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Executive Summary

Key Questions

For many years, the business community and other civic, tourism and downtown leaders in Frederick, Maryland have advocated for a downtown hotel. While Frederick is a popular historic destination and has a compelling downtown filled with shops, restaurants and attractions, no hotel serves this market and location. Only one older, lower quality full-service hotel and newer select-service hotels service the market from suburban locations.

A 2012 study by Crossroads Consulting, among many over the past seven years, was conducted to determine the impact on the local area from the Project. Hunden Strategic Partners, Inc. (HSP) was engaged in 2019 to update the analysis and provide a fresh look at project development characteristics and lodging trends as they relate to economic impact. Since 2012, Project elements have been refined to address a variety of development conditions. Further, lodging supply and demand have increased.

Key questions addressed in the study include:

- What lodging demand gap is the Project going to fill and how much new business can be induced and recaptured to Frederick?
- What is the projected net new local economic, fiscal, and employment impact from the proposed Project based on HSP's analysis and developer projections?



Headlines

- All partners (city, county, downtown, tourism representatives) have remained steadfast in support of the project. The economic impact and effect that this project will have for the community is a common goal.
- Currently, there are 23 suburban hotels with a total of roughly 2,500 rooms in the Frederick market, with no hotels downtown. There are also no regionally competitive meeting spaces in Frederick, including downtown.
- There is tremendous opportunity for a new lodging development with event space in downtown Frederick.
- No full-service hotels exist in the market.
- The existing competitive hotels in Frederick have an average occupancy of around 70 percent and an average daily rate close to \$120. Competitive regional full-service facilities outside of Frederick have similar occupancies, with average annual rates ranging up to \$175.
- The Project provides a mix of opportunistic uses, including hotel, rooftop event space, restaurants, ballroom and meeting space and office space.
- The hotel is projected to generate over \$17 million in gross revenue in Year 1, increasing to over \$22 million in the fifth year.
- The net new consumer spending to Frederick due to the Project is projected to total \$1.5 billion over the 25-year period, which will result in \$485 million in new earnings, supporting 391 new full-time equivalent jobs and generate more than \$60 million in new taxes collected from the ongoing spending and real estate taxes over 25 years.
- Compared with the 2012 study, the project is larger by at least 15%, more expensive to build, and inflation alone in the DC area has increased by 22 – 28% since that time.

Impact

The table to the right shows a summary of estimated 25-year impacts for the proposed 230-room hotel.

The net new spending from the Project totals \$1.5 billion over the 25-year period, including \$485 million in new earnings, more than 391 new full-time equivalent jobs and more than \$60 million in new taxes collected from the ongoing spending over 25 years.

The construction impact will include 206 job-years and will be a temporary boon for the local economy.

Summary of 25-Year Impacts	
Net New Spending	(millions)
Direct	\$882
Indirect	\$300
Induced	\$348
Total	\$1,530
Net New Earnings	(millions)
From Direct	\$284
From Indirect	\$97
From Induced	\$104
Total	\$485
Net New FTE Jobs	Actual
From Direct	225
From Indirect	77
From Induced	89
Total	391
Taxes Collected	(millions)
Property Tax - City & County	\$28.2
Lodging Tax (5%) - County	\$18.0
Income Tax (2.96%)	\$14.4
Total	\$60.6
Construction Impact	(millions)
New Materials Spending	\$12.8
New Labor Spending	\$11.2
Job-Years, Actual	206

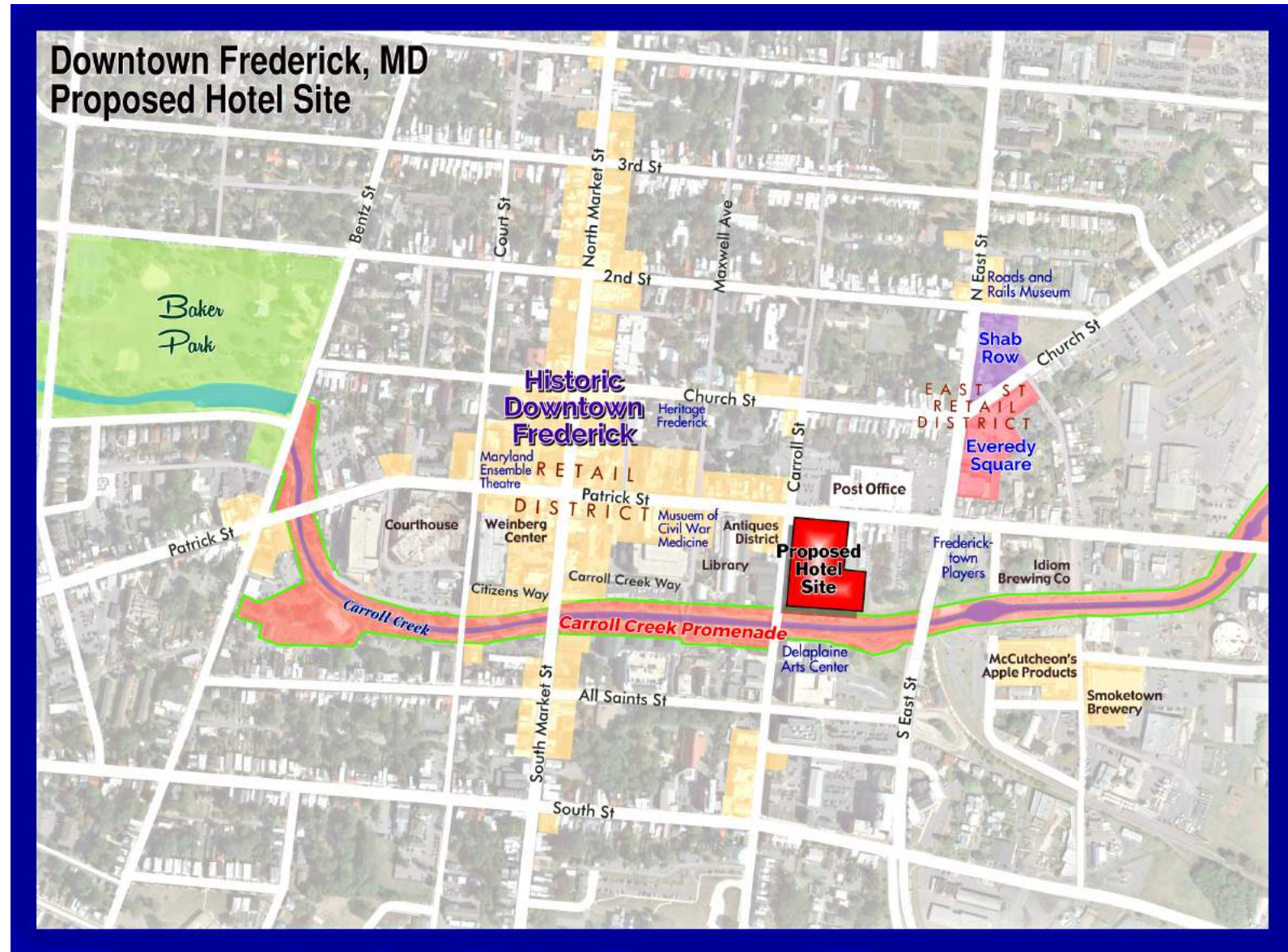
Source: Hunden Strategic Partners

Chapter 1: Project Profile & Downtown Attractions

Project Orientation & Background

The Frederick County Chamber of Commerce retained Hunden Strategic Partners to conduct an update to the economic and fiscal impact analysis in the 2012 market and economic study conducted by Crossroads Consulting Services. The study examines the viability and economic impact of the Downtown Hotel at Carroll Creek, a new full-service hotel and conference center in Downtown Frederick.

The project site is located along the Carroll Creek Promenade and in close proximity to museums and other downtown amenities.



Changes since the Crossroad Study (2012)

Several changes have occurred in the economy and within the Frederick market since the original Crossroads Consulting Services study was completed in 2012 (hotel projections from 2012 shown). The downtown and overall economy are more robust, yet still there is no full-service hotel in the market or any hotel downtown. The Project has increased from 200 rooms to 230 rooms and other elements have improved/ expanded.

Occupancies have remained close to 70 percent, while ADR has increased by roughly \$20. The rooftop bar and event space component is new to the project since 2012 and will add a significant revenue stream to the hotel. Operating projections from the Crossroad's study are shown.

Statement of Estimated Annual Operating Results (Inflated \$000s) Proposed Full-Service Hotel in Downtown Frederick, Maryland										
Year #:	1		2		3		4		5	
Year:	2016		2017		2018		2019		2020	
Available Rooms	200		200		200		200		200	
Occupancy	53%		64%		69%		72%		72%	
Occupied Rooms:	38,690		46,720		50,370		52,560		52,560	
Average Rate:	\$160		\$165		\$169		\$174		\$178	
REVENUES	\$	%	\$	%	\$	%	\$	%	\$	%
Rooms	\$6,190.4	64.9%	\$7,699.5	67.0%	\$8,507.5	67.6%	\$9,119.2	68.0%	\$9,366.2	68.0%
Food Sales	2,342.9	24.6%	\$2,617.8	22.8%	\$2,787.4	22.2%	\$2,923.5	21.8%	\$3,002.5	21.8%
Beverage Sales	567.9	6.0%	\$646.8	5.6%	\$693.9	5.5%	\$730.9	5.5%	\$750.6	5.5%
Total Food and Beverage Sales	2,910.8	30.5%	\$3,264.6	28.4%	\$3,481.3	27.7%	\$3,654.4	27.3%	\$3,753.1	27.3%
Telephone	30.3	0.3%	\$37.1	0.3%	\$40.9	0.3%	\$43.7	0.3%	\$44.9	0.3%
Rentals and Other Income	411.6	4.3%	\$499.0	4.3%	\$548.0	4.4%	\$584.7	4.4%	\$600.5	4.4%
GROSS REVENUE	9,543.1	100.0%	11,500.2	100.0%	12,577.7	100.0%	13,402.0	100.0%	13,764.7	100.0%
DEPARTMENTAL EXPENSES										
Rooms	1,472.6	23.8%	\$1,615.7	21.0%	\$1,707.6	20.1%	\$1,783.4	19.6%	\$1,831.5	19.6%
Food and Beverage	2,050.2	70.4%	2,290.9	70.2%	2,439.3	70.1%	2,558.4	70.0%	2,627.5	70.0%
Telephone	32.5	107.3%	39.3	105.9%	43.2	105.6%	46.1	105.5%	47.3	105.3%
Minor Operated Departments										
TOTAL DEPARTMENTAL EXPENSES	3,555.3	37.3%	3,945.9	34.3%	4,190.1	33.3%	4,387.9	32.7%	4,506.3	32.7%
DEPARTMENTAL PROFIT	5,987.8	62.7%	7,554.3	65.7%	8,387.6	66.7%	9,014.1	67.3%	9,258.4	67.3%
UNDISTRIBUTED EXPENSES										
Administrative and General	747.8	7.8%	833.0	7.2%	868.0	6.9%	899.1	6.7%	923.4	6.7%
Management Fee	286.3	3.0%	345.0	3.0%	377.3	3.0%	402.1	3.0%	412.9	3.0%
Marketing	887.7	9.3%	933.5	8.1%	968.9	7.7%	1,001.3	7.5%	1,028.4	7.5%
Energy	622.8	6.5%	660.3	5.7%	687.7	5.5%	712.2	5.3%	731.4	5.3%
Repairs and Maintenance	660.1	6.9%	688.6	6.0%	712.2	5.7%	734.4	5.5%	754.3	5.5%
TOTAL UNDISTRIBUTED EXPENSES	3,204.7	33.6%	3,460.4	30.1%	3,614.1	28.7%	3,749.1	28.0%	3,850.4	28.0%
GROSS OPERATING PROFIT	2,783.1	29.2%	4,093.9	35.6%	4,773.5	38.0%	5,265.0	39.3%	5,408.0	39.3%
FIXED CHARGES										
Property Taxes	792.8	8.3%	836.2	7.3%	858.8	6.8%	882.0	6.6%	905.8	6.6%
Insurance	97.6	1.0%	100.2	0.9%	102.9	0.8%	105.7	0.8%	108.5	0.8%
TOTAL FIXED CHARGES	890.4	9.3%	936.4	8.1%	961.7	7.6%	987.7	7.4%	1,014.3	7.4%
NET INCOME BEFORE RESERVES	1,892.7	19.8%	3,157.5	27.5%	3,811.8	30.3%	4,277.3	31.9%	4,393.7	31.9%
Reserve for Replacement	190.9	2.0%	345.0	3.0%	503.1	4.0%	536.1	4.0%	550.6	4.0%
NET INCOME AFTER RESERVES	\$1,701.8	17.8%	\$2,812.5	24.5%	\$3,308.7	26.3%	\$3,741.2	27.9%	\$3,843.1	27.9%

Frederick Hotel Project Profile

The \$93 million Frederick Hotel Project, will be located at the intersection of East Patrick and Carroll Streets. The proposed project will be a full-service Marriott that includes:

- 230 rooms
- 115 underground parking spaces
- Indoor meeting space (profiled on the following slides)
- Outdoor meeting space (profiled on the following slides)
- Restaurant and rooftop bar (profiled on the following slides)



Ground Level Plan

Frederick Hotel:

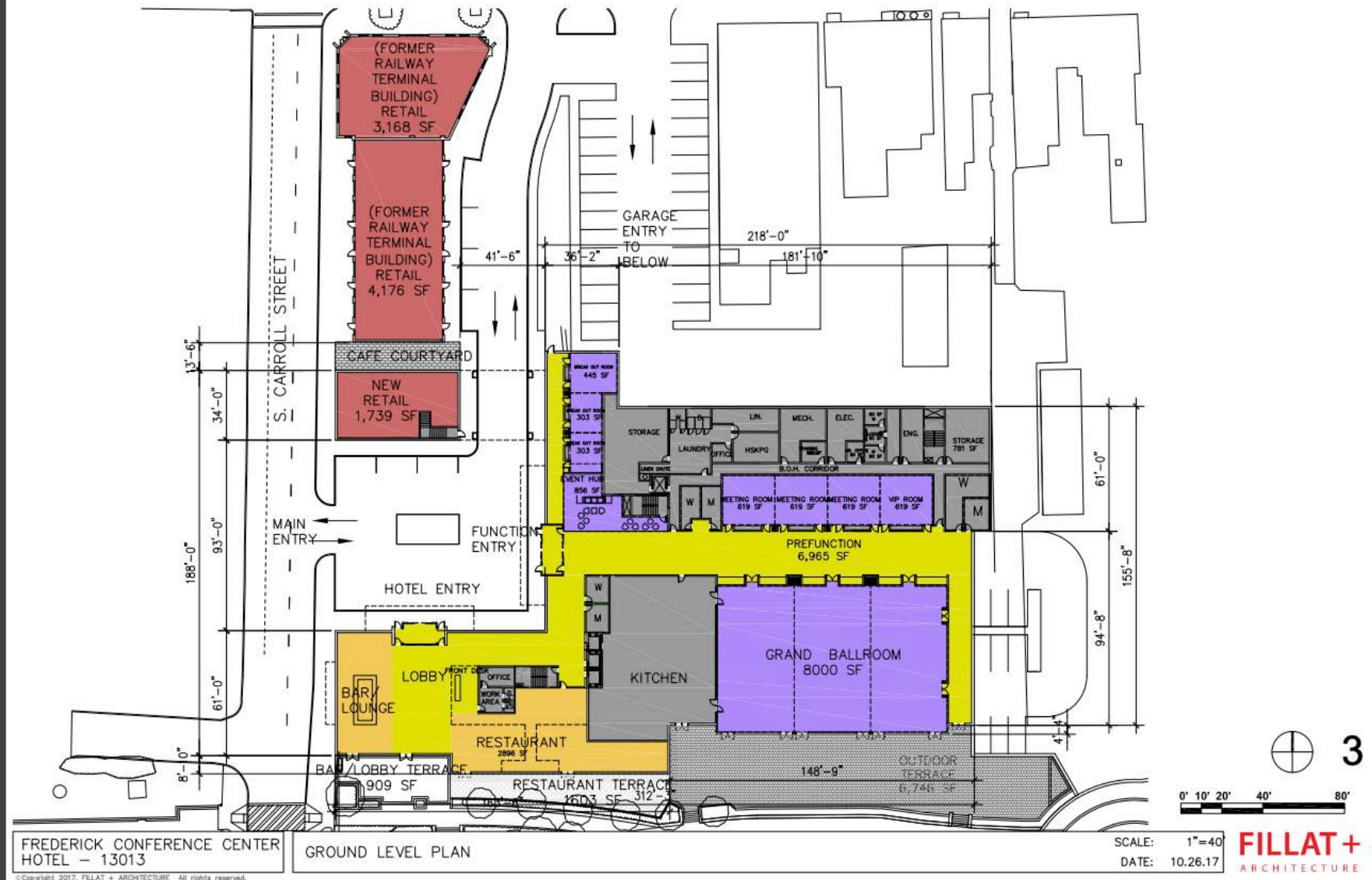
- Grand Ballroom: 8,000 SF
- Event Hub: 856 SF*
- 7 Meeting Rooms: 3,527 SF
- Restaurant: 2,896 SF

New Retail Building:

- Total Retail/Restaurant: 9,083 SF**

*The Marriott Event Hub is a unique space blending technology and high-end service with attendee interaction and collaboration opportunities. This space is meant for small groups to network, conduct food or physical demonstrations, celebrations, team building, etc. The space has a 'kitchen-like' setting to stimulate group discussion and conversations.

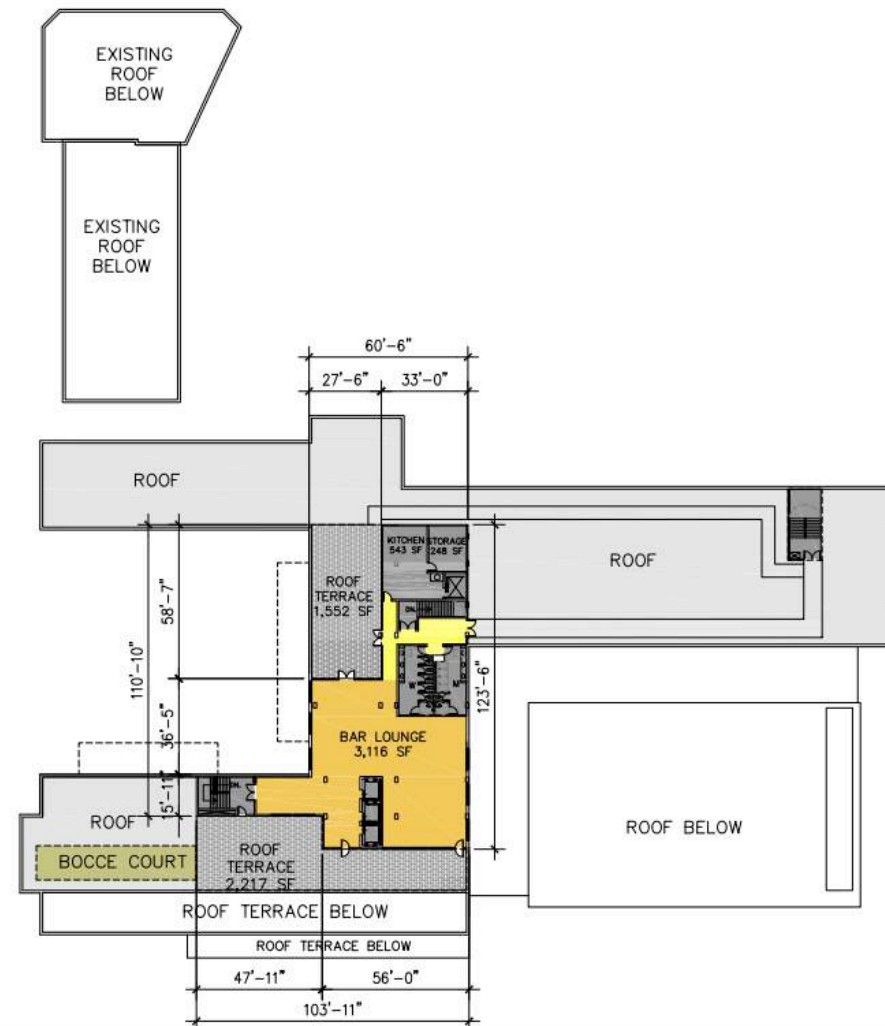
**Does not include 2nd floor of Terminal Building.



Penthouse Plan

Frederick Hotel Rooftop – Indoor & Outdoor Public Areas:

- Roof Terrace 1: 1,552 SF
- Roof Terrace 2: 2,217 SF
- Bar Lounge: 3,116 SF



FREDERICK CONFERENCE CENTER
HOTEL – 13013

PENTHOUSE PLAN

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SCALE: 1"=40'
DATE: 10.26.17

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0' 10' 20' 40' 80'



Project Notes & Feedback

- The hotel will be self managed by the developer as a franchise of Marriott
- While a new boutique hotel is planned for downtown, it will be small and more complementary than competitive to the proposed Project
- The developer of the Project also owns and manages several existing competitive hotels in the market, implying that it does not believe that the new Project will pull existing customers from the competitive set. Instead it believes the hotel will induce new group/convention demand and recapture demand that is leaving the market. Based on the analysis, HSP agrees that the Project will induce or recapture as much demand as it can accommodate.
- The proposed rooftop bar will be the highest of its kind in Frederick and will offer a completely unique experience
- The rooftop bar and event space will be designed to include weather protection to accommodate year-round functions
- City/County/Downtown/Tourism partners have been supportive throughout the process as the project will be beneficial to the downtown community.
- Further, two key surveys (2008 and 2013) of area employers and regional meeting planners support group demand assumptions. There are a number of groups and events that want to come to Frederick, but cannot be accommodated in existing hotels or function spaces. This Project is correctly sized to accommodate demand.
- The walkability of the Project is unique and will provide synergy with historic attractions, retail, restaurants and entertainment.
- The nearby 381-space All Saints parking deck is conveniently located to supplement Project parking overflow and large events.



Downtown Frederick



Downtown Frederick

In 1952 the City of Frederick created a historic district that encompassed a few blocks downtown, becoming the second city in Maryland and the thirteenth in the nation to establish a local historic district. Over the years the boundaries of the district were expanded, and in 1977 the City Code was strengthened, the district boundaries were expanded again, and the Historic District Commission was created. In 1995 the district boundaries were expanded once more, and in 2001 the Historic District was officially named the “Frederick Town Historic District.” In 2005 the Commission was renamed the Historic Preservation Commission.

The Carroll Creek Park redevelopment began with \$11 million in construction of new brick pedestrian paths, landscaping including fountains and falls, shade trees, pedestrian bridges, and a 350-seat outdoor amphitheater. The linear urban park became a recreational and cultural resource as well as a catalyst for economic development.

Over \$150 million, not just in Carroll Creek Park, in private investments since the project began have included rehabilitating old structures and new infill office buildings featuring hi-tech office space, arts spaces, waterside restaurants, distilleries and breweries, over 200 retail and restaurant businesses, three theaters and other cultural facilities, and a variety of artisan studios, including ten art galleries throughout the Downtown Frederick area. However, no hotels have been built to capture the economic impact of this development and resultant visitation.

Both new buildings and repurposed historic structures now house over 400,000 square feet of office space, 150,000 square feet of retail/restaurant space, and 300 residential units. The area called Everedy Square & Shab Row on East Street is a large collection of restored 1840s historic structures that now houses boutiques, restaurants, and services. Demand in all areas have necessitated the need for new parking facilities, which number over 2,000 spaces today in parking structures throughout downtown.



Downtown Frederick

The downtown core is now one of the most successful tourism centers in the Mid-Atlantic region. Over 1.4 million people visit Frederick annually, and about 7,000 residents now live in downtown. Downtown is now home to 600 businesses and 5,000 employees. The achievement has been noted in several media outlets and acclaimed by the National Trust of Historic Preservation as one of “America’s Dozen Distinctive Destinations.”

Frederick has experienced unprecedented growth since the Carroll Creek Park project successfully began revitalizing the city’s core. Because of its attractive mix of small historic town charms, architecture and big-city arts scene, shopping, technology growth, and neighborhoods; Frederick’s population growth has jumped to 120,000 within a 5-mile radius of downtown, and 178,000 within eight miles, including many new suburban communities. The city’s quick access along I-70 and I-270 from both the Montgomery County Washington, DC suburbs, and to a lesser extent the Baltimore population, have propelled the tourism of downtown Frederick, which in turn, has stimulated urban office and residential growth.

A destination hotel that befits the caliber of the destination and capable of hosting small to midsized conferences and events is even more appropriate now than it was in 2012.

Downtown Frederick Attractions

The City of Frederick offers a variety of attractions that serve the residents and visitors. The majority of these local attractions are located less than a half-of-a-mile to about five miles from the Project site.

The table to the right details some of the area's top attractions. The following slides profile a number of the top attractions in the Frederick area.

City of Frederick Area Attractions	
Attraction	Type
Carroll Creek Linear Park	Nature / Recreation
Delaplane Arts Center	Retail / Recreation
Flying Dog Brewery	Retail / Entertainment
Harry Grove Stadium	Sports / Entertainment
McClintock Distillery	Retail / Entertainment
Monocacy National Battlefield	Cultural / Historic
National Museum of Civil War Medicine	Museum / Historic
Weinberg Center for the Arts	Museum / Arts

Source: Trip Advisor; Various

McClintock Distillery

McClintock Distillery, located in Downtown Frederick, is an award-winning organic certified distillery. McClintock Distillery distills gins, whiskies and vodkas. Along with distilling, McClintock is also open for tours, tastings, and private events Thursday – Sunday. McClintock Distillery is located across the street from the Project Site.

The Distillery has a 5,400-square foot tasting room with capacity for up to 300 guests. There is a 40-foot bar with access to the barrel room for ceremonies and a caterer prep-area on location to accommodate most parties.

There are distillery tastings and tours which average about 20 to 30 minutes and start at \$5 per adult. The Distillery plans to hold three more events open to the public, one in October, November and December.



Delaplaine Arts Center

Delaplaine Arts Center is located directly across the creek from the Project site. Delaplaine Arts Center has more than 50 exhibits per year in seven exhibition areas showcasing local, regional, and national artists.

As well as holding exhibitions, Delaplaine offers art classes & workshops, holds private events, and has annual holiday markets. This nonprofit organization welcomes more than 80,000 visitors per year in their 40,000-square foot building.

Delaplaine Arts Center is known for hosting numerous workshops and events monthly. There are three annual events: Super Secret Elf Workshop held in December, Art Carnival: Midway in March and Festival of the Arts Weekend in June. There are more than 270 classes and workshops each year.



National Museum of Civil War Medicine

The National Museum of Civil War Medicine, located one block from the Project site, is a historic educational institution that focused on medical, surgical, and nursing practices during the Civil War. The National Museum of Civil War Medicine attracts more than 75,000 visitors annually from all over the country and overseas.

This museum offers online and in-person tours, annual conferences, and exhibitions. It is one of many Civil War-era attractions in the area.



Weinberg Center for the Arts

The Weinberg Center for the Arts, located roughly three blocks from the Project site, is a theatre/cultural center that can hold up to 1,500 guests for events that lobby area.

The Weinberg Center holds music, theatre, film, and visual art showings. This theatre was opened in 1926. The Weinberg Center is owned and operated by the City of Frederick and offers roughly 150 events per year.

Capacity is 1,147 seats and in the last 36 months the Center for the Arts has held 35 concerts. In the last 36 months, shows averaged \$37,000 in gross revenue and about 842 tickets per show.

While the facility is excellent for hosting certain types of events, it cannot offer traditional ballroom and breakout meeting room facilities like those proposed.



Flying Dog Brewery

Flying Dog Brewery is located roughly four miles from the Project site. This local brewery offers weekly tours, beer education classes, apparel, and growlers available for purchase.

The Flying Dog Brewery holds weekly events at their facility and sponsors other events around the Frederick community.

Recently, Flying Dog's Pale Ale ranked as the number one American Pale Ale in the U.S. by The New York Times. Flying Dog Brewery is looking into expanding their operations.

In Q4 2019, the brewery plans to host 17 various events.



Carroll Creek Linear Park

Carroll Creek Park began as a flood control project in the late 1970s – in an effort to safely secure downtown Frederick from the 100-year floodplain and restore economic activity to the area – according to the City of Frederick.

With more than \$150 million in private investing or new construction planned, the first phase of the development – totaling nearly \$11 million – targeted pedestrian paths, water improvements, planters, pedestrian bridges and a 350 seat amphitheater to name a few offerings.

The final phase revitalized additional areas of downtown with the same features. Carroll Creek Linear Park is essential to creating a sense of place to encourage and foster economic activities in downtown Frederick.

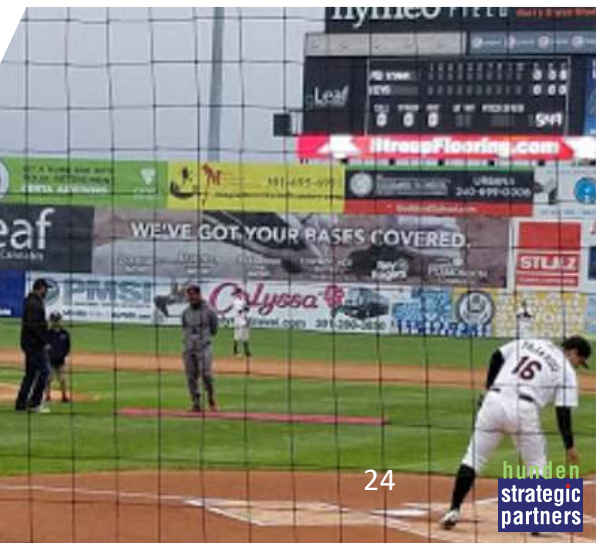
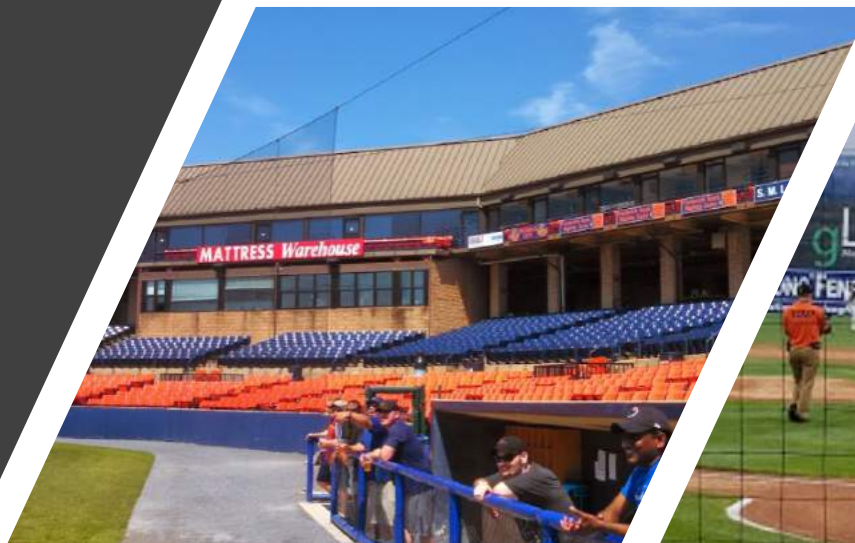


Nymeo Field at Harry Grove Stadium

Nymeo Field at Harry Grove Stadium hosts the Frederick Keys, the affiliate Class-A Advanced baseball team of the Baltimore Orioles. The team also uses It opened in 1990 and has been renovated three times – 2005, 2006 and 2008.

With a seating capacity of 5,400 guests, fans enjoy an intimate, smaller venue. The record attendance was recorded at 11,006 guests on August 30, 1997.

The stadium is named after Harry Grove, who was one of the founders of the Frederick Hustlers. The Frederick Hustlers were a professional team that existed between 1915 and World War II.



Monocacy National Battlefield

Monocacy National Battlefield is part of the the National Park Service memorializing a battlefield during the Civil War. The battle was fought on July 9th, 1864. The field is located adjacent to the Monocacy River just southeast of the city of Frederick.

The Battlefield occupies 2,344 square miles. It was established on October 21, 1976.

The Monocacy National Battlefield Foundation typically offers events to remember the history, the stories and the struggles of the people during this time.

Interstate I-270 divides the Battlefield, offering a quick glimpse for individuals who are passing by.



Downtown Frederick Developments

The adjacent table lists the downtown project pipeline in Frederick and includes restaurants, office space, residential units and additional assets that will complement a new downtown hotel.

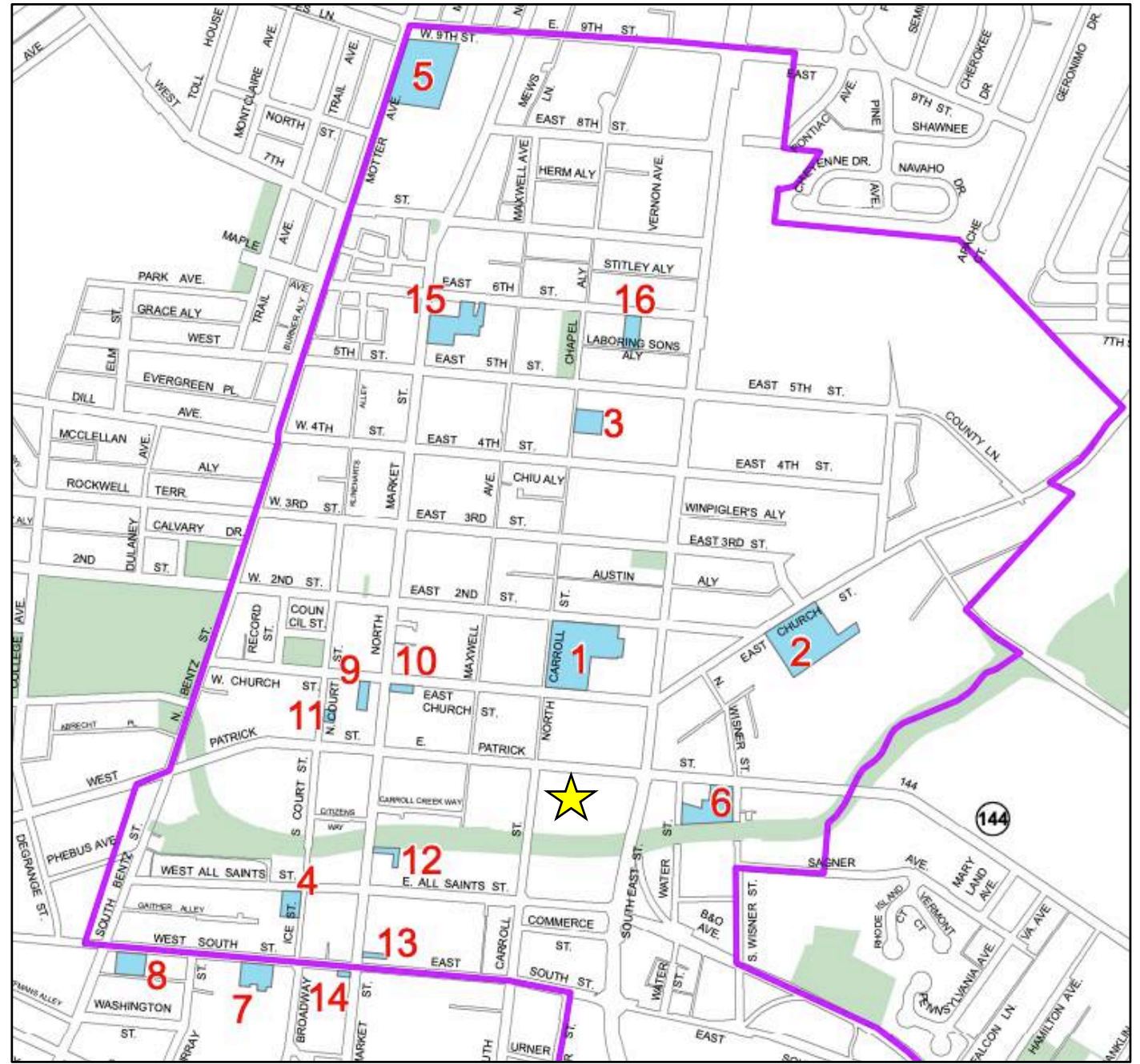
As shown, there are a number of secured and to-be-detailed projects that will continue the growth of the downtown asset base. All of these should create synergy (and demand) for elements of the proposed Marriott.

Downtown Frederick Project Pipeline					
#	Project Name	Address	SF	Description	Project Status
1	Visitation Academy Adaptive Reuse Project	200 E Second St	60,000	62 room boutique hotel	Site plan approval granted by planning commission. Estimated construction start in 2019
2	Ox Fibre Brush Building	400 E Church St	117,000	Affordable housing	Estimated completion December 2020
3	Chapel Alley Condominiums	410 Chapel Alley	6,912	Condominiums	Permitting/planning stage. 2 buildings, 4 units in each building
4	Habitat for Humanity	100-108 West All Saints	16,598	Organization	Proposed, in development review. Spring 2020 construction start
5	Sharpe Square	820 Motter Ave	9,333	Senior Housing, Commercial space	Under construction. Estimated completion in 2020
6	Union Mills	340 E Patrick St	52,496	Office/Retail	Tenant fit-out
7	South Street Centre	110 W South St	167,000	152 affordable housing units	Some funding approved, HPC level 1 approval received
8	TBD	226 W South St	15,000	7 unit townhouse development	Currently being workshopped at the HPC
9	The Firehouse	12 W Church	10,709	10,000SF office renovation	n/a
10	Kemp Hall	2 E Church	13,265	18 residential units	Completed - all filled
11	Pythian Castle	20 N Court	13,608	7 condominium units	Completed - all filled
12	TBD	46 S Market St	11,332	Restaurant/distillery renovation, office space	Proposed
13	TBD	126 S. Market St	n/a	5-unit apartment renovation	n/a
14	Vista Porto	201 S Market St	n/a	6-unit apartment renovation	n/a
15	TBD	520 N Market St	n/a	59 affordable housing units	Completed
16	Moore's Row	228 E 6th St	n/a	1 rehab, 4 new infill townhomes	n/a

Source: City of Frederick Planning Department, HSP

Downtown Frederick Developments Map

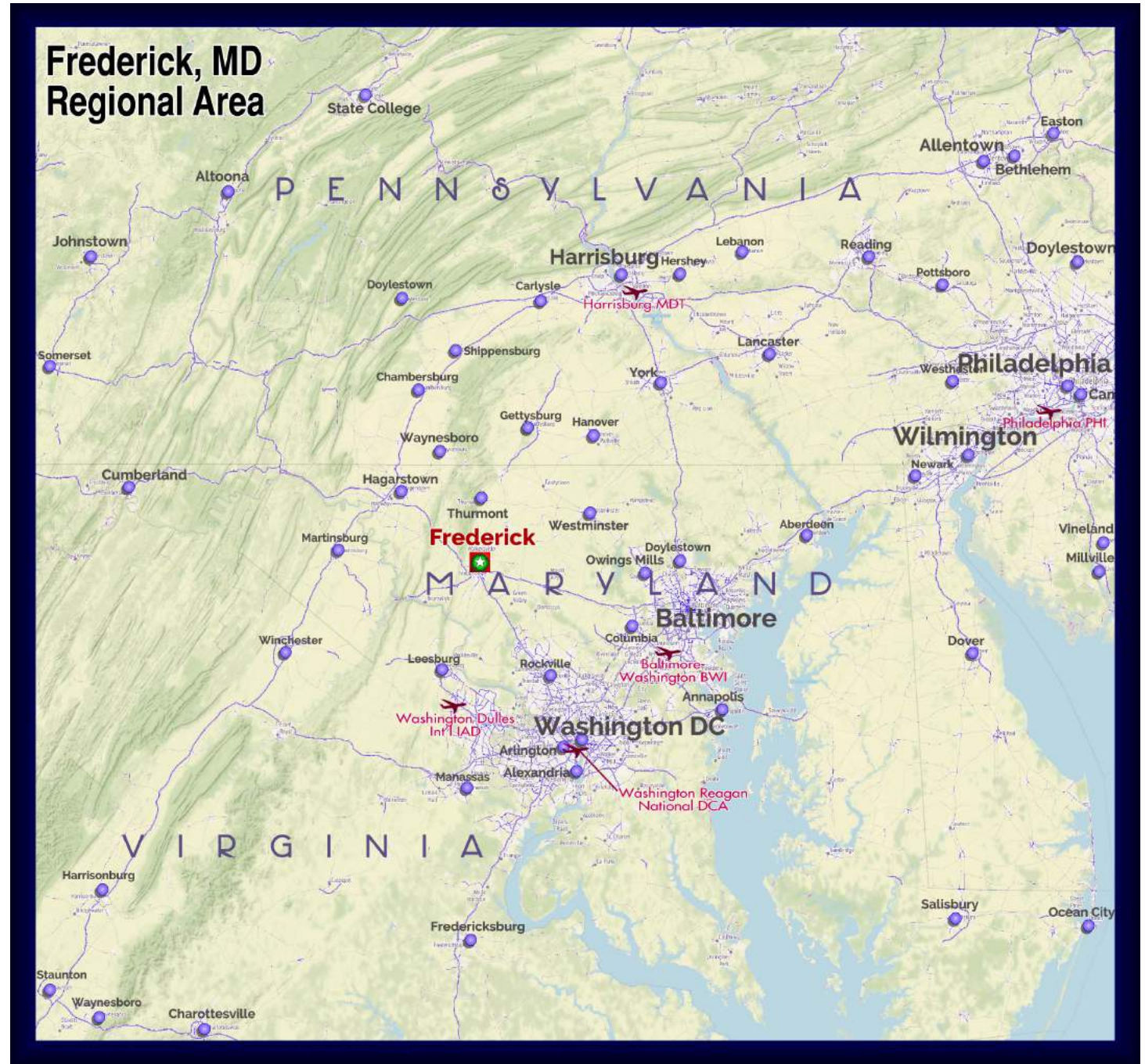
The downtown projects from the previous slide are shown in relation to the hotel site.



Chapter 2: Economic & Demographic Analysis

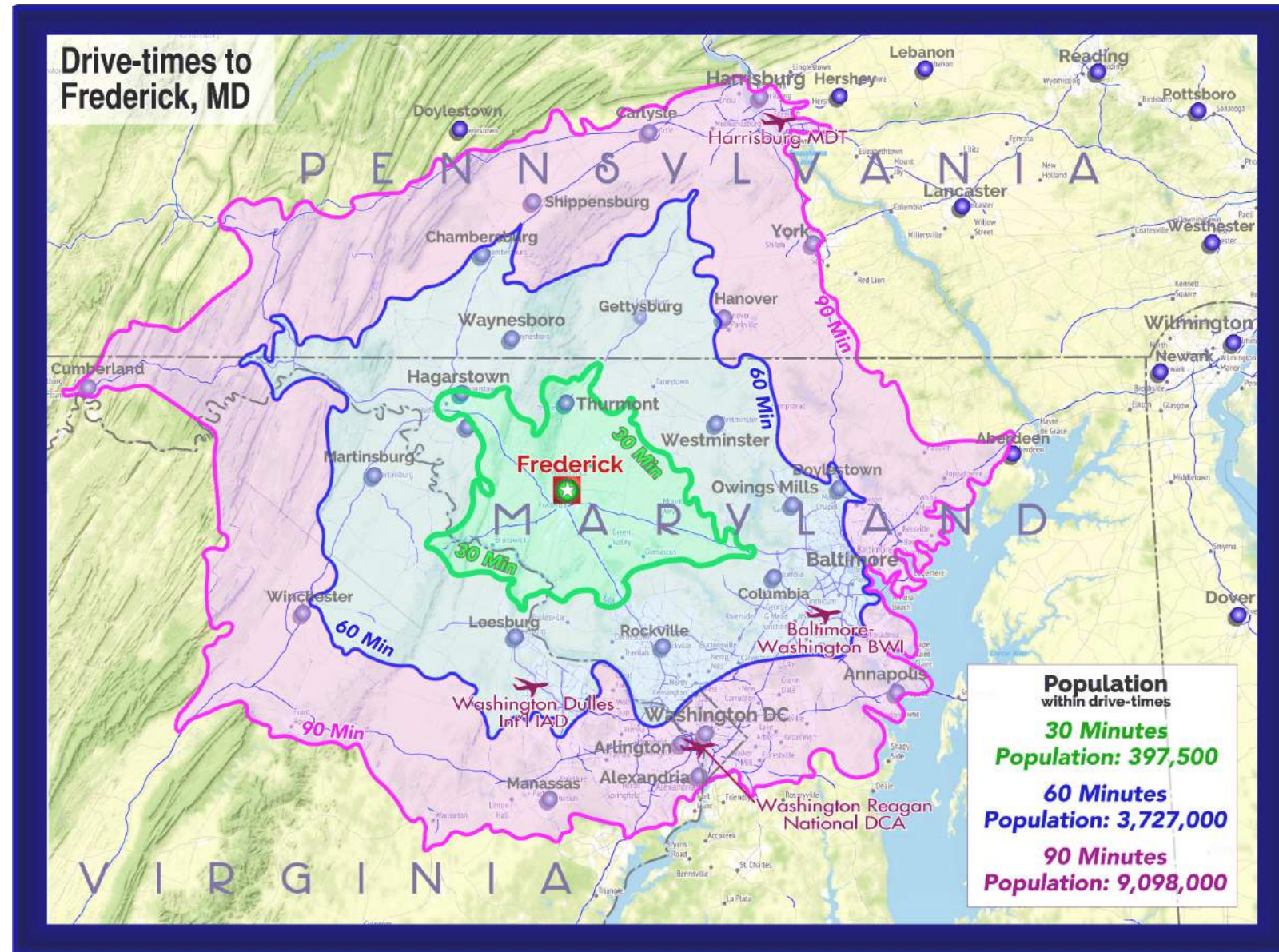
Frederick Regional Orientation Map

Frederick is located roughly 50 miles from both Baltimore and Washington, DC. Despite the major population center, Frederick offers a smaller, intimate feel for visitors.



Frederick Regional Drive-Time Map

The population from a 30-minute drivetime to a 1-hour drivetime increases from 397,000 to over 3.7 million. There are more than nine million people within a 90-minute drive.



Population and Growth Rates					
	Population				Percent Change
	2000	2010	2019	2024 Estimate	2010 - 2019
United States	281,421,906	308,745,538	332,417,793	345,487,602	7.7%
State of Maryland	5,296,486	5,773,552	6,120,651	6,299,601	6.0%
Washington-Arlington-Alexandria MSA	4,837,430	5,636,232	6,249,043	6,597,430	17.1%
Frederick County	195,277	233,385	261,947	277,489	12.2%
Frederick City	55,032	65,657	74,032	77,967	12.8%
City Pop. As % of County	28.2%	28.1%	28.3%	28.1%	–

Source: U.S. Census Bureau

Population & Growth Rates

The population in the State of Maryland has seen steady growth from 2000 to 2019 and is estimated to continue this trend. The Washington-Arlington-Alexandria MSA has experienced outstanding growth, adding roughly 1.5 million people from 2000 to 2019. Frederick County and Frederick City have experienced nearly similar growth from 2000 to 2019, around 12 percent. Frederick City is a large player in Frederick County at roughly one-third of the County’s total population.

Income, Spending and Other Demographic Data

Category	United States	Maryland	Frederick County	Frederick City
Homeownership rate, 2013-2017	63.8%	66.8%	74.8%	55.2%
Median value of owner-occupied housing units, 2013-2017	\$193,500	\$296,500	\$315,400	\$255,100
Persons per household, 2013-2017	2.63	2.68	2.68	2.5
Median household income, 2013-2017	\$57,652	\$78,916	\$88,502	\$67,828
Persons below poverty level, percent, 2013-2017	12.3%	9.0%	6.7%	11.4%
Total employment, 2016	126,752,238	2,282,725	89,689	N/A
Total employment percent change, 2015-2016	2.1%	1.9%	3.9%	N/A
Retail sales per capita, 2012	\$13,443	\$12,980	\$13,639	\$24,026

Source: US Census Bureau

Income Demographics

The median household income between 2013 and 2017 is lower in Frederick City than when compared to the County and the State of Maryland values, by approximately \$60,300 and \$41,400, respectively. Retail sales are extremely strong relative to the county/state/nation and overall income is strong as well, despite being lower than the county and state.

Educational Attainment

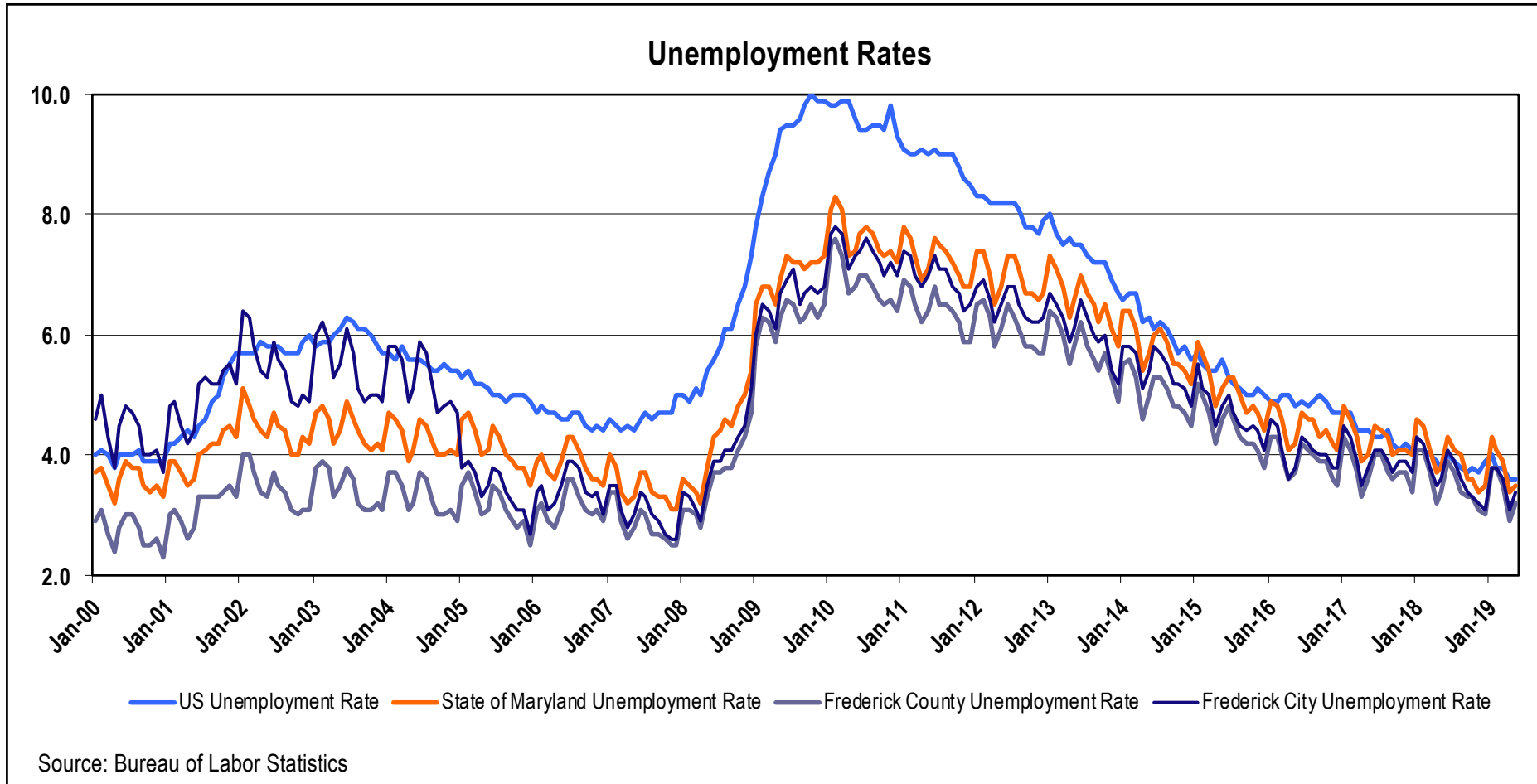
Frederick City, Frederick County, and the State of Maryland have an adult population with educational attainment above the state and U.S.

This is especially true at the highest levels of education, where nearly 40 percent of adults have completed a bachelors or masters degree.

2018 Highest Education Level Attained (Population Age 25+)

Population Age 25+	Frederick City	Frederick County	Maryland	United States
Did Not Complete High School	10.2%	7.4%	10.2%	12.6%
Completed High School	22.1%	24.6%	25.1%	27.3%
Some College	20.5%	19.6%	19.2%	20.8%
Completed Associate Degree	8.0%	8.0%	6.5%	8.3%
Completed Bachelors Degree	22.1%	23.6%	21.0%	19.1%
Completed Graduate Degree	17.2%	16.9%	18.0%	11.8%

Source: US Census Bureau



Unemployment

The average unemployment rates in the State of Maryland, Frederick County, and Frederick City stayed under the national averages from 2005 until 2017 and were all under four percent in the past year. The unemployment rate in Frederick, as of May 2019, is 3.4%.

Major Employers

Frederick County has a diverse group of major employers. The Fort Detrick Campus employs over 10,000 people and is a very important driver in the area. Public schools, government, and medical research make up a large share of Frederick's top employers. The top five employers in Frederick employ over 23,000 people.

Frederick County Major Employers		
Company Name	Industry	Number of Employees
Fort Detrick Campus	Army, NCI	10,078
Frederick County Board of Education	Public Education	5,863
Frederick Regional Health System	Comprehensive Health Care	2,618
Leidos Biomedical Research, Inc	Medical Research	2,277
Frederick County Government	County Government	2,175
Wells Fargo Home Mortgage	Mortgage Loans and Service Center	1,400
Frederick Community College	Two-Year College	1,115
City of Frederick Government	Municipal Government	931
NVR, Inc	Home Building and Mortgage Banking	683
AstraZeneca	BioTech Manufacturing	675
Mount St. Mary's University	Four-Year University	666
Hood College	Four-Year College	643
Costco	Wholesale Distribution Center	639
United Health Care	Insurance	613
Way Station	Healthcare Services	592
YMCA of Frederick County	Recreation and Sports Center	503
Lonza	Biological Products	464
Plamondon Companies	Restaurant and Hospitality	445
Thermo Fisher Scientific	Life Sciences Research	430
STULZ Air Technology Systems, Inc	Manufacturer	429
Legal & General America	Life Insurance Headquarters	403
National Emergency Training Center	US Fire Academy, FEMA	400
Music & Arts	Music Retailer and Headquarters	396
RR Donnelley	Business Documents	350
Homewood Retirement Centers	Retirement Community	334
Maryland School for the Deaf	Educational Institution	320
Fountain Rock Management Corp	Restaurant Management Services	315
Goodwill Industries of Monocacy Valley, Inc	E-commerce, Retail and Workforce Development	308
Aldi Distribution Center	Distribution Center and Retail	300
Morgan Keller	General Contractors	276
Builders FirstSource	Lumber Supply	271

Source: Frederick County Chamber of Commerce

Frederick Air Access

The project site can be accessed by several major airports. Total annual passengers range between 22 and 27 million. Total passengers have increased amongst the three from 64 million in 2013 to 74 million in 2017/2018.

Baltimore Washington International (BWI) Airport is located roughly 50 miles southeast of the Project site.

Ronald Reagan airport is located roughly 50 miles south of the Project site. The Washington National Airport has broken ground on Phase 1 of their \$1 billion expansion.

Dulles International Airport is located roughly 42 miles south of the Project site.

Frederick Air Access						
Year	BWI		Reagan		Dulles	
	Total Passengers	Yearly Change	Total Passengers	Yearly Change	Total Passengers	Yearly Change
2013	22,500,000	–	20,415,085	–	21,947,065	–
2014	22,310,000	-0.5%	20,810,387	1.9%	21,572,233	-1.7%
2015	23,820,000	6.8%	23,039,429	10.7%	21,650,546	0.4%
2016	25,120,000	5.5%	23,595,006	2.4%	21,825,589	0.8%
2017	26,370,000	5.0%	23,903,248	1.3%	22,716,399	4.1%
2018	27,150,000	2.9%	–	–	–	–

Source: Various Sources

Chapter 3: Hotel Market Analysis

Frederick Lodging Summary

The adjacent table shows a summary of the existing lodging within the Frederick market. There are 23 hotels located within four miles, and the next closest property is roughly 13 miles away. Over 40 percent of the total rooms in the market are classified as upper midscale (such as Comfort Inn), with no luxury or upper upscale properties. The hotels in the market have an average age of 25 years and include an average of 107 rooms. No full-service properties currently exist in the market.

Chain Scale	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Avg. Opening Year	Avg. Age in Years
Luxury	--	--	--	--	--	--
Upper Upscale	--	--	--	--	--	--
Upscale	440	18%	4	110	Mar-06	14
Upper Midscale	1,011	41%	9	112	Mar-96	24
Midscale	272	11%	3	91	Dec-94	25
Economy	739	30%	7	106	Apr-82	38
Total / Average	2,462	100%	23	107	Nov-94	25

Source: Smith Travel Research, Hunden Strategic Partners

Proposed Project Competitive Hotel Set

The adjacent table shows the competitive set for the Project. The hotels are broken into two groups including local “better” hotels and regional full-service hotels. No local hotels are truly competitive.

The local set is made up of five properties and averages 111 rooms. None of these hotels are within 2.4 miles of the site.

The regional full-service properties are much larger and average 274 rooms. These hotels are located in roughly 30 to 40 miles from the downtown site. These properties were included because there are no full-service hotels within Frederick.

Proposed Project Competitive Hotel Set				
Property	Distance	Rooms	Chain Scale	Open Date
<i>Frederick Hotels</i>				
Residence Inn Frederick	2.4	90	Upscale	Oct-02
Courtyard Frederick	2.4	90	Upscale	Mar-99
Hilton Garden Inn Frederick	2.4	143	Upscale	May-07
Homewood Suites by Hilton Frederick	3.1	117	Upscale	Sep-15
Home2 Suites by Hilton Frederick	3.2	117	Upper Mid	Jun-18
Average		111		
<i>Regional Full-Service Hotels</i>				
Gaithersburg Marriott Washingtonian Center	28.1	284	Upper Upsc	Jun-02
Turf Valley Resort	31.9	171	Indep	May-88
The Gettysburg Hotel*	34.9	119	Indep	Jun-97
Bethesda Marriott	35.1	407	Upper Upsc	Apr-79
Bethesda Marriott Suites	35.1	272	Upper Upsc	Mar-90
Hyatt Regency Bethesda	38.5	390	Upper Upsc	Nov-85
Average		274		
*Hotel was built in 1797				
Source: Smith Travel Research, Hunden Strategic Partners				

Frederick Area Hotel Map

The cluster of relevant hotels in Frederick is located roughly 2.5 miles south of the site and the historic downtown district.

The full-service hotels are not located in the local market and are shown on the following page.



Regional Full-Service Competitive Hotel Map

The majority of comparable full-service hotels are located to the south of Frederick towards Washington, DC. A gap of at least 30 miles exists around Frederick in all directions.

Given the large population of Frederick (City and County), there is a clear gap in the market where a full-service hotel should be located.



Frederick Hotel Pipeline

The adjacent table shows the pipeline of under-construction and speculative hotels in the Frederick area. A net of 272 additional rooms are expected to be added to the market, which includes The Holiday Inn Express redevelopment of the existing Econo Lodge, and new Springhill Suites.

The Clarion redevelopment will add an additional 104 rooms to the market, while the Tru Hotel and Visitation Academy boutique hotels are proposed to add another 172 rooms combined.

Only a small downtown boutique hotel will be competitive.

Frederick Hotel Project Pipeline		
Hotel	Number of Rooms	Expected Open Date
<i>Under Construction / Proposed</i>		
Holiday Inn Express (Brunswick)	93	2020
Econo Lodge	(34)	Existing
Holiday Inn Express	95	2021
SpringHill Suites	118	2022
Net	272	-
<i>Speculative</i>		
Clarion Redevelopment	260	TBD
Clarion Inn/Event Center	(156)	TBD
Tru Hotel by Hilton	110	TBD
Urbana Hotel	N/A	TBD
Visitation Academy Boutique Hotel	62	TBD
Net	214	-
Source: Visit Frederick		

Competitive Hotel Set Performance

Competitive Hotel Performance

The competitive set performance indicates that room nights sold have increased over the last six years. Occupancy has fluctuated during the period. Room nights sold and occupancy have increased by a compound annual growth rate of 3.5% and 1.5%, respectively.

ADR has shown a positive change over the last six years, increasing by approximately \$12 from 2013 through 2018. This equates to a CAGR of 1.5% for ADR and 3.1% for RevPAR through 2018. This growth is more impressive given that supply has also increased by more than 200 rooms.

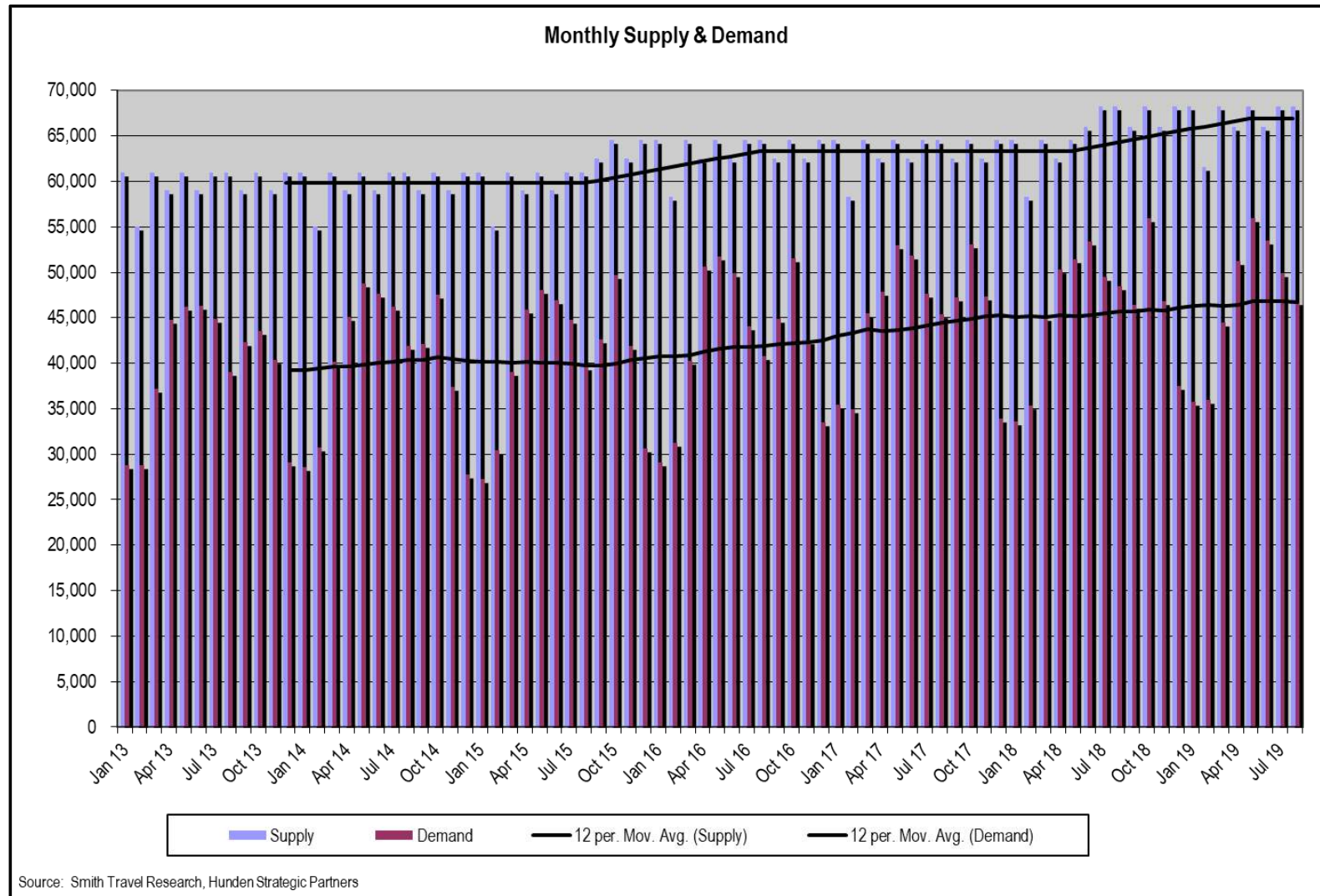
Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2013	1,966	717,590	--	471,215	--	65.7	--	\$142.62	--	\$93.65	--
2014	1,966	717,590	0.0%	483,728	2.7%	67.4	2.7%	\$144.47	1.3%	\$97.39	4.0%
2015	2,005	731,864	2.0%	486,863	0.6%	66.5	-1.3%	\$148.66	2.9%	\$98.90	1.5%
2016	2,083	760,295	3.9%	510,220	4.8%	67.1	0.9%	\$149.03	0.2%	\$100.01	1.1%
2017	2,083	760,295	0.0%	543,200	6.5%	71.4	6.5%	\$152.14	2.1%	\$108.70	8.7%
2018	2,152	785,333	3.3%	553,807	2.0%	70.5	-1.3%	\$153.20	0.7%	\$108.04	-0.6%
2019 (August)	2,200	534,600	3.4%	373,628	1.8%	69.9	-1.6%	\$154.27	0.1%	\$107.82	-1.5%
Projected 2019	2,200	803,000	2.2%	565,991	2.2%	70.5	0.0%	\$156.26	2.0%	\$110.14	2.0%
CAGR* (2013-2018)	1.9%	1.9%	--	3.5%	--	1.5%	--	1.5%	--	3.1%	--

*Compound Annual Growth Rate
Sources: Smith Travel Research, Hunden Strategic Partners

Supply & Demand

The trend lines show a slight increase in supply over last six years.

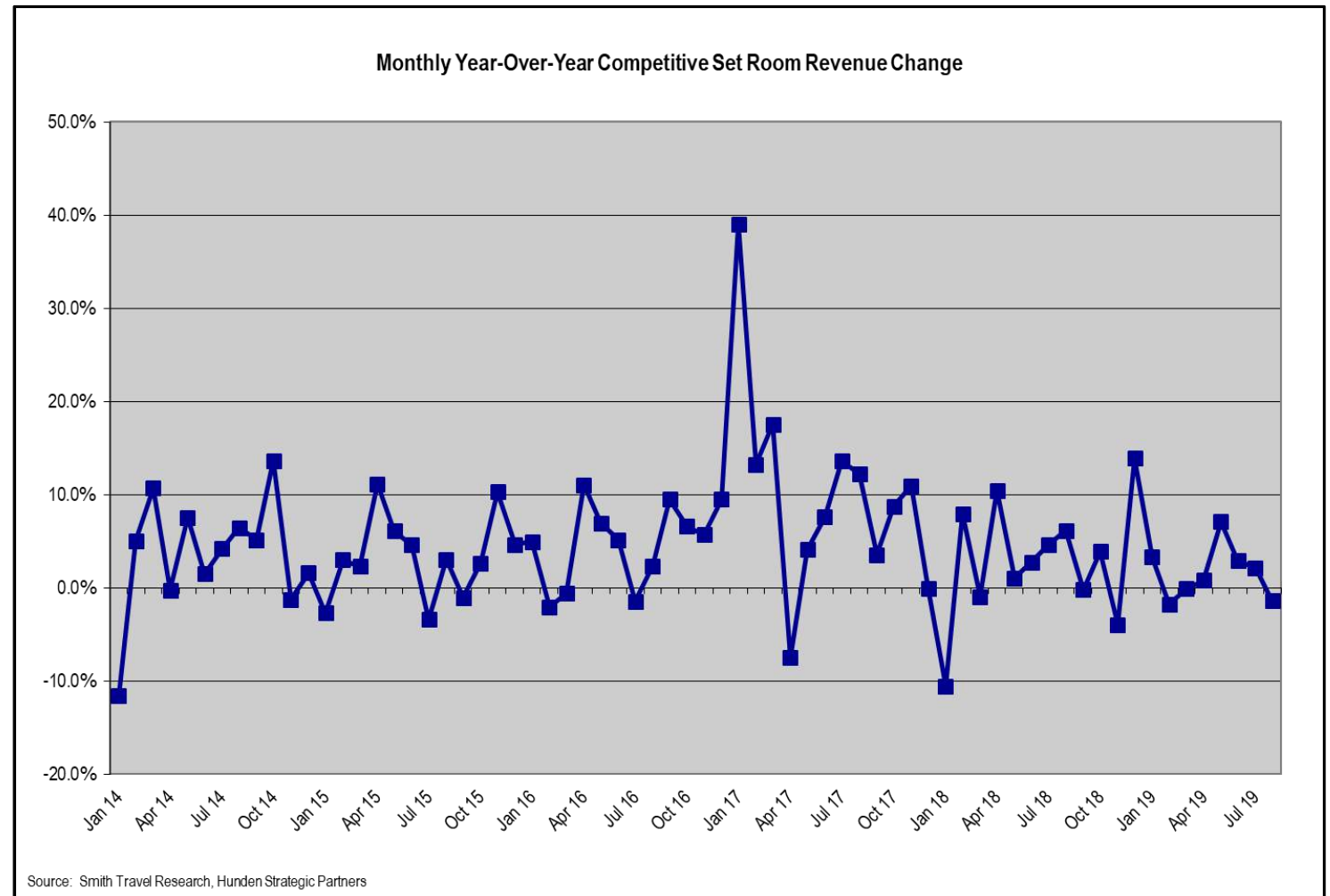
Demand consistently peaks from the spring through the fall months each year.



Room Revenue Change

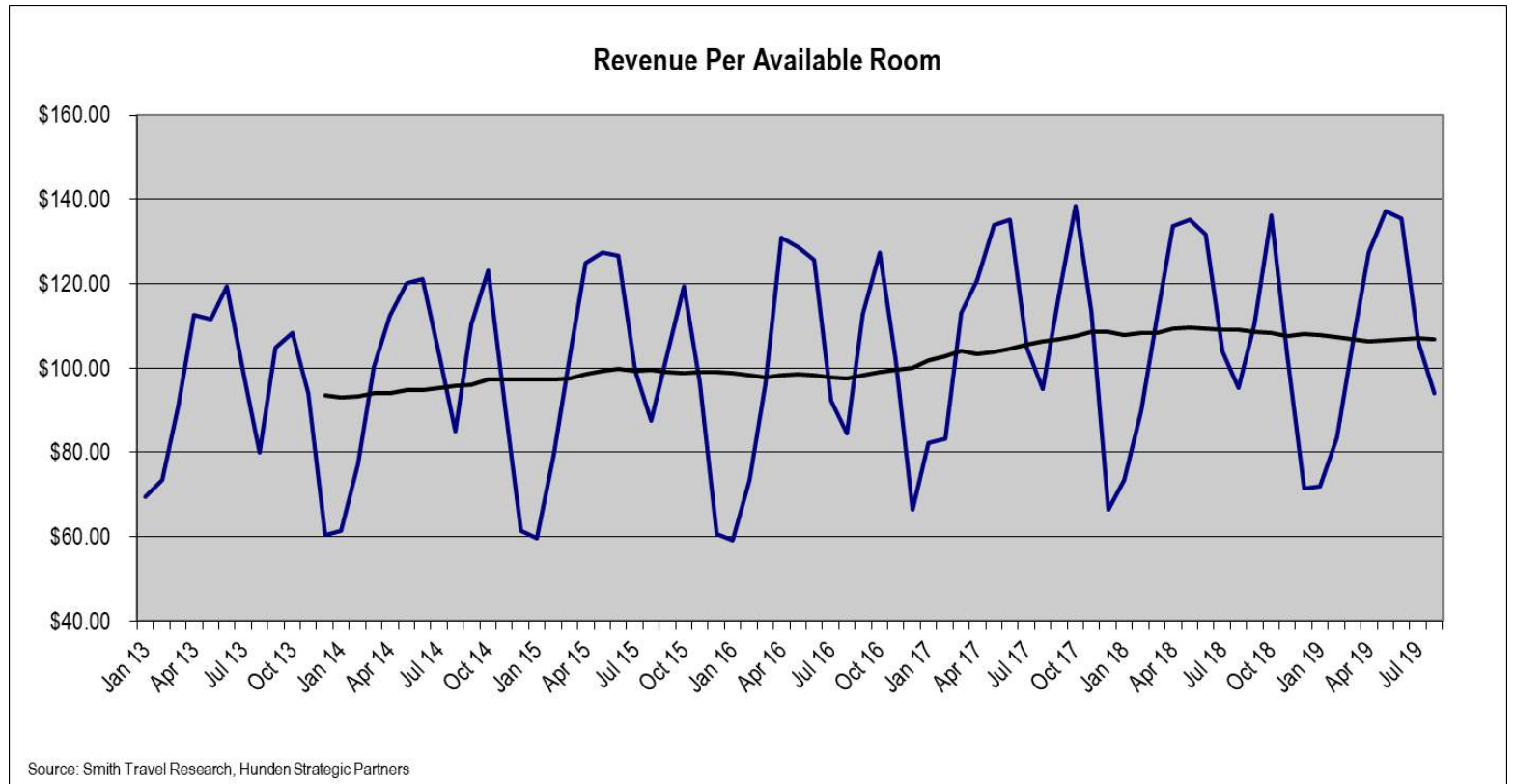
Points above the x-axis in the adjacent chart represent year-over-year room revenue growth, while points below the line means room revenue decline from the same month in the prior year.

Most months have shown continued growth in revenue.



Revenue Per Available Room

The trend line shows that RevPAR, which is the product of occupancy and rate, has recorded an increase of roughly \$10 since 2014.

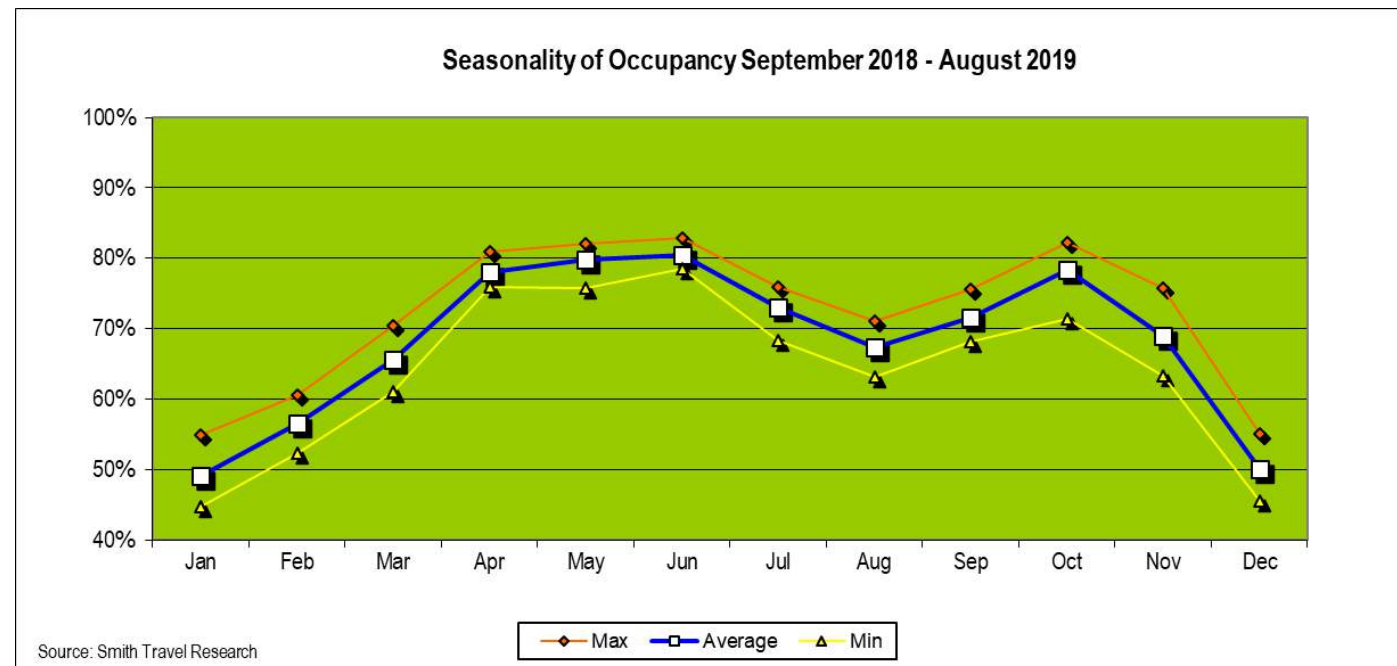
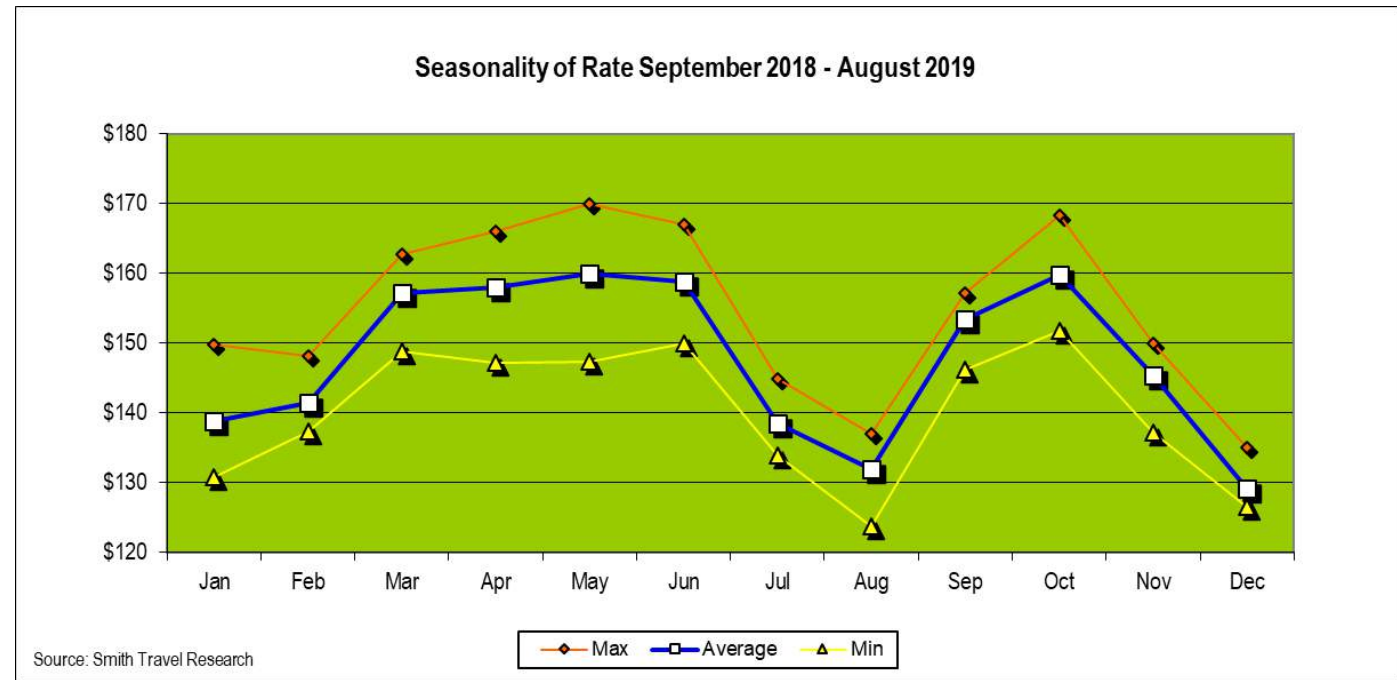


Seasonality – Occupancy & ADR

April through June and October are the strongest months in the market, peaking at an average occupancy of about 80 percent.

Rate mirrors occupancy, demonstrating that local hotel options are appropriately compressing rates when demand is highest. However, the drop in rate during June and July is more significant than the drop in occupancy.

Average occupancy of the competitive set remains below 60 percent from December through February.

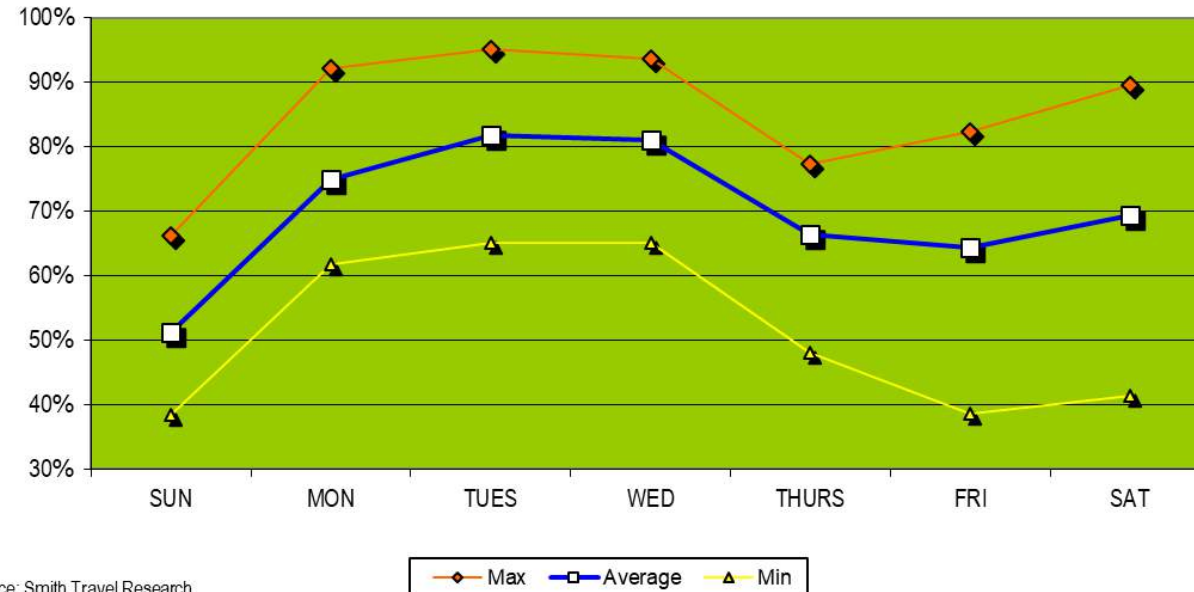


Day of Week – Occupancy & ADR

The adjacent figures show the day of week performance of the competitive hotel set from September 2018 through August 2019. Higher rates during the week suggest a strong corporate and government travel market.

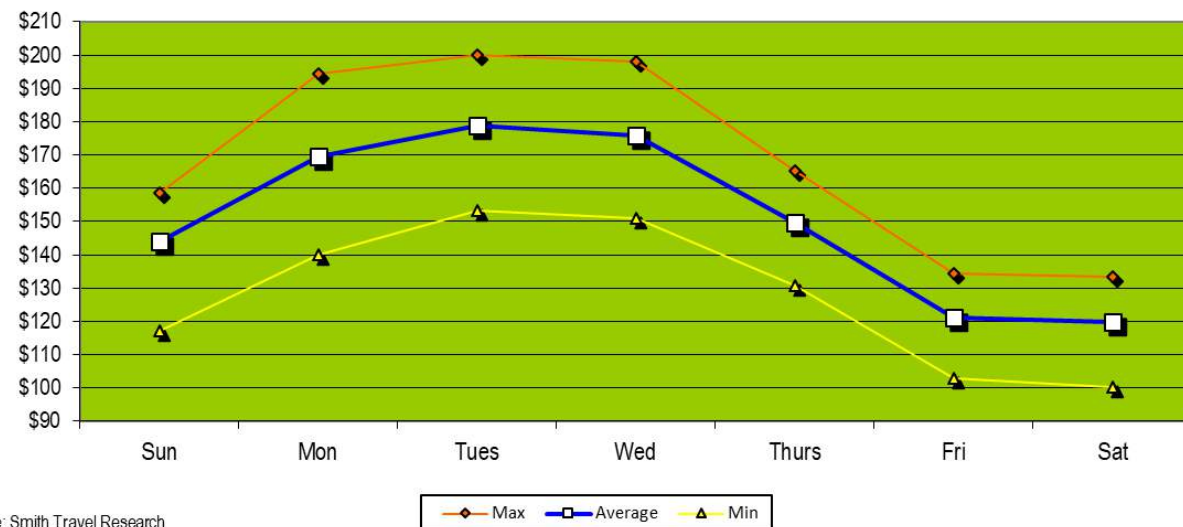
Lack of attractive leisure options for weekend travel suggest that a compelling hotel downtown will induce and recapture demand that is leaking elsewhere in the region.

Occupancy by Day of Week September 2018 - August 2019



Source: Smith Travel Research

Average Daily Rate by Day of Week September 2018 - August 2019



Source: Smith Travel Research

Heat Tables: Occupancy and Rate

The adjacent heat charts summarize the day of week performance of the hotel market over the last calendar year. Occupancy is fairly high throughout April, May, June and October, exceeding 90 percent during some weekdays and on 80 percent on weekends, showing significant compression (and therefore lost business and impact).

The primary gap, and challenge facing Frederick, is the hotel performance on weekends and from December through February. HSP believes that both challenges (compressed demand and gaps in demand) can be mitigated partially by the Project.

Occupancy Percent by Day of Week by Month - September 2018 - August 2019

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Sep- 18	52.2%	72.7%	82.7%	84.7%	66.2%	65.1%	72.6%	70.3%
Oct- 18	66.2%	84.9%	87.0%	85.6%	76.4%	82.3%	88.8%	82.0%
Nov- 18	46.9%	69.4%	77.0%	81.5%	75.1%	72.7%	72.8%	71.0%
Dec- 18	39.9%	61.7%	67.4%	65.1%	55.2%	47.6%	51.5%	55.1%
Jan- 19	38.3%	65.1%	65.1%	65.0%	48.1%	38.5%	41.4%	52.4%
Feb- 19	42.4%	68.9%	75.5%	74.1%	57.4%	43.6%	47.1%	58.4%
Mar- 19	47.5%	76.8%	84.3%	83.6%	64.2%	51.2%	58.1%	65.2%
Apr- 19	54.5%	81.8%	89.7%	85.1%	69.8%	77.2%	81.7%	77.7%
May- 19	64.0%	75.9%	91.7%	93.6%	77.3%	81.2%	89.5%	82.1%
Jun- 19	59.0%	92.3%	95.1%	93.4%	76.5%	76.0%	80.6%	81.0%
Jul- 19	55.0%	74.9%	81.1%	79.3%	68.2%	73.1%	77.1%	73.2%
Aug- 19	47.6%	74.8%	84.4%	80.9%	61.8%	63.2%	70.3%	68.6%
Average	51.0%	75.0%	81.7%	81.0%	66.3%	64.5%	69.0%	

Sources: Smith Travel Research

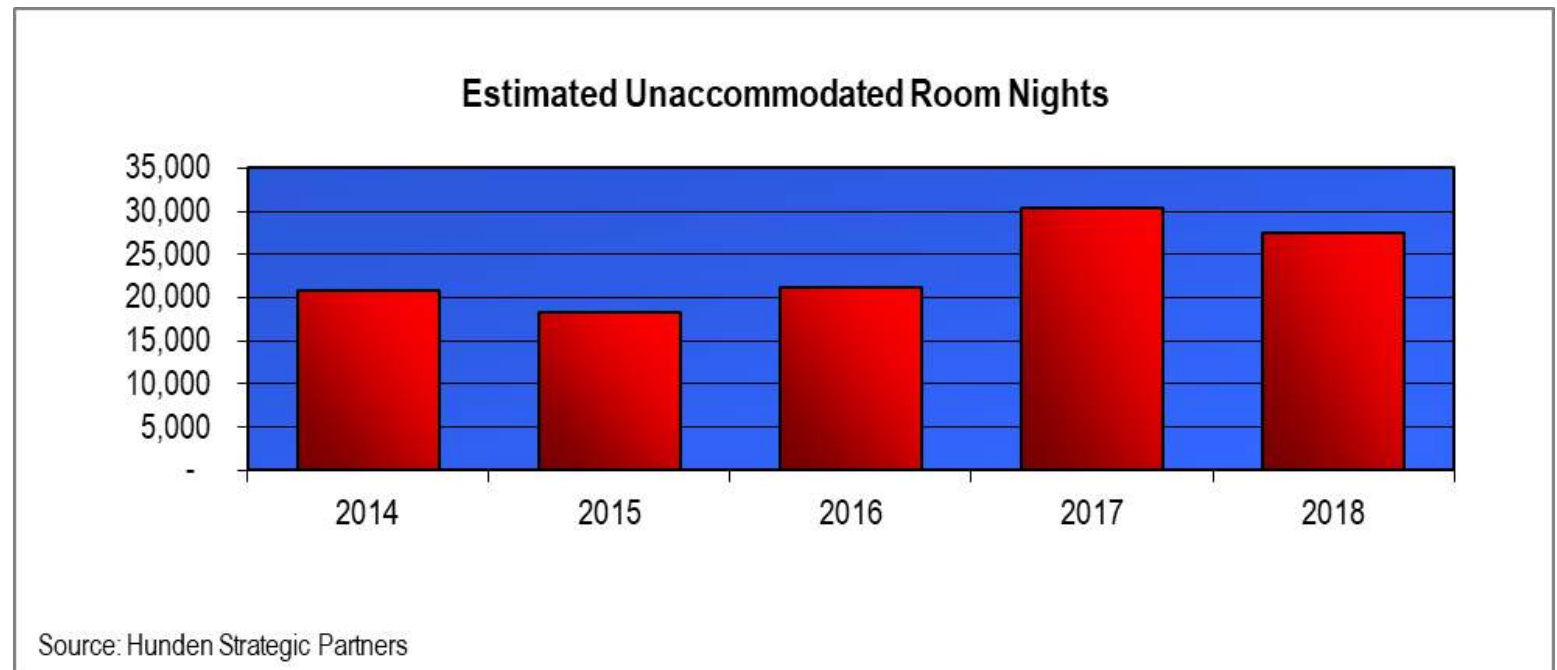
ADR by Day of Week by Month - August 2018 - July 2019

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Sep- 18	\$143.76	\$178.51	\$182.87	\$184.74	\$159.34	\$124.36	\$121.09	\$156.92
Oct- 18	\$155.54	\$181.32	\$190.47	\$188.73	\$165.29	\$131.09	\$131.62	\$166.07
Nov- 18	\$138.14	\$159.54	\$172.96	\$165.47	\$141.36	\$118.95	\$121.39	\$145.15
Dec- 18	\$117.20	\$140.09	\$153.24	\$151.84	\$131.26	\$102.96	\$100.26	\$129.99
Jan- 19	\$126.21	\$147.33	\$157.29	\$151.02	\$130.75	\$107.88	\$102.88	\$137.35
Feb- 19	\$131.46	\$154.10	\$166.08	\$160.99	\$139.22	\$110.45	\$106.35	\$142.98
Mar- 19	\$158.43	\$186.33	\$192.47	\$190.98	\$161.85	\$116.08	\$116.24	\$162.74
Apr- 19	\$156.76	\$185.93	\$192.31	\$188.18	\$159.11	\$123.17	\$120.75	\$164.08
May- 19	\$151.61	\$186.77	\$199.91	\$194.73	\$163.13	\$134.29	\$133.46	\$167.12
Jun- 19	\$154.62	\$194.43	\$200.16	\$197.97	\$161.39	\$126.00	\$126.53	\$167.06
Jul- 19	\$141.06	\$154.47	\$164.76	\$159.58	\$139.29	\$120.10	\$119.47	\$144.90
Aug- 19	\$131.24	\$150.26	\$156.06	\$154.64	\$134.31	\$116.25	\$115.81	\$137.08
Average	\$143.97	\$169.69	\$178.81	\$175.72	\$149.72	\$121.21	\$119.84	

Sources: Smith Travel Research

Unaccommodated Room Nights

HSP estimates that there were over 25,000 unaccommodated room nights in the Frederick market in 2018, suggesting that the new Project should be able to accommodate some of these visitors who ended up seeking rooms elsewhere.





Hotel Feedback

Frederick Hotels

- The competitive hotels in the Frederick market have an occupancy of around 65 percent.
- Some existing hotels have small meeting rooms, but the proposed downtown hotel will be the first true ballroom space in Frederick.
- Competitive select-service hotels range in ADR from \$106 to \$127, much lower than the regional full-service hotels.
- Government rates at \$100 cause average rates and profits to be depressed. But for this per diem rate, hotels in the area would perform much better.

Regional Full-Service Hotels

- Like Frederick, hotels in Gaithersburg, Gettysburg and Bethesda are experience government business as a significant chunk of room nights.
- Hoteliers believe that there is enough business regionally for a new hotel with meeting space in Frederick to be successful.
- Occupancies range between 65 and 75 percent for the comparable regional full-service hotels.
- Rates are highest at the Bethesda Marriott Suites among the competitive regional full-service hotels, with average rates at or above \$180. Other full-service hotels are achieving similar rates.

Meetings Market Analysis

Frederick Area Meeting Facilities

All of the quality meeting and events facilities in Frederick are small and located downtown within walking distance of the site. None of the spaces offer a true ballroom or compare to the proposed meeting space. These facilities will add value and provide synergy with the hotel and vice versa, since there are currently no walkable rooms downtown.

All of the venues average just over 3,000 square feet of space and only the All Saints Episcopal Church offers more than one meeting room.

Name	Type of Space	Distance from Site	Capacity	Total Space (SF)	Largest Room (SF)	Total Rooms
All Saints Episcopal Church	Church	0.4	400	6,000	n/a	6
McClintock Distilling	Distillery	0.1	310	5,400	5,400	1
Downtown Community Room at ERUCC	Church	0.4	265	4,000	4,000	1
Tenth Ward	Distillery	0.1	150	2,360	2,360	1
Delaplaine Arts Center	Art Gallery	0.2	120	1,800	1,800	1
C. Burr Artz Library	Library	0.2	100	1,500	1,500	1
National Museum of Civil War Medicine	Museum	0.1	60	900	900	1
Weinberg Center	Theater	0.3	1,147	n/a	n/a	1
New Spire Stages	Performing Arts Space	0.2	275	n/a	n/a	1
Average			314	3,137	2,660	2

Source: Various sources

Regional Full-Service Hotel Meeting Facilities

The regional meeting and event venues offer between 10,000 and 40,000 square feet of total space and an average of 5,500 square feet for the largest ballroom.

The closest relevant full-service hotel with meeting space is located 28 miles away in Gaithersburg, MD.

The Hyatt Regency is the most comparable in terms of function space, but has 160 more rooms than the proposed Project.

Name	Location	Distance from Frederick	Hotel Rooms	Total Space (SF)	Largest Room (SF)	Meeting Rooms
Turf Valley Resort	Ellicott City, MD	31.9	171	40,000	9,472	27
Hyatt Regency Bethesda	Bethesda, MD	38.5	390	24,000	7,200	19
Bethesda Marriott	Bethesda, MD	35.1	407	18,843	4,592	12
Bethesda Marriott Suites	Bethesda, MD	35.1	272	11,045	2,080	10
Gaithersburg Marriott Washingtonian Center	Gaithersburg, MD	28.1	284	9,288	5,940	3
The Gettysburg Hotel	Gettysburg, PA	34.9	119	9,000	3,350	6
Average			274	18,696	5,439	13

Source: Various sources



Competitive Full- Service Hotel Profiles



Turf Valley Resort

Location: Ellicott City, MD

Total Space: 40,000 square feet

Largest Space/Ballroom: 9,472 square feet

Total Meeting Rooms: 27

Turf Valley Resort is a major player in the market. Being a resort with a golf course allows them to attract many types of groups. Their meeting spaces range in capacity from 30 people to 800 people.





Hyatt Regency Bethesda

Location: Bethesda, MD

Total Space: 24,000 square feet

Largest Space/Ballroom: 7,200 square feet

Total Meeting Rooms: 19

Located atop the Bethesda Metro station, this upscale hotel provides their guests with walkability to many Downtown Bethesda amenities. The Hyatt Regency Bethesda hosts weddings, meetings, and conferences. They also host special events on their rooftop terrace.





Bethesda Marriott

Location: Bethesda, MD

Total Space: 18,843 square feet

Largest Space/Ballroom: 4,592 square feet

Total Meeting Rooms: 12

The Bethesda Marriott is located just outside of downtown Bethesda. The hotel offers a shuttle to nearby shopping and dining. The Marriott hosts meetings, weddings, and caters events with their in-house restaurant.





Bethesda Marriott Suites

Location: Bethesda, MD

Total Space: 11,045 square feet

Largest Space/Ballroom: 2,080 square feet

Total Meeting Rooms: 10

This recently renovated Marriott is located just outside of downtown Bethesda. The Bethesda Marriott Suites hosts a variety of events in their ballroom space and outdoor patio area.





Gaithersburg Marriott Washingtonian Center

Location: Gaithersburg, MD

Total Space: 9,288 square feet

Largest Space/Ballroom: 5,940 square feet

Total Meeting Rooms: 3

This Marriott hosts corporate events and is known for hosting weddings with views of the nearby lake, despite having limited meeting space.





The Gettysburg Hotel

Location: Gettysburg, PA

Total Space: 9,000 square feet

Largest Space/Ballroom: 3,350 square feet

Total Meeting Rooms: 6

The Gettysburg Hotel is located in the heart of historic Gettysburg, within walking distance to the battlefield. This hotel has a grand ballroom, rooftop swimming and in-house catering.



Chapter 4: Demand and Financial Projections

Demand and Financial Projections

The adjacent table shows the estimated growth of each market segment from 2020 through 2032 for the competitive set hotels, assuming the recommended 230-room hotel opens in 2023.

Following the opening of the hotel, new group demand is expected to increase nearly as much as leisure demand, both induced by the Project.

The hotel will also help induce and recapture corporate and government demand. HSP projects the occupancy of the competitive hotels to stabilize at 72.5 percent in 2026.

Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Gov't	% Change	Total Demand	% Change	% Change	Occupancy
2020	199,891	1.0%	131,624	1.0%	113,367	1.0%	126,768	1.0%	571,651	1.0%	0.0%	71.2%
2021	201,890	1.0%	132,940	1.0%	114,501	1.0%	128,036	1.0%	577,367	1.0%	0.0%	71.9%
2022	203,909	1.0%	134,270	1.0%	115,646	1.0%	129,317	1.0%	583,141	1.0%	0.0%	72.6%
2023	211,045	3.5%	143,668	7.0%	124,320	7.5%	131,903	2.0%	610,936	4.8%	10.5%	68.9%
2024	214,211	1.5%	149,415	4.0%	129,914	4.5%	133,881	1.5%	627,422	2.7%	0.0%	70.7%
2025	216,353	1.0%	153,151	2.5%	133,811	3.0%	135,220	1.0%	638,535	1.8%	0.0%	72.0%
2026	217,435	0.5%	154,682	1.0%	135,149	1.0%	135,896	0.5%	643,163	0.7%	0.0%	72.5%
2027	217,435	0.0%	154,682	0.0%	135,149	0.0%	135,896	0.0%	643,163	0.0%	0.0%	72.5%
2028	217,435	0.0%	154,682	0.0%	135,149	0.0%	135,896	0.0%	643,163	0.0%	0.0%	72.5%
2029	217,435	0.0%	154,682	0.0%	135,149	0.0%	135,896	0.0%	643,163	0.0%	0.0%	72.5%
2030	217,435	0.0%	154,682	0.0%	135,149	0.0%	135,896	0.0%	643,163	0.0%	0.0%	72.5%
2031	217,435	0.0%	154,682	0.0%	135,149	0.0%	135,896	0.0%	643,163	0.0%	0.0%	72.5%
2032	217,435	0.0%	154,682	0.0%	135,149	0.0%	135,896	0.0%	643,163	0.0%	0.0%	72.5%

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent table shows the estimated overall market penetration of the proposed hotel, based on how the hotel will penetrate various demand segments.

The hotel is expected to have a total penetration rate of 106 percent at stabilization, due to the fact that it will penetrate the group market at a very high level. Occupancy is expected to reach 77 percent at stabilization.

Estimated Market Penetration							
Year	Corporate Transient	Group	Leisure	Government	Total Penetration	Projected Set Occupancy	Subject Occupancy
2023	97%	115%	92%	60%	92%	69%	64%
2024	100%	125%	95%	50%	94%	71%	67%
2025	103%	145%	105%	45%	101%	72%	73%
2026	106%	160%	110%	40%	106%	73%	77%
2027	106%	160%	110%	40%	106%	73%	77%
2028	106%	160%	110%	40%	106%	73%	77%
2029	106%	160%	110%	40%	106%	73%	77%
2030	106%	160%	110%	40%	106%	73%	77%
2031	106%	160%	110%	40%	106%	73%	77%
2032	106%	160%	110%	40%	106%	73%	77%

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent table shows the estimated demand, by segment, for the proposed hotel based on the penetration rates established above.

Projected Demand for Proposed Hotel													
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Govt.	% Change	Total Demand	% Change	Total Supply	Total Rooms	Occupancy
2023	19,376	--	15,638	--	10,826	--	7,491	--	53,331	--	83,950	230	64%
2024	20,275	4.6%	17,678	13.0%	11,682	7.9%	6,336	-15.4%	55,970	4.9%	83,950	230	67%
2025	21,092	4.0%	21,019	18.9%	13,299	13.8%	5,759	-9.1%	61,169	9.3%	83,950	230	73%
2026	21,815	3.4%	23,425	11.4%	14,071	5.8%	5,145	-10.7%	64,456	5.4%	83,950	230	77%
2027	21,815	0.0%	23,425	0.0%	14,071	0.0%	5,145	0.0%	64,456	0.0%	83,950	230	77%
2028	21,815	0.0%	23,425	0.0%	14,071	0.0%	5,145	0.0%	64,456	0.0%	83,950	230	77%
2029	21,815	0.0%	23,425	0.0%	14,071	0.0%	5,145	0.0%	64,456	0.0%	83,950	230	77%
2030	21,815	0.0%	23,425	0.0%	14,071	0.0%	5,145	0.0%	64,456	0.0%	83,950	230	77%
2031	21,815	0.0%	23,425	0.0%	14,071	0.0%	5,145	0.0%	64,456	0.0%	83,950	230	77%
2032	21,815	0.0%	23,425	0.0%	14,071	0.0%	5,145	0.0%	64,456	0.0%	83,950	230	77%

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent table shows the estimated market segmentation for the proposed hotel.

The proposed hotel is expected to be much more group-oriented than the existing competitive set.

The local hotels have very little group business, while the regional competitors have 20 – 40 percent group. The Project will have a high level of function space per room, which will help draw groups.

Segment	Hotel at Stabilization	Comp Set
Corporate	34%	34%
Group	36%	24%
Leisure	22%	21%
Government	8%	21%
Total	100%	100%

Source: Hunden Strategic Partners

Demand and Financial Projections

The hotel's penetration rate is expected to stabilize at 111 percent, and an ADR beginning at \$188. HSP believes the hotel could perform even higher than this level.

Year	Comp. Set ADR	Annual Increase	Hotel Rate Penetration	Projected Hotel Rate	Annual Increase
2014	\$144	--	--	--	--
2015	\$149	1.3%	--	--	--
2016	\$149	2.9%	--	--	--
2017	\$152	0.2%	--	--	--
2018	\$153	2.1%	--	--	--
2019	\$156	2.0%	--	--	--
2020	\$159	2.0%	--	--	--
2021	\$163	2.0%	--	--	--
2022	\$166	2.0%	--	--	--
2023	\$170	2.5%	110%	\$188	--
2024	\$175	2.7%	111%	\$194	3.5%
2025	\$180	3.0%	111%	\$200	2.9%
2026	\$185	2.7%	111%	\$206	2.9%
2027	\$189	2.5%	111%	\$211	2.5%
2028	\$193	2.2%	111%	\$215	2.2%
2029	\$197	2.0%	111%	\$220	2.0%
2030	\$201	2.0%	111%	\$224	2.0%
2031	\$205	2.0%	111%	\$229	2.0%
2032	\$209	2.0%	111%	\$233	2.0%

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent table summarizes HSP's performance projections for the proposed hotel.

Performance Projections				
Year	Average Daily Rate	Occupancy	Revenue per Available Room	Annual Increase
Year 1	\$188	64%	\$119	--
Year 2	\$194	67%	\$129	8.7%
Year 3	\$200	73%	\$146	12.5%
Year 4	\$206	77%	\$158	8.4%
Year 5	\$211	77%	\$162	2.5%
Year 6	\$215	77%	\$165	2.2%
Year 7	\$220	77%	\$169	2.0%
Year 8	\$224	77%	\$172	2.0%
Year 9	\$229	77%	\$175	2.0%
Year 10	\$233	77%	\$179	2.0%

Source: Hunden Strategic Partners

Demand and Financial Projections

Projection of Income & Expense (in \$000, inflated) - Proposed Hotel

	Year 1				Year 2		Year 3		Year 4		Year 5		Year 10
Room Count	230				230		230		230		230		230
Available Room Nights	83,950				83,950		83,950		83,950		83,950		83,950
Occupancy Rates	64%				67%		73%		77%		77%		77%
Occupied Room Nights	53,331				55,970		61,169		64,456		64,456		64,456
Average Daily Rate	\$188				\$194		\$200		\$206		\$211		\$233
RevPAR	\$119				\$129		\$146		\$158		\$162		\$179
Percent of Change from Prior Year	--				8.7%		12.5%		8.4%		2.5%		2.0%
	\$	%	PAR	POR	\$	%	\$	%	\$	%	\$	%	
REVENUE													
Rooms	\$10,000	58.4%	\$43,477	\$188	\$10,866	59.0%	\$12,219	60.3%	\$13,249	60.9%	\$13,580	61.0%	\$15,023
Hotel Food and Beverage/Catering	6,406	37.4%	\$27,853	\$120	6,726	36.5%	7,063	34.9%	7,416	34.1%	7,564	34.0%	8,351
Other Operated Departments	495	2.9%	\$2,152	\$9	540	2.9%	609	3.0%	662	3.0%	679	3.0%	751
Rentals and Other Income	330	1.9%	\$1,435	\$6	360	2.0%	406	2.0%	442	2.0%	453	2.0%	569
Total Revenue	\$17,132	100.0%	\$74,486	\$321	\$18,420	100.0%	\$20,256	100.0%	\$21,769	100.0%	\$22,276	100.0%	\$24,694

Source: Hunden Strategic Partners

The property is projected to generate over \$17 million in gross revenue in Year 1, increasing to over \$22 million in the fifth year.

Chapter 5: Economic, Fiscal and Employment Impact Analysis

Economic, Fiscal, and Employment Impact

The incremental impact of the new spending from new and recaptured visitors will increase economic activity and will result in higher fiscal activity, income and employment for the economy. HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the economy due to additional inputs. For example, for every dollar of direct new spending, the IMPLAN model provides multipliers for the indirect and induced spending that will result. The net new and recaptured direct spending discussed earlier in the chapter is considered to be the **Direct Impact**. From the direct spending figures, further impact analyses will be completed.

- **Indirect Impacts** are the supply of goods and services resulting from the initial direct spending. For example, a leisure attendee's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.
- **Induced Impacts** embody the change in local spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of a convention attendee's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.
- **Fiscal Impacts** represent the incremental tax revenue collected by the community due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.
- **Employment Impacts** include the incremental employment provided not only onsite, but due to the spending associated with it. For example, the direct, indirect and induced impacts generate spending, support new and ongoing businesses and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

Direct Spending Impact

The adjacent table shows the 25-year direct net new spending as a result of the 230-room hotel development.

Spending on lodging is the largest component of direct new spending in the community, followed by food and beverage.

Over 25 years, the proposed hotel is projected to generate nearly \$882 million in direct net new spending within Frederick.

Direct Net New/Recaptured Spending (000s)								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 25	Total
Food & Beverage	\$4,427	\$7,207	\$9,215	\$10,204	\$10,429	\$11,627	\$16,115	\$305,664
Lodging	\$5,212	\$8,485	\$10,849	\$12,014	\$12,278	\$13,689	\$18,973	\$359,866
Retail	\$1,004	\$1,635	\$2,090	\$2,314	\$2,365	\$2,637	\$3,655	\$69,324
Transportation	\$1,308	\$2,130	\$2,723	\$3,016	\$3,082	\$3,436	\$4,763	\$90,331
Other	\$821	\$1,337	\$1,710	\$1,893	\$1,935	\$2,158	\$2,990	\$56,719
Total	\$12,772	\$20,795	\$26,586	\$29,441	\$30,089	\$33,547	\$46,497	\$881,905

Source: Hunden Strategic Partners

Spending Impact

The next table shows the direct, indirect and induced spending from the Project, based on the IMPLAN multipliers.

The direct spending totals nearly \$882 million over the 25-year period (as shown in the prior table), while the indirect and induced spending add another \$300 million and \$348 million, respectively. In total, more than \$1.5 billion in economic impact is projected from new and recaptured spending.

Direct, Indirect & Induced Net New Spending (000s)								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 25	Total
Net New Spending								
Direct	\$12,772	\$20,795	\$26,586	\$29,441	\$30,089	\$33,547	\$46,497	\$881,905
Indirect	\$4,348	\$7,080	\$9,051	\$10,023	\$10,244	\$11,421	\$15,830	\$300,244
Induced	\$5,041	\$8,207	\$10,493	\$11,619	\$11,875	\$13,240	\$18,351	\$348,060
<i>Total</i>	<i>\$22,161</i>	<i>\$36,081</i>	<i>\$46,130</i>	<i>\$51,084</i>	<i>\$52,207</i>	<i>\$58,209</i>	<i>\$80,677</i>	\$1,530,208

Source: Hunden Strategic Partners

Earnings Impact

The following table shows the new earnings associated with the new economic activity.

By the fifth year of operations, more than \$16.5 million of direct, indirect, and induced earnings are projected, with a total of \$485 million over the 25-year period.

Net New Earnings from Direct, Indirect & Induced Spending (000s)								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 25	Total
Net New Earnings								
From Direct	\$4,119	\$6,706	\$8,574	\$9,495	\$9,704	\$10,819	\$14,995	\$284,419
From Indirect	\$1,399	\$2,278	\$2,912	\$3,225	\$3,296	\$3,674	\$5,093	\$96,592
From Induced	\$1,506	\$2,452	\$3,135	\$3,471	\$3,548	\$3,956	\$5,482	\$103,987
<i>Total</i>	<i>\$7,024</i>	<i>\$11,436</i>	<i>\$14,621</i>	<i>\$16,191</i>	<i>\$16,547</i>	<i>\$18,449</i>	<i>\$25,571</i>	\$484,998

Source: Hunden Strategic Partners

New Supported FTE Jobs Impact

The adjacent table shows the estimated full-time equivalent jobs created by the Project. New full-time equivalent jobs (FTE's) are projected to vary over the period based on the net new spending and total 395 by the fifth year, based on increasing demand from the development.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 25	Average
Net New FTE Jobs								
From Direct	104	166	207	225	225	225	225	217
From Indirect	36	57	71	77	77	77	77	75
From Induced	41	66	82	89	89	89	89	86
<i>Total</i>	<i>181</i>	<i>288</i>	<i>361</i>	<i>391</i>	<i>391</i>	<i>391</i>	<i>391</i>	<i>377</i>

Source: Hunden Strategic Partners

Local Tax Impact

The fiscal impact of the Project is the benefit to the community via taxes generated, essentially through new property, occupancy, and sales taxes.

The adjacent table shows the projection of new taxes over the first 25 years of operation. In total, local taxes are projected to generate more than \$2 million by Year 5, and total more than \$60 million over the first 25 years.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 25	Total
Taxes Collected								
Property Tax - City & County	\$777	\$903	\$921	\$939	\$958	\$1,058	\$1,424	\$28,241
Lodging Tax (5%) - County	\$261	\$424	\$542	\$601	\$614	\$684	\$949	\$17,993
Income Tax (2.96%) - County	\$208	\$339	\$433	\$479	\$490	\$546	\$757	\$14,356
Total	\$1,246	\$1,666	\$1,896	\$2,019	\$2,062	\$2,288	\$3,129	\$60,591

Source: Hunden Strategic Partners

Construction Impact

The one-time construction of the Project that will impact Frederick spending will occur via the purchase of materials (40 percent of the budget) and the payment of labor and service providers (60 percent of the budget). It is assumed that the total investment will be approximately \$93 million for the Project, but only 20 percent is assumed to be purchased locally (or local labor).

Local materials spending is estimated to total \$12.8 million in direct, indirect and induced spending. The direct labor spending is approximately \$11.2 million and would support nearly 206 job-years (one construction job for one year).

Construction Impact

	Impact
Direct Materials Spending	\$ 7,440,000
Indirect Spending	\$ 2,080,000
Induced Spending	\$ 3,320,000
Total	\$ 12,840,000
Direct Labor Spending	\$ 11,160,000
Employment (Job Years)	206

Source: Hunden Strategic Partners

Impact

The table to the right shows a summary of estimated 25-year impacts for the proposed 230-room hotel.

The net new spending from the Project totals \$1.5 billion over the 25-year period, including \$485 million in new earnings, more than 391 new full-time equivalent jobs and more than \$60 million in new taxes collected from the ongoing spending over 25 years.

The construction impact will include 206 job-years and will be a temporary boon for the local economy.

Summary of 25-Year Impacts	
Net New Spending	(millions)
Direct	\$882
Indirect	\$300
Induced	\$348
Total	\$1,530
Net New Earnings	(millions)
From Direct	\$284
From Indirect	\$97
From Induced	\$104
Total	\$485
Net New FTE Jobs	Actual
From Direct	225
From Indirect	77
From Induced	89
Total	391
Taxes Collected	(millions)
Property Tax - City & County	\$28.2
Lodging Tax (5%) - County	\$18.0
Income Tax (2.96%)	\$14.4
Total	\$60.6
Construction Impact	(millions)
New Materials Spending	\$12.8
New Labor Spending	\$11.2
Job-Years, Actual	206

Source: Hunden Strategic Partners



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Hunden Strategic Partners is a full service real estate development advisory practice specializing in destination assets.

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- Real Estate Market & Financial Feasibility
- Economic, Fiscal & Employment Impact Analysis (Cost/Benefit)
- Organizational Development
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