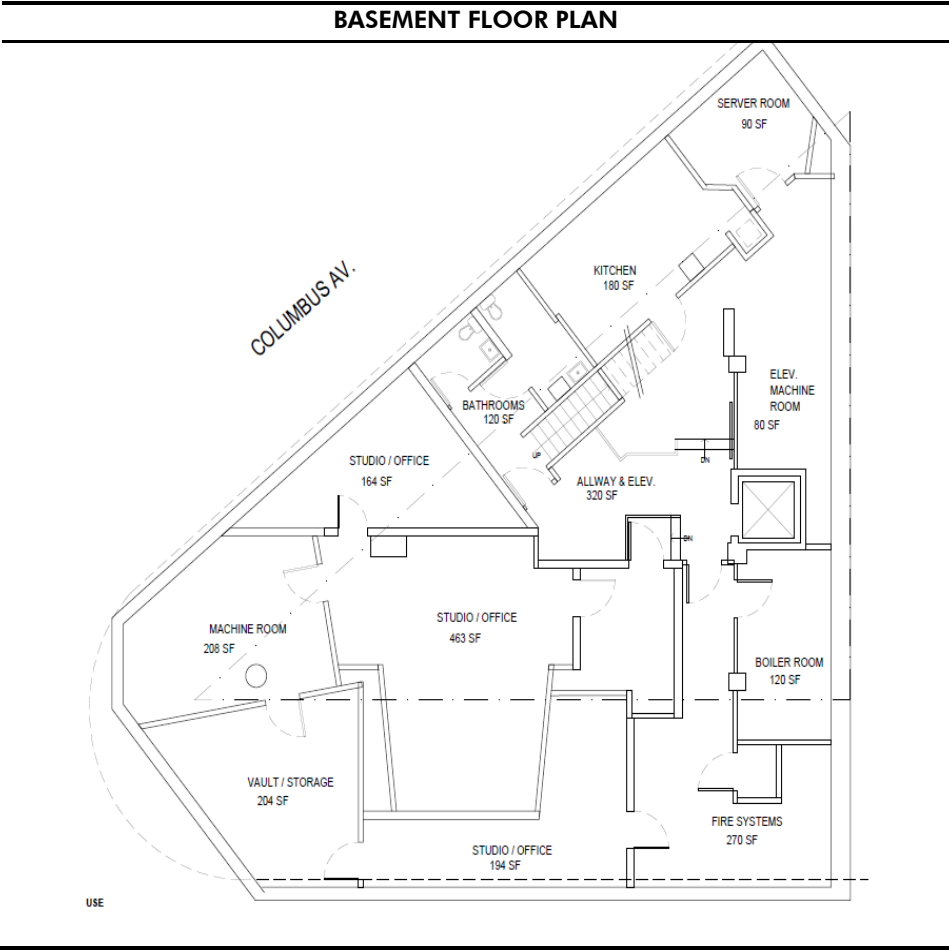
At eight stories and given its prime frontage on Kearny Street and Columbus Avenue, the proposed Hotel will have excellent visibility from surrounding thoroughfares.

Overall, the location of the Subject site is ranked “excellent,” as outlined in the following table.

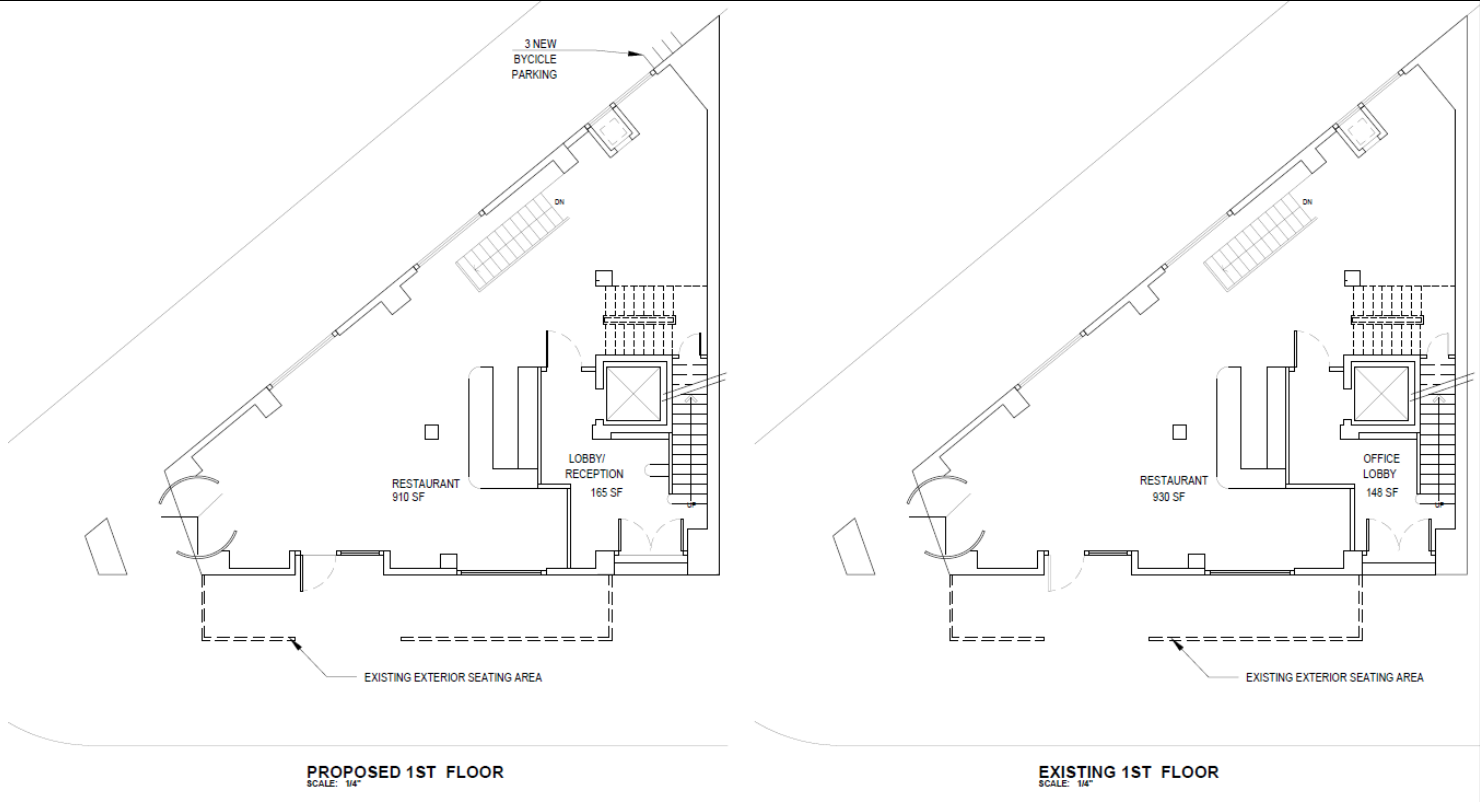
SUBJECT SITE ANALYSIS					
	Excellent	Very Good	Good	Fair	Poor
Accessibility	X				
Visibility	X				
Proximity to Amenities	X				
Proximity to Demand	X				
Long-term Strategic Potential	X				

A site plan, floor plans of the proposed Hotel, and an aerial map are presented on the following pages.





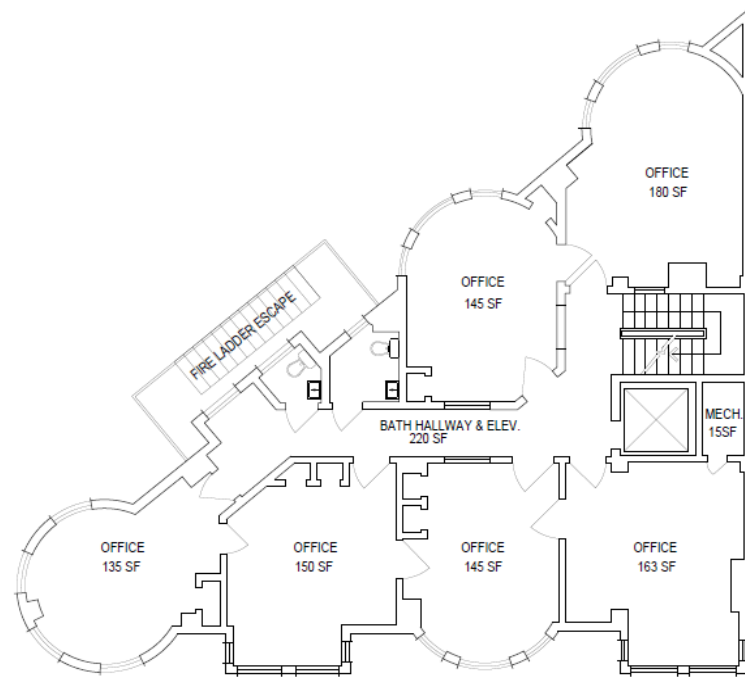
FIRST FLOOR PLAN



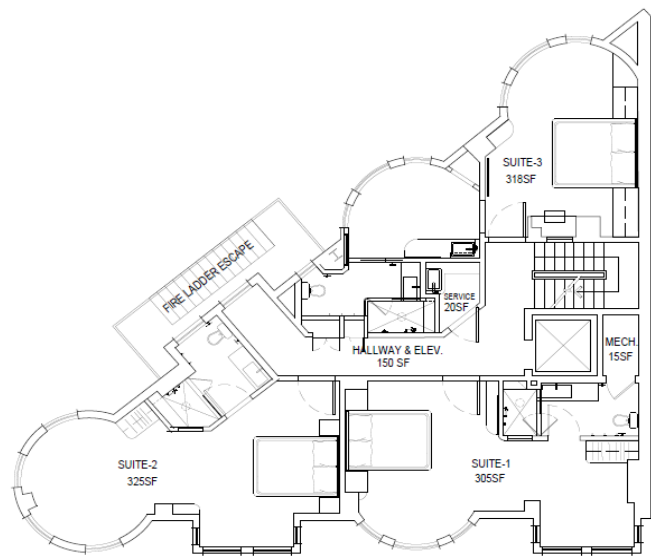
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## SECOND FLOOR PLAN

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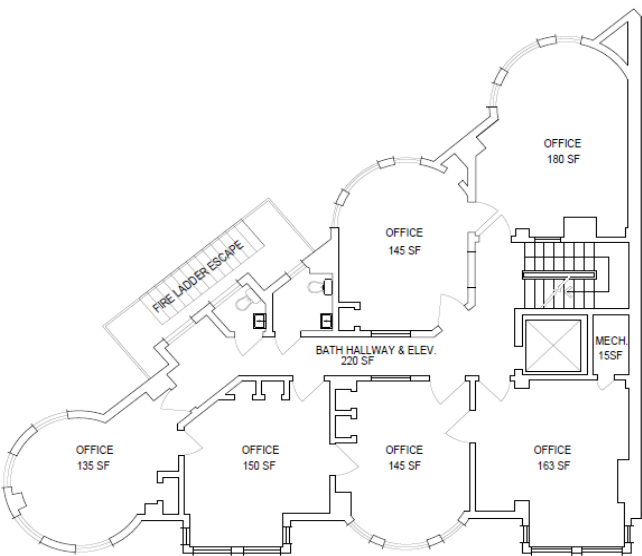


THIRD FLOOR THROUGH SIXTH FLOOR PLAN



PROPOSED 3RD FLOOR TO 6TH FLOOR

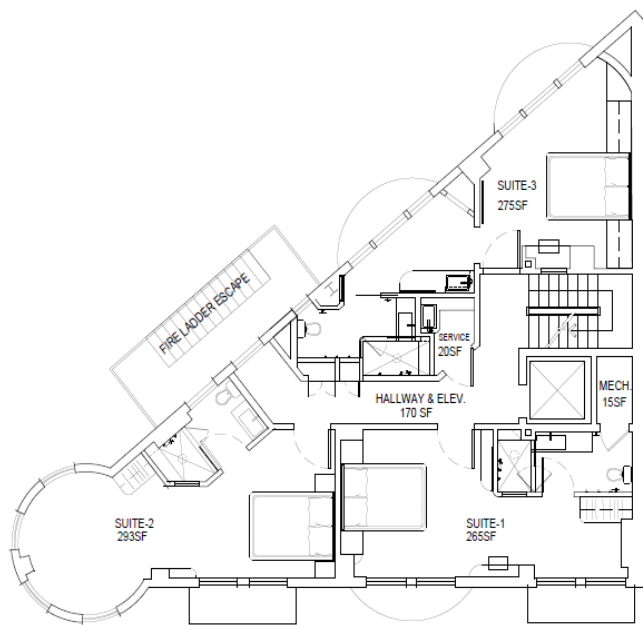
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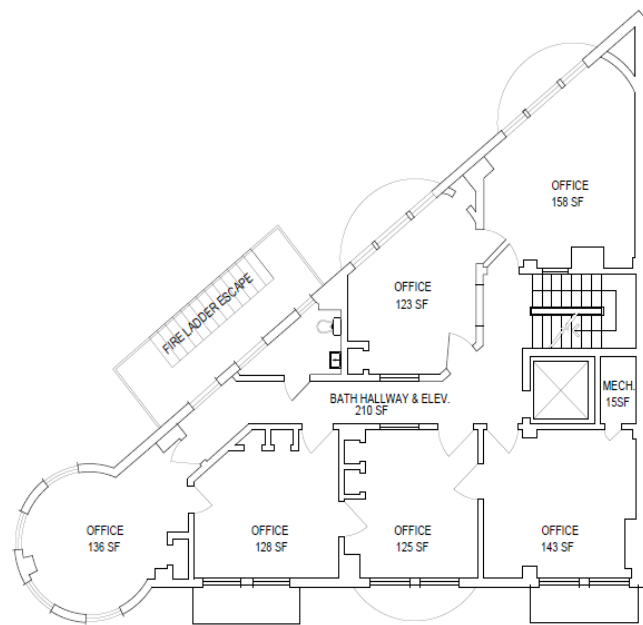
EXISTING 3RD FLOOR TO 6TH FLOOR

SCALE: 1/4"

SEVENTH FLOOR PLAN



PROPOSED 7TH FLOOR  
SCALE: 1/4"



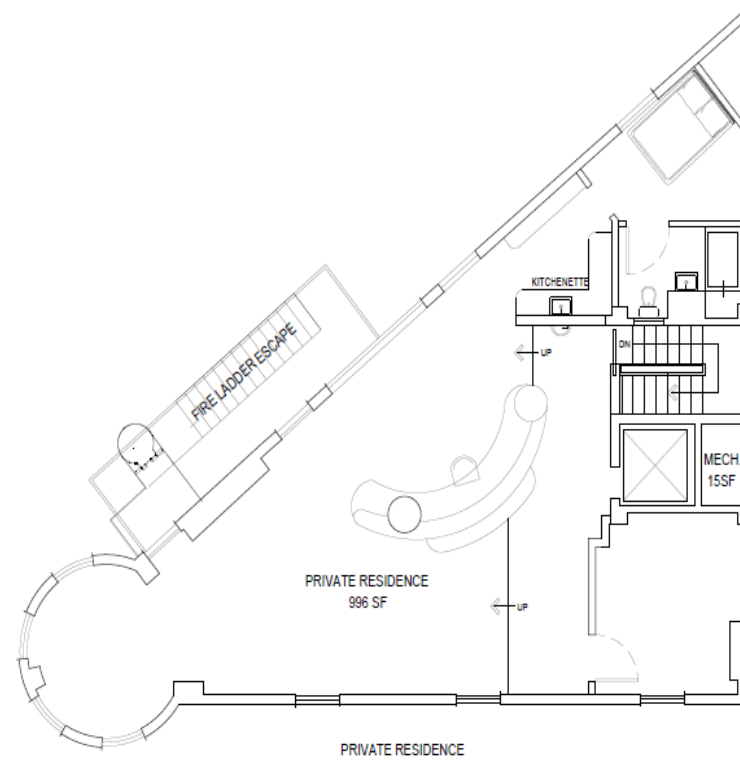
EXISTING 7TH FLOOR  
SCALE: 1/4"



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## EIGHT FLOOR PLAN

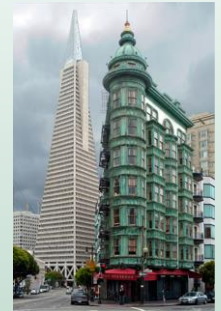
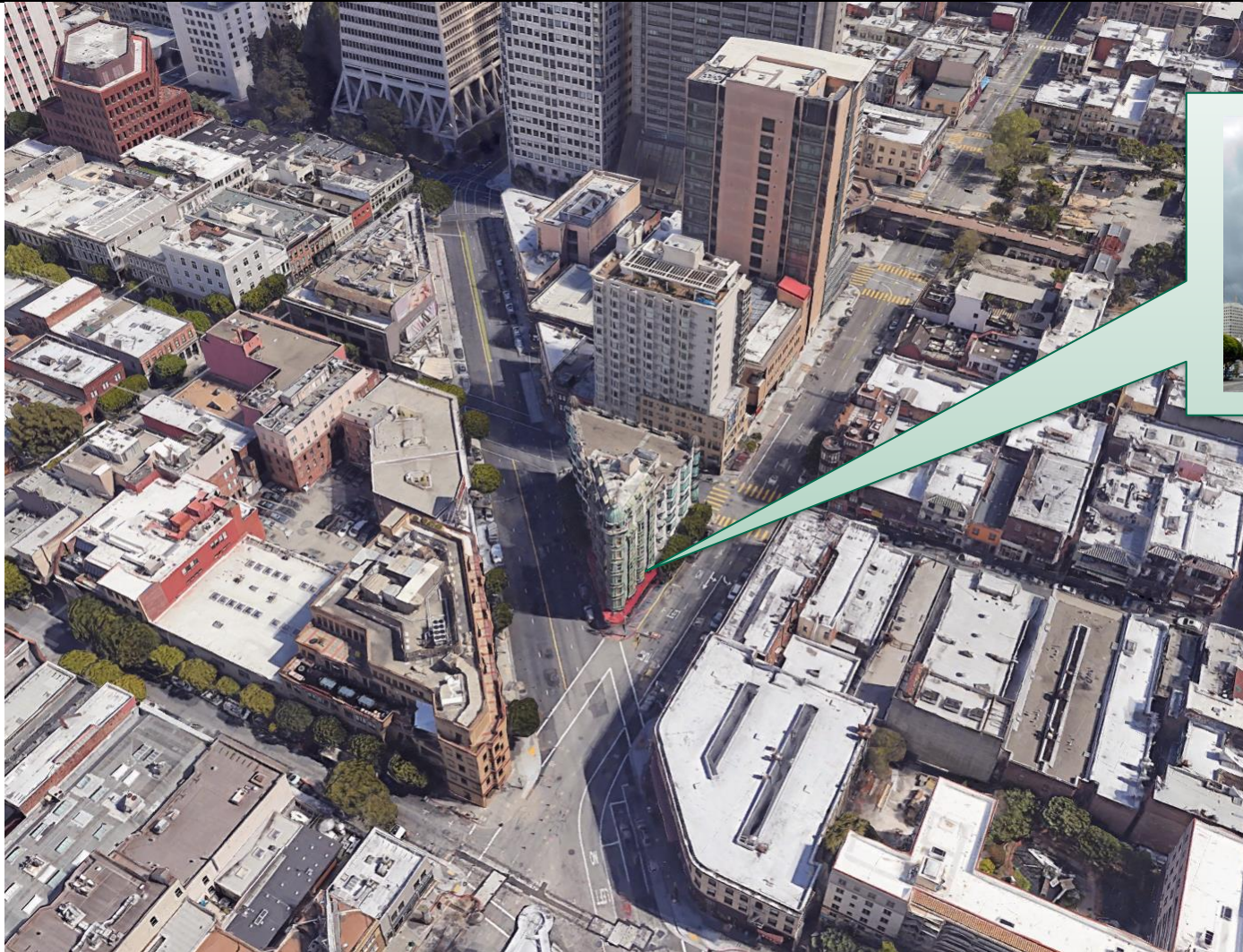
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NEIGHBORHOOD MAP

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## D. LOCAL AREA ECONOMIC HIGHLIGHTS

Presented in the following pages is a brief summary of several of the economic highlights impacting the economy and subsequently the lodging demand in San Francisco.

**Introduction:** The market performance of a hotel is often influenced by factors that can be broadly categorized as economic, governmental, social, and environmental. It is therefore necessary to evaluate the dynamics of these factors within the local and primary feeder markets to understand their effect on the performance of a lodging property.

**National Overview:** Economic conditions slackened pace somewhat in Q2 2019, with GDP growth of 2.4 percent. Total nonfarm payroll employment increased by an average of 153,000 jobs per month in Q2, according to the Bureau of Labor Statistics. This is less than the previous quarter's average of 206,000; however, the unemployment rate fell slightly compared to the previous quarter, to 3.7 percent. Usual median weekly earnings dipped slightly from the previous quarter in Q2, although year-over-year they increased 3.7 percent. In Q2, the Federal Reserve cut its target interest rate 25 basis points to 2.00-2.25 percent. This marked the first rate cut since the start of the current expansion. The stated motivations were the strengthening inflation below the 2.0 percent objective and soft business fixed investment growth. Inflation as measured by the CPI moderated slightly to 1.9 percent, but the PCE grew more slowly at 1.5 percent, below the Federal Reserve's stated goal of 2.0 percent inflation. With inflation expectations lowered by a strong dollar, CBRE Economic Advisors ("CBRE-EA") anticipates the potential, but not the necessity of one further rate cut in 2019. CBRE-EA forecasts CPI to grow at 1.7 percent in 2019. CBRE-EA's baseline outlook for the U.S. predicts real GDP growth of 1.8 percent in 2019. The rate of job creation has slowed as the number of available workers falls and the economy operates at near-peak capacity. Wages are expected to continue to rise with a tight labor market, and real personal income is predicted to increase by 1.8 percent in 2019, down from 2.0 percent in 2018.

**State of California:** California is the most populous state in the U.S., with its nearly 40 million residents representing approximately 12 percent of the U.S. population. California's GDP is also the highest of any state in the U.S., and is ranked fifth globally after the U.S., China, Japan, and Germany. As of 2018, the Bureau of Economic Analysis reported that California's GDP of \$2.9 trillion represented more than 14 percent of the national total. The table below presents historical and projected trends in the state's labor force, income and construction, as compiled by the State of California Department of Finance.



## STATE OF CALIFORNIA LABOR FORCE, INCOME AND CONSTRUCTION TRENDS

California Labor Force and Employment 1/	Annual Averages					Annual Percent Change				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Civilian Labor Force	19,387.8	19,550.1	19,693.3	19,829.0	19,964.4	1.0	0.8	0.7	0.7	0.7
Civilian Employment	18,573.6	18,729.4	18,856.3	18,984.0	19,107.2	1.6	0.8	0.7	0.7	0.6
Civilian Unemployment	814.2	833.3	837.0	845.1	857.1	(11.4)	2.3	0.5	1.0	1.4
Civilian Unemployment Rate	4.2	4.3	4.3	4.3	4.3					
Farm Employment	424.0	424.7	425.2	425.3	425.4	0.5	0.2	0.1	0.0	0.0
Non-Farm Employment	17,181.6	17,342.5	17,472.4	17,588.5	17,708.5	2.1	0.9	0.7	0.7	0.7
Year-to-Year Change	345.8	160.9	129.9	116.0	120.1					
Goods Producing	2,209.1	2,237.8	2,284.3	2,333.6	2,387.0	3.1	1.3	2.1	2.2	2.3
Mining and Logging	22.7	22.9	22.9	22.4	22.1	3.1	0.9	0.2	(2.3)	(1.4)
Construction	861.4	885.3	931.0	980.2	1,033.0	6.3	2.8	5.2	5.3	5.4
Manufacturing	1,325.1	1,329.6	1,330.3	1,331.0	1,331.9	1.0	0.3	0.1	0.1	0.1
Machinery, Computers and Transportation	789.6	795.5	797.2	798.5	799.1	2.2	0.8	0.2	0.2	0.1
Food, Textiles and Other Manufacturing	535.5	534.1	533.1	532.5	532.8	(0.7)	(0.3)	(0.2)	(0.1)	0.0
Service Providing	14,972.5	15,104.7	15,188.1	15,254.9	15,321.5	1.9	0.9	0.6	0.4	0.4
Trade, Transportation, Warehousing and Utilities	3,047.5	3,064.7	3,072.2	3,079.6	3,087.0	1.0	0.6	0.2	0.2	0.2
Retail, Wholesale Trade and Utilities	2,442.3	2,443.9	2,446.0	2,448.6	2,451.0	(0.0)	0.1	0.1	0.1	0.1
Retail Trade	1,689.6	1,690.1	1,691.0	1,693.2	1,694.8	0.0	0.0	0.1	0.1	0.1
Wholesale Trade and Utilities	752.7	753.8	755.0	755.4	756.2	(0.2)	0.2	0.2	0.1	0.1
Transport and Warehousing	605.2	620.7	626.2	631.0	635.9	5.5	2.6	0.9	0.8	0.8
Information	550.5	561.6	568.4	575.2	582.0	3.9	2.0	1.2	1.2	1.2
Financial Activities	835.2	837.6	839.8	842.3	844.7	0.5	0.3	0.3	0.3	0.3
Professional and Business Services	2,666.3	2,695.2	2,713.8	2,733.2	2,750.9	3.2	1.1	0.7	0.7	0.6
Professional, Scientific, Technical Services	1,537.3	1,558.2	1,569.9	1,582.7	1,593.9	3.3	1.4	0.8	0.8	0.7
Administrative, Waste and Remediation Services	1,129.0	1,137.1	1,143.9	1,150.5	1,157.0	3.0	0.7	0.6	0.6	0.6
Educational and Health Services	2,723.0	2,765.4	2,794.2	2,823.2	2,849.7	2.7	1.6	1.0	1.0	0.9
Educational Services	378.2	380.3	381.5	382.0	382.6	4.0	0.6	0.3	0.2	0.1
Health Services	2,344.8	2,385.1	2,412.7	2,441.2	2,467.1	2.5	1.7	1.2	1.2	1.1
Ambulatory Services	838.0	854.9	864.9	874.7	883.2	2.9	2.0	1.2	1.1	1.0
Social Assistance	801.8	817.6	830.9	845.0	858.6	3.0	2.0	1.6	1.7	1.6
Other Health Care Services	705.0	712.6	716.9	721.5	725.3	1.5	1.1	0.6	0.6	0.5
Leisure and Hospitality	1,990.3	2,008.5	2,011.7	2,015.9	2,017.4	2.0	0.9	0.2	0.2	0.1
Other Services	572.4	576.1	578.3	580.2	581.8	1.5	0.6	0.4	0.3	0.3
Government	2,587.2	2,595.5	2,609.7	2,605.2	2,608.0	0.9	0.3	0.5	(0.2)	0.1
Federal	245.6	247.8	257.2	247.4	246.9	(1.0)	0.9	3.8	(3.8)	(0.2)
Civilian	185.1	187.1	196.4	186.5	185.8	(1.3)	1.1	5.0	(5.1)	(0.3)
Defense	60.6	60.7	60.8	60.9	61.0	(0.3)	0.2	0.2	0.2	0.2
State & Local	2,341.6	2,347.7	2,352.5	2,357.8	2,361.2	1.1	0.3	0.2	0.2	0.1
State	535.2	537.0	538.3	539.4	540.1	1.4	0.3	0.2	0.2	0.1
Local	1,806.4	1,810.7	1,814.2	1,818.4	1,821.0	1.1	0.2	0.2	0.2	0.1
Units: Thousands										
California Personal Income 1/	Annual Averages					Annual Percent Change				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Total Personal Income	2,475.7	2,585.8	2,695.4	2,803.6	2,916.8	4.7	4.4	4.2	4.0	4.0
Taxable Personal Income	1,777.8	1,861.9	1,944.3	2,021.3	2,097.2	5.3	4.7	4.4	4.0	3.8
Total Wages and Salaries	1,250.7	1,311.0	1,369.3	1,422.1	1,473.0	5.3	4.8	4.4	3.9	3.6
Supplements to Wages and Salaries	277.9	288.0	298.3	308.6	319.4	3.4	3.6	3.6	3.5	3.5
Proprietors' Income	249.7	259.4	269.3	279.5	290.0	3.6	3.9	3.8	3.8	3.8
Farm	12.3	12.3	12.3	12.4	12.5	(16.0)	(0.7)	0.6	0.6	0.8
Non-Farm	237.3	247.1	256.9	267.1	277.5	4.9	4.1	4.0	4.0	3.9
Property Income	538.3	566.5	594.3	621.7	650.1	5.9	5.2	4.9	4.6	4.6
Interest	221.7	234.9	247.9	260.1	272.7	7.2	6.0	5.5	4.9	4.8
Monetary	79.9	84.3	89.0	93.3	97.6	7.2	5.6	5.6	4.7	4.6
Non-Monetary	141.8	150.6	158.8	166.8	175.1	7.2	6.2	5.5	5.0	5.0
Dividends	157.3	164.3	171.1	178.1	185.4	4.9	4.4	4.2	4.1	4.1
Rent	159.3	167.3	175.3	183.5	192.1	5.1	5.0	4.8	4.7	4.7
Monetary	52.6	55.2	57.9	60.7	63.7	5.1	5.0	4.9	4.9	4.9
Non-Monetary	106.7	112.1	117.4	122.7	128.4	5.1	5.0	4.7	4.6	4.6
Transfer Receipts	341.2	353.2	367.3	385.4	407.9	3.0	3.5	4.0	4.9	5.8
Less: Contributions for Social Ins.	180.2	190.1	200.7	211.3	221.4	5.3	5.5	5.6	5.3	4.8
Residence Adjustment	(1.9)	(2.1)	(2.3)	(2.4)	(2.3)					
Less: Personal Taxes	296.1	316.3	330.1	342.7	354.3	0.8	6.8	4.4	3.8	3.4
Disposable Income	2,179.6	2,269.5	2,365.3	2,461.0	2,562.5	5.3	4.1	4.2	4.0	4.1
Units: Billion Current Dollars										
California Construction 1/	Annual Averages					Annual Percent Change				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Total Units (Thousand Permits)	114.4	128.8	142.7	154.1	165.1	0.4	12.6	10.7	8.0	7.1
Single Family	57.6	64.2	71.3	77.2	83.0	3.8	11.5	11.1	8.2	7.5
Units in Multiples	56.9	64.7	71.4	76.9	82.1	(2.7)	13.7	10.4	7.7	6.8
Total Valuation (Billion Dollars)	67.9	75.4	82.7	90.1	96.7	6.5	11.0	9.7	8.9	7.3
Residential	35.9	39.5	43.3	47.2	50.6	2.7	10.0	9.6	9.2	7.1
Non-Residential	32.0	35.9	39.5	42.9	46.1	11.0	12.2	9.9	8.6	7.4

1/ Data starting in 2019 are forecasts prepared in April 2019.

2/ Average wages is wages and salaries divided by the number of wage and salary jobs (total wage and salary employment).

**City and County of San Francisco Overview:** The proposed Hotel will be located in the City and County of San Francisco. San Francisco is the focal point of the Bay Area and a major West Coast financial, retail, and transportation center, with an economy driven primarily by technology and tourism. Although the city was negatively impacted by the 2008 and 2009 economic downturn, it has been quick to rebound. A knowledge-based economy, coupled with numerous developments within the city, will continue to support economic growth in the region.

**Population:** According to the U.S. Census Bureau, San Francisco had a population of approximately 884,000 residents as of January 2019. The population has increased at a CAGR of 1.0 percent since 2010, slightly above the statewide growth rate of 0.8 percent over the same period due primarily to the city's rapid economic growth following the most recent recession. Going forward, San Francisco's population growth is projected to trail that of the state for the next decade as residents relocate to more affordable areas in surrounding Bay Area cities.

**Employment:** According to the State of California Employment Development Department, San Francisco County had a labor force of 591,400 persons as of September 2019. Major employment sectors include professional and business services; trade, transportation, and utilities; government; and leisure and hospitality. However, San Francisco (and the entire Bay Area) is primarily known for its high-tech industry, and high-tech has propelled the local job market since 2011. San Francisco's unemployment rate was reported to be 1.8 percent as of September 2019, significantly lower than the national rate of 3.5 percent and the statewide rate of 4.0 percent that same month, and is due to the city's highly trained workforce and concentration of high-growth technology companies.

**Commercial Office Market:** The San Francisco commercial office market consists of approximately 82.6 million square feet of net rentable area, of which approximately 66 percent is classified as Class A space. The office market can be generally categorized into ten submarkets. CBRE Research reports that unfulfilled demand and tight market conditions have constrained leasing activity and led to an uptick in both vacancy and availability. The vacancy rate increased by 20 basis points to 3.8 percent and the availability rate jumped 60 basis points to 9.1 percent, reversing more than two years of decline and widening the gap between these two supply measures. Exceptionally low vacancy rates coupled with persistent demand continued to place upward pressure on average asking lease rates. The overall asking lease rate ended Q3 2019 at \$87.63, a quarterly increase of 2.3 percent and an annual increase of 12.9 percent. The following table presents a snapshot of the San Francisco office market as of Q3 2019.

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**SAN FRANCISCO OFFICE MARKET STATISTICS Q3 2019**

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Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate (\$)	Q3 Net Absorption	YTD Net Absorption
Financial District	26,780,536	4.0	11.5	89.38	38,863	311,813
Class A	20,201,447	3.1	11.3	91.99	(8,373)	255,250
South Financial District	24,470,735	2.5	7.2	91.91	(20,242)	301,214
Class A	21,208,865	2.0	6.8	92.46	(4,296)	347,670
N. Waterfront & Jackson Sq.	5,375,781	3.1	10.9	85.56	5,889	19,074
Class A	1,928,125	1.8	4.1	88.29	(3,436)	13,747
South of Market	8,014,556	4.1	7.6	83.58	(93,390)	15,193
Class A	3,567,367	1.1	3.0	86.71	(13,948)	73,564
Yerba Buena	3,395,612	3.3	5.5	82.18	(5,418)	(45,934)
Class A	1,279,859	0.9	1.7	85.25	0	0
South of Market West	3,505,381	0.6	4.0	78.11	84,476	63,160
Class A	1,633,952	0.4	0.4	79.08	78,091	67,766
Mission Bay/ China Basin	3,246,933	3.4	4.1	100.00	520,441	522,838
Class A	3,246,933	3.4	4.1	100.00	520,441	522,838
Potrero Hill	2,341,518	4.4	7.9	76.97	31,699	31,519
Class A	573,109	0.0	2.8	81.00	0	0
Civic Center & Van Ness	1,806,369	13.2	17.6	73.48	(87,988)	(112,154)
Class A	619,541	21.8	25.8	75.10	(87,988)	(112,154)
Union Square	3,668,280	9.8	14.4	77.71	(41,729)	(101,618)
Class A	335,200	13.5	14.1	81.96	(7,465)	(18,980)
<b>San Francisco Office Market</b>	<b>82,605,701</b>	<b>3.8</b>	<b>9.1</b>	<b>87.63</b>	<b>432,601</b>	<b>1,005,105</b>
<b>Class A</b>	<b>54,594,398</b>	<b>2.7</b>	<b>7.9</b>	<b>91.14</b>	<b>473,026</b>	<b>1,149,701</b>

Source: CBRE Research, Q3 2019.

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**Convention Center:** San Francisco is home to the Moscone Convention Center, which is responsible for generating an estimated 21 percent of all tourism to the City. Until January 2019, the Center offered approximately 740,000 square feet of exhibit space, up to 106 meeting rooms, and as many as four ballrooms in its three main buildings: Moscone North, South, and West. In January 2019, an expansion wing was completed, adding approximately 157,000 square feet of space. The expansion effectively increased the center’s usable event space by more than 25 percent with the addition of a 50,000-square foot column free ballroom, 25,000 square feet of secure outdoor terraces and 100,000 square feet of pre-function space oriented to provide views of the

city. According to the economic impact of the \$551 million expansion is projected to be \$272 million annually. As an indication of the success of the expansion, 2019 citywide convention demand is projected to grow by 60 percent over 2018 levels. Based on the September 2019 Trends Analysis Projections, LLC ("TAP") report, the number of definite room nights booked for 2019 have exceeded the pace target with approximately 1.21 million room nights booked, representing 110 percent of the pace target. Total definite room nights for 2020 are currently at an approximate 989,000 or 92 percent of pace target.

**Tourism:** San Francisco is a world-class tourist destination and is widely appreciated for its numerous attractions, picturesque scenery, and diverse culture. It is consistently ranked as one of the top cities to visit by the Condé Nast Traveler's Readers' Choice Awards and has received a variety of additional accolades from other national and international publications.

The San Francisco Travel Association estimated a total of 26.3 million visitors in 2018, an increase of 2.6 percent over 2017. Total visitor spending reached \$9.5 billion in 2018, up 3.8 percent over 2017. This was the ninth consecutive year of record-breaking performance for San Francisco's tourism industry. This massive influx of visitor dollars benefits hotels, restaurants, retail shops, local attractions, and cultural institutions, and has in fact bolstered practically every segment of the local economy. It has also remained a positive influence on government finances. Major contributors to that figure include hotel tax and property tax. Due to a high volume of visitation, the city's hotels achieve some of the highest annual occupancy levels in the nation.

**City Development:** San Francisco continues to be involved in various medium- to large-scale development projects that will revive some underused areas and improve other already-popular districts of the city, such as the Embarcadero and Mission Bay. These projects are discussed further in the following paragraphs.

The continuous development of **The Embarcadero**, San Francisco's waterfront area between Mission Bay and Fisherman's Wharf, is part of a master plan known as the Waterfront Land Use Plan of 1997. This mixed-use plan emphasizes opening up the bay to residents and tourists and promoting the development of abandoned piers and buildings into more attractive uses. Between 1997 and 2014, 63 new acres of waterfront open space were constructed, 19 historical resources were rehabilitated, seven derelict piers and wharves were removed, and Oracle Park was constructed. The Ferry Building, a San Francisco landmark, is the most visual of the numerous Embarcadero developments. After a comprehensive renovation and restoration in 2003, the Ferry Building now houses numerous restaurants, shops, and a popular farmers' market. Additional restaurants and retail outlets along Steuart Street (which runs parallel to the waterfront) and on the first and second floors of the Embarcadero Center have made this area a destination.



Current projects in the planning stages for The Embarcadero include the following:

- Construction of an affordable housing development and a new welcome center for the National Park Service at Alcatraz Landing;
- The re-purposing of Pier 29 to potentially include new retail facilities;
- The repairing of the Pier 38 bulkhead;
- Construction of the nine-acre Crane Cove waterfront park at Pier 70;
- Redevelopment of a 28-acre site at Pier 70, to potentially include the construction of 950 residential units; 2.6 million square feet of office, retail, and commercial uses; rehabilitation of four historic buildings; seven acres of open space; and parking structures;
- Redevelopment of a privately-owned 21-acre site located south of Pier 70, to potentially include the construction of residential, life and sciences, office developments, and a hotel;
- The construction of an automobile import/export terminal at Pier 80; and,
- Development of a cargo terminal at Pier 90 to facilitate the export of iron ore mining products.

**Mission Bay**, a 303-acre redevelopment area located just south of Oracle Park, is the city's largest raw land development project and is being promoted as the future headquarters to the world's biotechnology industry. When fully complete, the project could potentially include 6,400 housing units (including 1,900 designated affordable units), 3.4 million square feet of commercial space and biotech lab space, a 3.15 million-square-foot UCSF research campus, a 550-bed UCSF Medical Center (which opened its first phase in February 2015 and started the second phase in March 2017; as we understand it, the second phase of this development is anticipated to be completed in 2019/20), 425,000 square feet of retail space, a 250-room Marriott hotel, 49+ acres of public parks and open space, a 500-student public school, a public library, a new fire and police station, and other community facilities. Development began in 2000 and will take place over 20 to 30 years, and is expected to cost in excess of \$9 billion. \$700 million of investment in new public infrastructure and parks is being leveraged to generate \$9+ billion in new investment from private developers, users, and institutions. This community will be home to an estimated 11,000 new residents, promoting smart growth by placing housing and jobs directly adjacent to transit. With an estimated 30,000 jobs at full build-out in critical fields like biotech, healthcare, technology and education, Mission Bay creates a hub for innovation and economic growth.

**Mission Rock**, a 28-acre project area located in Mission Bay at the site of Oracle Park's Lot A surface parking, is proposed to be a new mixed-use neighborhood. The project is expected to consist of eight acres of new parks and open space, approximately 1,500 new rental homes (40

percent affordable housing), historic rehabilitation of Pier 48, 1.3 to 1.7 million square feet of commercial space, 150,000 to 200,000 square feet of retail, and 850,000 square feet of structured parking. Construction is expected to begin in 2020 and be complete by 2025.

The Golden State Warriors basketball team has relocated from Oakland to San Francisco to a new indoor arena located in the Mission Bay neighborhood. The privately funded \$800 million arena, the Chase Center, is located on a 12-acre site bounded by South Street, Terry Francois Boulevard, 16<sup>th</sup> Street, and 3<sup>rd</sup> Street. The 18,000-seat structure includes a view deck and two public plazas, and represents another indoor venue for the city with the ability to host approximately 220 events annually. The arena opened on September 6, 2019.

The ongoing development of Mission Bay has led to the revitalization of the nearby Rincon Hill and Dogpatch neighborhoods. A 49-story, 298-unit residential development at One Rincon Hill opened in 2014 as a companion to an existing 64-story, 390-unit tower. In addition, over 1,500 housing units are proposed or under construction in the Dogpatch area.

Redevelopment of the **Transbay Terminal** in San Francisco's SoMa neighborhood began in December 2008. This \$4.5 billion transportation and housing project has replaced the current Transbay Terminal at First and Mission Streets with a modern regional transit hub connecting eight Bay Area counties through 11 transit systems. The project consists of three elements: replacing the existing terminal; extending CalTrain and the California High Speed Rail underground; and creating a new neighborhood with homes, hotels, offices, parks, and shops surrounding the new Transit Center, now referred to as the Salesforce Transit Center. The center will include over six million square feet of new office space, 4,400 units of new housing (1,200 of which will be affordable), 100,000 square feet of new retail, 1,000 new hotel rooms, the 1,070-foot Salesforce Tower (which opened January 8, 2018), and 11 acres of public parks. Construction on the first phase, the aboveground bus terminal, began in 2010. Limited Muni bus service began in December 2017, and full service from AC Transit and other regional bus operators began in August 2018. Full funding has not yet been secured for the second phase of construction, the Downtown Rail Extension, which will add an underground terminal station for Caltrain and California High-Speed Rail. Once completed, the new Transit Center is anticipated to accommodate over 100,000 passengers each weekday and up to 45 million people per year. The Transit Center was abruptly ordered closed on September 25, 2018 following the discovery of a crack in a steel beam supporting the rooftop park. A crack in a second beam was found the next day. Repairs to these beams were completed in May 2019, while construction and road closures related to building issues were still ongoing. The rooftop park reopened on July 1<sup>st</sup>; bus service that uses the surface level resumed on July 13<sup>th</sup>. Full bus service resumed at the transit center on August 11, 2019.

The **Central Subway Project** will improve public transportation in San Francisco by extending the Muni Metro T Third Line to provide a direct transit link between the Bayshore and Mission Bay areas

to SoMa, downtown San Francisco, and Chinatown. When the Central Subway is completed, T Third Line trains will travel mostly underground from the 4th Street Caltrain Station to Chinatown, bypassing heavy traffic on congested 4th Street and Stockton Street. Four new stations will be built along the 1.7-mile alignment: 1) 4th and Brannan Station, 2) Yerba Buena/Moscone Station (4th and Folsom Streets), 3) Union Square/Market Street Station (Stockton Street at Union Square), and 4) Chinatown Station (Stockton and Washington Streets). Construction is underway and the project is scheduled for completion in 2020, at which point testing of the new Muni Metro line will commence and will take approximately one year.

**Treasure Island**, a former naval base, is currently in the stages of converting to civilian use and incorporation into the jurisdiction of San Francisco. Current plans for the \$1.5 billion project include the development of approximately 8,000 residential units, 300,000 square feet of retail, 100,000 square feet of office, 500 hotel rooms, 300 acres of parks and open space, a marina, and a ferry terminal. Additional developments may include an organic farm, wind farm, parkland, and tidal marshes.

San Francisco has long been known for its art and culture and is the home to a diverse selection of museums, many of which have undergone expansions or renovations in recent years. Most notable is the **San Francisco Museum of Modern Art** ("SFMOMA"), which closed in June 2013 to undergo a \$295 million expansion to triple the amount of gallery space and reopened in May 2016.

The **Hunters Point Shipyard**, a former naval base, is a master-planned community of approximately 500 acres. A two-phase development program is planned for the area: Phase I is underway and upon completion will include the construction of 1,600 homes (27 to 40 of which will be affordable) and 26 acres of open space. Phase II provides for an additional 10,500 new housing units (32 percent of which will be affordable) and over three million square feet of research and development uses centered around green and clean technology uses. Phases I and II will generate hundreds of new construction jobs each year, and ultimately will create over 10,000 permanent jobs. The redevelopment project is projected to take seven years and \$15 billion to complete. However, the overall development has recently been stalled due to concerns over the initial removal of nuclear residue and other toxic materials.

One of the fastest growing neighborhoods in San Francisco is **Mid-Market**, which generally refers to the area bordered by Market, 5th, Mission, and 9th Streets. Approximately 35 projects are currently in varying stages of development in and around this fast-growing area, including multi-family residential, retail, office developments, and several boutique hotels.

**Transportation:** San Francisco has a well-developed transportation system with sophisticated air, highway, rail, trucking, and water infrastructure. Each is discussed in the paragraphs below.

The San Francisco International Airport (“SFO”) is located approximately 15 miles south of San Francisco between the cities of South San Francisco and Millbrae. Passenger volume has increased steadily since 2004, aided by the expansion of services by Southwest Airlines and Virgin America in 2008. Overall, passenger traffic has increased dramatically since 1995, with 2018 representing a new record for SFO in terms of passenger counts. In 2018, SFO served approximately 57.8 million passengers, an increase of 3.5 percent over 2017 passenger traffic. Through August 2019, passenger volume decreased modestly by 0.4 percent over 2018 levels. Additional airports that service the San Francisco Bay Area include the Oakland International Airport approximately ten miles east, and the San Jose International Airport approximately 40 miles south.

A \$383 million renovation of Terminal 2 was completed in April 2011 that included a new control tower, the use of green materials, and a seismic retrofit. The renovated terminal features permanent art installations from Janet Echelman, Kendall Buster, Norie Sato, Charles Sowers, and Walter Kitundu. Terminal 2 set accolades by being the first U.S. airport to achieve LEED Gold status. It is home to Alaska Airlines (formerly Virgin America) and American Airlines, who share the 14-gate common-use facility. A \$253 million renovation of Terminal 3 was completed at the end of 2015 that included a 53,000-square-foot expansion of its East Concourse which resulted in the introduction of three more boarding gates, a new United Club, and a larger, more consolidated central security checkpoint. The renovation began in June 2013 and covered the concourse’s 400,000 square feet.

SFO began the renovation of Terminal 1, one of its oldest terminals, to meet the needs of modern travelers. When fully completed in 2024, T1 will elevate SFO’s standard of providing a world-class, environmentally friendly travel experience and is expected to meet or exceed the award-winning standards of Terminal 2 and Terminal 3 boarding areas. The \$2.4 billion project will include:

- Design and construction of Terminal 1’s north, south, and central areas.
- A new boarding area with improved passenger circulation and access to its 24 gates, new passenger loading bridges, and new concessions.
- A refreshed boarding area C.
- A new central area with improved spaces for passenger check-in, a consolidated security checkpoint, a re-composure area, a new common use baggage handling system and baggage claims, and a new mezzanine with connections to the AirTran, and the Central Parking Garage.

A number of additional construction projects are currently planned for SFO over the next few years as part of a ten-year \$4.1 billion capital improvement plan. Major projects include the construction of a new rental car center and the redevelopment of the old Air Traffic Control Tower that was decommissioned in October 2016 when the new 221-foot Tower opened. Additionally, a new 351-room Grand Hyatt Hotel recently opened on October 1<sup>st</sup> at the entrance of SFO.

The major highways in and out of the City include Interstates 80 and 280 and Highways 1 and 101. Interstate 80 connects with the Bay Bridge and Oakland, and Highway 101 connects with the Golden Gate Bridge and Marin County. Bay Area Rapid Transit (“BART”), a high-speed rail system, is a major commuter transportation system that links 43 stations in the Counties of Alameda, Contra Costa, San Mateo, and San Francisco. BART has had a tremendous impact on the Bay Area, transporting approximately 126 million passengers annually and, thus, facilitating the region’s commercial and residential growth. The CalTrain system provides commuter rail service to Peninsula cities from San Francisco to Gilroy, and the MUNI light rail and bus systems facilitate transportation throughout the city.

## **E. HOTEL MARKET ANALYSIS**

### **1. NATIONAL LODGING MARKET**

In addition to our advisory and valuation group, our Firm contains a research division, CBRE Hotels’ Americas Research (“CBRE Hotels’ Research”). CBRE Hotels’ Research owns the database for Trends® in the Hotel Industry, the statistical review of U.S. hotel operations, which first appeared in 1935 and has been published every year since. Beginning in 2007, CBRE Hotels’ Research unveiled its powerful Hotel Horizons®, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and revenue per available room (“RevPAR”) for the U.S. lodging industry with a high degree of accuracy. Hotel Horizons® reports are published on a quarterly basis for 60 markets and six national chain-scales.

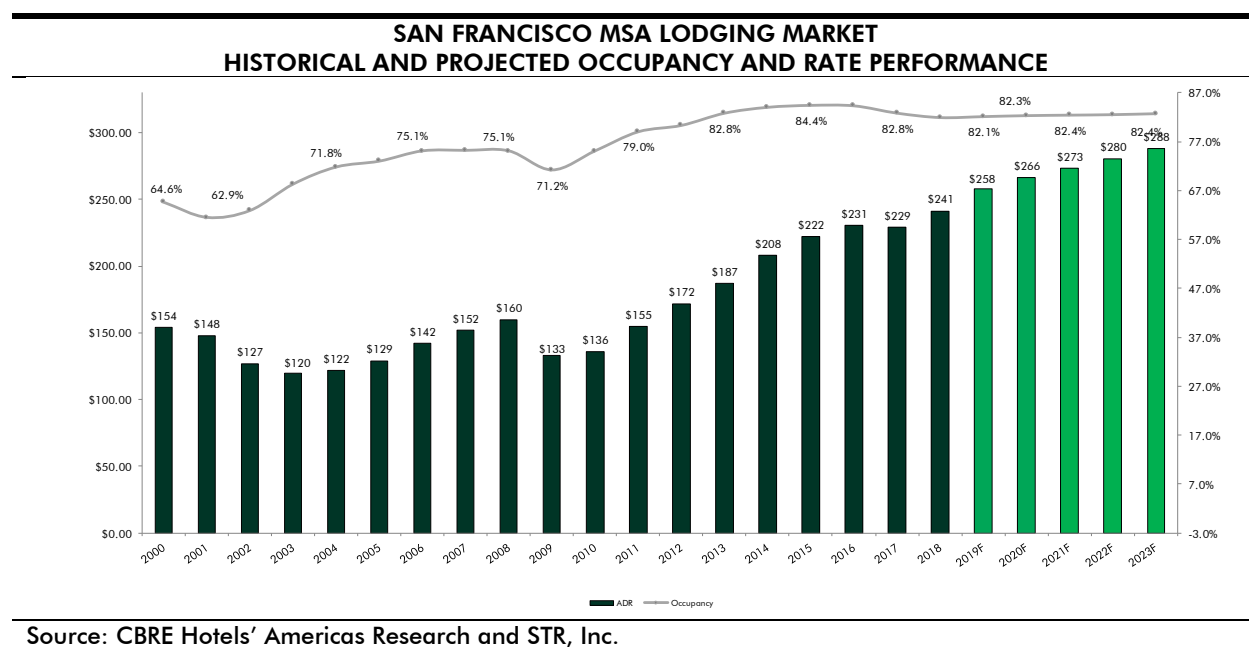
Based on the *September - November 2019 National Edition of Hotel Horizons®*, CBRE Hotels Research forecasts a deceleration in U.S. lodging performance during the second half of 2019. After rising by 2.1 percent during the first half of the year, the pace of demand growth will slow to 1.4 percent for the balance of 2019. As a result, CBRE is forecasting the national occupancy level to decline by 0.2 percent from 2018 to 2019. Fortunately, changes in room rates tend to lag changes in occupancy, so the annual increase in ADR will remain at 1.1 percent. For the year, CBRE is now projecting a RevPAR increase of just 0.9 percent, 110 basis points below the forecast published in June of 2019.

The slowdown in demand will show its impact on ADR during 2020. As CBRE has in the past, CBRE is forecasting a 0.8 percent decline in occupancy during the year because supply growth rises to 2.1 percent. As a result of the reduced outlook for lodging demand in 2019, we believe ADR growth in 2020 will be limited to 2.0 percent. For 2020, CBRE is forecasting a RevPAR growth rate of 1.2 percent. While 2019 and 2020 growth has become disappointing relative to 90 days ago, CBRE’s outlook for the anticipated economic “blip” in U.S. lodging performance during 2021 has improved. Accordingly, our forecasts for demand and ADR growth in 2021 have been adjusted

upward. CBRE is now forecasting a RevPAR gain of 0.8 percent in 2021, up from the 0.5 percent decline projected in our June 2019 reports.

## 2. HISTORICAL AND PROJECTED PERFORMANCE OF THE SAN FRANCISCO MSA LODGING MARKET

Presented in the following table is a summary of the historical performance of the overall San Francisco MSA lodging market from 2000 through 2018, along with performance projections through 2023. This historical and projected future performance is compiled by CBRE Hotels' Americas Research. It should be noted that the historical and projected performance of the San Francisco MSA market includes hotels located in San Francisco, San Mateo, and Marin Counties.



Occupancy has historically been strong for the San Francisco MSA lodging market over the past five calendar years, averaging 83.5 percent and ranging from a low of 81.9 percent in 2018 to a high of 84.4 percent in 2015. With occupancy levels this high, the MSA generated a significant amount of unsatisfied demand, or demand that was turned away to other Bay Area markets due to the limited supply growth during those years. This high demand allowed hotel managers to significantly increase room rates. Between 2014 and 2018, the San Francisco MSA achieved rate growth ranging between approximately -0.7 and 11.1 percent per year, resulting in a year-end 2018 ADR of approximately \$241. It should be noted that hotels within the City of San Francisco achieve a premium in ADR over the other aforementioned markets comprising the San Francisco MSA, as well as an overall higher occupancy level.

### **3. CITY OF SAN FRANCISCO LODGING MARKET OVERVIEW**

Of the total 34,711 hotel rooms in San Francisco recorded by STR, Inc., we have categorized hotels totaling 25,920 available rooms as representing the city's primary hotel supply as of October 2019. The remaining 8,791 rooms ( $34,711 - 25,920 = 8,791$ ) consist of small, limited-service motels and "residential" hotels. The primary hotel supply can generally be categorized into five lodging products or classifications: luxury, first-class/convention, boutique, middle-market, and limited-service. These hotels are generally located within five primary lodging sectors: Union Square/Moscone, Nob Hill, the Financial District, Fisherman's Wharf, and Civic Center/Van Ness Corridor. While these are distinct areas with their own supply and demand dynamics, there is often some market area overlap.

The primary hotel supply can generally be categorized into five lodging products or classifications: luxury, first-class/convention, boutique, middle-market, and limited-service as detailed in the following paragraphs.

**Luxury Hotels** provide extensive and personalized services along with high-quality furnishings, superior food and beverage facilities, and extensive, varied guest amenities. The emphasis on personalized guest services results in a high employee-to-guest ratio, an intimate atmosphere, and high room rates. These properties provide meeting and banquet space; however, the emphasis is on catering to small meetings of less price-sensitive, top-level professionals and executives. Based on discussions with ownership representatives, we understand that the proposed Hotel will represent an independent, luxury boutique hotel.

**Large First-Class/Convention Hotels** have guest services, amenities, and product quality designed to appeal to middle and high-income convention and individual travelers. These are medium to large properties which offer high quality but less personalized service than luxury hotels. First-class hotels usually offer a variety of food and beverage facilities at varying price ranges. In San Francisco, they are located near the Moscone Convention Center, Financial District, or various tourist attractions. Meeting facilities are provided to accommodate the group and convention segment needs. Many first-class hotels provide designated floors with special services for the upscale executive traveler. Generally, these hotels are newer or well-maintained older properties. Room rates typically fall between luxury room rates and the citywide ADR.

**Boutique and Lifestyle Upscale Hotels** are typically older buildings, ranging in size from 80 to 200 rooms. The majority of these hotels have been fully renovated within the last ten to 15 years. Because renovation or conversion of an existing hotel or office building is generally less expensive than building a new facility, these properties are able to offer below-market room rates for a high-quality product. In San Francisco, boutique and lifestyle hotels have developed a significant market presence, competing with the full-service hotels for the commercial and leisure traveler predominately and for group demand to a lesser extent. They tend to have limited meeting space



and small public areas and have eliminated expensive overhead such as extensive food and beverage facilities. A number of boutique hotels do, however, have “signature” restaurants on-premises that are marketed independently of the hotel and have achieved a high level of recognition for quality and uniqueness. Lastly, there have been a number of new nationally affiliated hotels that have entered the San Francisco market over the last several years that also fall into this category.

**Middle-Market Hotels** primarily appeal to the middle-income individual and family traveler. Tour operators, both international and domestic, book these hotels because they offer a good value among service, product quality, and room rate. Guest service is adequate, but with few frills. Food and beverage facilities are limited and more economical than in first-class hotels. Room rates are typically similar to the citywide average.

**Limited-Service, Midscale and Economy Hotels** generally range in size from 30 to 150 rooms. These properties offer room rates at the lower end of the scale and commonly do not offer on-premise food and beverage facilities or recreational components. This lodging product type is located outside of the more highly trafficked areas such as the Financial District or Union Square, and is instead proximate to the Civic Center, SoMa, and Lombard Street. This product-type generally does not compete, directly or indirectly, with the four other lodging products discussed.

#### **4. PRIMARY LODGING SECTORS**

The five primary lodging sectors in San Francisco are: 1) Union Square/Moscone/SoMa; 2) Nob Hill; 3) the Financial District and South Financial District; 4) Fisherman's Wharf; and 5) Civic Center/Van Ness Corridor. While these are distinct areas with their own supply and demand dynamics, there is often some market area overlap. The map on the following page indicates the general location of these sectors within San Francisco. The proposed Hotel is located within the Financial District and South Financial District submarket.

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THE CITY OF SAN FRANCISCO – PRIMARY LODGING SECTORS

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Source: CBRE Hotels Advisory

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**Union Square/Moscone/SoMa:** This sector's location makes it attractive to most lodging demand, as Union Square is proximate to the Financial District and the Moscone Convention Center. Union Square is one of the nation's most prestigious retail districts, continually attracting new retail shops and expanding its existing stores. Westfield San Francisco Centre is the largest shopping center in this district, as well as one of the largest in the country. This general area also includes the growing SoMa office district, The Transbay District, the Museum of Modern Art, Yerba Buena Gardens and the Sony Metreon. Oracle Park and Mission Bay are easily accessible from this sector.

Union Square contains the city's largest supply of hotel rooms and attracts a mix of commercial, leisure, and group travelers. This sector has benefited from the completion of Moscone West in 2003 and will benefit further from the Center's recently opened expansion.

**Nob Hill:** This lodging sector has the most prestigious location in the city, with luxury properties including the Ritz-Carlton, Stanford Court, Huntington Hotel, Fairmont Hotel, and the Mark Hopkins-InterContinental. However, it is also the smallest of the lodging sectors in terms of number of properties and number of guestrooms. The Ritz-Carlton, which opened in 1991, was the first addition to this sector's supply since the mid-1970s. Typical guests are upper-income corporate and leisure travelers, as well as the high-end self-contained group market.

Historically, this sector has commanded the highest ADR in the city, but with below-average occupancy. This is due to the price points of the hotel rooms and to their somewhat removed, hilltop location.

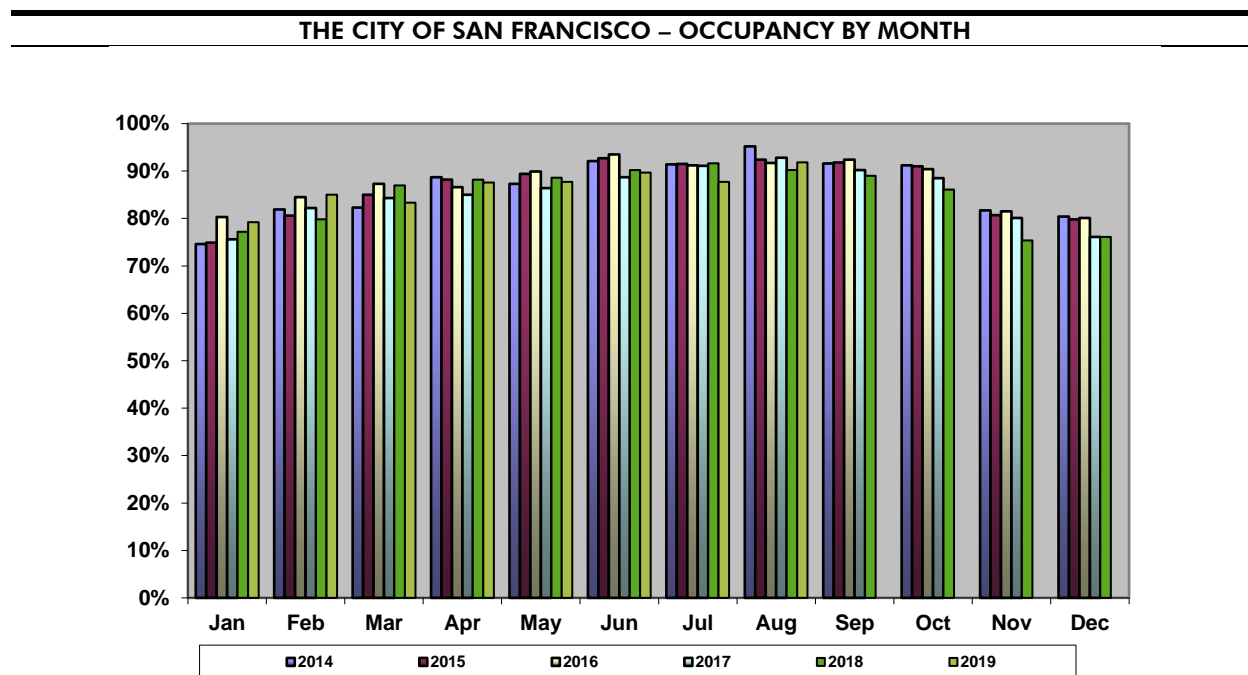
**Financial and South Financial District:** The major demand generator for the Financial District lodging sector is the high-density office population located within the area, both north and south of Market Street. The north is comprised of more traditional professional services firms while the south of market financial district is comprised of a higher concentration of technology companies. Typical guests in this sector are middle to high-income business, professional, and group travelers. Hotels in this neighborhood attract primarily commercial visitors due to their location. They experience their highest demand on weekdays and obtain above-average occupancy and ADRs. The Sentinel Building is located in this submarket.

**Fisherman's Wharf:** This area is considered to be one of the top tourist attractions in Northern California. Its hotels are designed and oriented primarily to service middle-income families visiting San Francisco. However, given its proximity to the Financial District, the hotels attract a secondary share of business travelers. Most of the major U.S. lodging chains are represented in this sector by their respective mid-level products such as Hilton, Holiday Inn, Hyatt Centric, Marriott, and Sheraton. Furthermore, this sector is family-friendly due to its convenience, price point, and proximity to venues and attractions. Consequently, families visiting San Francisco perceive a more casual and comfortable ambiance in the Fisherman's Wharf lodging sector as opposed to Nob Hill, Union Square, or the Financial District. Historically, this sector has achieved the highest occupancy of all the city's sectors. However, ADR is typically below the overall average.

**Civic Center/Van Ness Corridor:** This lodging sector stretches along Van Ness Avenue, reaching south from the San Francisco Civic Center into SoMa, north to Fisherman's Wharf, and along Lombard Street into the Cow Hollow area. This lodging sector caters to the more price-sensitive visitors to San Francisco, as well as state and federal government employees. Historically, its composite occupancy and ADR tends to be the lowest of the five lodging sectors.

## 5. SEASONALITY OF DEMAND

The seasonality of demand in San Francisco is largely tied to leisure travel as well as the convention calendar. Presented in the following table is a graph summarizing the city's occupancy by month for the past five calendar years, as well as through August 2019.



Source: CBRE Hotels Advisory

As noted, San Francisco hotels run a high occupancy year-round. However, the summer and fall months of June, July, August, September, and October are generally the strongest due to the seasonal increase of leisure travelers in the summer and to the high volume of commercial travelers and conventioners in the fall. March, April, and May are also strong months due to convention activity and commercial travel. January, February, November, and December are the slowest months, as both commercial and leisure travel declines during the holiday season. However, occupancy during these months still well exceeds national averages.

## 6. CHANGES TO SUPPLY – CITY OF SAN FRANCISCO

We are aware of numerous projects that have been proposed or are currently under construction throughout the City of San Francisco. However, as many of these projects are deemed to be either highly speculative at this point in time and/or are deemed to be noncompetitive to the proposed Hotel due to their positioning within the market and/or their location, we have excluded them from our analysis. We have, however, summarized three of these projects in the paragraphs below.

These proposed projects are located in the Financial and SoMA districts of San Francisco and represent luxury hotels.

- **Langham Place San Francisco:** The proposed Langham Place San Francisco is located approximately 0.9 miles southeast of the Subject site at 555 Howard Street. This 223-room hotel will be affiliated with Langham Hotels International and is being developed by Pacific Eagle. The hotel component of the mixed-use development will occupy the first 19 floors with the remainder of the project dedicated to residences. This project is currently in the planning stage of development; the anticipated opening date is unknown at this point in time.
- **F4 Hotel:** A luxury 195-room hotel is proposed as one component of a mixed-use development located at 560 Howard Street (Parcel F), approximately 0.9 miles southeast of the Subject site. The high-rise, one million-square-foot mixed-use tower will include 325,000 square feet of Class A office space, 165 condominium units, and the 5-star hotel. Hines is the developer of this project. The hotel is in the final planning stage of development and is estimated to open in Q2 2022.
- **Equinox Hotel:** An Equinox Hotel has been proposed at 425 and 439-445 Washington Street, approximately 0.3 miles east of the Subject site. Related, the developer, has proposed a 200-room Equinox Hotel, 40,000 square feet of office space, and 38,000 square feet of retail to house an incoming Equinox gym. There will also be a rooftop lounge included to meet the public open space requirements.

As stated, these aforementioned proposed luxury hotel developments have been excluded from our analysis of supply and demand for the proposed Subject as they are deemed to be highly speculative at this point in time.

## 7. COMPETITIVE LODGING MARKET OVERVIEW

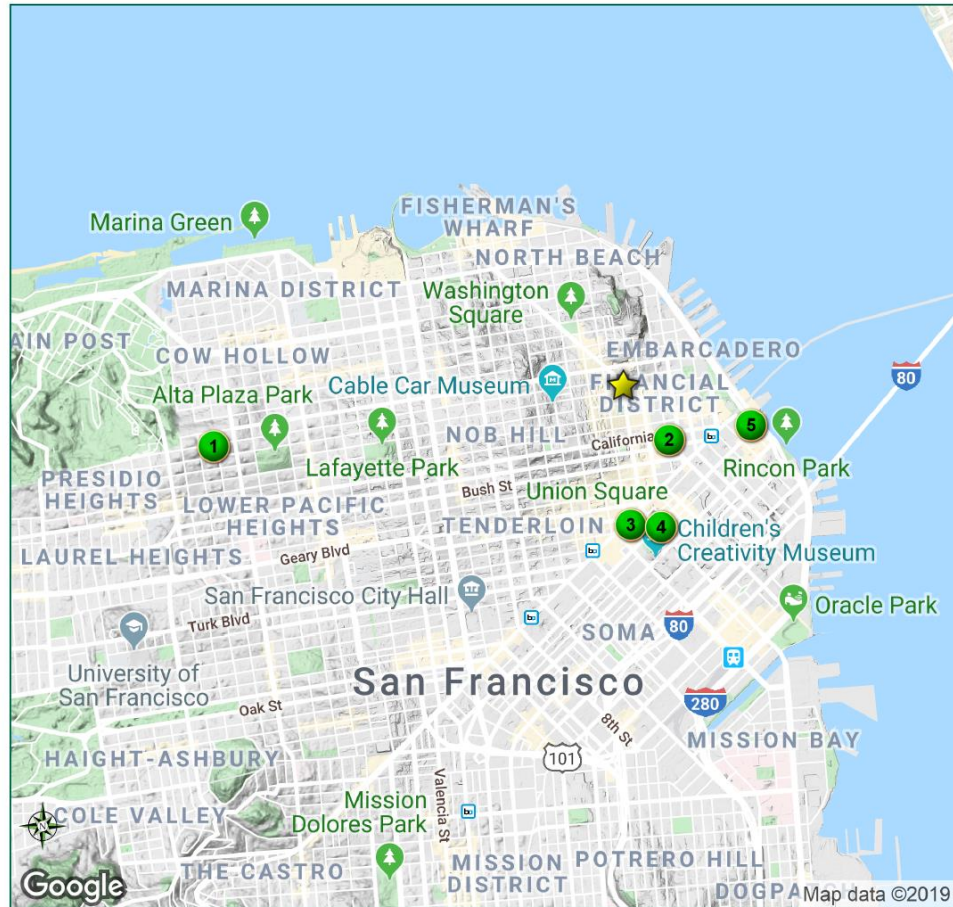
The proposed Hotel will represent a highly unique lodging product given its small size at 15 rooms, its affiliation with the notable Francis Ford Coppola Hideaways Collection, and its location within the historic and iconic Sentinel Building in the North Beach district of San Francisco. Given the characteristics of the proposed Hotel, no other hotel in San Francisco is deemed to be truly comparable. However, we have identified five properties as representing a reasonable primary competitive market. In addition to the five properties identified as representing a reasonable primary competitive market, the Battery, a private, members-only social club located in the Jackson Square neighborhood, offers a 14-suite luxury boutique hotel, which is also available for non-members of the club. Given the unique nature of being associated with a private, members-only social club, with limited publicity to non-members, we have not included the boutique hotel at the Battery in our primary competitive market.

Competitive properties were identified on the basis of location, room product offered, guest type, rate structure, and overall quality. A map and table on the following pages show the location and provide a summary of the competitive hotels.



## COMPETITIVE LODGING MARKET

- ★ Sentinel Building
- ① Hotel Drisco
- ② Loews Regency San Francisco
- ③ Four Seasons Hotel San Francisco
- ④ St. Regis San Francisco
- ⑤ Hotel Vitale



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**SUMMARY OF HOTELS IN THE PRIMARY COMPETITIVE LODGING MARKET**

Property	Hotel Drisco	Loews Regency San Francisco	Four Seasons Hotel San Francisco	St. Regis San Francisco	Hotel Vitale
					
Address	2901 Pacific Avenue	222 Sansome Street	757 Market Street	125 3 <sup>rd</sup> Street	8 Mission Street
Distance from Subject	2.3 miles	0.5 miles	0.7 miles	0.8 miles	0.9 miles
Year Opened	1903/2017	155	2001	260	2005
Number of Rooms	48	1987/2015	277	2005	200
Affiliation	Independent	Loews	Four Seasons	Marriott	Hyatt
Chain Scale	Luxury	Luxury	Luxury	Luxury	Upper Upscale

## 8. HISTORICAL PERFORMANCE OF THE COMPETITIVE MARKET

The following table summarizes the historical performance of the identified competitive market between 2013 and 2018, as well as for year-to-date (“YTD”) September 2018 and 2019.

PROPOSED HOTEL - SAN FRANCISCO, CA HISTORICAL PERFORMANCE OF THE COMPETITIVE MARKET									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2013	344,195	-	269,160	-	78.2%	\$431.90	-	\$337.75	-
2014	344,195	0.0%	270,193	0.4%	78.5%	\$474.20	9.8%	\$372.25	10.2%
2015	343,465	-0.2%	263,438	-2.5%	76.7%	\$498.57	5.1%	\$382.40	2.7%
2016	343,100	-0.1%	273,794	3.9%	79.8%	\$502.18	0.7%	\$400.74	4.8%
2017	335,800	-2.1%	259,238	-5.3%	77.2%	\$501.75	-0.1%	\$387.35	-3.3%
2018	343,100	2.2%	268,990	3.8%	78.4%	\$517.35	3.1%	\$405.60	4.7%
<b>CAGR/Avg.</b>	<b>-0.1%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>78.1%</b>	<b>3.7%</b>	<b>-</b>	<b>3.7%</b>	<b>-</b>
YTD Sep '18	257,325	-	204,316	-	79.4%	\$521.01	-	\$413.68	-
YTD Sep '19	257,325	0.0%	199,942	-2.1%	77.7%	\$547.60	5.1%	\$425.49	2.9%

Source: STR, Inc.

- Supply for the competitive market remained relatively unchanged over the past six years. The modest fluctuations during this historical period are a result of fluctuations in inventory at the Loews Regency San Francisco and the Hotel Drisco. Both hotels underwent significant renovations during this period. The Four Seasons Hotel San Francisco also completed a significant renovation in 2018.
- Demand for room nights, as measured by occupied rooms, also remained relatively unchanged between 2013 and 2018. Occupancy during this historical period averaged 78.1 percent, ranging from a low of 76.7 percent in 2015 to a high of 79.8 percent in 2016. The decrease in demand experienced in 2015 and 2017 is largely attributable to the extensive renovations at several of the properties comprising the competitive market. Additionally, it should be noted that the decrease in occupancy experienced in 2017 is also attributable to the closure and renovation of the Moscone Center while undergoing expansion, which negatively impacted the performance of hotels that otherwise would have benefited from groups attending events at Moscone. Through YTD September 2019, demand decreased by 2.1 percent over prior year levels primarily due to a reduction in convention attendance in the summer months, resulting in a market occupancy of 77.7 percent.
- With the exception of 2017 when ADR decreased modestly, the competitive market achieved ADR growth ranging between 3.1 percent and 9.8 percent over the past six years. As a result, ADR increased from \$431.90 in 2013 to \$517.35 in 2018, or by approximately \$85. Through YTD September 2019, ADR further increased by 5.1 percent over prior year

levels. It should be noted that the hotels comprising the identified competitive market achieve the highest ADR levels in the City of San Francisco.

- RevPAR for the competitive market increased at a CAGR of 3.7 percent between 2013 and 2018, increasing by approximately \$68 during this six-year period. Through year-to-date September 2019, RevPAR increased by approximately 2.9 percent over prior year levels as a result of the increased growth in ADR. Historically, the Four Seasons Hotel San Francisco and the St. Regis San Francisco have achieved the highest RevPAR levels.
- The majority of the properties comprising the competitive market receive most of their demand from the transient commercial and leisure market segment. We estimate the demand segmentation of the competitive market is comprised of approximately 75 percent transient commercial and leisure demand and 25 percent group demand, with the larger hotels including the Four Seasons Hotel San Francisco and St. Regis San Francisco contributing a larger share of the overall group demand due to their convenient locations to Moscone Center.
- As illustrated in the following table, occupancy in the competitive market does exhibit seasonal patterns, albeit modestly. Focusing on the three-year average, the strongest months are the months of May through October with occupancy ranging between 80 and 85 percent. November and December are the slowest months with occupancy in the high 60 percent range.

<b>COMPETITIVE MARKET SEASONALITY (MONTHLY)</b>				
<b>Monthly Occupancy</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>3-Year Avg.</b>
January	70%	69%	69%	69%
February	81%	77%	70%	76%
March	79%	77%	75%	77%
April	79%	73%	83%	78%
May	82%	76%	84%	81%
June	86%	82%	82%	83%
July	78%	80%	82%	80%
August	83%	83%	84%	83%
September	86%	84%	86%	85%
October	84%	85%	85%	85%
November	79%	75%	71%	75%
December	71%	66%	69%	68%
Average	80%	77%	78%	78%

- The chart below illustrates the demand in the competitive market by day of the week. Corporate and convention travel drives demand from Monday through Thursday, with the peak nights achieving occupancy in the mid-80 percent range. Leisure travel drives demand on Fridays and Saturdays, with occupancy in the low to high 70 percent range.

Sundays are the slowest day of the week, albeit still very strong with occupancy in the mid 60 percent range.

<b>COMPETITIVE MARKET SEASONALITY (WEEKLY)</b>				
<b>Day of Week</b>	<b>TTM 9/17</b>	<b>TTM 9/18</b>	<b>TTM 9/19</b>	<b>3-Year Avg.</b>
Sunday	65%	68%	65%	66%
Monday	79%	80%	81%	80%
Tuesday	86%	85%	86%	86%
Wednesday	86%	86%	86%	86%
Thursday	78%	80%	77%	78%
Friday	73%	74%	70%	72%
Saturday	78%	77%	74%	77%
Average	78%	78%	77%	78%

It should be noted that the City of San Francisco is generally regarded as one of the strongest lodging markets in the United States, achieving record occupancy levels and extraordinary average rate growth with relatively few projected additions to supply. In fact, lodging demand is forecast to remain so strong that the City of San Francisco has a significant undersupply of new rooms in the development pipeline, ensuring strong levels of occupancy, even during the downturns in normal economic cycles.

## 9. PROJECTED PERFORMANCE OF THE COMPETITIVE MARKET

Presented in the following table is a summary of our occupancy and ADR projections for the competitive market for the years 2018 through 2026, coinciding with the proposed Hotel's first five full years of operation. We have assumed that the proposed Hotel would be open and available for occupancy by January 1, 2022 and will include 15 guestrooms.

<b>PROPOSED HOTEL - SAN FRANCISCO, CA</b>									
<b>PROJECTED PERFORMANCE OF THE COMPETITIVE MARKET</b>									
<b>Year</b>	<b>Annual Supply</b>	<b>Percent Change</b>	<b>Occupied Rooms</b>	<b>Percent Change</b>	<b>Market Occupancy</b>	<b>ADR</b>	<b>Percent Change</b>	<b>RevPAR</b>	<b>Percent Change</b>
2018	343,100	2.2%	268,990	3.8%	78%	\$517.35	3.1%	\$405.60	4.7%
2019	343,100	0.0%	267,600	-0.5%	78%	\$543.00	5.0%	\$423.51	4.4%
2020	343,100	0.0%	267,600	0.0%	78%	\$559.00	2.9%	\$435.99	2.9%
2021	343,100	0.0%	267,600	0.0%	78%	\$576.00	3.0%	\$449.25	3.0%
2022	348,575	1.6%	271,900	1.6%	78%	\$593.00	3.0%	\$462.56	3.0%
2023	348,575	0.0%	271,900	0.0%	78%	\$611.00	3.0%	\$476.60	3.0%
2024	348,575	0.0%	271,900	0.0%	78%	\$629.00	2.9%	\$490.64	2.9%
2025	348,575	0.0%	271,900	0.0%	78%	\$648.00	3.0%	\$505.46	3.0%
2026	348,575	0.0%	271,900	0.0%	78%	\$667.00	2.9%	\$520.28	2.9%
<b>CAGR</b>	<b>0.2%</b>	<b>-</b>	<b>0.2%</b>	<b>-</b>	<b>-</b>	<b>3.0%</b>		<b>3.0%</b>	

Source: CBRE Hotels Advisory

- Supply for the competitive market is expected to increase at a CAGR of 0.2 percent between 2019 and 2026 as a result of the addition of the 15-room Subject in January 2022. This growth in supply is slightly above the growth experienced within the competitive market between 2013 and 2018. Although the supply will not be impacted, it should be noted that the Loews Regency San Francisco was purchased by Westbrook Partners from Loews Hotels in May 2019 and will be renovated and rebranded to the Four Seasons Hotel San Francisco at Embarcadero in early to mid-2020.
- Despite the decrease in accommodated demand experienced through YTD September 2019, we project occupancy to remain at approximately 78 percent through year-end 2019. It is at this level we project the competitive market to stabilize. A stabilized occupancy level of 78 percent is in line with the six-year average annual occupancy achieved by the competitive market.
- As noted in the historical performance table, the competitive market has consistently achieved occupancy levels in the high 70 percent range. Consistent with projections for the overall San Francisco MSA based on historical averages, new supply additions, and current market conditions driving increases in demand, we believe it is reasonable to assume an occupancy level in the 78 percent range for the competitive market through 2026.
- ADR for the competitive market increased by 3.1 percent in 2018 and further increased by 5.1 percent through YTD September 2019. Consistent with year-to-date trends, we project ADR to increase by 5.0 percent through year-end 2019. Thereafter, it is expected that ADR will increase by 3.0 percent per annum, consistent with our long-term outlook for inflation.

## **F. PROJECTED PERFORMANCE OF THE SUBJECT**

Based upon our analysis contained herein, including a review of the overall competitive market and of each identified hotel, we have provided our occupancy and ADR projections for the proposed Hotel's first five years of operation, as stated in calendar years.

Assuming that the proposed Hotel will represent a 15-room independent, luxury boutique hotel affiliated with the Francis Ford Coppola Hideaways Collection, we assume that it will achieve slightly below its fair share of demand, penetrating the competitive at 96 percent on a stabilized basis. We believe that the proposed Hotel could achieve an occupancy of 70 percent as it is introduced into the market in January 2022. As it gains recognition, we project occupancy to increase to 73 percent in 2023 and then stabilize at 75 percent in 2024. We believe a stabilized occupancy level slightly below the competitive market is reasonable given our projected ADR for the proposed Subject, discussed below.

Based on the individual attributes and performance levels of the individual competitive hotels, we believe that the proposed Hotel could achieve an ADR of \$750 under the hypothetical condition that it was open and stabilized in 2019. This would position the ADR of the proposed Hotel approximately 40 percent above the projected 2019 aggregate ADR for the identified competitive market, which is deemed reasonable given the proposed Hotel's location, unique and historical architecture, planned luxury finishes, number of guestrooms, and unique amenities and features including the famous Coppola recording studio and screening room in the basement of the historic and iconic Sentinel Building.

We project ADR to grow at rates in line with our projections for the competitive market, such that the proposed Hotel is projected to open with an ADR of **\$820** in 2022. Projections for both occupancy and ADR for the proposed Hotel's first five full years of operation are presented in the following table.

<b>PROPOSED HOTEL - SAN FRANCISCO, CA PROJECTED PERFORMANCE</b>									
<b>Year</b>	<b>Hypothetical ADR</b>	<b>Market Growth</b>	<b>Introductory Discount</b>	<b>Actual ADR</b>	<b>Percent Change</b>	<b>Subject Occupancy</b>	<b>Subject Penetration</b>	<b>RevPAR</b>	<b>Percent Change</b>
2019	\$750.00	-							
2020	\$773.00	3.0%							
2021	\$796.00	3.0%							
2022	\$820.00	3.0%	0.0%	<b>\$820.00</b>	-	<b>68%</b>	<b>87%</b>	\$557.60	-
2023	\$845.00	3.0%	0.0%	<b>\$845.00</b>	3.0%	<b>73%</b>	<b>94%</b>	\$616.85	10.6%
2024	\$870.00	3.0%	0.0%	<b>\$870.00</b>	3.0%	<b>75%</b>	<b>96%</b>	\$652.50	5.8%
2025	\$896.00	3.0%	0.0%	<b>\$896.00</b>	3.0%	<b>75%</b>	<b>96%</b>	\$672.00	3.0%
2026	\$923.00	3.0%	0.0%	<b>\$923.00</b>	3.0%	<b>75%</b>	<b>96%</b>	\$692.25	3.0%

Source: CBRE Hotels Advisory

We are of the opinion that, given the previously discussed strong fundamentals of the greater San Francisco lodging market, and the proposed Hotel's identified competitive market, along with the proposed Hotel's assumed luxury quality level, the new 15-room Hotel will open with strong levels of performance and with minimal impact on the greater competitive San Francisco lodging market.

While it is possible that the proposed Hotel will experience growth in occupancy and ADR above those estimated in the report, it is also possible that sudden economic downturns, unexpected additions to the room supply, or other external factors will force the proposed Hotel below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the proposed Hotel over the projection period based on our analysis of the market as of the date of the report.

This completes our analysis of the potential market demand for the proposed Hotel at 916 Kearny Street in San Francisco. After you have had an opportunity to review this report, please feel free to contact us with any questions or comments. We appreciate the opportunity to work with you on this engagement. Please let us know if you have any questions or should you require any further information.

Yours sincerely,

**CBRE Hotels Advisory**



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**ADDENDA**

Addendum A

# ASSUMPTIONS AND LIMITING CONDITIONS

## ASSUMPTIONS AND LIMITING CONDITIONS

1. CBRE, Inc. through its advisor (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
  - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
  - (ii) If any, existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this report and, therefore, makes no representations relative to the condition of improvements. CBRE advisors are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
  - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
  - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
  - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
  - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
  - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
  - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
  - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
  - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
7. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of the performance of the subject property. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
8. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by the advisors. Any user of the Report is advised to retain experts in areas that fall outside the scope of the advisor for such matters.
9. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
10. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
11. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.
12. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.

The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any

court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own consultants and advisors for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.



**Julie Purnell**  
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May 29, 2020

Ken Minami  
Francis Ford Coppola Presents  
300 Via Archimedes  
Geyserville, CA 95441

Re: Market Demand Analysis – Proposed Hotel  
Sentinel Building  
916 Kearny Street  
San Francisco, CA 94133  
CBRE, Inc. File No. 19-224NW-0620

Dear Mr. Minami:

As a follow-up to recent conversations with your counsel, Ms. Tara Sullivan of Reuben, Junius & Rose, we are pleased to provide a brief addendum to our Market Demand Analysis report dated October 31, 2019 ("Report").

As we understand it, Francis Ford Coppola Presents ("FFCP") is desirous of constructing a boutique hotel ("Hotel") as part of a redevelopment project of an existing building known as Columbus Tower and, also known as the Sentinel Building, located at 916 Kearny Street, San Francisco, California, 94133. As part of the Owner's market due diligence, and for planning department approval purposes, you required a firm such as CBRE Hotels Advisory to conduct an independent analysis of the potential market demand of the proposed Hotel. That analysis was completed in the Report and at your request, we are providing a brief overview of the impact the COVID-19 Pandemic has had on the travel and hotel industries, most specifically, the San Francisco MSA Market.

In the Report, we provided a summary of historical and projected future performance for the San Francisco MSA lodging market for years 2014 to 2023 from *CBRE Hotels Hotel Horizons®*, September – November 2019 Edition) and presented below. It should be noted that this table includes historical data for occupancy ("OCC"), average daily rate ("ADR") and revenue per available room (RevPAR) as of Q2 2019 for hotels in San Francisco, San Mateo, and Marin Counties and is generally referred to as the San Francisco MSA lodging market.

## SAN FRANCISCO MSA LODGING MARKET (SEPT-NOV 2019 EDITION)

A summary of historical performance as of Q2 2019 and projected future performance for the San Francisco MSA lodging market for years 2014 to 2023 is presented below (from *CBRE Hotels Hotel Horizons®*, September – November 2019 Edition) and as presented in the Report.

SAN FRANCISCO MSA LODGING MARKET HISTORICAL AND PROJECTED PERFORMANCE						
YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	84.0%	1.5%	\$208.09	11.1%	\$174.83	12.8%
2015	84.4%	0.5%	\$222.10	6.7%	\$187.50	7.2%
2016	84.3%	-0.2%	\$230.62	3.8%	\$194.32	3.6%
2017	82.8%	-1.8%	\$229.00	-0.7%	\$189.50	-2.5%
2018	81.9%	-1.0%	\$241.25	5.4%	\$197.62	4.3%
2019F	82.1%	0.2%	\$257.86	6.9%	\$211.61	7.1%
2020F	82.3%	0.3%	\$266.41	3.3%	\$219.21	3.6%
2021F	82.4%	0.1%	\$273.20	2.5%	\$225.05	2.7%
2022F	82.5%	0.2%	\$280.35	2.6%	\$231.40	2.8%
2023F	82.7%	0.2%	\$288.08	2.8%	\$238.34	3.0%

Source: CBRE Hotels Americas Research, STR. Inc, Q2 2019

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a “Global Pandemic” on the 11th of March 2020, is causing heightened uncertainty in both local and global market conditions. Global financial markets have seen steep declines since late February largely on the back of the pandemic over concerns of trade disruptions and falling demand. Many countries globally have implemented strict travel restrictions and a range of quarantine and “social distancing” measures.

Market activity is being impacted in most sectors. As of the date of this letter, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of potential future performance. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Since the Report was completed in October 2019, the hotel industry has been negatively impacted by the outbreak of the COVID-19 Pandemic. The most recent forecast for the San Francisco MSA from *CBRE Hotels Hotel Horizons®*, June – August 2020 Edition which includes year-end 2019 historical performance, and which was prepared in April/May 2020, is presented on the following page.



## SAN FRANCISCO MSA LODGING MARKET (JUNE-AUGUST 2020 EDITION)

SAN FRANCISCO MSA LODGING MARKET HISTORICAL AND PROJECTED PERFORMANCE						
YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2015	84.4%	0.5%	\$221.98	6.7%	\$187.38	7.2%
2016	84.3%	-0.2%	\$230.47	3.8%	\$194.19	3.6%
2017	82.7%	-1.8%	\$228.82	-0.7%	\$189.35	-2.5%
2018	81.9%	-1.0%	\$240.62	5.2%	\$197.13	4.1%
2019	82.0%	0.0%	\$250.67	4.2%	\$205.46	4.2%
2020F	45.4%	-44.7%	\$188.46	-24.8%	\$85.50	-58.4%
2021F	67.0%	47.7%	\$204.23	8.4%	\$136.87	60.1%
2022F	77.6%	15.9%	\$237.91	16.5%	\$184.72	35.0%
2023F	82.0%	5.6%	\$249.91	5.0%	\$204.90	10.9%
2024F	83.6%	2.0%	\$258.62	3.5%	\$216.24	5.5%

Source: CBRE Hotels Research, STR, Q1 2020

According to the forecast prepared by CBRE Hotels Research as outlined above, by year-end 2020, the hotels in the San Francisco MSA are forecast to see a RevPAR decrease of 58.4 percent. This is the result of an estimated decline in occupancy of 44.7 percent and a 24.8 percent loss in ADR. The 58.4 percent decline in San Francisco MSA RevPAR compares to the US market projection of a 51.9 percent decrease. Looking towards 2021, San Francisco MSA RevPAR is expected to grow 60.1 percent, reversing the downward trend of 2020. San Francisco MSA occupancy levels are expected to range from 45.4 percent to 83.6 percent during the 5-year forecast period (from 2020-2024). By year-end 2023, the San Francisco MSA occupancy levels are forecasted to return to 2019 levels of 82.0 percent.

While the impact of the COVID-19 Pandemic to the travel and tourism industry is unprecedented, CBRE Hotels Research is forecasting that the San Francisco MSA travel demand is anticipated to return to 2019 occupancy levels by year-end 2023.

Sincerely,

A handwritten signature in black ink, appearing to read "JPurnell", written in a cursive style.

Julie Purnell  
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