CITY OF BLOOMINGTON
CITY COUNCIL COMMITTEE OF THE WHOLE
MEETING AGENDA
109 E. OLIVE – COUNCIL CHAMBER
MONDAY, JULY 21, 2014, 5:30 P.M.

1. **Call to Order**
2. **Roll Call of Attendance**
3. **Public Comment** ***(15 minutes)***
4. **Items to be Presented:**
   - **A.** **Downtown Hotel Market Demand and Feasibility Study**
     - **i.** **Presentation by Hans Detlefsen -** ***(15 minutes)***
     - ***ii.*** **Discussion** ***(15 minutes)***
   - **B.** **Illinois Municipal Retirement Fund (IMRF) Benefits for Elected Officials** ***(15 minutes)***
   - **C.** **Private Sewers** ***(20 minutes)***
   - **D.** **Carriage Walks located on City Right of Way** ***(20 minutes)***
   - **E.** **Illinois High-Speed Rail – Chicago to St. Louis – Impacts to Bloomington. Planned Changes to Miller St. and Six Points Rd.** ***(5 minutes)***
   - **F.** **Railroad Murals on Market St. Bridge** ***(10 minutes)***
   - **G.** **Draft Website Transparency Policy** ***(20 minutes)***
   - **H.** **Update on Freedom of Information Act (FOIA) Procedures** ***(10 minutes)***
5. **Adjourn**

FOR COUNCIL: July 21, 2014

SUBJECT: Downtown Hotel Market Demand and Feasibility Study

RECOMMENDATION/MOTION: That the Hotel Market Demand and Feasibility Study conducted by HVS be considered as presented.

STRATEGIC PLAN LINK: Goal 3. Grow the local economy; Goal 6. Prosperous Downtown Bloomington

STRATEGIC PLAN SIGNIFICANCE: Objective 3a. Retention and growth of current local businesses; 3b. Attraction of new targeted businesses that are the "right" fit for Bloomington; 3c. Revitalization of older commercial homes; 3d. Expanded retail businesses; 3e. Strong working relationships among the City, businesses, economic development organizations; 6a. More beautiful, clean Downtown area; 6b. Downtown Vision and Plan used to guide development, redevelopment and investments; 6c. Downtown becoming a community and regional destination; 6d. Healthy adjacent neighborhoods linked to Downtown

BACKGROUND: In support of the City Strategic Plan, formally presented and unanimously adopted by the Council on January 25, 2010, staff has been working to bring recommendations before Council to improve the economic outlook in Bloomington. In accordance with item #24 on the FY2014 Action Plan *(Downtown Hotel Feasibility Study: Staff to complete study and present to Council)*, staff issued a Request for Proposal on October 1, 2013 as a means to identify firms that could provide a hotel feasibility study as it pertains to the proposed Downtown Bloomington hotel development. A corresponding opportunity was presented to the Council on December 9, 2013 whereby an agreement for Phase I of such study was executed, with findings presented and approved by Council on February 10, 2014. The consultant team at HVS has been working diligently since receiving the executed contract and is now prepared to provide the community with a full report as it pertains to the potential for a hotel development project within the Downtown Bloomington community.

COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED: The Bloomington-Normal Area Convention and Visitors Bureau, along with the Downtown Bloomington Association, the National Development Council and others were contacted regarding statistics and information needed for this presentation.

FINANCIAL IMPACT: To be determined. Based on the findings of the study, and further direction from the City Council, an additional analysis (Phase II) may be warranted regarding the economic impact of a specific development project within Downtown. Funding for this portion of the assessment would be outside of the scope of work. $45,000.00 is currently available in the FY15 budget for such activities.

Respectfully submitted for Council consideration.

Prepared by: Justine Robinson, Economic Development Coordinator

Attachments: Attachment 1. HVS Study
Attachment 2. Work Flow

Hotel Development Work Flow

Concept Definition

↓

Land Strategy

↓

Finance Strategy

↓

Scenario Analysis

↓

Communication Strategy

↓

Developer Selection

↓

Asset Management

Overview

- The following is an outline of key steps in the downtown hotel development process
- HVS can be an advisor as we work through each of these steps and various questions and issues arise
- Given current staffing levels and work loads, it is recommended that HVS take an “active” role and be the lead on these items

Concept Definition

- Here are some key parameters needed by the development community:
  - Minimum number of guestrooms required
  - Minimum square feet of net rentable conference space
  - Minimum chain scale (i.e. hotel quality and service level)
  - Short list of acceptable brands
  - Required amenities
  - Site
  - HVS could develop preliminary sketches/drawings

Land Strategy

- Steps may include:
  - Identify preferred site(s)
  - Discuss optimal land acquisition strategy (e.g. City, Third-party intermediary)
  - Acquire land

Finance Strategy

- Steps may include:
  - Evaluating site design constraints and costing-out construction
  - Constructing initial pro forma income and expense schedule
  - Identify preferred forms of public participation (e.g. TIF, loan, loan guarantee, tax abatement, land contribution, bond financing for conference center, etc.)
  - Estimate present market value of combined incentives
  - Determine whether market value of incentives is adequate to close feasibility gap
  - Develop suggested Sources & Uses document for project financing

Scenario Analysis

- Steps may include:
  - It may be necessary to refine concept requirements at this time if Sources & Uses cannot be matched
  - HVS would revise hotel operating projections and supply/demand analysis, as needed
  - Repeat, as necessary, until project cost + incentives = market value of project upon completion (with market rates of return to private sector)

Communication Strategy

- Steps may include:
  - If desired, an economic impact study could be developed to communicate the anticipated project benefits to the community
  - An outline of the intended development process could be developed to communicate to the media
  - Statements detailing the City's expected participation (i.e. incentives) could be developed, along with rationale, so that the City is framing this issue)

Developer Selection

- In regards to the RFP process, HVS could help:
  - Write the RFP document
  - Identify top developers to receive invitation
  - Publicize RFP on HVS newsletter (to over 100,000 industry professionals)
  - Develop scoring matrix
  - Evaluate and score developer responses
  - Interview short-listed developers
  - Recommend finalist
  - Negotiate development agreement

Asset Management

- Depending on the City's ultimate role in the facilities, there may be a need to oversee the City's interests in the facilities in an ongoing nature, which could be provided on an as-needed basis or as a part of an asset management agreement

FEASIBILITY STUDY

Proposed Downtown Hotel Conference Center

BLOOMINGTON, ILLINOIS

SUBMITTED TO:

Ms. Justine Robinson
City of Bloomington Illinois
109 East Olive Street
Bloomfield, Illinois, 61701

+1 (309) 434-2611

PREPARED BY:

HVS Consulting and Valuation Services
Division of CCG Holdings, LLC
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Superior results through unrivaled
hospitality intelligence. Everywhere.

February 17, 2014

Ms. Justine Robinson
City of Bloomington Illinois
109 East Olive Street
Bloomfield, Illinois, 61701

Re: Proposed Downtown Hotel Bloomington
Bloomington, Illinois
HVS Reference: 2013410130

Dear Ms. Robinson:

At your request, we are pleased to submit our feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Bloomington, Illinois area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

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

Sincerely,
CCG Holdings, LLC

Hans Detlefsen

Hans Detlefsen, MPP, MAI, Managing Director
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State Appraiser License (IL)553.001838

Table of Contents

1. Executive Summary

Subject of the Feasibility Study

The subject of the feasibility study is a proposed upscale, select-service hotel, which will be located in downtown Bloomington, Illinois. Several potential development sites are currently under consideration. The hotel is expected to feature a conference center with approximately 20,000 square feet of net rentable meeting and banquet space This would be the second largest conference facility in the broader market area, somewhat smaller than the Marriott Hotel & Conference Center (23,000 square feet) and larger than the conference facility at the Doubletree by Hilton (12,000 square feet).

The development is expected to feature a nationally-branded hotel conference center within the upscale chain scale, as defined by Smith Travel Research. Although no branding decisions have been finalized, examples of brands in this chain scale include Aloft, Cambria Suites, Hilton Garden Inn, and SpringHill Suites by Marriott. For the purpose of this study, we have placed a heavy consideration on the Hilton Garden Inn brand. The property is expected to open on January 1, 2016 and will feature 150 rooms, a restaurant and lounge, 20,000 square feet of meeting space, an indoor pool, an indoor whirlpool, an exercise room, a business center, a gift shop, and a guest laundry room. The hotel should also feature all necessary back-of-the-house space. The conference center facilities should be fully integrated into the hotel; however, the conference center may be separately owned by a public-sector entity and leased to the hotel owner.

TYPICAL HILTON GARDEN INN – HOTEL CONFERENCE CENTER

The proposed subject property would be the first upscale hotel located in downtown Bloomington. A broad range of downtown demand generators and attractions would benefit the proposed hotel. These include the U.S. Cellular Coliseum, the McLean County Museum of History, numerous corporate office buildings, boutique retail stores, restaurants and bars, and government buildings. The proposed hotel conference center should also complement the downtown area by increasing tourism traffic and attracting meetings and conferences to Bloomington that would otherwise take place in different locations.

Pertinent Dates

The effective date of the report is February 10, 2014. Numerous potential development sites were inspected by Yoshihiro Kanno on December 18, 2013. Hans Detlefsen, MPP, MAI inspected numerous potential development sites on February 10, 2014.

Ownership, Franchise, and Management Assumptions

Multiple possible development sites would be suitable for the proposed development. However, no site selection decisions have been finalized at the time of this report. The ownership structure of the proposed subject hotel conference center has not been determined yet; however, we note that this type of project typically requires some form of public-private partnership and City officials have discussed several possible development models for consideration.

Details pertaining to management terms are not yet determined at the time of this report; therefore, our forecast fees represent a blended average of what would be expected on a base-fee and incentive-fee basis. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

We recommend that the proposed subject property operate as an upscale, select-service hotel conference center. While we have placed heavy consideration on the Hilton Garden Inn brand, which is affiliated with Hilton Hotels & Resorts, a specific franchise affiliation and brand has yet to be finalized. Based on our review of hundreds of similar franchise agreements and term, the Hilton Garden Inn franchise is reflected in our forecasts with a royalty fee of 5.5% of rooms revenue, and a marketing assessment of 4.3% of rooms revenue. Reservations fees will also be due, and are included in the rooms expense line item of our forecast.

Summary of Hotel Market Trends

Since 2004, the Normal-Bloomington market has experienced continued increases in demand, supported by growth in the insurance industry and educational institutions. This market benefits from the presence of several national corporate headquarters of companies such as State Farm Insurance, Country Financial, Growmark, and Mitsubishi Motors in the area, as well as Illinois State University and Illinois Wesleyan University. Another major factor in the continuation of demand growth in this sub-market is rapid supply growth between 2007 and 2010, which allowed nominal demand to continue growing even through the most recent economic recession. However, occupancies declined substantially between 2007 and 2010, reflecting both the large influx of new supply and a severe national economic recession, which had some impact on the local economy during this period.

As the national economy resumed growth and supply was absorbed into this market, occupancy started to rebound in 2011. In 2012, State Farm Insurance started a new mission that brought a large number of external consultants to the market, leading to a significant increase in room night demand during weekdays. Although State Farm Insurance always had consultants visiting their corporate headquarters in the past, hoteliers noted that the room night demand tripled in 2012. As a result, the market occupancy reached the second-highest level during the period we observed. However, the year-to-date data illustrates that the number of external consultants has already begun to return to normalized levels produced by State Farm Insurance in the past. As such, the year-to-date demand is down 1.4% in comparison with the same period last year.

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

FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2001	633	230,898	—	163,850	—	71.0 %	$77.91	—	$55.29	—
2002	687	250,755	8.6 %	172,284	5.1 %	68.7	78.19	0.4 %	53.72	(2.8) %
2003	687	250,755	0.0	161,501	(6.3)	64.4	77.57	(0.8)	49.96	(7.0)
2004	687	250,755	0.0	161,246	(0.2)	64.3	75.59	(2.6)	48.61	(2.7)
2005	687	250,755	0.0	175,920	9.1	70.2	77.83	3.0	54.61	12.3
2006	687	250,755	0.0	189,599	7.8	75.6	88.41	13.6	66.85	22.4
2007	824	300,821	20.0	200,737	5.9	66.7	97.34	10.1	64.95	(2.8)
2008	1,017	371,205	23.4	240,157	19.6	64.7	98.66	1.4	63.83	(1.7)
2009	1,074	392,181	5.7	253,313	5.5	64.6	95.34	(3.4)	61.58	(3.5)
2010	1,245	454,425	15.9	279,131	10.2	61.4	97.58	2.3	59.94	(2.7)
2011	1,245	454,425	0.0	294,643	5.6	64.8	98.22	0.7	63.69	6.3
2012	1,244	454,060	(0.1)	337,471	14.5	74.3	104.54	6.4	77.70	22.0
Average Annual Compounded Change:										
2001-2012			6.3 %		6.8 %			2.7 %		3.1 %
Year-to-Date Through November										
2012	1,244	415,496	—	314,989	—	75.8 %	$104.80	—	$79.45	—
2013	1,244	415,496	0.0 %	310,426	(1.4) %	74.7	112.10	7.0 %	83.76	5.4 %

Hotels Included in Sample	Number of Rooms	Year Affiliated	Year Opened	Note
Eastland Stes Hotel & Conf Ctr	112	Jun 1997	Jun 1987	
Comfort Suites Bloomington	59	Jun 1995	Jun 1995	
Courtyard Bloomington Normal	78	Sep 1995	Sep 1995	
Doubletree Hotel Bloomington	197	Jan 2006	Oct 1996	Occupancy Leader
Holiday Inn Express & Stes Bloomington City Center Normal	86	Sep 1999	Sep 1999	
Holiday Inn Express Bloomington	81	May 2012	Aug 2000	
Hampton Inn Bloomington West	73	Jul 2001	Jul 2001	
Hampton Inn Suites Bloomington Normal	128	Mar 2007	Mar 2007	
Fairfield Inn & Suites Bloomington	76	Oct 2007	Oct 2007	
Holiday Inn & Suites Bloomington Airport	126	Dec 2007	Dec 2007	
Marriott Bloomington Normal Hotel & Conference Center	228	Oct 2009	Oct 2009	ADR Leader
Total	**1,244**			

Source: STR Global

As indicated in the preceding figure, long-term demand growth has outpaced long-term supply growth in this market, producing an upward trend in occupancies over the period shown.

The following tables reflect our estimates of operating data for hotels on an individual basis. Key variables we estimated include occupancies, average daily rates, and revenue per available room at each hotel. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

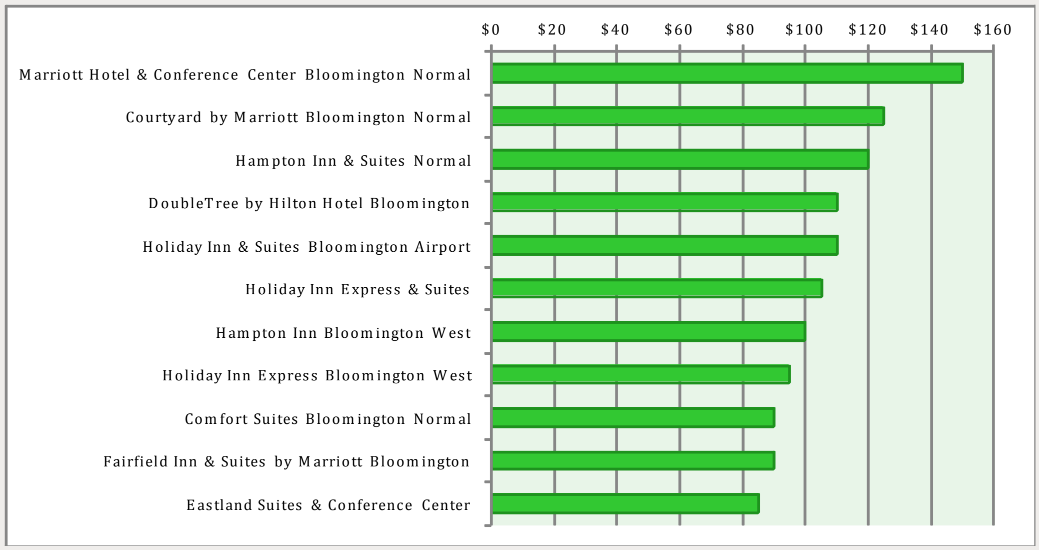
FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation			Estimated 2011				Estimated 2012				Estimated 2013						
Property	Number of Rooms	Commercial	Meeting and Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Marriott Hotel & Conference Center Bloomington Normal	228	55 %	30 %	15 %	228	70 %	$115.00	$80.50	228	75 %	$130.00	$97.50	228	70 %	$150.00	$105.00	7.7 %	96.5 %	125.2 %
Courtyard by Marriott Bloomington Normal	78	65	15	20	78	65	110.00	71.50	78	75	120.00	90.00	78	75	125.00	93.75	4.2	103.4	111.8
DoubleTree by Hilton Hotel Bloomington	197	60	25	15	197	65	100.00	65.00	197	80	100.00	80.00	197	75	110.00	82.50	3.1	103.4	98.4
Sub-Totals/Averages	**503**	**59 %**	**26 %**	**16 %**	**503**	**67.0 %**	**$107.30**	**$71.88**	**503**	**75.7 %**	**$116.80**	**$88.46**	**503**	**72.3 %**	**$128.18**	**$92.68**	**4.8 %**	**99.6 %**	**110.5 %**
Secondary Competitors	740	62 %	14 %	24 %	472	64.2 %	$92.31	$59.26	472	73.2 %	$96.61	$70.75	472	72.8 %	$102.23	$74.45	5.2 %	100.4 %	88.8 %
Totals/Averages	**1,243**	**60 %**	**20 %**	**20 %**	**975**	**65.6 %**	**$100.20**	**$65.77**	**975**	**74.5 %**	**$107.19**	**$79.89**	**975**	**72.6 %**	**$115.57**	**$83.85**	**5.0 %**	**100.0 %**	**100.0 %**

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2011				Estimated 2012				Estimated 2013			
Property	Number of Rooms	Commercial	Meeting and Group	Leisure	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hampton Inn & Suites Normal	128	65 %	10 %	25 %	70 %	90	75 %	$105.00	$78.75	90	80 %	$110.00	$88.00	90	75 %	$120.00	$90.00
Holiday Inn Express & Suites	86	60	10	30	70	60	60	90.00	54.00	60	70	100.00	70.00	60	70	105.00	73.50
Comfort Suites Bloomington Normal	59	55	10	35	70	41	65	80.00	52.00	41	75	85.00	63.75	41	75	90.00	67.50
Holiday Inn & Suites Bloomington Airport	126	60	20	20	70	88	70	95.00	66.50	88	75	105.00	78.75	88	75	110.00	82.50
Eastland Stes & Conf Ctr	112	55	25	20	70	78	65	90.00	58.50	78	75	85.00	63.75	78	75	85.00	63.75
Hampton Inn Bloomington West	73	70	10	20	50	37	65	95.00	61.75	37	75	95.00	71.25	37	75	100.00	75.00
Fairfield Inn & Suites by Marriott Bloomington	75	70	10	20	50	38	60	85.00	51.00	38	70	80.00	56.00	38	70	90.00	63.00
Holiday Inn Express Bloomington West	81	65	10	25	50	41	40	70.00	28.00	41	60	90.00	54.00	41	55	95.00	52.25
Totals/Averages	**740**	**62 %**	**14 %**	**24 %**	**64 %**	**472**	**64.2 %**	**$92.31**	**$59.26**	**472**	**73.2 %**	**$96.61**	**$70.75**	**472**	**72.8 %**	**$102.23**	**$74.45**

FIGURE 1-4 ADR RANKING OF COMPERABLE HOTELS



This figure shows a wide range of performance, even within the more-successful set of local properties. Average daily rates ranged roundly between $85 and $150 at these local properties. Key factors that influence the rate position of each hotel include the property's age, condition, branding, chain scale, service level, location, and amenities.

Summary of Forecast Occupancy and Average Rate

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 69% and a base-year rate position of $125.00 for the proposed subject property. The following table reflects a summary of our market-wide and proposed subject property occupancy and average rate projections.

FIGURE 1-4 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
Year	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	72.6 %	—	$115.57	—	—	$125.00	108.2 %
2014	70.5	7.0 %	123.66	—	7.0 %	133.75	108.2
2015	67.9	6.0	131.08	—	6.0	141.78	108.2
2016	66.5	5.5	138.29	62.0 %	5.5	149.57	108.2
2017	67.3	4.5	144.51	65.0	4.5	156.30	108.2
2018	68.2	3.0	148.85	69.0	3.0	160.99	108.2
2019	68.2	3.0	153.31	69.0	3.0	165.82	108.2

The following table summarizes the proposed subject property's forecast, reflecting fiscal years and opening-year rate discounts as applicable.

FIGURE 1-5 FORECAST OF AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	ADR
2016	62 %	$149.57	3.0 %	$145.09
2017	65	156.30	0.0	156.30
2018	69	160.99	0.0	160.99

Summary of Forecast Income and Expense Statement

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

FIGURE 1-6 DETAILED FORECAST OF INCOME AND EXPENSE

	2016	(Calendar Year)			2017				Stabilized				2019				2020			
Number of Rooms:	**150**				**150**				**150**				**150**				**150**			
Occupancy:	**62%**				**65%**				**69%**				**69%**				**69%**			
Average Rate:	**$145.09**				**$156.30**				**$160.99**				**$165.82**				**$170.80**			
RevPAR:	**$89.95**				**$101.60**				**$111.08**				**$114.42**				**$117.85**			
Days Open:	**365**				**365**				**365**				**365**				**365**			
Occupied Rooms:	**33,945**	**%Gross**	**PAR**	**POR**	**35,588**	**%Gross**	**PAR**	**POR**	**37,778**	**%Gross**	**PAR**	**POR**	**37,778**	**%Gross**	**PAR**	**POR**	**37,778**	**%Gross**	**PAR**	**POR**
REVENUE																				
Rooms	$4,925	67.0 %	$32,833	$145.09	$5,562	68.3 %	$37,080	$156.29	$6,082	68.6 %	$40,547	$161.00	$6,264	68.6 %	$41,760	$165.81	$6,452	68.6 %	$43,013	$170.79
Food & Beverage	2,342	31.9	15,612	68.99	2,497	30.7	16,648	70.17	2,689	30.3	17,926	71.18	2,770	30.3	18,464	73.31	2,853	30.3	19,018	75.51
Other Operated Departments	63	0.9	423	1.87	66	0.8	441	1.86	69	0.8	463	1.84	71	0.8	476	1.89	74	0.8	491	1.95
Rentals & Other Income	20	0.3	132	0.58	21	0.3	138	0.58	22	0.2	145	0.57	22	0.2	149	0.59	23	0.2	153	0.61
Total Revenues	7,350	100.0	49,000	216.53	8,146	100.0	54,307	228.90	8,862	100.0	59,080	234.59	9,127	100.0	60,850	241.61	9,401	100.0	62,676	248.86
DEPARTMENTAL EXPENSES *																				
Rooms	1,045	21.2	6,967	30.79	1,096	19.7	7,306	30.79	1,156	19.0	7,704	30.59	1,190	19.0	7,935	31.51	1,226	19.0	8,173	32.45
Food & Beverage	1,469	62.7	9,791	43.27	1,536	61.5	10,238	43.15	1,613	60.0	10,756	42.71	1,662	60.0	11,079	43.99	1,712	60.0	11,411	45.31
Other Operated Departments	65	102.2	432	1.91	67	101.2	447	1.88	69	100.0	463	1.84	71	100.0	476	1.89	74	100.0	491	1.95
Total	2,579	35.1	17,190	75.96	2,699	33.1	17,991	75.83	2,838	32.0	18,922	75.13	2,923	32.0	19,490	77.39	3,011	32.0	20,075	79.71
DEPARTMENTAL INCOME	4,771	64.9	31,810	140.56	5,447	66.9	36,316	153.07	6,024	68.0	40,158	159.45	6,204	68.0	41,360	164.22	6,390	68.0	42,601	169.15
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	583	7.9	3,884	17.16	610	7.5	4,069	17.15	637	7.2	4,248	16.87	656	7.2	4,375	17.37	676	7.2	4,506	17.89
Marketing	535	7.3	3,569	15.77	561	6.9	3,739	15.76	586	6.6	3,903	15.50	603	6.6	4,020	15.96	621	6.6	4,141	16.44
Franchise Fee	483	6.6	3,218	14.22	545	6.7	3,634	15.32	596	6.7	3,974	15.78	614	6.7	4,092	16.25	632	6.7	4,215	16.74
Prop. Operations & Maint.	252	3.4	1,679	7.42	264	3.2	1,760	7.42	276	3.1	1,837	7.29	284	3.1	1,892	7.51	292	3.1	1,949	7.74
Utilities	362	4.9	2,414	10.67	379	4.7	2,529	10.66	396	4.5	2,641	10.48	408	4.5	2,720	10.80	420	4.5	2,801	11.12
Total	2,215	30.1	14,764	65.24	2,360	29.0	15,731	66.31	2,490	28.1	16,602	65.92	2,565	28.1	17,100	67.90	2,642	28.1	17,613	69.93
HOUSE PROFIT	2,557	34.8	17,046	75.32	3,088	37.9	20,584	86.76	3,533	39.9	23,556	93.53	3,639	39.9	24,260	96.33	3,748	39.9	24,988	99.22
Management Fee	220	3.0	1,470	6.50	244	3.0	1,629	6.87	266	3.0	1,772	7.04	274	3.0	1,825	7.25	282	3.0	1,880	7.47
INCOME BEFORE FIXED CHARGES	2,336	31.8	15,576	68.83	2,843	34.9	18,955	79.90	3,268	36.9	21,784	86.49	3,365	36.9	22,435	89.08	3,466	36.9	23,108	91.75
FIXED EXPENSES																				
Property Taxes	209	2.8	1,395	6.16	214	2.6	1,430	6.03	221	2.5	1,473	5.85	228	2.5	1,517	6.02	234	2.5	1,562	6.20
Insurance	49	0.7	325	1.43	50	0.6	334	1.41	52	0.6	344	1.37	53	0.6	355	1.41	55	0.6	365	1.45
Reserve for Replacement	147	2.0	980	4.33	244	3.0	1,629	6.87	354	4.0	2,363	9.38	365	4.0	2,434	9.66	376	4.0	2,507	9.95
Total	405	5.5	2,700	11.93	509	6.2	3,393	14.30	627	7.1	4,180	16.60	646	7.1	4,306	17.10	665	7.1	4,435	17.61
NET INCOME	$1,931	26.3 %	$12,876	$56.90	$2,334	28.7 %	$15,562	$65.59	$2,640	29.8 %	$17,603	$69.90	$2,719	29.8 %	$18,129	$71.98	$2,801	29.8 %	$18,673	$74.14

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

FIGURE 1-7 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
Number of Rooms:	**150**		**150**		**150**		**150**		**150**		**150**		**150**		**150**		**150**		**150**	
Occupied Rooms:	**33,945**		**35,588**		**37,778**		**37,778**		**37,778**		**37,778**		**37,778**		**37,778**		**37,778**		**37,778**	
Occupancy:	**62%**		**65%**		**69%**		**69%**		**69%**		**69%**		**69%**		**69%**		**69%**		**69%**	
Average Rate:	**$145.09**	**% of**	**$156.30**	**% of**	**$160.99**	**% of**	**$165.82**	**% of**	**$170.80**	**% of**	**$175.92**	**% of**	**$181.20**	**% of**	**$186.63**	**% of**	**$192.23**	**% of**	**$198.00**	**% of**
RevPAR:	**$89.95**	**Gross**	**$101.60**	**Gross**	**$111.08**	**Gross**	**$114.42**	**Gross**	**$117.85**	**Gross**	**$121.39**	**Gross**	**$125.03**	**Gross**	**$128.78**	**Gross**	**$132.64**	**Gross**	**$136.62**	**Gross**
REVENUE																				
Rooms	$4,925	67.0 %	$5,562	68.3 %	$6,082	68.6 %	$6,264	68.6 %	$6,452	68.6 %	$6,646	68.6 %	$6,845	68.6 %	$7,051	68.6 %	$7,262	68.6 %	$7,480	68.6 %
Food & Beverage	2,342	31.9	2,497	30.7	2,689	30.3	2,770	30.3	2,853	30.3	2,938	30.3	3,026	30.3	3,117	30.3	3,211	30.3	3,307	30.3
Other Operated Departments	63	0.9	66	0.8	69	0.8	71	0.8	74	0.8	76	0.8	78	0.8	80	0.8	83	0.8	85	0.8
Rentals & Other Income	20	0.3	21	0.3	22	0.2	22	0.2	23	0.2	24	0.2	24	0.2	25	0.2	26	0.2	27	0.2
Total	7,350	100.0	8,146	100.0	8,862	100.0	9,127	100.0	9,401	100.0	9,684	100.0	9,974	100.0	10,274	100.0	10,582	100.0	10,899	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	1,045	21.2	1,096	19.7	1,156	19.0	1,190	19.0	1,226	19.0	1,263	19.0	1,301	19.0	1,340	19.0	1,380	19.0	1,421	19.0
Food & Beverage	1,469	62.7	1,536	61.5	1,613	60.0	1,662	60.0	1,712	60.0	1,763	60.0	1,816	60.0	1,870	60.0	1,926	60.0	1,984	60.0
Other Operated Departments	65	102.2	67	101.2	69	100.0	71	100.0	74	100.0	76	100.0	78	100.0	80	100.0	83	100.0	85	100.0
Total	2,579	35.1	2,699	33.1	2,838	32.0	2,923	32.0	3,011	32.0	3,102	32.0	3,195	32.0	3,290	32.0	3,389	32.0	3,491	32.0
DEPARTMENTAL INCOME	4,771	64.9	5,447	66.9	6,024	68.0	6,204	68.0	6,390	68.0	6,582	68.0	6,779	68.0	6,983	68.0	7,192	68.0	7,408	68.0
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	583	7.9	610	7.5	637	7.2	656	7.2	676	7.2	696	7.2	717	7.2	739	7.2	761	7.2	784	7.2
Marketing	535	7.3	561	6.9	586	6.6	603	6.6	621	6.6	640	6.6	659	6.6	679	6.6	699	6.6	720	6.6
Franchise Fee	483	6.6	545	6.7	596	6.7	614	6.7	632	6.7	651	6.7	671	6.7	691	6.7	712	6.7	733	6.7
Prop. Operations & Maint.	252	3.4	264	3.2	276	3.1	284	3.1	292	3.1	301	3.1	310	3.1	319	3.1	329	3.1	339	3.1
Utilities	362	4.9	379	4.7	396	4.5	408	4.5	420	4.5	433	4.5	446	4.5	459	4.5	473	4.5	487	4.5
Total	2,215	30.1	2,360	29.0	2,490	28.1	2,565	28.1	2,642	28.1	2,721	28.1	2,803	28.1	2,887	28.1	2,974	28.1	3,063	28.1
HOUSE PROFIT	2,557	34.8	3,088	37.9	3,533	39.9	3,639	39.9	3,748	39.9	3,861	39.9	3,977	39.9	4,096	39.9	4,219	39.9	4,346	39.9
Management Fee	220	3.0	244	3.0	266	3.0	274	3.0	282	3.0	291	3.0	299	3.0	308	3.0	317	3.0	327	3.0
INCOME BEFORE FIXED CHARGES	2,336	31.8	2,843	34.9	3,268	36.9	3,365	36.9	3,466	36.9	3,571	36.9	3,677	36.9	3,788	36.9	3,901	36.9	4,019	36.9
FIXED EXPENSES																				
Property Taxes	209	2.8	214	2.6	221	2.5	228	2.5	234	2.5	241	2.5	249	2.5	256	2.5	264	2.5	272	2.5
Insurance	49	0.7	50	0.6	52	0.6	53	0.6	55	0.6	56	0.6	58	0.6	60	0.6	62	0.6	64	0.6
Reserve for Replacement	147	2.0	244	3.0	354	4.0	365	4.0	376	4.0	387	4.0	399	4.0	411	4.0	423	4.0	436	4.0
Total	405	5.5	509	6.2	627	7.1	646	7.1	665	7.1	685	7.1	706	7.1	727	7.1	749	7.1	771	7.1
NET INCOME	$1,931	26.3 %	$2,334	28.7 %	$2,640	29.8 %	$2,719	29.8 %	$2,801	29.8 %	$2,885	29.8 %	$2,972	29.8 %	$3,061	29.8 %	$3,153	29.8 %	$3,247	29.8 %

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

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

Feasibility Conclusion

The Feasibility Analysis chapter of this report compares the proposed development's "when complete" market value with the expected total development cost of the property. If a project's value equals or exceeds its cost, then a project is deemed feasible. However, if a project's costs exceed its value, then a feasibility gap exists. Our market value conclusion, based on market-appropriate debt and equity requirements, for the project upon opening is $29,400,000 or $196,000 per room. Our preliminary cost analysis indicates the total development cost may be roundly $47,300,000 . Therefore, we conclude the project's feasibility gap is approximately $17,900,000, including the conference center and parking structure. It is common for this size of project to have a feasibility gap. To fill this feasibility gap, the project will likely require investment from the public sector.

Assignment Conditions

"Extraordinary Assumption" is defined in USPAP as follows:

> An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conclusions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.[1]

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

"Hypothetical Condition" is defined in USPAP as follows:

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[1] Appraisal Institute, *Uniform Standards of Professional Appraisal Practice*, 2012 – 2013 ed.

> That which is contrary to what exists but is supposed for the purpose of analysis. Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.[2]

We have made no assumptions of hypothetical conditions in our report.

We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

Intended Use and Intended User of the Feasibility Study

This feasibility report is being prepared for use in the development of the proposed subject property. The client for this engagement is the City of Bloomington Illinois. The intended user of this report is also the City of Bloomington.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels,*[3] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[4] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[5] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[6] and *Hotels and Motels – Valuations and Market Studies.*[7]

1. All information was collected and analyzed by the staff of CCG Holdings, LLC. Information was supplied by the client and/or the property's development team.

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[2] Appraisal Institute, Uniform Standards of Professional Appraisal Practice, 2012 – 2013 ed.

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

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

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

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

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

2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the subject property.
9. A feasibility analysis is performed that compares the net present value of the forecast cash flows to the development cost of the hotel.

2. Site Requirements and Neighborhood Description

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

Site Selection

Site selection is a critical part of the planning process for a new hotel development and can have major implications for hotel conference center's success or failure. It is our understanding that no final site selection has been determined at the time of this report. Therefore, for the purpose of this study, we have placed heavy consideration on three potential sites in downtown Bloomington that feature several competitive advantages.

At the client's request, we will not disclose specific locations of the sites in this report. We will refer to the potential development sites as Site A, Site B, and Site C for the purpose of this analysis.

Before determining whether each of these sites is suitable for development, HVS recommends that the developer retain the services of an architect and a construction manager to offer an opinion about the suitability of each site for hotel development. The comments and evaluations offered in this report, relative to site selection, are from the perspective of a market analysis; we are not professional architects or design experts.

The following figure shows our analysis of three potential sites for this proposed development. The figure illustrates our scoreing for each site on a scale of 1 to 4 for numerous attributes that can have a significant bearing on a project's market potential. A score of 48 or higher is considered "good" in this evaluation. As illustrated, the three sites have different advantages, but are all highly attractive for potential hotel development.

FIGURE 2-1 SITE SELECTION ANALYSIS

Site Characteristics	Site A	Site B	Site C
Neighborhood Adjacencies			
Compatibility with Adjacent Uses	4	4	4
Proximity to Corporate Demand Generators	3	3	3
Proximity to U.S. Cellular Coliseum	4	2	4
Proximity to Universities	3	3	3
Proximity to Bars/Entertainment	3	3	3
Proximity to Restaurants	3	3	3
Site Capacity & Chracteristics			
Capacity to Accommodate Proposed Project	4	4	2
Potential for Expansion	4	3	2
Zoning Compliance	4	4	4
Access & Transportation			
Ease of Traffic Flow	4	4	4
Access	4	4	4
Visibility	4	4	4
Access to Public Parking	4	4	4
Financial Considerations			
Land Costs	4	4	4
Site Development/building Costs	3	3	2
Exit strategy	3	3	3
Total Score (48=Good)	**58**	**55**	**53**

Source: HVS

HVS and City representatives discussed additional details about these and other potential development sites; however, we do not include these details within our report, at the City's request.

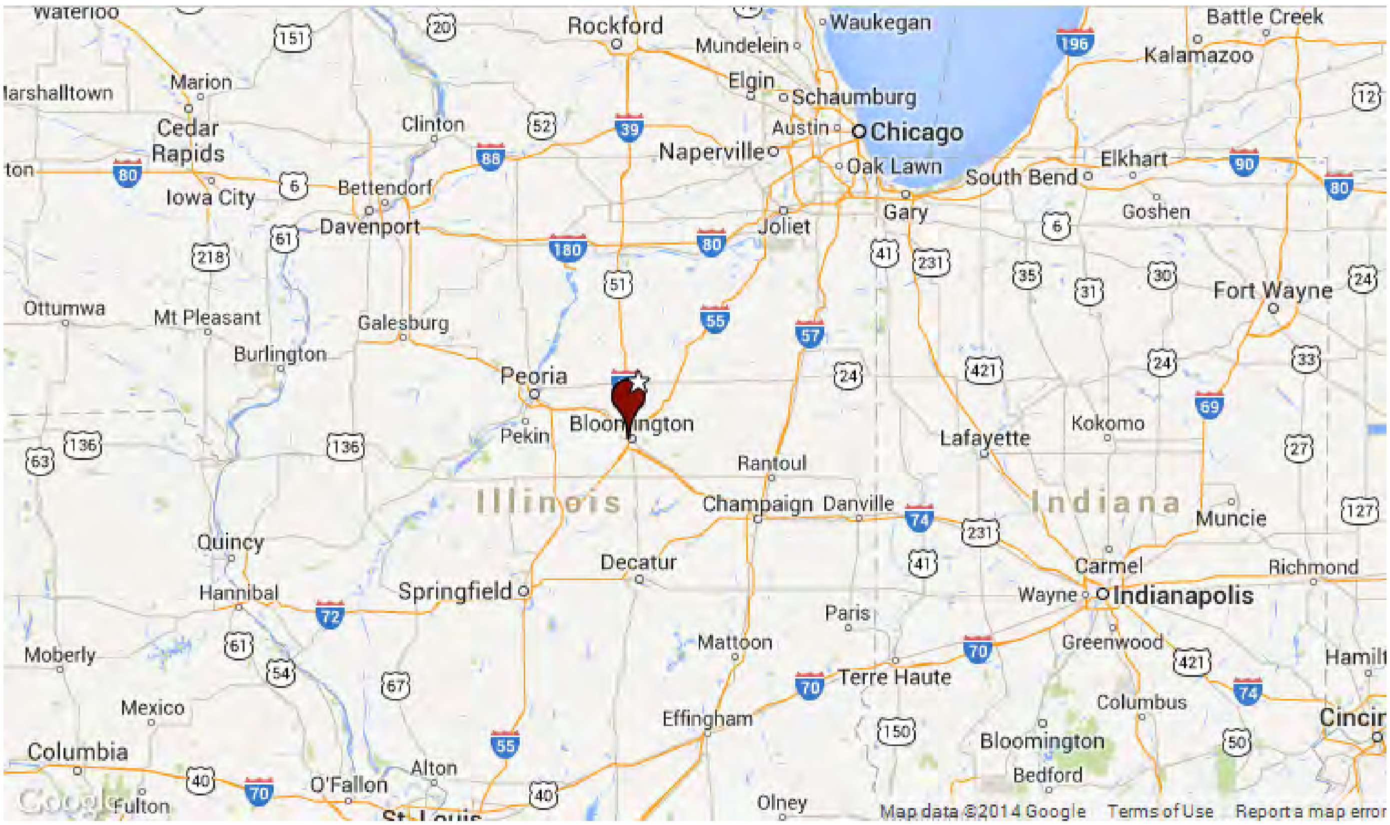
Site Utility

Upon completion of construction, the subject site will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The sites under consideration would be expected to be fully developed with site or building improvements, which will contribute to the overall profitability of the hotel conference center.

Access and Visibility

It is important to analyze potential sites in regard to ease of access with respect to regional and local transportation routes and demand generators. Potential development sites under consideration are readily accessible to a variety of local and county roads, as well as state and interstate highways.

MAP OF REGIONAL ACCESS ROUTES



Primary regional access through the area is provided by north/south Interstate 55, which provides access to such cities as Chicago to the north and Springfield to the south. East/west Interstate 74 is another major highway, which provides access to such cities as Peoria to the west and Champaign and Indianapolis to the east. The subject market is served by a variety of additional local highways, which are illustrated on the map.

From the US 55, motorists take the 160 Exit and proceed east on the West Market Street for one and a half miles to Center Street. Motorist execute a right-hand turn onto Center Street and continue to downtown Bloomington. The proposed subject property is expected to have adequate signage at the street; thus, the proposed hotel should benefit from very good visibility from within its local neighborhood. Overall, the potential subject site benefits from very good accessibility, and the proposed hotel is expected to enjoy very good visibility attributes.

Airport Access

The proposed subject property will be served by the Central Illinois Regional Airport, which is located approximately five miles to the east of the potential subject site. From the airport, motorists travel west on Empire Street for approximately five miles to Main Street. Motorists make a left-hand turn onto Main Street and continue to downtown of Bloomington.

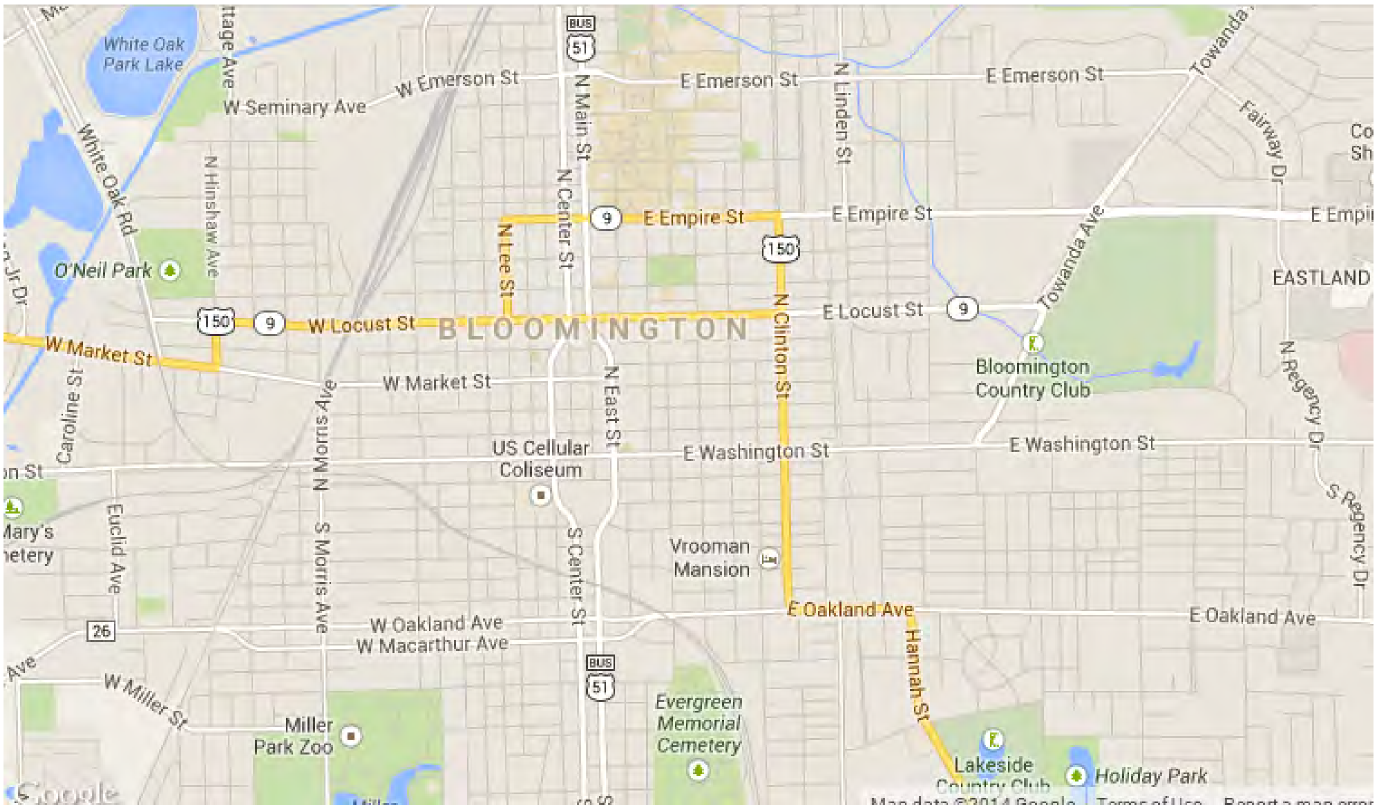
Neighborhood

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

The proposed subject property's neighborhood is generally defined by Locust Street to the north, Clinton Street to the east, Oakland Avenue to the south, and Morris Avenue to the west. In general, this neighborhood is in the stable stage of its life cycle. Within the immediate proximity of the site, land use is primarily commercial in nature. The neighborhood is characterized by office buildings, restaurants, bars and boutique stores along the primary thoroughfares, with residential areas located along the secondary roadways.

Some specific businesses in the area include U.S. Cellular Coliseum, Illinois Wesleyan University, Illinois State University, State Farm Insurance, McLean County Museum of History, Miller Park Zoo and Advocate BroMenn Medical Center. In general, we would characterize the neighborhood as 30% residential use, 20% institutional use, 20% retail/restaurant use, 15% office use, 10% vacant, and 5% other. The proposed subject property's opening should be a positive influence on the area; the hotel will be in character with and will complement surrounding land uses.

MAP OF DOWNTOWN BLOOMINGTON NEIGHBORHOOD



Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel conference center.

Utilities

Potential development sites under consideration are assumed to be served by all necessary utilities.

Soil and Subsoil Conditions

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

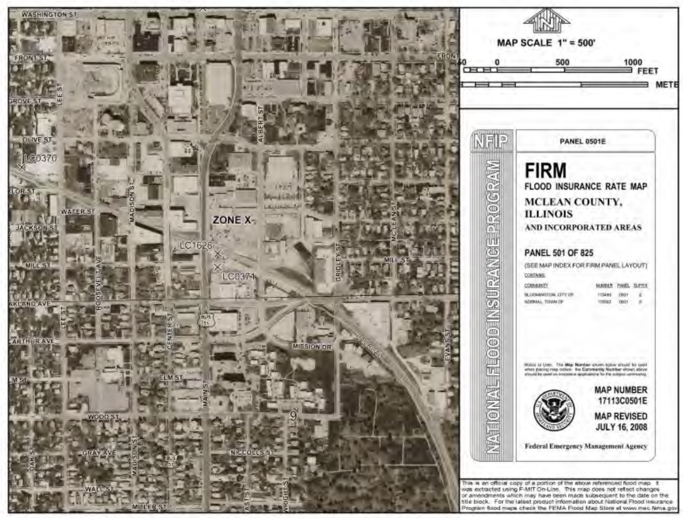
Nuisances and Hazards

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

Flood Zone

According to the Federal Emergency Management Agency map illustrated below, the subject site is located in flood zone X.

COPY OF FLOOD MAP AND COVER



The flood zone definition for the X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, sites under consideration are zoned as follows: B2 - General Business Service District. This zoning designation allows for most commercial uses, including office buildings, retail stores, restaurants and hotels and motels. We assume that all necessary permits and approvals will be secured (including the appropriate liquor license if applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

Easements and Encroachments

We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

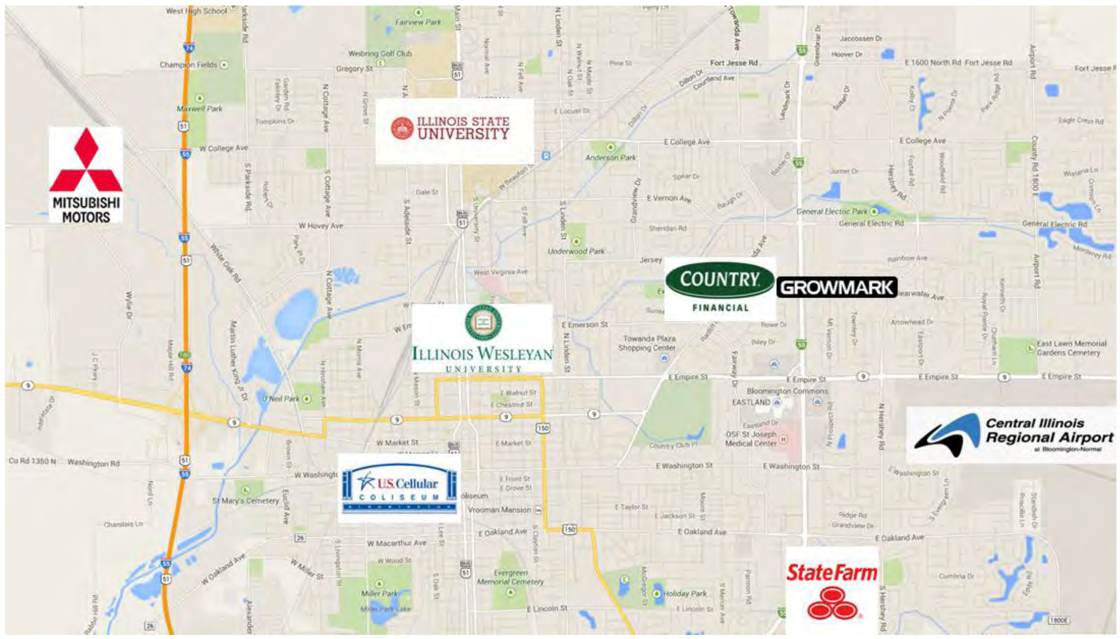
3. Market Area Analysis

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

Market Area Definition

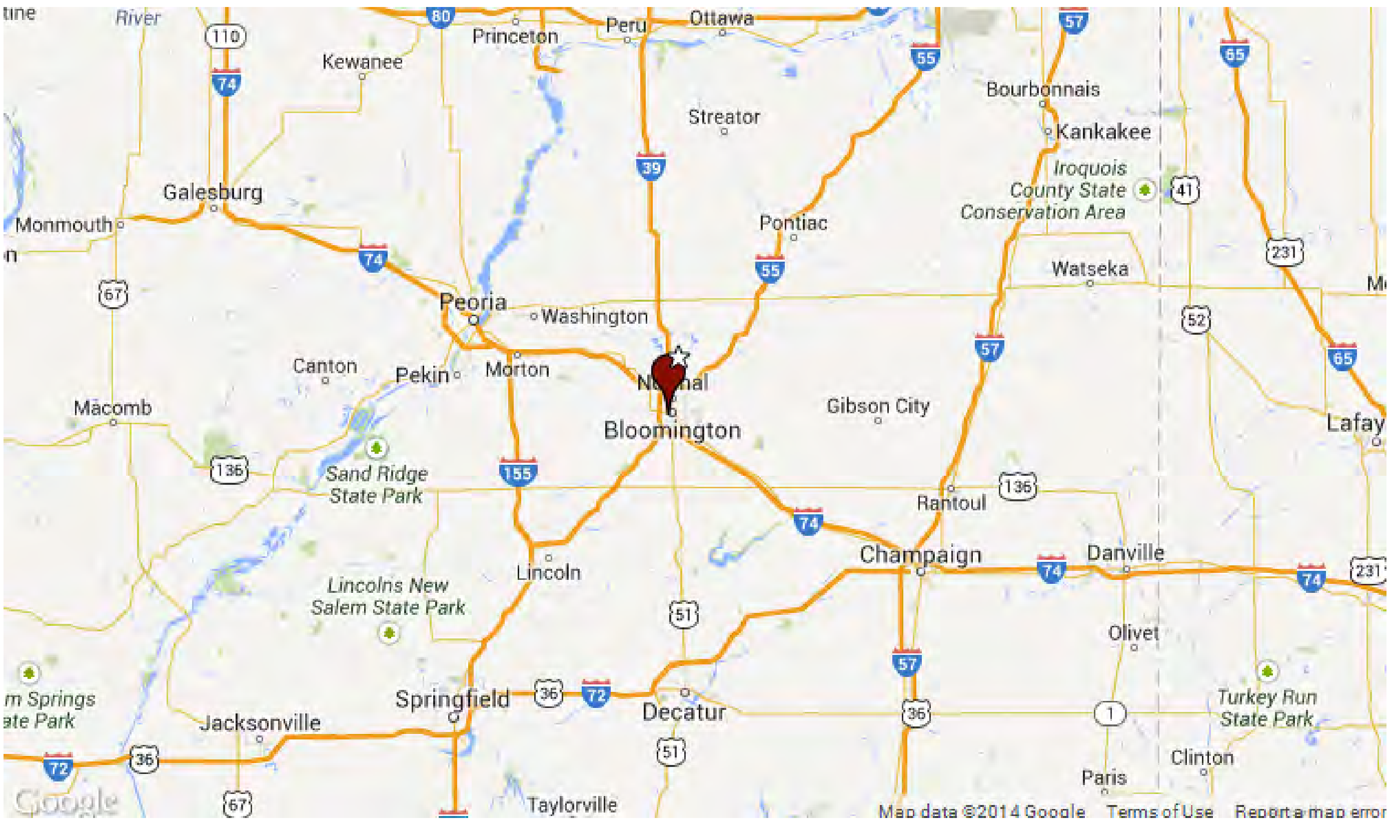
The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Bloomington, the county of Mclean, and the state of Illinois. The Bloomington-Normal area is part of the greater central Illinois economic base. Bloomington and its twin city, Normal, are conveniently located off Interstate 55 and benefit from their proximity to Chicago, Indianapolis, and St. Louis. The City of Bloomington and McLean County represent one of the fastest-growing metropolitan areas in Illinois. The area's population has seen a significant increase, supported by a strong employment base. The Central Illinois region is one of the most productive agricultural areas in the nation. The Bloomington economy benefits from the strength of the surrounding agriculture business, but its economy is diverse and features a broad range of major employers in the areas of insurance, manufacturing, education, and health care.

DEMAND GENERATORS IN BLOOMINGTON MARKET



The subject property's market area can be defined by its Metropolitan Statistical Area (MSA): Bloomington-Normal, IL MSA. The MSA is the most standard definition used in comparative studies of metropolitan areas. The federal government defines an MSA as a large population nucleus, which, together with adjacent counties, has a higher degree of social integration. The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2014	2020	Average Annual Compounded Change 2000-10	2010-14	2014-20
Resident Population (Thousands)							
Mclean County	150.8	169.8	175.0	184.2	1.2 %	0.7 %	0.9 %
Bloomington-Normal, IL MSA	150.8	169.8	175.0	184.2	1.2	0.7	0.9
State of Illinois	12,434.2	12,842.0	13,068.2	13,500.2	0.3	0.4	0.5
United States	282,162.4	309,330.2	320,976.9	340,554.3	0.9	0.9	1.0
Per-Capita Personal Income*							
Mclean County	$33,199	$36,083	$36,557	$40,171	0.8	0.3	1.6
Bloomington-Normal, IL MSA	33,199	36,083	36,557	40,171	0.8	0.3	1.6
State of Illinois	36,346	37,844	38,965	42,098	0.4	0.7	1.3
United States	33,756	35,951	37,209	40,245	0.6	0.9	1.3
W&P Wealth Index							
Mclean County	103.3	104.0	103.3	104.5	0.1	(0.2)	0.2
Bloomington-Normal, IL MSA	103.3	104.0	103.3	104.5	0.1	(0.2)	0.2
State of Illinois	108.2	105.2	105.8	105.7	(0.3)	0.1	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Mclean County	$211	$254	$286	$316	1.9	3.0	1.7
Bloomington-Normal, IL MSA	211	254	286	316	1.9	3.0	1.7
State of Illinois	15,520	17,715	19,419	20,847	1.3	2.3	1.2
United States	341,369	408,974	461,843	512,773	1.8	3.1	1.8
Total Retail Sales (Millions)*							
Mclean County	$2,114	$2,182	$2,443	$2,692	0.3	2.9	1.6
Bloomington-Normal, IL MSA	2,114	2,182	2,443	2,692	0.3	2.9	1.6
State of Illinois	157,317	158,736	176,153	191,520	0.1	2.6	1.4
United States	3,612,260	3,796,423	4,298,146	4,803,190	0.5	3.2	1.9

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.9% from 2010 through 2014. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.7% between 2010 and 2014 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 0.3% on average annually for the county between 2010 and 2014. Local wealth indexes have remained stable in recent years, registering a relatively near average 103.3 level for the county in 2014.

Food and beverage sales totaled $286 $286 million in the county in 2014, versus $254 $254 million in 2010. This reflects a 3.0% average annual change, which is stronger than the 1.9% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. The strong growth recorded in the period 2010 to 2014 reflects the impact of the recovery on the local economy. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 1.7%, which is forecast through 2020. The retail sales sector demonstrated a similar pattern, with a minimal annual increase of 0.3% in the decade 2000 to 2010, followed by an increase of 2.9% in the period 2010 to 2014. A more normalized increase of 1.6% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2014, as well as a forecast for 2020.

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

Industry	2000	Percent of Total	2010	Percent of Total	2014	Percent of Total	2020	Percent of Total	Average Annual Compounded Change 2000-2010	2010-2014	2014-2020
Farm	1.8	1.7 %	1.5	1.3 %	1.3	1.2 %	1.2	1.0 %	(2.2) %	(2.3) %	(1.6) %
Forestry, Fishing, Related Activities And Other	0.3	0.3	0.7	0.6	0.8	0.7	0.8	0.6	8.0	2.9	0.5
Mining	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	13.5	0.5	3.4
Utilities	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.2	0.1	2.5	(0.6)
Construction	5.2	4.8	4.1	3.7	4.1	3.6	4.3	3.5	(2.2)	(0.1)	0.8
Manufacturing	7.9	7.3	4.2	3.8	3.6	3.2	3.5	2.8	(6.1)	(3.7)	(0.3)
Total Trade	14.0	13.0	13.3	12.0	13.8	12.2	16.3	13.0	(0.5)	0.9	2.8
Wholesale Trade	2.8	2.6	2.7	2.4	2.6	2.3	2.9	2.3	(0.5)	(0.3)	1.8
Retail Trade	11.3	10.4	10.7	9.6	11.2	9.9	13.4	10.7	(0.5)	1.2	3.0
Transportation And Warehousing	2.2	2.0	2.5	2.3	2.7	2.4	3.0	2.4	1.5	1.8	1.7
Information	1.7	1.5	1.1	1.0	0.9	0.8	1.0	0.8	(4.3)	(3.4)	0.5
Finance And Insurance	14.9	13.8	14.8	13.2	14.3	12.6	15.0	12.0	(0.1)	(0.8)	0.8
Real Estate And Rental And Lease	2.3	2.1	2.8	2.5	2.7	2.4	2.9	2.3	2.0	(1.0)	1.4
Total Services	43.1	39.9	50.4	45.2	53.0	46.7	60.0	48.0	1.6	1.2	2.1
Professional And Technical Services	3.6	3.3	4.2	3.8	4.6	4.1	5.1	4.0	1.6	2.5	1.5
Management Of Companies And Enterprises	7.2	6.7	9.6	8.7	9.9	8.7	10.8	8.7	2.9	0.6	1.5
Administrative And Waste Services	8.0	7.4	6.7	6.0	8.0	7.1	9.2	7.3	(1.8)	4.6	2.2
Educational Services	1.6	1.5	2.2	2.0	2.1	1.9	2.3	1.9	3.1	(0.7)	1.4
Health Care And Social Assistance	8.1	7.5	11.4	10.3	11.5	10.1	13.9	11.1	3.6	0.1	3.2
Arts, Entertainment, And Recreation	1.5	1.4	1.8	1.7	2.0	1.8	2.3	1.9	2.3	2.7	2.1
Accommodation And Food Services	7.8	7.2	9.1	8.2	9.5	8.3	10.7	8.5	1.5	1.0	2.0
Other Services, Except Public Administration	5.3	4.9	5.3	4.8	5.3	4.6	5.7	4.6	(0.1)	(0.2)	1.5
Total Government	14.3	13.3	15.8	14.1	15.8	13.9	16.6	13.3	1.0	0.1	0.9
Federal Civilian Government	1.1	1.0	0.7	0.6	0.7	0.6	0.7	0.6	(4.4)	(1.4)	0.3
Federal Military	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	(2.1)	0.2
State And Local Government	12.9	11.9	14.7	13.2	14.8	13.0	15.6	12.5	1.3	0.2	0.9
TOTAL	108.0	100.0 %	111.5	100.0 %	113.5	100.0 %	125.1	100.0 %	0.3 %	0.4 %	1.6 %
MSA	108.0	—	111.5	—	113.5	—	125.1	—	0.3 %	0.4 %	1.6 %
U.S.	165,370.9	—	173,767.3	—	181,869.5	—	197,077.4	—	0.7	1.1	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 0.3%. This trend was on par with the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the county accelerated to 0.4% on an annual average from 2010 to 2014, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2014, increasing by 2,546 people, or 5.0%, and rising from 45.2% to 46.7% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Management Of Companies And Enterprises were the largest employers. Strong growth was also recorded in the Total Trade sector, as well as the Transportation And Warehousing sector, which expanded by 3.7% and -14.2%, respectively, in the period 2010 to 2014. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.6% on average annually through 2020. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

Unemployment Statistics

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

FIGURE 3-3 UNEMPLOYMENT STATISTICS

Year	City	MSA	State	U.S.
2003	4.2 %	4.1 %	6.7 %	6.0 %
2004	4.6	4.5	6.2	5.5
2005	4.3	4.3	5.8	5.1
2006	3.7	3.6	4.6	4.6
2007	4.0	4.0	5.1	4.6
2008	5.2	5.0	6.4	5.8
2009	7.4	7.1	10.0	9.3
2010	7.9	7.7	10.4	9.6
2011	7.3	7.2	9.7	8.9
2012	7.0	6.9	8.9	8.1
Recent Month - Nov				
2012	6.1 %	6.1 %	8.2 %	7.8 %
2013	7.0	7.0	8.3	7.0

* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

The unemployment rate for the U.S. fluctuated within the narrow range of 4.6% to 6.0% in the period spanning from 2003 to 2007. The recession and financial crisis in 2007 and 2008 resulted in heightened unemployment rates, which peaked at 10.0% in October of 2009. Job growth resumed in late 2009; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 74,000 jobs in December of 2013, which brought the unemployment rate down to 6.7%, falling to the lowest level in over four years. In 2013, nonfarm payroll employment increased by 182,000 jobs on average each month, similar to the 183,000 average of 2012. In December of 2013, job growth was strongest in retail and wholesale trade. This positive trend reflects steady progress by the U.S. economy.

Locally, the unemployment rate was 7.0% in 2012; for this same area in 2013, the most recent month's unemployment rate was registered at 7.0%, versus 6.1% for the same month in 2012. Unemployment rates in this area are consistently lower than the rates of the nation and the state of Illinois. Unemployment began to rise in 2007 as the region entered an economic slowdown, and this trend continued in 2008, 2009, and 2010 as the height of the national recession took hold. However, unemployment declined in 2011 and 2012 as the economy rebounded and the local business environment improved. Despite the modest increase illustrated in the most recent comparative period, local economic development officials noted that the diversity of the Bloomington-Normal economy, encompassing two universities and the strong insurance and agricultural industries, allows the area to sustain low unemployment rates.

Major Business and Industry

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

FIGURE 3-4 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	State Farm Insurance Companies	14,450
2	Illinois State University	3,259
3	Country Financial	2,084
4	Unit 5 School District	1,826
5	Advocate BroMenn Medical Center	1,522
6	Mitsubishi Motors Corporation	1,278
7	OSF St. Joseph Medical Center	1,140
8	Afni, Inc.	900
9	McLean County	806
10	City of Bloomington	743

Source: Bloomington-Normal Economic Development Council, 2013

The following bullet points highlight major demand generators for this market:

- Insurance companies including State Farm Insurance Companies and Country Financial are the largest demand generator in the Normal-Bloomington area. Corporate headquarters are located proximate to the Central Illinois Regional Airport and generate large room night demand for many hotels in the market through corporate trainings and meetings.
- Higher education continues to serve as a stable economic source for the Bloomington-Normal market area. With a collective enrollment of over 23,000 students, Illinois State University and Illinois Wesleyan University provide a significant amount of leisure demand, including sporting events, campus activities, and graduation ceremonies.

- Advocate Health Care has offered medical services to central Illinois and the local community for nearly 115 years. With nearly 370 physicians working in the facility, Advocate BroMenn Medical Center provides over $1 million care to clinic patients annually. In 2009 and 2010, the center was named by the National Research Council as a Consumer Choice Award winner for being the "Most Preferred Hospital for Overall Quality and Image" in the region.

The general outlook for the Bloomington-Normal area is generally optimistic. Despite some economic challenges within the region in recent years in line with the national recession, overall companies continue to perform well. The market benefits from the presence of State Farm Insurance's corporate headquarters and is also major medical center for the central Illinois region, anchored by the Advocate BroMenn Medical Center. Although the area's economic growth is expected to be modest in the near term, the market is expected to fully recover in the long term.

Airport Traffic

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

The Central Illinois Regional Airport (CIRA) is a public airport located in Bloomington-Normal, Illinois that offers daily flights to several major cities throughout the country. The airport is serviced by Delta, American Airlines, Allegiant, and Frontier.

The following table illustrates recent operating statistics for the Central Illinois Regional Airport, which is the primary airport facility serving the proposed subject property's submarket.

FIGURE 3-5 AIRPORT STATISTICS - CENTRAL ILLINOIS REGIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2003	457,000	—	—
2004	446,450	(2.3) %	(2.3) %
2005	459,980	3.0	0.3
2006	559,342	21.6	7.0
2007	532,075	(4.9)	3.9
2008	532,870	0.1	3.1
2009	495,656	(7.0)	1.4
2010	559,481	12.9	2.9
2011	579,265	3.5	3.0
2012	485,285	(16.2)	0.7
2013	428,638		
Year-to-date, Dec			
2012	485,285	—	—
2013	428,638	(11.7) %	—

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

Source: Central Illinois Regional Airport

This facility recorded 485,285 passengers in 2012. The change in passenger traffic between 2011 and 2012 was (16.2)-16.2%. The average annual change during the period shown was 0.7%. Central Illinois Regional Airport (CIRA) became the fast-growing airport in the nation in 1997, after AirTran launched jet service from Bloomington to Orlando; in 2005, Delta Airline began to offer new flights between Atlanta and CIRA; in 2008, American Eagle added nonstop flights from Dallas/Fort Worth International Airport. Although the number of passengers declined in 2009 largely due to the national recession, supported by the strong local economy in Bloomington and Normal, the airport rebounded rapidly in 2010 and recorded the new peak level in 2011. The decline in passenger traffic shown by the most recent data can be attributed in large part to AirTran's departure from CIRA. AirTran, which accounted for 40% of CIRA's air traffic in 2011, announced to discontinue its service in November 2011 and left CIRA in June 2012. However, it is noteworthy that the airport recovered nearly 70% of the lost AirTran capacity by June 2013 due to the addition of Frontier Airlines service and larger aircraft from Delta. Furthermore, American Airlines will offer a new flight beginning October in 2013 between CIRA and Dallas/Fort Worth International Airport. The Airport Authority director estimated two to three years for a full recovery in passenger traffic.

Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is from May to September. During other times of the year, weekend demand comprises travelers passing through to and from Chicago, family and visitors of the two neighboring universities, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- Illinois State University and Illinois Wesleyan University represent a primary source of leisure demand in the Normal-Bloomington market. These universities generate large amounts of leisure demand during peak weekends such as move-in weekend, graduation weekend, and football weekends. In addition, a variety of cultural events are held on campus including the Illinois Shakespeare Festival and music concerts.
- Theater is a major attraction in this area. Bloomington is home to the longest running production of the American Passion Play in the United States. Other theater options include the Community Players Theater, the Illinois Shakespeare Festival, the Miller Park Outdoor Summer Theatre, and the Twin City Ballet.
- The Children's Discovery Museum is located in Uptown Normal and provides hands-on exhibits, classes, and programs. In 2010, the Children's Discovery Museum was ranked the best creative children's experience in Illinois by Media World USA.
- U.S. Cellular Coliseum attracts attendees from a wide range of geographical regions and generates a large amount of lodging demand for local hotels in the market. Events held throughout a year with relatively short low seasons in August and September help to sustain hotel occupancies in the subject market.

The following table illustrates recent use statistics for this facility.

FIGURE 3-6 US CELLULAR COLISEUM STATISTICS

Year	Event Days	Percent Change	Attendees	Percent Change
FY 2008	239	-	287,016	-
FY 2009	168	(29.7)	322,240	12.3
FY 2010	191	13.7	338,764	5.1
FY 2011	212	11.0	300,494	(11.3)
FY 2012	216	1.9	300,533	0.0
FY 2013	237	9.7	292,217	(2.8)

Source: US Cellular Coliseum

U.S. Cellular Coliseum, which opened in 2006, is a city-owned arena located in downtown Bloomington. The arena is utilized for various types of events including sports competitions, entertainment shows, corporate meetings, exhibition shows, and SMERFE (social, military, education, religious, fraternal, and ethnic) meetings. The Coliseum is currently home to three amateur and professional sport teams. The Bloomington Edge is a professional indoor football team and charter member of the Champions Professional Indoor Football League. The Bloomington Flex is a professional minor league basketball team that plays in the Premier Basketball League. The Bloomington Thunder is a minor league ice hockey team that is a member of the Southern Professional Hockey League. While the number of attendees have fluctuated over the period shown in the preceding figure, the number of event days have trended upward. Our interviews with the general manager of the Coliseum revealed a need for additional lodging and conference facilities in downtown Bloomington to accommodate delegates, attendees, sports teams, performers, and larger events.

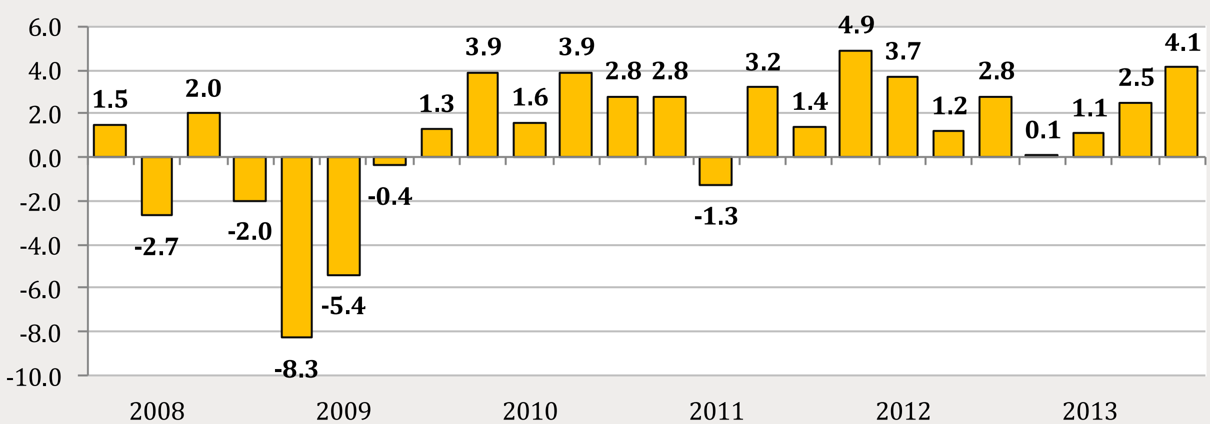
U.S. CELLULAR COLISEUM

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. After a period of economic contraction, the market area has entered into a period of expansion and recovery following the Great Recession. Our market interviews and research revealed that the area's diversified economy sustained the levels of employment and propelled the recovery from the recession. Although the departure of AirTran in 2012 significantly decreased passenger traffic at Central Illinois Regional Airport, interviews with local economic development officials revealed that business conditions and economic trends in the market remain strong. The outlook for the area is generally positive.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy entered a recession in December of 2007, which worsened in the fall of 2008 when the financial crisis shocked the world economy. The U.S. fell into economic decline for most of 2009, but the nation's gross domestic product (GDP) and corporate profits began to grow again in the third quarter of 2009. In 2010, the economy experienced four consecutive quarters of economic growth, reflecting a rebound from the recession. Following a slight contraction in the first quarter of 2011, the economy has grown at positive, albeit fluctuating rates, as evidenced in the following table.

FIGURE 3-7 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

Gross domestic product (GDP) increased at an annual rate of 4.1% in the third quarter of 2013, beating preliminary projections and substantially exceeding the 2.5% annual growth rate in the second quarter. The U.S. GDP has averaged 3.2% since it was first recorded in 1947. The strong growth was driven by increases of 7.9% in durable goods, 13.4% in non-residential structures, and 10.3% in real residential investment. This growth occurred despite the 1.5% contraction in government spending and investment. The economic outlook continues to be positive; GDP is projected to grow at an annual rate of 3.0% in 2014, according to the Federal Open Market Committee.

4. Conference Center Demand Analysis

Conference Center Overview

Developers and communities seek to build conference centers for a number of reasons. A primary reason for developers to invest in conference centers is to augment lodging demand for a hotel, especially in the meeting and group demand segment. A second reason why some developers invest in conference space is to generate additional catering revenues. However, conference centers do not typically provide the return on capital required by private-sector investors; as such, they often require investment from the public sector to become feasible.

The most common reasons for communities to invest in such facilities often relate to some of the reasons listed below.

- To attract a ***higher-quality hotel*** than the private-sector would build
- To attract an ***upscale conference facility***
- In exchange for ***private sector developers taking the risk*** of operational losses at the conference center
- To ***energize or revitalize a neighborhood*** of strategic importance
- To ***generate economic impacts*** for the local economy
- To ***increase tax revenues***, mostly paid for by out-of-town visitors
- To ***elevate the community's image*** regionally or nationally

Typically, stand-alone conference centers and convention centers produce operating losses. However, by incorporating such facilities into a hotel, developers and communities can allow such losses to be minimized; some such facilities may be profitable if managed properly. This is often due to significant efficiency gains by relying on existing catering and marketing employees at the hotel to operate the conference center as a department of the hotel. For the purpose of this analysis, therefore, we assume the proposed conference center will be fully integrated into the proposed hotel and will be operated by the hotel operator as a department of the overall hotel operation.

In the case that a conference center's development cost exceeds its market value, this difference can be referred to as a feasibility gap. It is common for conference centers to have a significant feasibility gap, even if they can be operated efficiently.

HVS has observed numerous strategies employed by public-sector partners to address the feasibility gaps typically identified for conference center projects of this nature. Examples of public-sector support include the following, among others:

- Property tax abatement
- Hotel & Sales tax rebates
- Tax increment financing
- Public funding of conference center space
- Public funding of parking facilities or other infrastructure
- Land contributions or favorable land lease terms
- Building contributions or favorable building lease terms
- Tax-exempt bond financing of project
- Cash contributions
- Low-interest loans
- Loan guarantees

If the proposed hotel conference center can be financed and developed, then substantial demand will need to be induced to the Bloomington market to make the property succeed. The proposed hotel conference center in Bloomington will be favorably located in the central downtown neighborhood, which allows conference attendees to shop retail stores and dine in restaurants and bars within waking distance. Our interviews and fieldwork revealed substantial lodging and event demand centered around SMERFE (social, military, education, religious, fraternal, and ethnic) groups, training and sales activities for local businesses, and annual conferences of statewide and regional associations.

Types of Group Demand

Conference centers located in markets of this size will typically rely on the following three types of demand within the group segment:

1. Corporations (e.g. Local area businesses)
2. Associations (e.g. Illinois state associations)

3. Social Groups (e.g. weddings, family reunions, religious events)

HVS considered each of these broad categories of group demand in this market study. However, the scope of work for this engagement does not include a detailed supply and demand analysis and detailed event projections for the proposed conference center. The following discussion outlines our research pertaining to conference demand in the Bloomington market area.

Corporate Demand

The local businesses are from a mix of industries including health care, education, agriculture, and services, which commonly generate substantial meeting demand. Through our research and interviews, HVS concluded that local businesses demonstrate a need for upscale meeting space and upscale lodging options during peak mid-week demand periods.

Examples of major corporations in the area that generate meeting and conference demand throughout the year include:

- State Farm Insurance
- Country Financial
- Growmark
- Mitsubishi Motors

Corporate meeting demand is generated from all levels of business from small businesses holding planning meetings to large corporations that host training classes, quarterly meetings for executives, and holiday parties. Corporate sources of meeting demand is often less price-sensitive than other sources of group demand and would likely be a priority target market for the proposed upscale hotel conference center.

Association Demand

State associations are usually a rotating source of demand for an area. These groups will usually try and find different cities each year to host their annual conventions. Due to their large sizes, these groups often use their economic impact as negotiating leverage to garner discounts on meeting space and rooms. This segment can be a reliable source of demand but can come at discounted prices.

Some of these groups are as follows:

FIGURE 4-1 EXCERPT OF ILLINOIS STATE ASSOCIATIONS

Association	Estimated Number of Conference Days	Current Conference Hotel
Illinois Crisis Negotiators Association	4	Chicago Marriott Naperville
Music Education Association	4	Peoria Civic Center
Society for College and University Planning	4	I Hotel & Conference Center, Champaign, IL
Mid-America Association of Educational Opportunity Program Personnel	4	Hilton Garden Inn, St. Charles, IL
Illinois Fire Chiefs Association	4	Marriott Pere Marquette
Illinois Health Care Association	4	Peoria Civic Center
Illinois Association for College Admission Counseling	3	Westing Hotel Northwest Itasca
Illinois Education Association	3	Hilton Chicago
Illinois Association of County Officials	3	Hilton Springfield Hotel
Illinois Association of Student Financial Aid Administrators	3	Embassy Suites East Peoria
Illinois Association of Mutual Insurance Companies	3	Marriott Hotel & Conference Center Normal
Illinois Association of Meat Processors	3	Hilton Garden Inn, Champaign, IL
Illinois City/County Management Association	3	Hilton Garden Inn, Champaign, IL
Illinois Association for Gifted Children	3	Chicago Marriott Naperville
Illinois School Psychologists Association	3	Hilton Springfield Hotel
Illinois Association of Community Care Program Homecare Providers	3	Oak Brook Hills Marriott Resort
Illinois School Nutrition Association	3	Holiday Inn Tinley Park Convention Center
Illinois Association for Pupil Transportation	3	Four Points by Sheraton
Illinois City/County Management Association	3	Eagle Ridge Galena
American Massage Therapy Association Illinois Chapter	3	Hilton Garden Inn, DesPlaines, IL
Illinois Probation and Court Services Association	3	Hilton Garden Inn, Champaign, IL
Illinois Association of School Boards	3	Hyatt Regency Chicago, Sheraton Chicago and Swissotel
Illinois Art Education Association	3	Sheraton Hotel Lisle
Illinois Association of REALTORS	3	Pheasant Run Resort St. Charles
Illinois School Library Media Association	3	Crowne Plaza Springfield
Illinois State Bar Association	3	Westin Northwest Chicago Itasca
Illinois Association of Rehabilitation Facilties	3	Doubletree Springfield
Illinois Occupational Therapy Association	3	Peoria Civic Center
American Planning Association Illinois Chapter	3	Hilton Garden Inn, Champaign, IL
Illinois State Dental Society	3	Marriott Hotel & Conference Center Normal
Illinois Government Finance Officers Association	3	Marriott Hotel & Conference Center Normal
Illinois Association of Highway Engineers	3	Holiday Inn & Suites Effingham
Illinois Association of Techniical Accident Investigators	3	Par-A-Dice Hotel & Casino
Immunization and Communicable Diesease Conference	2	Marriott Hotel & Conference Center Normal
Illinois Association for Floodplain and Stormwater Management	2	Marriott Hotel & Conference Center Normal
Illinois Association of Nurse Anesthetists	2	Marriott Hotel & Conference Center Normal
Illinois Mosquito & Vector Control Association	2	Hilton Garden Inn, Champaign, IL
Illinois Traffic Engineering and Safety Association	2	I Hotel & Conference Center, Champaign, IL
Illinois Counties Solid Waste Management Association	2	Hilton Garden Inn, Champaign, IL
Technology Education Association of Illinois	2	Marriott Hotel & Conference Center Normal
Illinois Association of Teachers of English	2	Marriott Hotel & Conference Center Normal
Illinois GIS Association	2	Wyndham Lisle
Illinois Department of Transportation	2	Hilton Garden Inn, Champaign, IL
Illinois Association of Teacher Educators	1	Holiday Inn Urbana
ISNA Board Meeting	1	Best Western Timbercreek, Sandwich, IL

The central location of Bloomington from cities such as Chicago, St. Louis, Champaign, and Peoria is desirable for regional association conferences. The majority of the groups listed in the preceding tables and several additional associations represent potential business for the proposed hotel conference center.

The degree to which the subject property attracts these events will largely be dependent on the property's yield management strategy. A significant percentage of these groups could likely be attracted to the proposed hotel conference center roughly every three years. However, the property's quality and location, combined with a limited supply of other upscale hotels in town, may allow the subject property to have a greater focus on corporate groups and social groups, which often can be more profitable than association groups. Nonetheless, the property will be well positioned to target these state associations during non-peak demand periods.

Social Groups

This segment is largely made up of demand that is already in Bloomington but is being sent elsewhere because of a lack of facilities with booking availability. These events would include a broad range of social, military, educational, religious, and fraternal organizations planning events, such as:

- Weddings
- Bar Mitzvahs
- Family Reunions
- Birthday Parties
- Class Reunions
- Corporate Parties
- Dinner Events
- Community Events
- Philanthropic Events

The proposed hotel conference center would be well-positioned to compete for many of these events due to its newly built facilities and favorable location in downtown.

S.W.O.T. Analysis

The proposed hotel conference center would benefit from several of the competitive advantages described throughout this report. Certain risks may also be relevant for consideration. HVS considered the following strengths, weaknesses, opportunities, and threats for the proposed hotel conference center, as part of our analysis:

- **Strengths:** The proposed hotel will be the only hotel located in downtown Bloomington. Its proximity to downtown amenities and demand generators, such as government centers, U.S. Cellular Coliseum, local retail stores, restaurants and bars will be attractive features for many conference attendees. Moreover, the property's expected affiliation with major national hotel brands will offer a competitive advantage through strong reservation systems.

- **Weaknesses:** One potential weakness of the property would be its need to fund large replacement reserves to ensure the long-term position of the property as an upper-upscale resort. In addition, the transferability of public incentives may limit the property's appeal to future buyers looking to supplement their hotel conference center portfolios.

- **Opportunities:** The proposed conference center and hotel will be situated in a revitalizing downtown area. Future development of the neighborhood will represent upside potential for conference business. The project also represents an opportunity for the community to achieve the development of an upscale hotel and conference center in exchange for moderate levels of public-sector investment.

- **Threats:** The primary competitive threat would lie in the development of new hotel and meeting space supply in Bloomington or nearby communities. The current levels of demand and supply are producing aggregate lodging occupancies near 70%; the addition of new competitive properties could temporarily depress occupancies throughout the competitive set.

Facility Program

HVS understands that the proposed development would include flexible conference space that can be used for multiple, simultaneous events as well as space that can accommodate different layouts for different types of events. A divisible ballroom is expected to feature upscale finishes and a flexible floor plan to accommodate large, social events or multiple, smaller break-out meetings. Dedicated conference rooms should feature upscale finishes and modern audio, video, and teleconferencing technology. An executive boardroom should feature executive seating and upscale furnishings. All spaces should be accessible for catering and the conference center should be physically integrated with the adjoining hotel, featuring a consistent design and quality of finishes.

Based on input from community leaders and our research on similar types of hotel conference centers, HVS assumes the conference center will feature the facility program shown in the following table.

FIGURE 4-2 CONFERENCE CENTER FACILITY PROGRAM

Conference Center & Banquet Facilities	Square Footage
Multipurpose Ballroom	15,000
Breakout Meeting Rooms	4,500
Executive Board Rooms	500
Total	20,000

This represents approximately 133 square feet of meeting space per guestroom at the proposed hotel conference center.

Demand Estimates

HVS reviewed a variety of comparable hotel conference centers throughout the nation that offer similar amenities and facility attributes to that of the proposed subject property. Based on interviews conducted with these comparable facilities, HVS developed the following estimates of induced lodging demand generated by the conference spaces at these facilities. For comparison purposes, we express this conference-related lodging demand on a per-square-foot basis.

FIGURE 4-3 ROOM NIGHT DEMAND FROM COMPARABLE CONFERENCE FACILITIES

	Hotel			
	Comp 1	Comp 2	Comp 3	Subject Property
Guestrooms	135	228	142	150
Meeting Space(SF)	30,000	23,000	14,000	20,000
Stabilized Occupancy	67%	70%	67%	-
Room Nights Sold	33,014	58,254	34,726	-
Group Room Nights	14,856	23,302	12,154	-
Estimated % Induced	50%	40%	50%	-
Induced Room Nights	7,428	9,321	6,077	**7,200**
Induced Room Nights per SF	0.25	0.41	0.43	**0.36**

As the preceding figure indicates, the proposed hotel conference center is expected to generate significant lodging demand as a result of its conference space, similar to comparable properties around the country. Consistent with our survey data, and consistent with findings from other markets we have researched, the comparable hotels indicate their conference space accounts for roughly 0.25 to 0.43 room nights of lodging demand per square foot of conference space for facilities with similar building programs in similar market tiers. HVS estimates that the subject property's conference space will account for an additional 0.36 room nights of demand per square foot of meeting space in the local market. This equates to approximately 7,200 room nights of demand. Later in this report, we will describe this demand as "induced" lodging demand that currently is not taking place in the Bloomington market.

Conference Center Conclusion

The proposed conference center will be a critical element of the proposed facility's overall success. Without the conference center, a substantial volume of meeting and group demand would not be attracted to the Bloomington market. As such, we conclude that the conference center is a key component of the proposed development in order to achieve the projected occupancies, average daily rates, and net operating income discussed later throughout this report.

Market participants expressed a need for upscale or upper-upscale hotel accommodations coupled with flexible conference space and adequate parking. The 20,000 square feet of conference space proposed will target a combination of social gatherings, training activities, sales meetings, and other medium to large conferences and meetings. Moreover, the recommended facility program is intended to allow the facility to target a broad range of weddings, holiday parties, family reunions, and other social events needing upscale banquet space for up to 1,000 people. Overall, the facility would be utilized by a broad range of local businesses and social groups, indicated by our fieldwork interviews and market research.

A review of comparable facilities nationally also supports our conclusion that significant lodging demand is expected to result from the proper marketing and use of the conference center. As with the comparable facilities we analyzed, the conference center in Bloomington is expected to be a critical component of the overall development. The conclusions throughout our study depend on the assumptions described in this section of our report.

5. Supply and Demand Analysis

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

Definition of Subject Hotel Market

The 150-room Proposed Downtown Hotel Bloomington will be among the highest-quality hotels in the broader Bloomington-Normal market area. It will be the only upscale hotel located in downtown Bloomington. As currently planned, it will feature the largest conference center in Bloomington, and the second largest conference center in the broader Bloomington-Normal market area. The greater market surrounding the subject site offers 40 hotels and motels, spanning 3,321 rooms. The two largest hotels are the 228-room Marriott Hotel & Conference Center and the 197-room Doubletree by Hilton.

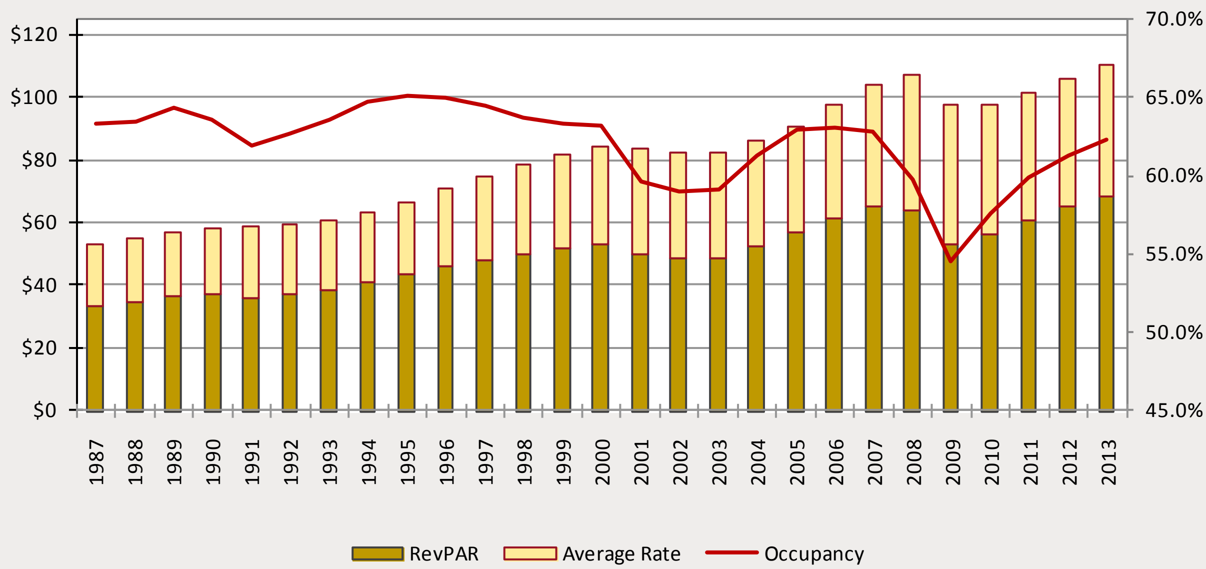
Of this larger supply set, the proposed subject property is expected to compete with a smaller set of hotels based on various factors. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established an expected competitive set based upon this review. Our review of the proposed subject property's specific competitive set within the Bloomington area begins after our review of national occupancy, average rate, and RevPAR trends.

National Trends Overview

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

Smith Travel Research (STR) is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. Figure 4-1 presents annual hotel occupancy and average rate data since 1987. Figures 4-2 and 4-3 illustrate the more recent trends, categorized by geography, price point, type of location, and chain scale. The statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 5-1 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS



Source: STR

HVS

FIGURE 5-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS

	Occupancy - Thru December			Average Rate - Thru December			RevPAR - Thru December		
	2012	2013	% Change	2012	2013	% Change	2012	2013	% Change
United States	61.3 %	62.3 %	1.5 %	$106.25	$110.35	3.9 %	$65.15	$68.69	5.4 %
Region									
New England	61.4 %	62.5 %	1.8 %	$127.18	$131.46	3.4 %	$78.11	$82.19	5.2 %
Middle Atlantic	66.5	66.0	(0.7)	150.64	155.74	3.4	100.12	102.83	2.7
South Atlantic	60.8	62.0	1.9	103.49	106.64	3.0	62.89	66.06	5.0
East North Central	58.4	59.1	1.2	92.47	95.70	3.5	53.97	56.53	4.7
East South Central	**56.2**	**56.9**	**1.2**	**79.48**	**82.24**	**3.5**	**44.69**	**46.78**	**4.7**
West North Central	57.3	57.9	1.0	84.20	86.54	2.8	48.23	50.07	3.8
West South Central	60.5	61.4	1.5	88.87	93.19	4.9	53.75	57.20	6.4
Mountain	59.1	60.3	1.9	96.20	99.02	2.9	56.86	59.67	4.9
Pacific	67.8	69.5	2.5	126.30	133.73	5.9	85.65	92.94	8.5
Price									
Luxury	69.5 %	70.6 %	1.6 %	$175.21	$181.98	3.9 %	$121.73	$128.52	5.6 %
Upscale	**65.5**	**66.1**	**0.9**	**129.00**	**133.43**	**3.4**	**84.48**	**88.16**	**4.4**
Midprice	62.3	63.1	1.4	101.65	104.91	3.2	63.29	66.24	4.7
Economy	56.2	57.3	2.1	75.40	78.44	4.0	42.36	44.99	6.2
Budget	55.5	56.3	1.5	59.24	61.68	4.1	32.86	34.73	5.7
Location									
Urban	69.4 %	70.5 %	1.6 %	$154.02	$160.80	4.4 %	$106.85	$113.31	6.0 %
Suburban	**61.6**	**62.8**	**1.9**	**89.74**	**92.80**	**3.4**	**55.30**	**58.26**	**5.3**
Airport	68.0	69.8	2.6	94.75	97.53	2.9	64.46	68.08	5.6
Interstate	54.5	54.8	0.6	74.29	76.18	2.5	40.49	41.77	3.1
Resort	63.2	64.1	1.4	142.28	150.22	5.6	89.99	96.36	7.1
Small Metro/Town	54.3	54.9	1.0	86.79	89.14	2.7	47.16	48.91	3.7
Chain Scale									
Luxury	73.3 %	74.6 %	1.8 %	$274.81	$290.31	5.6 %	$201.36	$216.47	7.5 %
Upper Upscale	70.9	71.9	1.5	154.36	161.04	4.3	109.40	115.84	5.9
Upscale	**70.9**	**71.7**	**1.2**	**116.89**	**121.72**	**4.1**	**82.85**	**87.28**	**5.3**
Upper Midscale	63.0	63.8	1.2	97.42	100.29	2.9	61.42	63.99	4.2
Midscale	54.8	55.8	1.8	74.62	76.33	2.3	40.89	42.57	4.1
Economy	54.2	55.0	1.5	52.54	54.27	3.3	28.46	29.85	4.9
Independents	58.0	58.9	1.6	105.15	108.90	3.6	60.94	64.11	5.2

Source: STR - December 2013 Lodging Review

Following the significant occupancy and RevPAR decline experienced during the last recession, demand growth resumed in 2010, led by select markets that had recorded growth trends in the fourth quarter of 2009. The pace of demand growth accelerated through the year; in 2010, lodging demand in the U.S. increased by 7.7% over that registered in 2009. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Average rate decreased by only 0.1% in 2010 when compared to 2009.

Strong demand growth continued in 2011 and 2012, at 5.0% and 3.0%, respectively. Demand increased 2.1% in the year-to-date through November 2013 period. Average rate rebounded by respective rates of 3.7% and 4.2%, in 2011 and 2012, followed by a 3.9% increase in 2013. In 2012, occupancy reached 61.3% (exceeding the ten-year average); moreover, occupancy gained another point in 2013, ending the year at 62.3%. Average rate finished the year just over $106 in 2012, with just over a $4 gain in rate registered in 2013. Demand and average rates should continue to strengthen in the near term. These trends, combined with the low levels of supply growth anticipated through 2014, should boost occupancy to just over 63% by year-end 2014. On a national average, strengthening occupancy levels should also permit hotels to increase room rates beyond the 3.9% achieved in 2013. HVS forecasts U.S. average rate growth of 5.0% for 2014.

Historical Supply and Demand Data

As previously noted, Smith Travel Research (STR) is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. STR has compiled historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject property. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 5-3 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2001	633	230,898	—	163,850	—	71.0 %	$77.91	—	$55.29	—
2002	687	250,755	8.6 %	172,284	5.1 %	68.7	78.19	0.4 %	53.72	(2.8) %
2003	687	250,755	0.0	161,501	(6.3)	64.4	77.57	(0.8)	49.96	(7.0)
2004	687	250,755	0.0	161,246	(0.2)	64.3	75.59	(2.6)	48.61	(2.7)
2005	687	250,755	0.0	175,920	9.1	70.2	77.83	3.0	54.61	12.3
2006	687	250,755	0.0	189,599	7.8	75.6	88.41	13.6	66.85	22.4
2007	824	300,821	20.0	200,737	5.9	66.7	97.34	10.1	64.95	(2.8)
2008	1,017	371,205	23.4	240,157	19.6	64.7	98.66	1.4	63.83	(1.7)
2009	1,074	392,181	5.7	253,313	5.5	64.6	95.34	(3.4)	61.58	(3.5)
2010	1,245	454,425	15.9	279,131	10.2	61.4	97.58	2.3	59.94	(2.7)
2011	1,245	454,425	0.0	294,643	5.6	64.8	98.22	0.7	63.69	6.3
2012	1,244	454,060	(0.1)	337,471	14.5	74.3	104.54	6.4	77.70	22.0
Average Annual Compounded Change: 2001-2012			6.3 %		6.8 %			2.7 %		3.1 %
Year-to-Date Through November										
2012	1,244	415,496	—	314,989	—	75.8 %	$104.80	—	$79.45	—
2013	1,244	415,496	0.0 %	310,426	(1.4) %	74.7	112.10	7.0 %	83.76	5.4 %

Hotels Included in Sample	Number of Rooms	Year Affiliated	Year Opened	Note
Eastland Stes Hotel & Conf Ctr	112	Jun 1997	Jun 1987	
Comfort Suites Bloomington	59	Jun 1995	Jun 1995	
Courtyard Bloomington Normal	78	Sep 1995	Sep 1995	
Doubletree Hotel Bloomington	197	Jan 2006	Oct 1996	Occupancy Leader
Holiday Inn Express & Stes Bloomington City Center Normal	86	Sep 1999	Sep 1999	
Holiday Inn Express Bloomington	81	May 2012	Aug 2000	
Hampton Inn Bloomington West	73	Jul 2001	Jul 2001	
Hampton Inn Suites Bloomington Normal	128	Mar 2007	Mar 2007	
Fairfield Inn & Suites Bloomington	76	Oct 2007	Oct 2007	
Holiday Inn & Suites Bloomington Airport	126	Dec 2007	Dec 2007	
Marriott Bloomington Normal Hotel & Conference Center	228	Oct 2009	Oct 2009	ADR Leader
Total	**1,244**			

Source: STR Global

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

The STR data for the competitive set reflect an overall market occupancy level of 74.3% in 2012, which compares to 64.8% for 2011. The overall average occupancy level for the calendar years presented equates to 66.1%. Since 2004, the Normal-Bloomington market has experienced continued increases in demand, supported by growth in the insurance industry and educational institutions. This market benefits from the presence of several national corporate headquarters of companies such as State Farm Insurance, Country Financial, Growmark, and Mitsubishi Motors in the area, as well as Illinois State University and Illinois Wesleyan University. Another major factor in the continuation of demand growth in this sub-market is rapid supply growth between 2007 and 2010, which allowed nominal demand to continue growing even through the most recent economic recession. However, occupancies declined substantially between 2007 and 2010, reflecting both the large influx of new supply and a severe national economic recession, which had some impact on the local economy during this period.

As the national economy resumed growth and supply was absorbed into this market, occupancy started to rebound in 2011. In 2012, State Farm Insurance started a new mission that brought a large number of external consultants to the market, leading to a significant increase in room night demand during weekdays. Although State Farm Insurance always had consultants visiting their corporate headquarters in the past, hoteliers noted that the room night demand tripled in 2012. As a result, the market occupancy reached the second-highest level during the period we observed. However, the year-to-date data illustrates that the number of external consultants has already begun to return to normalized levels produced by State Farm Insurance in the past. As such, the year-to-date demand is down 1.4% in comparison with the same period last year.

The STR data for the competitive set reflect an overall market average rate level of $104.54 in 2012, which compares to $98.22 for 2011. The average across all calendar years presented for average rate equates to $98.94. Average rate in the local market registered positive growth mid-decade from 2005 through 2008. The strength of the economy during this time, with little rate resistance from corporate accounts such as State Farm Insurance and Country Insurance, allowed hotel operators to increase rates. The entrance of new high-quality hotels, such as the

Hampton Inn & Suites, as well as the renovation and rebranding of the Radisson to the Doubletree, also allowed local hotel operators to increase rates. Average rate growth began to slow in late 2008, and this downward trend continued in 2009, along with the contraction of the national economy. Average rates appear to have bottomed out in the mid $90s in 2009. In 2010, average rates experienced positive growth due to the market recovery and opening of the new Marriott in Normal. This positive trend continued through 2011 and 2012. The latest year-to-date 2013 data illustrate modest month-over-month increases, indicating that rate growth is likely to continue as economic conditions strengthen. These occupancy and average rate trends resulted in a RevPAR level of $77.70 in 2012.

Seasonality

Monthly occupancy and average rate trends are presented in the following tables.

FIGURE 5-4 MONTHLY OCCUPANCY TRENDS

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	60.4 %	63.4 %	52.2 %	55.1 %	60.4 %	64.7 %	60.2 %	56.1 %	47.4 %	62.3 %	41.5 %	63.4 %	65.5 %
February	76.3	70.8	64.8	62.1	66.3	80.4	75.6	60.1	65.7	64.6	61.5	77.5	73.4
March	76.6	73.7	69.8	67.2	73.2	78.1	65.3	64.0	62.2	62.8	65.2	77.3	72.5
April	75.9	74.8	66.0	60.4	72.4	77.6	66.7	71.5	62.0	56.6	66.7	76.7	78.0
May	78.1	70.6	66.0	68.8	69.6	77.8	70.8	65.5	52.2	63.2	65.8	78.2	74.9
June	79.7	72.7	72.6	74.0	77.4	84.3	76.5	78.4	79.1	68.6	72.2	82.4	82.0
July	66.8	70.6	71.1	68.5	72.0	77.3	76.4	77.3	80.5	70.3	72.5	76.1	79.9
August	74.3	72.8	71.3	67.3	77.4	77.4	73.7	63.7	67.1	59.8	67.6	74.5	73.0
September	67.1	69.0	64.1	61.5	72.9	73.5	66.7	59.0	69.5	59.4	66.2	75.9	73.9
October	78.1	74.3	69.4	73.4	78.4	83.7	73.9	73.8	74.8	68.8	72.9	83.4	84.8
November	67.2	61.5	57.6	64.4	68.9	73.4	60.2	60.7	63.1	61.6	69.2	68.7	63.7
December	54.9	50.6	48.0	48.7	53.0	59.9	42.1	46.3	52.7	39.6	56.9	58.3	—
Annual Occupancy	**71.0 %**	**68.7 %**	**64.4 %**	**64.3 %**	**70.2 %**	**75.6 %**	**66.7 %**	**64.7 %**	**64.6 %**	**61.4 %**	**64.8 %**	**74.3 %**	**—**
Year-to-Date	**72.6**	**70.4**	**65.9**	**65.7**	**71.7**	**77.1**	**69.6 %**	**66.4 %**	**65.9 %**	**63.5 %**	**65.6 %**	**75.8 %**	**74.7 %**

Source: STR Global

FIGURE 5-5 MONTHLY AVERAGE RATE TRENDS

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	$76.93	$77.05	$78.08	$74.39	$74.69	$83.09	$93.82	$101.21	$94.41	$96.99	$98.51	$99.23	$111.31
February	76.96	78.80	79.14	75.35	77.03	81.78	96.33	100.77	98.03	97.79	101.66	101.66	111.40
March	77.41	78.42	79.79	78.80	78.62	86.84	97.71	99.22	96.20	98.30	99.54	103.83	110.71
April	75.78	77.57	78.74	75.33	76.79	85.97	96.87	98.21	93.58	95.72	98.13	103.24	111.27
May	78.30	78.50	78.07	75.51	78.04	89.38	96.00	97.55	95.57	97.52	97.51	106.36	112.02
June	82.06	78.98	77.91	76.62	78.74	90.31	96.69	99.26	96.64	97.95	97.74	106.35	112.07
July	76.69	78.54	77.81	75.59	77.56	89.09	98.19	98.81	95.80	95.68	95.17	105.01	111.43
August	79.26	77.05	77.29	75.21	78.42	89.49	98.93	98.51	93.57	98.36	99.63	106.29	113.17
September	78.62	77.98	77.43	75.03	78.43	91.10	97.44	98.74	92.93	97.07	96.53	106.70	112.15
October	78.81	80.41	78.21	76.08	79.15	92.08	100.60	100.57	97.70	101.19	100.19	108.90	117.61
November	77.26	77.69	73.80	74.44	78.34	91.80	97.97	96.74	96.15	99.25	99.21	103.47	108.51
December	75.38	76.63	72.92	73.60	77.22	88.85	95.33	92.89	92.17	93.28	95.14	100.86	—
Annual Average Rate	**$77.91**	**$78.19**	**$77.57**	**$75.59**	**$77.83**	**$88.41**	**$97.34**	**$98.66**	**$95.34**	**$97.58**	**$98.22**	**$104.54**	**—**
Year-to-Date	**$78.10**	**$78.29**	**$77.89**	**$75.72**	**$77.88**	**$88.38**	**$97.48**	**$99.04**	**$95.62**	**$97.83**	**$98.47**	**$104.80**	**$112.10**

Source: STR Global

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

SUPPLY

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified several properties that are expected to be primarily competitive with the proposed subject property. If applicable, additional lodging facilities may be judged only secondarily competitive; although the facilities, rate structures, or market orientations of these hotels prevent their inclusion among the primary competitive supply, they are expected to compete with the proposed subject property to some extent.

HVS evaluated the important operating characteristics of the primary and secondary competitors. This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.

The following figure illustrates our rounded estimates of occupancy and average daily rate at each of the hotels in the defined competitive set. Although HVS relied on more precise occupancy and average daily rate estimates for our feasibility models, we report rounded figures only, for the purpose of this report, which may become public information.

FIGURE 5-6 PRIMARY COMPETITORS – OPERATING PERFORMANCE

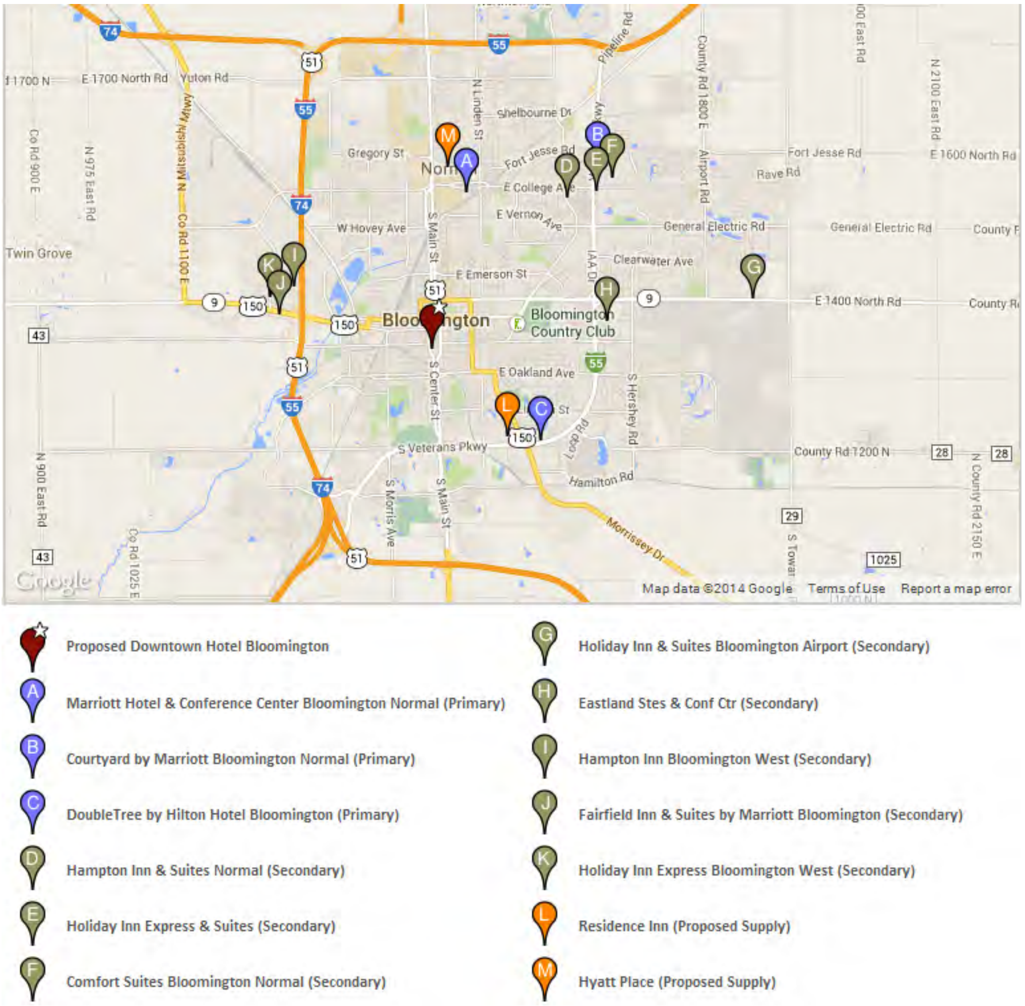
		Est. Segmentation			Estimated 2011				Estimated 2012				Estimated 2013						
Property	**Number of Rooms**	**Commercial**	**Meeting and Group**	**Leisure**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**RevPAR Change**	**Occupancy Penetration**	**Yield Penetration**
Marriott Hotel & Conference Center Bloomington Normal	228	55 %	30 %	15 %	228	70 %	$115.00	$80.50	228	75 %	$130.00	$97.50	228	70 %	$150.00	$105.00	7.7 %	96.5 %	125.2 %
Courtyard by Marriott Bloomington Normal	78	65	15	20	78	65	110.00	71.50	78	75	120.00	90.00	78	75	125.00	93.75	4.2	103.4	111.8
DoubleTree by Hilton Hotel Bloomington	197	60	25	15	197	65	100.00	65.00	197	80	100.00	80.00	197	75	110.00	82.50	3.1	103.4	98.4
Sub-Totals/Averages	**503**	**59 %**	**26 %**	**16 %**	**503**	**67.0 %**	**$107.30**	**$71.88**	**503**	**75.7 %**	**$116.80**	**$88.46**	**503**	**72.3 %**	**$128.18**	**$92.68**	**4.8 %**	**99.6 %**	**110.5 %**
Secondary Competitors	740	62 %	14 %	24 %	472	64.2 %	$92.31	$59.26	472	73.2 %	$96.61	$70.75	472	72.8 %	$102.23	$74.45	5.2 %	100.4 %	88.8 %
Totals/Averages	**1,243**	**60 %**	**20 %**	**20 %**	**975**	**65.6 %**	**$100.20**	**$65.77**	**975**	**74.5 %**	**$107.19**	**$79.89**	**975**	**72.6 %**	**$115.57**	**$83.85**	**5.0 %**	**100.0 %**	**100.0 %**

FIGURE 5-8 SECONDARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2011				Estimated 2012				Estimated 2013			
Property	**Number of Rooms**	**Commercial**	**Meeting and Group**	**Leisure**	**Total Competitive Level**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**
Hampton Inn & Suites Normal	128	65 %	10 %	25 %	70 %	90	75 %	$105.00	$78.75	90	80 %	$110.00	$88.00	90	75 %	$120.00	$90.00
Holiday Inn Express & Suites	86	60	10	30	70	60	60	90.00	54.00	60	70	100.00	70.00	60	70	105.00	73.50
Comfort Suites Bloomington Normal	59	55	10	35	70	41	65	80.00	52.00	41	75	85.00	63.75	41	75	90.00	67.50
Holiday Inn & Suites Bloomington Airport	126	60	20	20	70	88	70	95.00	66.50	88	75	105.00	78.75	88	75	110.00	82.50
Eastland Stes & Conf Ctr	112	55	25	20	70	78	65	90.00	58.50	78	75	85.00	63.75	78	75	85.00	63.75
Hampton Inn Bloomington West	73	70	10	20	50	37	65	95.00	61.75	37	75	95.00	71.25	37	75	100.00	75.00
Fairfield Inn & Suites by Marriott Bloomington	75	70	10	20	50	38	60	85.00	51.00	38	70	80.00	56.00	38	70	90.00	63.00
Holiday Inn Express Bloomington West	81	65	10	25	50	41	40	70.00	28.00	41	60	90.00	54.00	41	55	95.00	52.25
Totals/Averages	**740**	**62 %**	**14 %**	**24 %**	**64 %**	**472**	**64.2 %**	**$92.31**	**$59.26**	**472**	**73.2 %**	**$96.61**	**$70.75**	**472**	**72.8 %**	**$102.23**	**$74.45**

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

MAP OF COMPETITION-REGIONAL



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

PRIMARY COMPETITOR #1 - MARRIOTT HOTEL & CONFERENCE CENTER BLOOMINGTON NORMAL

Marriott Hotel & Conference Center Bloomington Normal
201 Broadway Street
Normal, IL

FIGURE 5-7 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2011	228	70 %	$115	$81	106.7 %	122.4 %
Estimated 2012	228	75	130	98	100.6	122.0
Estimated 2013	228	70	150	105	96.5	125.2

The Marriott Hotel & Conference Center is owned and operated by John Q. Hammons. Facilities include Jesse's Grille, Caffeina's Cafe, an indoor pool, an exercise room, a business center, a market pantry, a guest laundry facility, two concierge levels for Marriott Rewards guests, and approximately 23,000 square feet of meeting space. The hotel, which opened in 2009 is the only Four Diamond AAA rated hotel between Chicago and St. Louis. This hotel benefits from being the newest full-service hotel in the Normal-Bloomington market. Overall, the property appeared to be in excellent condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Downtown Hotel Bloomington.

PRIMARY COMPETITOR #2 - COURTYARD BY MARRIOTT BLOOMINGTON NORMAL

Courtyard by Marriott Bloomington Normal
310 A Greenbriar Drive
Normal, IL

FIGURE 5-8 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2011	78	65 %	$110	$72	99.0 %	108.7 %
Estimated 2012	78	75	120	90	100.6	112.7
Estimated 2013	78	75	125	94	103.4	111.8

The Courtyard Bloomington Normal is owned by C.Y. Heritage Inn of Bloomington, Inc. and is operated by TMI Hospitality, Inc. Facilities include a lobby bistro (breakfast and dinner is served), an indoor pool and whirlpool, an exercise room, a business center, a market pantry, a guest laundry facility, and approximately 675 square feet of meeting space. The hotel, which was built in 1995, was renovated in 2010; upgrades included a total renovation of the lobby and guestrooms. This hotel benefits from its location across the street from Bridgestone Tire, along with its strong Marriott International brand affiliation. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Downtown Hotel Bloomington.

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PRIMARY COMPETITOR #3 - DOUBLETREE BY HILTON HOTEL BLOOMINGTON

DoubleTree by Hilton Hotel Bloomington
10 Brickyard Drive
Bloomington, IL

FIGURE 5-9 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2011	197	65 %	$100	$65	99.0 %	98.8 %
Estimated 2012	197	80	100	80	107.3	100.1
Estimated 2013	197	75	110	83	103.4	98.4

The Doubletree is owned and operated by the Snyder Companies. The hotel offers an on-site TGI Friday's (breakfast, lunch and dinner are served), an indoor pool and whirlpool, an exercise room, a business center, a market pantry, a guest laundry facility, and approximately 13,600 square feet of meeting space. The hotel, which was built in 1996, was renovated in 2006 when the hotel was purchased by the new owners and rebranded from a Radisson to a Doubletree. This hotel is currently undergoing a renovation for its public areas. This hotel benefits from being the closest hotel in the competitive set to the State Farm Insurance Corporate South Headquarters. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Downtown Hotel Bloomington.

Secondary Competitors

We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject property on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness the future with the proposed subject property. By assigning degrees of competitiveness, we can assess how the proposed subject property and its future competitors may react to various changes in the market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply. The following table sets forth the pertinent operating characteristics of the secondary competitors.

FIGURE 5-10 SECONDARY COMPETITORS

Property	Number of Rooms	Est. Segmentation: Commercial	Est. Segmentation: Meeting and Group	Est. Segmentation: Leisure	Total Competitive Level	Estimated 2011: Weighted Annual Room Count	Estimated 2011: Occ.	Estimated 2011: Average Rate	Estimated 2011: RevPAR	Estimated 2012: Weighted Annual Room Count	Estimated 2012: Occ.	Estimated 2012: Average Rate	Estimated 2012: RevPAR	Estimated 2013: Weighted Annual Room Count	Estimated 2013: Occ.	Estimated 2013: Average Rate	Estimated 2013: RevPAR
Hampton Inn & Suites Normal	128	65 %	10 %	25 %	70 %	90	75 %	$105.00	$78.75	90	80 %	$110.00	$88.00	90	75 %	$120.00	$90.00
Holiday Inn Express & Suites	86	60	10	30	70	60	60	90.00	54.00	60	70	100.00	70.00	60	70	105.00	73.50
Comfort Suites Bloomington Normal	59	55	10	35	70	41	65	80.00	52.00	41	75	85.00	63.75	41	75	90.00	67.50
Holiday Inn & Suites Bloomington Airport	126	60	20	20	70	88	70	95.00	66.50	88	75	105.00	78.75	88	75	110.00	82.50
Eastland Stes & Conf Ctr	112	55	25	20	70	78	65	90.00	58.50	78	75	85.00	63.75	78	75	85.00	63.75
Hampton Inn Bloomington West	73	70	10	20	50	37	65	95.00	61.75	37	75	95.00	71.25	37	75	100.00	75.00
Fairfield Inn & Suites by Marriott Bloomington	75	70	10	20	50	38	60	85.00	51.00	38	70	80.00	56.00	38	70	90.00	63.00
Holiday Inn Express Bloomington West	81	65	10	25	50	41	40	70.00	28.00	41	60	90.00	54.00	41	55	95.00	52.25
Totals/Averages	**740**	**62 %**	**14 %**	**24 %**	**64 %**	**472**	**64.2 %**	**$92.31**	**$59.26**	**472**	**73.2 %**	**$96.61**	**$70.75**	**472**	**72.8 %**	**$102.23**	**$74.45**

We have identified eight hotels that are expected to compete with the proposed subject property on a secondary level. The Hampton Inn & Suites, Holiday Inn Express & Suites, Comfort Suites, Holiday Inn & Suites, Eastland Suites Hotel & Conference Center are competitive on the basis of location; however, due to their product types, service quality, and low price points, these hotels are not expected to be primary competitors. The Hampton Inn Bloomington West, Fairfield Inn & Suites by Marriott, and Holiday Inn Express are competitive on the basis of their strong brand affiliations; however, due to the locations and chain scales of these hotels, we have considered them as secondarily competitive in our analysis.

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject property's operating performance. Based upon our research and inspection (as applicable), new supply considered in our analysis is presented in the following table.

FIGURE 5-11 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Downtown Hotel Bloomington	150	100 %	150	January 1, 2016	Not Determined	Due Diligence Period
Proposed Residence Inn	100	80	80	June 1, 2014	Hospitality Specialists, Inc	Under Construction
Proposed Hyatt Place	114	100	114	March 1, 2015	Tartan Realty Group	Early Development
Totals/Averages	**364**		**344**			

The Hyatt Place in Normal will be a similar product type to the proposed subject property, which is located within three miles of downtown Bloomington, and is anticipated to target the same customer base. Therefore, this hotel is expected to fully compete with the proposed subject property. A new Residence Inn by Marriott is currently under construction near the State Farm Insurance Corporate South Headquarters. However, due to the extended-stay nature of this hotel and its location, we considered this hotel as a secondary competitor in our positioning of the proposed subject property's stabilized occupancy level. In addition, we note the existence of a currently vacant hotel building, which has been out of operation for more than four years. This property is located near Interstate 55 and Main Street, and owners have made an attempt to convert it into a Crowne Plaza or Radisson in the past two years. However, this project has not been financed yet, and we consider the project speculative at this time. As such, we have only considered this property qualitatively in our analysis.

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

Supply Conclusion

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

DEMAND

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

FIGURE 5-12 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2011	233,622	—	355,948	—	65.6 %	$100.20	—	$65.77	—
Est. 2012	265,287	13.6 %	355,948	0.0 %	74.5	107.19	7.0 %	79.89	21.5 %
Est. 2013	258,259	(2.6)	355,948	0.0	72.6	115.57	7.8	83.85	5.0
Avg. Annual Compounded Chg., Est. 2011-Est. 2013:		5.1 %		(0.0) %			7.4 %		12.9 %

A major factor that affected accommodated room nights in 2013 is an extensive renovation that took place at the Morris Inn between November of 2012 and August of 2013. During this period, the hotel was completely out of inventory, and therefore, decreased the total room nights accommodated by selected competitors.

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2013 distribution of accommodated-room-night demand as follows.

FIGURE 5-13 ACCOMMODATED ROOM NIGHT DEMAND

	Marketwide	
Market Segment	Accommodated Demand	Percentage of Total
Commercial	155,199	60 %
Meeting and Group	52,122	20
Leisure	50,938	20
Total	**258,259**	**100 %**

The market's demand mix comprises commercial demand, with this segment representing roughly 60% of the accommodated room nights in this Bloomington submarket. The remaining portion comprises meeting and group at 20%, with the final portion leisure in nature, reflecting 20%.

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

Commercial Segment

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

A major factor considered in the development of our growth rates is the presence of State Farm Insurance, along with other major national and international companies with operations based in the area. These companies include Country Financial, Mitsubishi Motor Manufacturing Center, and Bridgestone Manufacturing Facility. In addition, McLean County also relies on farming as a driver of the local economy; the U.S. Department of Agriculture data show that McLean County is the number one producer of soybeans in the United States. Other forms of corporate demand are generated from the local medical centers; these include Advocate BroMenn Medical Center and the OSF St. Joesph's Medical Center. Lastly, local hoteliers noted that State Farm implemented a variety of specialty projects that requires a large number of consultants that come into the Normal-Bloomington area on a weekly basis. Starting in early 2012, hoteliers noted that they experienced an increase in State Farm room night demand, which equates to approximately three times more demand per night. However, these new "missions" within State Farm requiring a high level of consultants is beginning to level off as indicated by the year-to-date demand and occupancy trend. As such, we anticipate a modest decrease in corporate demand in 2014. Considering both current and historical trends, we project demand change rates of -1.5% in 2014, 0.5% in 2015, and 1.0% in 2016. After these first three projection years, we have forecast demand change rates of 1.0% in 2017 and 1.0% in 2018.

Meeting and Group Segment

The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups typically meet during the business week, most commonly in the spring and fall months. These groups tend to be the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues including food and beverage and/or banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends and during the summer months or holiday season, when greater discounts are usually available; these groups generate limited ancillary revenues. Association demand is generally divided on a geographical basis, with national, regional, and state associations representing the most common sources. Professional associations and/or those supported by members' employers often meet on weekdays, while other associations prefer to hold events on weekends. The profile and revenue potential of associations varies depending on the group and the purpose of the meeting or event.

Meeting and group demand in this market is highly driven by the local corporate entities in the area. As such, the high concentration of insurance companies, manufacturing, higher education, and professional services firms is expected to continue to bolster group room-block needs locally. Furthermore, recruiting and training activities associated with State Farm Insurance is expected to remain steady into the future. A sizable portion of meeting and group demand in the market is associated with SMERFE-related sources. A measurable percentage of the market make-up comprises first-class, suburban residential neighborhoods; as such, the area is attractive for weddings and reunions. Sporting events on weekends also generate large demand in this segment. The Marriott Normal-Bloomington is the only official Four Diamond AAA rated hotel in Illinois between Chicago and St. Louis, and has therefore been able to attract large conferences and meetings into this area. Considering both current and historical trends, we project demand change rates of 0.0% in 2014, 0.5% in 2015, and 1.0% in 2016. After these first three projection years, we have forecast demand change rates of 1.0% in 2017 and 1.0% in 2018.

Leisure Segment

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

Leisure demand in the area is generally seasonal and is driven largely by the presence of recreational and cultural attractions in the county, such as national amateur softball tournaments. In addition, Illinois State University and Illinois Wesleyan University generate a significant amount of leisure demand on peak weekends such as move-in weekend, parent's weekend, and graduation. Growth related to these sources should continue to expand minimally in the future. Considering both current and historical trends, we project demand change rates of 0.5% in 2014, 1.0% in 2015, and 1.0% in 2016. After these first three projection years, we have forecast demand change rates of 1.0% in 2017 and 1.0% in 2018.

Conclusion

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

FIGURE 5-14 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

	Annual Growth Rate					
Market Segment	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Commercial	-1.5 %	0.5 %	1.0 %	1.0 %	1.0 %	0.0 %
Meeting and Group	0.0	0.5	1.0	1.0	1.0	0.0
Leisure	0.5	1.0	1.0	1.0	1.0	0.0
Base Demand Growth	**-0.8 %**	**0.6 %**	**1.0 %**	**1.0 %**	**1.0 %**	**0.0 %**

In 2014, we project negative base demand growth as the number of external consultants traveling to States Farm facilities is expected to decline. After the first projection year, base demand is expected to grow at a moderate pace, reflecting the diverse economic base of the subject market.

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the subject property's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply; this type of demand can be divided into unaccommodated demand and induced demand.

Unaccommodated Demand

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

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market sells out many nights during the year.

The data, as developed by Smith Travel Research and HVS, are illustrated in the following figure. Yellow highlights indicate days when marketwide occupancy exceeded 70%; orange cells indicate occupancy above 80%; and red cells indicate occupancy above 90%.

FIGURE 5-15 SUBMARKET OCCUPANCY BY DAY OF WEEK

Occupancy (%)

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Dec - 12	35.2	69.8	78.7	78.4	58.9	42.5	49.7
Jan - 13	38.6	89.2	80.9	84.3	62.2	46.2	49.2
Feb - 13	45.8	88.4	94.8	91.7	65.8	67.6	59.8
Mar - 13	44.2	86.3	92.4	92.2	74.8	67.8	61.2
Apr - 13	41.1	86.5	95.2	93.7	71.0	73.2	78.6
May - 13	44.9	75.5	89.6	90.6	64.2	72.6	86.0
Jun - 13	47.5	95.1	98.5	96.5	81.7	83.6	80.5
Jul - 13	54.0	84.1	87.4	83.5	77.8	81.2	87.8
Aug - 13	48.2	90.1	96.1	94.6	66.4	54.6	68.2
Sep - 13	51.6	75.1	85.3	87.4	68.8	70.9	83.7
Oct - 13	52.5	91.7	93.6	91.7	74.5	92.0	96.3
Nov - 13	41.1	72.6	76.2	75.6	62.6	64.6	55.3
Total Year	**45.3**	**83.3**	**89.1**	**88.3**	**68.9**	**67.8**	**70.6**

This figure illustrates a high degree of unaccommodated demand in the subject market. In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. These nights show substantial sell-out patterns throughout much of the year, which indicates large volumes of unaccommodated demand have been turned away from the defined competitive set of hotels. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights. Signficant unaccommodated demand appears to occur in this market during several peak leisure-travel months as well.

The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 5-16 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	155,199	23.6 %	36,557
Meeting and Group	52,122	15.0	7,795
Leisure	50,938	19.5	9,929
Total	**258,259**	**21.0 %**	**54,282**

Our interviews with market participants found that the market generally sells out on Monday, Tuesday, and Wednesday nights during the peak travel season, as well as sporadically within other periods throughout the year. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. Accordingly, we estimate a large volume of unaccommodated demand in this market, representing approximately 21.0% of the base-year demand identified. Our estimate of unaccommodated demand is based on our analysis of monthly and weekly peak demand trends and sell-out patterns in this market.

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities.

As previously mentioned in this report, HVS reviewed a variety of comparable facilities throughout the nation that offer similar hotel conference center facilities to that of the proposed subject property. Based on interviews conducted with these comparable facilities, HVS developed the following table to illustrate the volume of potential induced demand which the subject hotel conference center is likely to generate.

FIGURE 5-4 ROOM NIGHT DEMAND FROM THE SUBJECT HOTEL CONFERENCE CENTER

Total Meeting Space		Induced Room Nights Sold per sq.ft.		Total Induced Demand
20,000	X	0.36	=	7,200

As the preceding table indicates, the proposed hotel conference center is expected to generate significant lodging demand as a result of its conference space, similar to comparable properties around the country.

Accommodated Demand and Market-wide Occupancy

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

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

HVS

FIGURE 5-17 FORECAST OF MARKET OCCUPANCY

	2016	2017	2018	2019
Commercial				
Base Demand	155,172	156,724	158,291	158,291
Unaccommodated Demand	36,551	36,916	37,286	37,286
Total Demand	191,723	193,640	195,577	195,577
Growth Rate	1.0 %	1.0 %	1.0 %	0.0 %
Meeting and Group				
Base Demand	52,906	53,435	53,970	53,970
Unaccommodated Demand	7,913	7,992	8,072	8,072
Induced Demand	5,040	5,760	7,200	7,200
Total Demand	65,859	67,187	69,241	69,241
Growth Rate	9.4 %	2.0 %	3.1 %	0.0 %
Leisure				
Base Demand	52,221	52,744	53,271	53,271
Unaccommodated Demand	10,180	10,281	10,384	10,384
Total Demand	62,401	63,025	63,655	63,655
Growth Rate	1.0 %	1.0 %	1.0 %	0.0 %
Totals				
Base Demand	260,299	262,902	265,532	265,532
Unaccommodated Demand	54,643	55,190	55,742	55,742
Induced Demand	5,040	5,760	7,200	7,200
Total Demand	319,983	323,852	328,473	328,473
less: Residual Demand	0	0	0	0
Total Accommodated Demand	319,983	323,852	328,473	328,473
Overall Demand Growth	12.1 %	1.2 %	1.4 %	0.0 %
Market Mix				
Commercial	59.9 %	59.8 %	59.5 %	59.5 %
Meeting and Group	20.6	20.7	21.1	21.1
Leisure	19.5	19.5	19.4	19.4
Existing Hotel Supply	975	975	975	975
Proposed Hotels				
Proposed Downtown Hotel Bloomington [1]	150	150	150	150
Proposed Residence Inn [2]	80	80	80	80
Proposed Hyatt Place [3]	114	114	114	114
Available Rooms per Night	481,508	481,508	481,508	481,508
Nights per Year	365	365	365	365
Total Supply	1,319	1,319	1,319	1,319
Rooms Supply Growth	14.6 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	**66.5 %**	**67.3 %**	**68.2 %**	**68.2 %**

[1] Opening in January 2016 of the 100% competitive, 150-room Proposed Downtown Hotel Bloomington

[2] Opening in June 2014 of the 80% competitive, 100-room Proposed Residence Inn

[3] Opening in March 2015 of the 100% competitive, 114-room Proposed Hyatt Place

These room-night projections for the market area will be used in forecasting the proposed subject property's occupancy and average rate in Chapter 6.

6. Description of the Proposed Project

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

Project Overview

The Proposed Downtown Hotel Bloomington will be a select-service lodging facility containing 150 rentable units. Designs and plans are not finalized; however, we assume the development of a four-story property with an expected opening date of January 1, 2016. As discussed throughout this report, we assume the proposed hotel conference center will feature national branding and will be classified in the “upscale” chain scale, as defined by Smith Travel Research. Examples of such brands include aloft, Cambria Suites, Courtyard by Marriott, Hilton Garden Inn, Hotel Indigo, Hyatt Place, and SpringHill Suites by Marriott. Several of these brands currently exist or are under construction in the Bloomington-Normal market area. Although no branding decisions have been finalized, for the purpose of certain assumptions and financial modeling, HVS has given consideration to the Hilton Garden Inn brand throughout this section of our report. Project descriptions and sample images throughout this section are not intended to imply that any branding decision has been finalized.

TYPICAL HILTON GARDEN INN EXTERIOR

Summary of the Facilities

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

FIGURE 6-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
King		75
Queen/Queen		70
Suite		5
Total		150
Food & Beverage Facilities		**Seating Capacity**
Great American Grill		60
Conference Center & Banquet Facilities		**Square Footage**
Multipurpose Ballroom		15,000
Breakout Meeting Rooms		4,500
Executive Board Rooms		500
Total		20,000
Amenities & Services		
Indoor Swimming Pool	Exercise Room	
Indoor Whirlpool	Business Center	
Vending Areas	Market Pantry	
Guest Laundry Facility		
Infrastructure		
Garage Parking(Hotel & Conference Center)		300
Elevators		2 Guest, 2 Service
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Wood Framing, Poured Concrete

Site Improvements and Hotel Structure

Once guests enter the site, ample parking should be available on the surface lot around the perimeter of the hotel. Site improvements should include freestanding signage, which are expected to be located facing the busy Main Street (additional signage will be placed on the exterior of the building). We assume that all signage will adequately identify the property and meet brand standards. Planned landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks will be present along the front entrance and around the perimeter of the hotel. Other site improvements will include a trash area toward the rear of the property. Overall, the planned site improvements for the property should be adequate for an upscale downtown hotel.

The hotel structure will comprise one single building, which will be constructed of steel and reinforced concrete. The exterior of the hotel will be finished with stucco and will feature stone accents on the ground level and near the main entrance. Two stairways and two elevators will provide internal vertical transportation within the main structure. The hotel's roof will be made of wood trusses, covered with plywood and roof tiles or composition shingles. Double-paned windows will reduce noise transmission into the rooms. Heating and cooling will be provided by through-the-wall units and several large units for the public areas. Overall, the planned building components appear normal for a hotel of this type and should meet the standards for this market. We assume that all structural components will meet local building codes and that no significant defaults will occur during construction that may impact the future operating potential of the hotel or delay its assumed opening date.

Lobby

Guests will enter the hotel through a single set of automatic doors, which will open to a vestibule, and then through a second set of automatic doors. The lobby should be large and appropriate for a Hilton Garden Inn situated in downtown. The lobby walls should be finished with vinyl wall-covering, and the floor will be finished with stone tiles. The front desk should feature a granite countertop and should be installed with appropriate property management and telephone systems. The furnishings and finishes in this space should offer an appropriate first impression, and the design of the space should lend itself to adequate efficiency. We assume that all property management and guestroom technology will be appropriately installed for the effective management of hotel operations.

TYPICAL HILTON GARDEN INN LOBBY

Food and Beverage Facilities

The hotel should feature the Great American Grill restaurant and the Pavilion Lounge, both located off the lobby. The size and layout of these spaces should be appropriate for the hotel. The furnishings of the spaces should be of a similar style and finish as lobby and guestroom furnishings.

TYPICAL HILTON GARDEN INN DINING AREA

Overall, the hotel should provide a competitive offering of food and beverage facilities for a property of this type.

Meeting and Banquet Space

The hotel should offer multiple meeting rooms that are expected to be located on the first floor. This planned meeting space should be appropriate for a hotel of this type and is assumed to meet brand standards. Public restrooms near the entrance to the meeting space should enhance the overall functionality of the area.

TYPICAL HILTON GARDEN INN BALLROOM

Recreational Amenities

The hotel should offer an indoor pool with sundeck, an indoor whirlpool, and an exercise room as recreational facilities. Restrooms will be present off of the pool area. Furthermore, Stay Fit Kits® should be available at the front desk for in-room workouts.

Additional Amenities

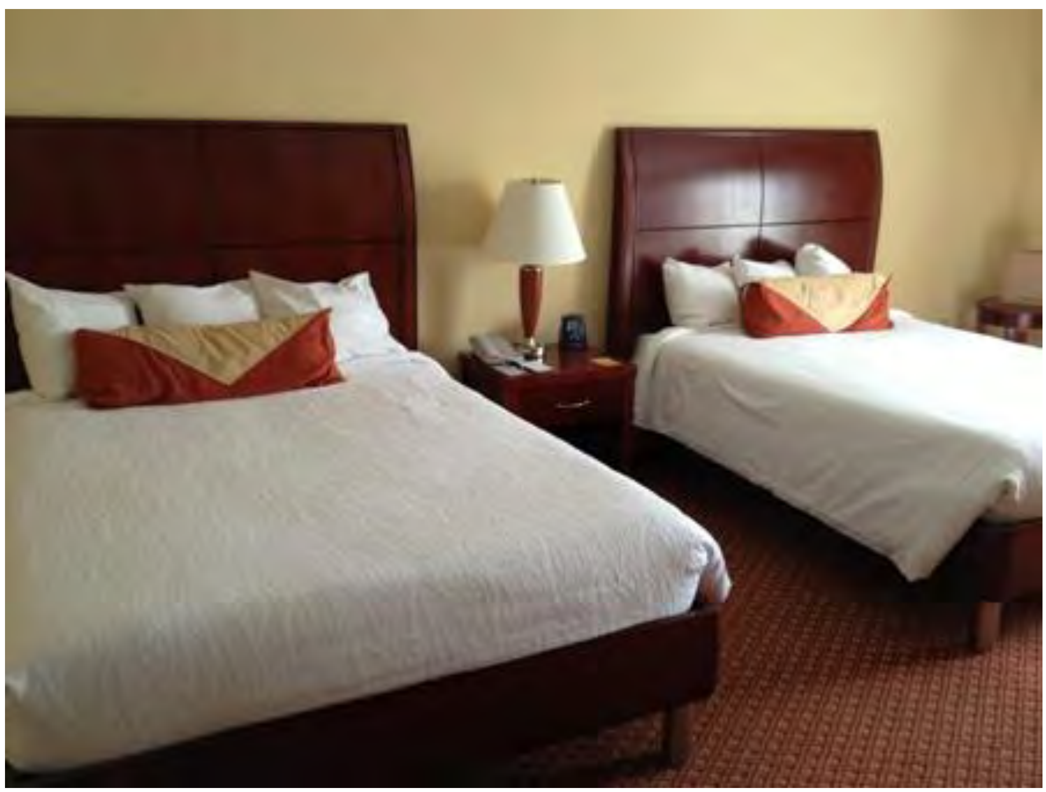
Other amenities should include a 24-hour complimentary business center, with secure remote printing, and the Pavilion Pantry, as well as ice machines on each guestroom floor. The ground floor of the structure should feature retail space that is expected to be leased to a third party. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

Guestrooms

The hotel should feature standard and suite-style guestroom configurations, and guestrooms should be present on the upper floors above the lobby level within the single building. The guestrooms should be spacious and offer typical amenities for this product type. In addition to the standard furnishings, guestrooms should feature a high-definition television, a work desk with ergonomic chair, an armchair with ottoman, a dresser, bedside tables, an iron and ironing board, and a microwave and small refrigerator, as well as a coffeemaker. Suites, which are expected to be available for a premium rate, should feature a separate living area. All guestrooms are expected to feature the Garden Sleep System™, as well as complimentary wired and wireless high-speed Internet access. Overall, the guestrooms should offer a competitive product for this neighborhood.

Guestroom bathrooms should be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors should be finished with tile, and the walls are expected to be finished with knockdown texture. Bathrooms should feature a hairdryer and complimentary toiletries. Overall, the bathroom design should be appropriate for a product of this type.

TYPICAL HILTON GARDEN INN GUESTROOM



The interior guestroom corridors should be wide and functional, permitting the easy passage of housekeeping carts. Corridor carpet, vinyl wall-covering, signage, and lighting should be in keeping with the overall look and design of the rest of the property.

Back-of-the-House

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

ADA and Environmental

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

Capital Expenditures

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

Preliminary Cost Analysis

For the purpose of this study, HVS has developed a preliminary cost analysis based on actual development budgets from our proprietary construction cost database and our Hotel Development Cost Survey, which HVS published in 2014.

FIGURE 6-2 SUBJECT PROPERTY PRELIMINARY COST ANALYSIS

Hotel		
Number of Rooms	150	
Component	Total	Per Rm
Building	$16,500,000	$110,000
FF&E	$2,700,000	$18,000
Pre-Opening Cost & Working Capital	$1,350,000	$9,000
Soft Costs/Remaining Components	$3,900,000	$26,000
Total	$24,450,000	$163,000

Conference Center	
Net Square Footage	20,000
Cost per Square Foot	$900
Total	$18,000,000

Parking Garage	
Parking Stalls	300
Cost per Stall	$12,500
Total	$3,750,000

Total Development	
Hotel	$24,450,000
Conference Center	$18,000,000
Parking Garage	$3,750,000
Land	$1,100,000
Total Development	**$47,300,000**

Source: HVS

As is illustrated in the preceding analysis, we assume that the total development cost of the hotel component will be roughly $24,450,000 or $163,000 per room. For the conference center facilities, we assume an additional development cost of $900 per net rentable square foot, which equals approximately $18,000,000 for the planned 20,000 square feet conference center. We assume the cost of building a parking garage will be approximately $12,500 per parking stall or $3,750,000 for 300 parking stalls. Furthermore, we assume a land cost of approximately $1,100,000, although site selection and acquisition strategies had not been finalized at the time of this report. HVS concludes that the total preliminary cost figures for the hotel conference center development is roughly $47,300,000 or $315,000 per room.

Conclusion

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

7. Projection of Occupancy and Average Rate

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

Penetration Rate Analysis

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share. A complete discussion of the concept of penetration is presented in the addenda.

Historical Penetration Rates by Market Segment

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

FIGURE 7-1 HISTORICAL PENETRATION RATES

Property	Commercial	Meeting and Group	Leisure	Overall
Marriott Hotel & Conference Center Bloomington Normal	86 %	139 %	71 %	94 %
Courtyard by Marriott Bloomington Normal	109	75	102	101
DoubleTree by Hilton Hotel Bloomington	106	131	81	106
Secondary Competition	103	72	122	100

The Courtyard by Marriott Bloomington Normal achieved the highest penetration rate within the commercial segment. The highest penetration rate in the meeting and group segment was achieved by the Marriott Hotel & Conference Center Bloomington Normal, while the secondary competition led the market with the highest leisure penetration rate.

Forecast of Subject Property's Occupancy

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

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

Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous tables.

The following tables set forth, by market segment, the projected adjusted penetration rates for the proposed subject property and each hotel in the competitive set.

FIGURE 7-2 COMMERCIAL SEGMENT ADJUSTED PENETRATION RATES

Hotel	2013	2014	2015	2016	2017	2018	2019
Marriott Hotel & Conference Center Bloomington Normal	86 %	86 %	86 %	86 %	86 %	86 %	86 %
Courtyard by Marriott Bloomington Normal	109	109	109	109	109	109	109
DoubleTree by Hilton Hotel Bloomington	106	106	106	106	106	106	106
Secondary Competition	103	103	103	103	103	103	103
Proposed Downtown Hotel Bloomington	**—**	**—**	**—**	**93**	**95**	**97**	**97**
Proposed Residence Inn	—	102	104	104	104	104	104

Within the commercial segment, the proposed subject hotel's penetration is positioned just under a market-average level by the stabilized period largely due to its focus on achieving high penetration in meeting and group segment. However, we note that the service, location, and brand of the proposed subject property is expected to be advantageous in this segment.

FIGURE 7-3 MEETING AND GROUP SEGMENT ADJUSTED PENETRATION RATES

Hotel	2013	2014	2015	2016	2017	2018	2019
Marriott Hotel & Conference Center Bloomington Normal	139 %	140 %	140 %	139 %	137 %	135 %	135 %
Courtyard by Marriott Bloomington Normal	75	75	75	74	74	73	73
DoubleTree by Hilton Hotel Bloomington	131	132	132	131	129	128	128
Secondary Competition	72	72	72	72	71	70	70
Proposed Downtown Hotel Bloomington	**—**	**—**	**—**	**109**	**118**	**126**	**126**
Proposed Residence Inn	—	95	96	94	93	92	92

The proposed Hilton Garden Inn is expected to achieve penetration higher than a market-average level by the stabilized period in this segment. Given the proposed property's location proximate to the U.S. Cellular Coliseum and the opening of the conference center which is planned to be developed with the proposed subject property, we anticipate the proposed property will capture a substantial amount of meeting attendees.

FIGURE 7-4 LEISURE SEGMENT ADJUSTED PENETRATION RATES

Hotel	2013	2014	2015	2016	2017	2018	2019
Marriott Hotel & Conference Center Bloomington Normal	71 %	71 %	71 %	73 %	73 %	72 %	72 %
Courtyard by Marriott Bloomington Normal	102	102	102	105	104	104	104
DoubleTree by Hilton Hotel Bloomington	81	81	80	83	82	82	82
Secondary Competition	122	121	121	125	124	123	123
Proposed Downtown Hotel Bloomington	**—**	**—**	**—**	**77**	**82**	**85**	**85**
Proposed Residence Inn	—	102	102	105	104	104	104

The proposed Hilton Garden Inn is favorably located in downtown Bloomington, which is replete with boutique stores, restaurants, and bars. The hotel is anticipated to be a leading option in this segment. However, due to its focus on achieving high penetration in meeting and group segment, the proposed subject property's leisure penetration rate is positioned below a market-average level.

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

FIGURE 7-5 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2016	2017	2018	2019
Commercial	60 %	58 %	57 %	57 %
Meeting and Group	24	25	26	26
Leisure	16	16	16	16
Total	100 %	100 %	100 %	100 %

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

FIGURE 7-6 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2016	2017	2018	2019
Commercial				
Demand	191,723	193,640	195,577	195,577
Market Share	10.6 %	10.8 %	11.0 %	11.0 %
Capture	20,351	20,949	21,555	21,555
Penetration	93 %	95 %	97 %	97 %
Meeting and Group				
Demand	65,859	67,187	69,241	69,241
Market Share	12.4 %	13.4 %	14.4 %	14.4 %
Capture	8,190	9,013	9,952	9,952
Penetration	109 %	118 %	126 %	126 %
Leisure				
Demand	62,401	63,025	63,655	63,655
Market Share	8.8 %	9.3 %	9.7 %	9.7 %
Capture	5,461	5,849	6,174	6,174
Penetration	77 %	82 %	85 %	85 %
Total Room Nights Captured	**34,002**	**35,811**	**37,680**	**37,680**
Available Room Nights	54,750	54,750	54,750	54,750
Subject Occupancy	**62 %**	**65 %**	**69 %**	**69 %**
Marketwide Available Room Nights	481,508	481,508	481,508	481,508
Fair Share	**11 %**	**11 %**	**11 %**	**11 %**
Marketwide Occupied Room Nights	319,983	323,852	328,473	328,473
Market Share	**11 %**	**11 %**	**11 %**	**11 %**
Marketwide Occupancy	**66 %**	**67 %**	**68 %**	**68 %**
Total Penetration	**93 %**	**97 %**	**101 %**	**101 %**

Based on our analysis of the proposed subject property and market area, we have selected a stabilized occupancy level of 69%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

Competitive Position

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

FIGURE 7-7 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2013 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Marriott Hotel & Conference Center Bloomington Normal	$150.00	129.8 %	$105.00	125.2 %
Courtyard by Marriott Bloomington Normal	125.00	108.2	93.75	111.8
DoubleTree by Hilton Hotel Bloomington	110.00	95.2	82.50	98.4
Average - Primary Competitors	$128.18	110.9 %	$92.68	110.5 %
Average - Secondary Competitors	102.23	88.5	74.45	88.8
Overall Average	**$115.57**		**$83.85**	

The defined primarily competitive market realized an overall average rate of $128.18 in the 2013 base year, improving from the 2012 level of $116.80. The Marriott Hotel & Conference Center achieved the highest estimated average rate in the local competitive market, by a significant margin, because of its full-service and upper-upscale product. The selected rate position for the proposed subject property, in base-year dollars, takes into consideration factors such as the hotel's upscale product, service quality, favorable location, conference center facility and brand. We have selected the rate position of $125.00, in base-year dollars, for the proposed subject hotel.

As illustrated previously, the average rate for the primarily competitive market averaged $116.80 in 2012, before reaching $128.18 in 2013. Market-wide rates began to trend upward in 2010. We expect average rates to continue to improve because of improving economy, revitalization taking place in downtown Normal and Bloomington, and entry of new high-quality hotels to the market.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2013.

FIGURE 7-8 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
Year	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	72.6 %	—	$115.57	—	—	$125.00	108.2 %
2014	70.5	7.0 %	123.66	—	7.0 %	133.75	108.2
2015	67.9	6.0	131.08	—	6.0	141.78	108.2
2016	66.5	5.5	138.29	62.0 %	5.5	149.57	108.2
2017	67.3	4.5	144.51	65.0	4.5	156.30	108.2
2018	68.2	3.0	148.85	69.0	3.0	160.99	108.2
2019	68.2	3.0	153.31	69.0	3.0	165.82	108.2

As illustrated above, a 7.0% rate of change is expected for the subject property's positioned 2013 room rate in 2014. This is followed by growth rates of 6.0% and 5.5% in 2015 and 2016, respectively. The Bloomington market should enjoy positive rate growth through the near term. The proposed subject property's rate position should reflect growth similar to market trends because of the proposed hotel's new hotel and conference center facility, strong brand affiliation, and favorable location in downtown Bloomington. The proposed subject property's penetration rate is forecast to reach 108.2% by the stabilized period.

The North American lodging market bottomed out in late 2009, at which time demand rebounded and the supply pipeline diminished. In 2010, occupancy rebounded strongly, and by 2011, average rates in most U.S. markets showed increases. By year-end 2013, occupancy approached the levels realized during the 2005–2007 timeframe, and average rate surpassed the prior 2008 peak. In many primary markets, strong occupancy levels and a lack of new supply are allowing hotel operators to make continued, aggressive average rate gains in 2014. While average rate growth is strong in some secondary and tertiary markets, it may be limited in the near term by the entrance of new supply. With demand now recovered from the correction in 2009, and new supply remaining muted in 2014 and 2015, markets should be able to support healthy average rate gains in the near term.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject property's average rates in the initial operating period have been discounted to reflect this likelihood. We forecast a 3.0% discount to the proposed subject property's forecast room rates in the first operating year, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast reflects years beginning on January 1, 2016, which correspond with our financial projections.

FIGURE 7-9 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate Before Discount	Discount	ADR	RevPAR
2016	62 %	$149.57	3.0 %	$145.09	$89.95
2017	65	156.30	0.0	156.30	101.60
2018	69	160.99	0.0	160.99	111.09

8. Projection of Income and Expense

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

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

Comparable Operating Statements

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

FIGURE 8-5 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2012/2013**	**2012**	**2011/12**	**2010/11**	**2008/09**	**2013**
Number of Rooms:	**120 to 150**	**210 to 270**	**110 to 140**	**160 to 200**	**150 to 190**	**150**
Occupied Rooms:	**32,812**	**55,008**	**31,922**	**45,726**	**32,070**	**37,778**
Days Open:	**365**	**320**	**366**	**365**	**365**	**365**
Occupancy:	**67%**	**72%**	**70%**	**70%**	**52%**	**69%**
Average Rate:	**$117**	**$108**	**$183**	**$130**	**$117**	**$139**
RevPAR:	**$78**	**$77**	**$128**	**$90**	**$61**	**$96**
REVENUE						
Rooms	63.3 %	72.1 %	63.3 %	84.4 %	80.3 %	68.6 %
Food & Beverage	36.0	22.3	29.5	7.5	16.5	30.3
Other Operated Departments	0.7	4.1	5.6	7.7	0.3	0.8
Rentals & Other Income	0.0	1.5	1.6	0.4	3.0	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	15.2	21.8	20.2	20.2	14.6	19.0
Food & Beverage	55.7	67.9	67.3	107.9	75.7	60.0
Other Operated Departments	165.3	48.7	90.0	75.1	180.8	100.0
Total	30.8	32.9	37.7	30.9	26.8	32.0
DEPARTMENTAL INCOME	69.2	67.1	62.3	69.1	73.2	68.0
OPERATING EXPENSES						
Administrative & General	6.4	7.7	9.7	8.3	7.8	7.2
Marketing	5.9	7.5	8.0	4.8	5.5	6.6
Franchise Fee	8.3	6.6	2.0	8.2	7.0	6.7
Property Operations & Maintenance	3.2	3.4	4.7	3.8	2.7	3.1
Utilities	4.7	4.6	5.4	6.4	3.0	4.5
Total	28.5	29.8	29.8	31.5	26.1	28.1
HOUSE PROFIT	40.7	37.3	32.5	37.6	47.1	39.9

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

FIGURE 8-6 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	2012/2013	2012	2011/12	2010/11	2008/09	2013
Number of Rooms:	120 to 150	210 to 270	110 to 140	160 to 200	150 to 190	150
Occupied Rooms:	32,812	55,008	31,922	45,726	32,070	37,778
Days Open:	365	320	366	365	365	365
Occupancy:	67%	72%	70%	70%	52%	69%
Average Rate:	$117	$108	$183	$130	$117	$139
RevPAR:	$78	$77	$128	$90	$61	$96
REVENUE						
Rooms	$28,319	$24,707	$46,696	$33,006	$22,374	$34,975
Food & Beverage	16,121	7,638	21,752	2,939	4,587	15,463
Other Operated Departments	297	1,417	4,144	3,011	78	399
Rentals & Other Income	0	508	1,168	167	832	125
Total	44,738	34,270	73,760	39,122	27,871	50,963
DEPARTMENTAL EXPENSES						
Rooms	4,316	5,385	9,432	6,672	3,269	6,645
Food & Beverage	8,976	5,184	14,648	3,171	3,471	9,278
Other Operated Departments	492	691	3,728	2,261	140	399
Total	13,784	11,260	27,808	12,105	7,469	16,322
DEPARTMENTAL INCOME	30,954	23,010	45,952	27,018	20,402	34,640
OPERATING EXPENSES						
Administrative & General	2,872	2,627	7,184	3,233	2,177	3,664
Marketing	2,661	2,566	5,864	1,872	1,545	3,367
Franchise Fee	3,697	2,252	1,480	3,222	1,962	3,428
Property Operations & Maintenance	1,415	1,180	3,464	1,483	749	1,585
Utilities	2,091	1,577	3,992	2,500	830	2,278
Total	12,736	10,203	21,984	12,311	7,263	14,321
HOUSE PROFIT	18,218	12,807	23,968	14,707	13,139	20,319

FIGURE 8-7 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2012/2013**	**2012**	**2011/12**	**2010/11**	**2008/09**	**2013**
Number of Rooms:	**120 to 150**	**210 to 270**	**110 to 140**	**160 to 200**	**150 to 190**	**150**
Occupied Rooms:	**32,812**	**55,008**	**31,922**	**45,726**	**32,070**	**37,778**
Days Open:	**365**	**320**	**366**	**365**	**365**	**365**
Occupancy:	**67%**	**72%**	**70%**	**70%**	**52%**	**69%**
Average Rate:	**$117**	**$108**	**$183**	**$130**	**$117**	**$139**
RevPAR:	**$78**	**$77**	**$128**	**$90**	**$61**	**$96**
REVENUE						
Rooms	$116.52	$107.80	$182.85	$129.93	$117.21	$138.87
Food & Beverage	66.33	33.32	85.18	11.57	24.03	61.40
Other Operated Departments	1.22	6.18	16.23	11.85	0.41	1.58
Rentals & Other Income	0.00	2.22	4.57	0.66	4.36	0.50
Total	184.07	149.52	288.83	154.00	146.00	202.35
DEPARTMENTAL EXPENSES						
Rooms	17.76	23.49	36.93	26.27	17.12	26.39
Food & Beverage	36.93	22.62	57.36	12.48	18.18	36.84
Other Operated Departments	2.02	3.01	14.60	8.90	0.73	1.58
Total	56.71	49.13	108.89	47.65	39.13	64.81
DEPARTMENTAL INCOME	127.36	100.39	179.94	106.35	106.88	137.54
OPERATING EXPENSES						
Administrative & General	11.82	11.46	28.13	12.73	11.40	14.55
Marketing	10.95	11.20	22.96	7.37	8.09	13.37
Franchise Fee	15.21	9.83	5.80	12.68	10.28	13.61
Property Operations & Maintenance	5.82	5.15	13.56	5.84	3.92	6.29
Utilities	8.60	6.88	15.63	9.84	4.35	9.04
Total	52.40	44.52	86.09	48.46	38.05	56.86
HOUSE PROFIT	74.95	55.88	93.85	57.89	68.83	80.68

The comparables' departmental income ranged from 62.3% to 73.2% of total revenue. The comparable properties achieved a house profit ranging from 32.5% to 47.1% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

Fixed and Variable Component Analysis

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

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

Inflation Assumption

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimates made by economists at some noted institutions and corporations.

FIGURE 8-8 INFLATION ESTIMATES

Name	Firm	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier) Dec. 2013	June 2014	Dec. 2014	June 2015	Dec. 2015
Lewis Alexander	Nomura Securities International	1.3 %	1.9 %	1.9 %	1.9 %	2.0 %
Paul Ashworth	Capital Economics	1.4	1.8	1.9	2.0	2.0
Beth Ann Bovino	Standard and Poor's	1.1	1.5	1.7	1.7	1.9
Jay Brinkmann	Mortgage Bankers Association	1.5	2.1	2.0	2.1	2.3
Michael Carey	Credit Agricole CIB	1.5	1.4	1.8	1.9	2.0
Joseph Carson	AllianceBernstein	1.8	2.0	2.0	2.2	2.4
Julia Coronado	BNP Paribas	1.5	1.3	1.7	1.8	1.8
Mike Cosgrove	Econoclast	1.8	2.0	2.0	2.3	2.4
Lou Crandall	Wrightson ICAP	1.4	1.5	2.2	2.4	2.5
J. Dewey Daane	Vanderbilt University	1.0	2.0	2.0	2.0	2.0
Douglas Duncan	Fannie Mae	1.1	1.5	1.6	1.7	1.8
Robert Dye	Comerica Bank	1.2	1.7	1.8	1.8	1.9
Maria Fiorini Ramirez/Joshua Shapiro	MFR, Inc.	1.3	1.8	1.8	—	—
Doug Handler	IHS Global Insight	1.5	1.5	1.5	1.6	1.7
Ethan Harris	Bank of America Securities- Merrill Lynch	1.5	1.4	1.4	—	—
Maury Harris	UBS	1.2	1.8	2.4	2.5	2.5
Jan Hatzius	Goldman, Sachs & Co.	1.2	1.7	1.7	1.8	2.0
Tracy Herrick	Avidbank	2.6	2.7	2.9	3.4	3.9
Stuart Hoffman	PNC Financial Services Group	1.2	1.8	2.0	2.2	2.2
Joseph LaVorgna	Deutsche Bank Securities, Inc.	1.8	2.7	2.6	2.4	2.2
Edward Leamer/David Shulman	UCLA Anderson Forecast	1.4	1.6	2.0	2.4	2.3
Don Leavens/Tim Gill	NEMA Business Information Services	1.6	1.9	2.0	2.1	2.2
John Lonski	Moody's Investors Service	1.3	1.6	1.8	1.8	1.6
Dean Maki	Barclays Capital	1.7	1.7	2.2	—	—
Aneta Markowska	Societe Generale	1.3	1.4	2.0	2.0	2.4
Jim Meil/Arun Raha	Eaton Corp.	1.0	1.4	1.8	2.0	2.1
Robert Mellman	JP Morgan Chase & Co.	1.2	1.6	1.6	1.8	1.9
Michael P. Niemira	International Council of Shopping Centers	1.5	2.2	2.3	2.5	2.5
Jim O'Sullivan	High Frequency Economics	1.2	1.7	2.3	2.4	2.5
Dr. Joel Prakken/ Chris Varvares	Macroeconomic Advisers	1.1	1.7	1.7	1.7	1.8
Vincent Reinhart	Morgan Stanley	1.7	1.9	2.0	2.0	2.1
John Ryding/Conrad DeQuadros	RDQ Economics	1.3	1.8	2.3	—	—
Ian Shepherdson	Pantheon Macroeconomics	1.7	1.9	1.9	2.0	2.0
Allen Sinai	Decision Economics, Inc.	1.4	1.6	2.8	2.2	2.3
James F. Smith	Parsec Financial Management	1.0	1.0	1.1	1.2	1.3
Sean M. Snaith	University of Central Florida	1.0	1.9	1.6	1.6	1.7
Sung Won Sohn	California State University	1.8	1.9	1.7	1.6	1.9
Neal Soss	CSFB	1.5	1.4	1.7	—	—
Stephen Stanley	Pierpont Securities	1.6	2.0	2.4	2.6	2.9
Susan M. Sterne	Economic Analysis Associates Inc.	1.6	1.9	2.6	2.1	2.0
Diane Swonk	Mesirow Financial	1.2	1.3	1.4	1.5	1.6
Carl Tannenbaum	The Northern Trust	1.5	1.6	2.0	2.1	2.2
Bart van Ark	The Conference Board	1.2	1.8	2.0	2.1	2.2
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	1.3	1.9	2.0	2.3	2.5
William T. Wilson	Skolkovo Institute for Emerging Market Studies	0.9	1.1	1.2	1.6	1.8
Lawrence Yun	National Association of Realtors	1.2	2.3	2.8	3.3	3.4
	Averages:	1.4 %	1.7 %	2.0 %	2.1 %	2.2 %

Source: wsj.com, January 15, 2014

As the preceding table indicates, the financial analysts who were surveyed in December of 2013 anticipated inflation rates ranging from 0.9% to 2.6% (on an annualized basis) for December 2013; the average of these data points was 1.4%. The same group expects a slightly higher annualized 1.7% inflation rate for June 2014. These rates are lower than the inflation rate averages for December 2014 and June 2015, shown at 2.0% and 2.1%, respectively.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

FIGURE 8-9 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)

Year	National Consumer Price Index	Percent Change from Previous Year
2002	179.9	—
2003	184.0	2.3 %
2004	188.9	2.7
2005	195.3	3.4
2006	201.6	3.2
2007	207.3	2.8
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
2011	224.9	3.1
2012	229.6	2.1
Average Annual Compounded Change		
	2002 - 2012:	2.5 %
	2007 - 2012:	2.1

Source: Bureau of Labor Statistics

Between 2002 and 2012, the national CPI increased at an average annual compounded rate of 2.5%; from 2007 to 2012, the CPI rose by a slightly lower average annual compounded rate of 2.1%. In 2012, the CPI rose by 2.1%, a decrease from the level of 3.1% recorded in 2011.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2013. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Summary of Projections

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2016, expressed in inflated dollars for each year.

FIGURE 8-10 DETAILED FORECAST OF INCOME AND EXPENSE

	2016	(Calendar Year)			2017				Stabilized				2019				2020			
Number of Rooms:	**150**				**150**				**150**				**150**				**150**			
Occupancy:	**62%**				**65%**				**69%**				**69%**				**69%**			
Average Rate:	**$145.09**				**$156.30**				**$160.99**				**$165.82**				**$170.80**			
RevPAR:	**$89.95**				**$101.60**				**$111.08**				**$114.42**				**$117.85**			
Days Open:	**365**				**365**				**365**				**365**				**365**			
Occupied Rooms:	**33,945**	**%Gross**	**PAR**	**POR**	**35,588**	**%Gross**	**PAR**	**POR**	**37,778**	**%Gross**	**PAR**	**POR**	**37,778**	**%Gross**	**PAR**	**POR**	**37,778**	**%Gross**	**PAR**	**POR**
REVENUE																				
Rooms	$4,925	67.0 %	$32,833	$145.09	$5,562	68.3 %	$37,080	$156.29	$6,082	68.6 %	$40,547	$161.00	$6,264	68.6 %	$41,760	$165.81	$6,452	68.6 %	$43,013	$170.79
Food & Beverage	2,342	31.9	15,612	68.99	2,497	30.7	16,648	70.17	2,689	30.3	17,926	71.18	2,770	30.3	18,464	73.31	2,853	30.3	19,018	75.51
Other Operated Departments	63	0.9	423	1.87	66	0.8	441	1.86	69	0.8	463	1.84	71	0.8	476	1.89	74	0.8	491	1.95
Rentals & Other Income	20	0.3	132	0.58	21	0.3	138	0.58	22	0.2	145	0.57	22	0.2	149	0.59	23	0.2	153	0.61
Total Revenues	7,350	100.0	49,000	216.53	8,146	100.0	54,307	228.90	8,862	100.0	59,080	234.59	9,127	100.0	60,850	241.61	9,401	100.0	62,676	248.86
DEPARTMENTAL EXPENSES *																				
Rooms	1,045	21.2	6,967	30.79	1,096	19.7	7,306	30.79	1,156	19.0	7,704	30.59	1,190	19.0	7,935	31.51	1,226	19.0	8,173	32.45
Food & Beverage	1,469	62.7	9,791	43.27	1,536	61.5	10,238	43.15	1,613	60.0	10,756	42.71	1,662	60.0	11,079	43.99	1,712	60.0	11,411	45.31
Other Operated Departments	65	102.2	432	1.91	67	101.2	447	1.88	69	100.0	463	1.84	71	100.0	476	1.89	74	100.0	491	1.95
Total	2,579	35.1	17,190	75.96	2,699	33.1	17,991	75.83	2,838	32.0	18,922	75.13	2,923	32.0	19,490	77.39	3,011	32.0	20,075	79.71
DEPARTMENTAL INCOME	4,771	64.9	31,810	140.56	5,447	66.9	36,316	153.07	6,024	68.0	40,158	159.45	6,204	68.0	41,360	164.22	6,390	68.0	42,601	169.15
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	583	7.9	3,884	17.16	610	7.5	4,069	17.15	637	7.2	4,248	16.87	656	7.2	4,375	17.37	676	7.2	4,506	17.89
Marketing	535	7.3	3,569	15.77	561	6.9	3,739	15.76	586	6.6	3,903	15.50	603	6.6	4,020	15.96	621	6.6	4,141	16.44
Franchise Fee	483	6.6	3,218	14.22	545	6.7	3,634	15.32	596	6.7	3,974	15.78	614	6.7	4,092	16.25	632	6.7	4,215	16.74
Prop. Operations & Maint.	252	3.4	1,679	7.42	264	3.2	1,760	7.42	276	3.1	1,837	7.29	284	3.1	1,892	7.51	292	3.1	1,949	7.74
Utilities	362	4.9	2,414	10.67	379	4.7	2,529	10.66	396	4.5	2,641	10.48	408	4.5	2,720	10.80	420	4.5	2,801	11.12
Total	2,215	30.1	14,764	65.24	2,360	29.0	15,731	66.31	2,490	28.1	16,602	65.92	2,565	28.1	17,100	67.90	2,642	28.1	17,613	69.93
HOUSE PROFIT	2,557	34.8	17,046	75.32	3,088	37.9	20,584	86.76	3,533	39.9	23,556	93.53	3,639	39.9	24,260	96.33	3,748	39.9	24,988	99.22
Management Fee	220	3.0	1,470	6.50	244	3.0	1,629	6.87	266	3.0	1,772	7.04	274	3.0	1,825	7.25	282	3.0	1,880	7.47
INCOME BEFORE FIXED CHARGES	2,336	31.8	15,576	68.83	2,843	34.9	18,955	79.90	3,268	36.9	21,784	86.49	3,365	36.9	22,435	89.08	3,466	36.9	23,108	91.75
FIXED EXPENSES																				
Property Taxes	209	2.8	1,395	6.16	214	2.6	1,430	6.03	221	2.5	1,473	5.85	228	2.5	1,517	6.02	234	2.5	1,562	6.20
Insurance	49	0.7	325	1.43	50	0.6	334	1.41	52	0.6	344	1.37	53	0.6	355	1.41	55	0.6	365	1.45
Reserve for Replacement	147	2.0	980	4.33	244	3.0	1,629	6.87	354	4.0	2,363	9.38	365	4.0	2,434	9.66	376	4.0	2,507	9.95
Total	405	5.5	2,700	11.93	509	6.2	3,393	14.30	627	7.1	4,180	16.60	646	7.1	4,306	17.10	665	7.1	4,435	17.61
NET INCOME	$1,931	26.3 %	$12,876	$56.90	$2,334	28.7 %	$15,562	$65.59	$2,640	29.8 %	$17,603	$69.90	$2,719	29.8 %	$18,129	$71.98	$2,801	29.8 %	$18,673	$74.14

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

FIGURE 8-11 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2016		2017		2018		2019		2020	
Number of Rooms:	**150**		**150**		**150**		**150**		**150**	
Occupied Rooms:	**33,945**		**35,588**		**37,778**		**37,778**		**37,778**	
Occupancy:	**62%**		**65%**		**69%**		**69%**		**69%**	
Average Rate:	**$145.09**	**% of**	**$156.30**	**% of**	**$160.99**	**% of**	**$165.82**	**% of**	**$170.80**	**% of**
RevPAR:	**$89.95**	**Gross**	**$101.60**	**Gross**	**$111.08**	**Gross**	**$114.42**	**Gross**	**$117.85**	**Gross**
REVENUE										
Rooms	$4,925	67.0 %	$5,562	68.3 %	$6,082	68.6 %	$6,264	68.6 %	$6,452	68.6 %
Food & Beverage	2,342	31.9	2,497	30.7	2,689	30.3	2,770	30.3	2,853	30.3
Other Operated Departments	63	0.9	66	0.8	69	0.8	71	0.8	74	0.8
Rentals & Other Income	20	0.3	21	0.3	22	0.2	22	0.2	23	0.2
Total	7,350	100.0	8,146	100.0	8,862	100.0	9,127	100.0	9,401	100.0
DEPARTMENTAL EXPENSES*										
Rooms	1,045	21.2	1,096	19.7	1,156	19.0	1,190	19.0	1,226	19.0
Food & Beverage	1,469	62.7	1,536	61.5	1,613	60.0	1,662	60.0	1,712	60.0
Other Operated Departments	65	102.2	67	101.2	69	100.0	71	100.0	74	100.0
Total	2,579	35.1	2,699	33.1	2,838	32.0	2,923	32.0	3,011	32.0
DEPARTMENTAL INCOME	4,771	64.9	5,447	66.9	6,024	68.0	6,204	68.0	6,390	68.0
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	583	7.9	610	7.5	637	7.2	656	7.2	676	7.2
Marketing	535	7.3	561	6.9	586	6.6	603	6.6	621	6.6
Franchise Fee	483	6.6	545	6.7	596	6.7	614	6.7	632	6.7
Prop. Operations & Maint.	252	3.4	264	3.2	276	3.1	284	3.1	292	3.1
Utilities	362	4.9	379	4.7	396	4.5	408	4.5	420	4.5
Total	2,215	30.1	2,360	29.0	2,490	28.1	2,565	28.1	2,642	28.1
HOUSE PROFIT	2,557	34.8	3,088	37.9	3,533	39.9	3,639	39.9	3,748	39.9
Management Fee	220	3.0	244	3.0	266	3.0	274	3.0	282	3.0
INCOME BEFORE FIXED CHARGES	2,336	31.8	2,843	34.9	3,268	36.9	3,365	36.9	3,466	36.9
FIXED EXPENSES										
Property Taxes	209	2.8	214	2.6	221	2.5	228	2.5	234	2.5
Insurance	49	0.7	50	0.6	52	0.6	53	0.6	55	0.6
Reserve for Replacement	147	2.0	244	3.0	354	4.0	365	4.0	376	4.0
Total	405	5.5	509	6.2	627	7.1	646	7.1	665	7.1
NET INCOME	$1,931	26.3 %	$2,334	28.7 %	$2,640	29.8 %	$2,719	29.8 %	$2,801	29.8 %

	2021		2022		2023		2024		2025	
Number of Rooms:	**150**		**150**		**150**		**150**		**150**	
Occupied Rooms:	**37,778**		**37,778**		**37,778**		**37,778**		**37,778**	
Occupancy:	**69%**		**69%**		**69%**		**69%**		**69%**	
Average Rate:	**$175.92**	**% of**	**$181.20**	**% of**	**$186.63**	**% of**	**$192.23**	**% of**	**$198.00**	**% of**
RevPAR:	**$121.39**	**Gross**	**$125.03**	**Gross**	**$128.78**	**Gross**	**$132.64**	**Gross**	**$136.62**	**Gross**
REVENUE										
Rooms	$6,646	68.6 %	$6,845	68.6 %	$7,051	68.6 %	$7,262	68.6 %	$7,480	68.6 %
Food & Beverage	2,938	30.3	3,026	30.3	3,117	30.3	3,211	30.3	3,307	30.3
Other Operated Departments	76	0.8	78	0.8	80	0.8	83	0.8	85	0.8
Rentals & Other Income	24	0.2	24	0.2	25	0.2	26	0.2	27	0.2
Total	9,684	100.0	9,974	100.0	10,274	100.0	10,582	100.0	10,899	100.0
DEPARTMENTAL EXPENSES*										
Rooms	1,263	19.0	1,301	19.0	1,340	19.0	1,380	19.0	1,421	19.0
Food & Beverage	1,763	60.0	1,816	60.0	1,870	60.0	1,926	60.0	1,984	60.0
Other Operated Departments	76	100.0	78	100.0	80	100.0	83	100.0	85	100.0
Total	3,102	32.0	3,195	32.0	3,290	32.0	3,389	32.0	3,491	32.0
DEPARTMENTAL INCOME	6,582	68.0	6,779	68.0	6,983	68.0	7,192	68.0	7,408	68.0
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	696	7.2	717	7.2	739	7.2	761	7.2	784	7.2
Marketing	640	6.6	659	6.6	679	6.6	699	6.6	720	6.6
Franchise Fee	651	6.7	671	6.7	691	6.7	712	6.7	733	6.7
Prop. Operations & Maint.	301	3.1	310	3.1	319	3.1	329	3.1	339	3.1
Utilities	433	4.5	446	4.5	459	4.5	473	4.5	487	4.5
Total	2,721	28.1	2,803	28.1	2,887	28.1	2,974	28.1	3,063	28.1
HOUSE PROFIT	3,861	39.9	3,977	39.9	4,096	39.9	4,219	39.9	4,346	39.9
Management Fee	291	3.0	299	3.0	308	3.0	317	3.0	327	3.0
INCOME BEFORE FIXED CHARGES	3,571	36.9	3,677	36.9	3,788	36.9	3,901	36.9	4,019	36.9
FIXED EXPENSES										
Property Taxes	241	2.5	249	2.5	256	2.5	264	2.5	272	2.5
Insurance	56	0.6	58	0.6	60	0.6	62	0.6	64	0.6
Reserve for Replacement	387	4.0	399	4.0	411	4.0	423	4.0	436	4.0
Total	685	7.1	706	7.1	727	7.1	749	7.1	771	7.1
NET INCOME	$2,885	29.8 %	$2,972	29.8 %	$3,061	29.8 %	$3,153	29.8 %	$3,247	29.8 %

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

Forecast of Income and Expense

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject property's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2016, expressed in inflated dollars for each year.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject property is expected to stabilize at an occupancy level of 69% with an average rate of $160.99 in 2018. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

Food and Beverage Revenue

Food and beverage revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In addition to providing a source of revenue, these outlets serve as an amenity that assists in the sale of guestrooms. With the exception of properties with active lounges or banquet facilities that draw local residents, in-house guests generally represent a substantial percentage of a hotel's food and beverage patrons. In the case of the Proposed Downtown Hotel Bloomington, the food and beverage department will include a restaurant and lounge; moreover, banquet space is expected to span 20,000 square feet.

Although food and beverage revenue varies directly with changes in occupancy, the small portion generated by banquet sales and outside capture is relatively fixed. The comparable statements illustrated food and beverage revenue between 8.9% and 56.9% of rooms revenue, or $11.57 and $85.18 per occupied room.

The proposed subject property's food and beverage operation is expected to be an important component of the hotel. Therefore, based upon our review of comparable operating statements, we have positioned an appropriate revenue level given the hotel's planned facility and price point. We would expect future moderate growth to occur within this category after the hotel's opening. We project food and beverage revenue to be $68.99 per occupied room, in the first projection year. These per-occupied-room amounts increase to $71.18 for food and beverage revenue categories by the stabilized year.

Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage. The proposed subject property's other operated departments revenue sources are expected to include the hotel's telephone charges, market pantry, business center services, and parking revenue. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property.

The comparable operating statements illustrate other operated departments revenue ranging from 0.3% to 9.1% of rooms revenue and $0.41 to $16.23 per occupied room. We forecast the proposed subject property's other operated departments revenue to stabilize at 1.1% of rooms revenue or $1.84 per occupied room by the stabilized year, 2018.

Rentals & Other Income

The rentals and other income sources comprise those other than guestrooms, food and beverage, and the other operated departments. The proposed subject property's rentals and other income revenues are expected to be generated primarily by the hotel's guest laundry income, in-room movie and game charges, vending areas, and retail outlets. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property. Rentals and other income revenue for the comparables ranged 0.4% to 3.7% of rooms revenue or $0.66 to $4.57 on a per-occupied-room basis. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. We forecast the proposed subject property's rentals and other income to stabilize at $0.57 per occupied room by the stabilized year, 2018.

Rooms Expense

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

Commissions and reservations are usually based on room sales, and thus are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

The comparables illustrated rooms expense ranging between 14.6% and 21.8% of rooms revenue; on a per-occupied-room basis, the range was between $17.12 and $36.93. We have projected rooms expense for the proposed subject property at 21.2% in the first year (or $30.79 per occupied room), stabilizing at 19.0% in 2018 (or $30.59 per occupied room). The proposed subject property's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

Food and Beverage Expense

Food expenses consist of items necessary for the primary operation of a hotel's food and banquet facilities. The costs associated with food sales and payroll are moderately to highly correlated to food revenues. Items such as china, linen and uniforms are less dependent on volume. Although the other expense items are basically fixed, they represent a relatively insignificant factor. Beverage expenses consist of items necessary for the operation of a hotel's lounge and bar areas. The costs associated with beverage sales and payroll are moderately to highly correlated to beverage revenues.

The comparables illustrate food and beverage expense ranging between 55.7% and 107.9% of food and beverage revenue. We have projected a stabilized expense ratio of 60.0% in 2018. The proposed subject property's food and beverage operation is expected to be efficiently managed and operate at an expense level that is in line with other comparable operations.

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories. This was previously discussed in this chapter. The comparables illustrated other operated departments expense ranging between $0.73 and $14.60 per occupied room. We have projected a stabilized expense ratio of 100.0% in 2018. The proposed subject property's other operated departments revenue sources are expected to include the hotel's telephone charges, guest laundry fees, and possible parking revenue. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property.

Administrative and General Expense

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

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

As a percentage of total revenue, the comparable operations indicate an administrative and general expense range from 6.4% to 9.7%, or $2,177 to $7,184 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the administrative and general expense level at a market- and property-supported level. In the first projection year, we have projected administrative and general expense for the proposed subject property to be $3,884 per available room, or 7.9% of total revenue. By the 2018 stabilized year, these amounts change to $4,248 per available room and 7.2% of total revenue.

Marketing Expense

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

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

Marketing expenditures are unusual because although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

As a percentage of total revenue, the comparable operations indicate a marketing expense range from 4.8% to 8.0%, or $1,545 to $5,864 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the marketing expense level at a market- and property-supported level. In the first projection year, we have projected marketing expense for the proposed subject property to be $3,569 per available room, or 7.3% of total revenue. By the 2018 stabilized year, these amounts change to $3,903 per available room and 6.6% of total revenue.

Franchise Fee

As previously discussed, the subject is expected to be franchised under the Hilton Garden Inn brand. Costs associated with this franchise are summarized in the introductory chapter in this report.

Property Operations and Maintenance

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

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

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

As a percentage of total revenue, the comparable operations indicate a property operations and maintenance expense range from 2.7% to 4.7%, or $749 to $3,464 per available room. We expect the proposed subject property's maintenance operation to be well managed, and expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected property operations and maintenance expense for the proposed subject property to be $1,679 per available room, or 3.4% of total revenue. By the 2018 stabilized year, these amounts change to $1,837 per available room and 3.1% of total revenue.

Utilities Expense

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

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking.

As a percentage of total revenue, the comparable operations indicate a utilities expense range from 3.0% to 6.4%, or $830 to $3,992 per available room. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected utilities expense for the proposed subject property to be $2,414 per available room, or 4.9% of total revenue. By the 2018 stabilized year, these amounts change to $2,641 per available room and 4.5% of total revenue.

Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal-specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the subject property have been forecast at 3.0% of total revenue.

Property Taxes

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

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

FIGURE 8-12 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Number of Rooms	Total Assessment Land	Improvements	Total
Marriott Hotel & Conference Center Bloomington Normal	228	$241,736	$4,698,264	$4,940,000
Hampton Inn & Suites Normal	128	250,211	1,438,213	1,688,424
Courtyard by Marriott Bloomington Normal	78	210,388	1,053,024	1,263,412
DoubleTree by Hilton Hotel Bloomington	197	356,922	3,056,207	3,413,129
Assessments per Room				
Marriott Hotel & Conference Center Bloomington Normal		$1,060	$20,606	$21,667
Hampton Inn & Suites Normal		1,955	11,236	13,191
Courtyard by Marriott Bloomington Normal		2,697	13,500	16,198
DoubleTree by Hilton Hotel Bloomington		1,812	15,514	17,326
Positioned Subject - Per Room	**150**	**$1,800**	**$15,500**	**$17,300**
Positioned Subject - Total		**$270,000**	**$2,325,000**	**$2,595,000**

McLean County Assessor's Office

We have positioned the proposed subject property's future assessment levels based upon the illustrated comparable data. We have positioned the assessment closest to the Doubletree by Hilton because of the similarity in product type; overall, the positioned assessment is well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 7.86644%. The following table shows changes in the tax rate during the last several years.

FIGURE 8-13 COUNTY TAX RATES

Year	Real Property Tax Rate
2010	7.79371
2011	7.82128
2012	7.86644

McLean County Assessor's Office

Based on comparable assessments and the tax rate information, the proposed subject property's projected property tax expense levels are calculated as follows.

FIGURE 8-14 PROJECTED PROPERTY TAX EXPENSE

Year	Assessed Value Land	Improvements	Total	Property Tax Rate	Tax Forecast
Positioned	$270,000	$2,325,000	$2,595,000	7.87	$204,134
2016	$270,000	$2,325,000	$2,595,000	8.06	$209,237
2017	270,000	2,325,000	2,595,000	8.26	214,468
2018	270,000	2,325,000	2,595,000	8.51	220,902

Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

Based on comparable data and the structural attributes of the proposed project, we have forecast the proposed subject property's insurance expense at $344 per available room by the stabilized year (positioned at $300 on a per-available-room basis in base-year dollars). This forecast equates to 0.6% of total revenue on a stabilized basis. In subsequent years, this amount is assumed to increase in tandem with inflation.

Reserve for Replacement

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

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

The International Society of Hospitality Consultants (ISHC) undertook a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent findings of the study were published in a report in 2007.[8] Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount is ramped up during the initial projection period.

Conclusion

In conclusion, our analysis reflects a profitable operation, with house profit expected to total 39.9% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. Departmental expenses total 32.0% of revenue by the stabilized year, while undistributed operating expenses total 28.1% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 7.1% of total revenues in fixed expenses, a net income ratio of 29.8% is forecast by the stabilized year.

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[8] The International Society of Hotel Consultants, *CapEx 2007, A Study of Capital Expenditure in the U.S. Hotel Industry*.

9. Feasibility Analysis

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

As an individual or company considering investment in hotel real estate, the decision to use one's own cash, an equity partner's capital, or lender financing will be an internal one. Because hotels typically require a substantial investment, only the largest investors and hotel companies generally have the means to purchase properties with all cash. We would anticipate the involvement of some financing by a third party for the typical investor or for those who may be entering the market for hotel acquisitions at this time. In leveraged acquisitions and developments where investors typically purchase or build upon real estate with a small amount of equity cash (20% to 50%) and a large amount of mortgage financing (50% to 80%), it is important for the equity investor to acknowledge the return requirements of the debt participant (mortgagee), as well as his or her own return requirements. Therefore, we will begin our rate of return analysis by reviewing the debt requirements of typical hotel mortgagees.

Preliminary Cost Analysis

For the purpose of this study, HVS has developed preliminary cost figures based on actual cost budgets stored in our internal database and Hotel Development Cost Survey 2013/2014 published by HVS.

The following table sets forth a summary of preliminary cost figures that we have prepared for the proposed subject property.

FIGURE 9-1 SUBJECT PROPERTY – PRELIMINARY COST ANALYSIS

Hotel		
Number of Rooms	150	
Component	Total	Per Rm
Building	$16,500,000	$110,000
FF&E	$2,700,000	$18,000
Pre-Opening Cost & Working Capital	$1,350,000	$9,000
Soft Costs/Remaining Components	$3,900,000	$26,000
Total	$24,450,000	$163,000

Conference Center	
Net Square Footage	20,000
Cost per Square Foot	$900
Total	$18,000,000

Parking Garage	
Parking Stalls	300
Cost per Stall	$12,500
Total	$3,750,000

Total Development	
Hotel	$24,450,000
Conference Center	$18,000,000
Parking Garage	$3,750,000
Land	$1,100,000
Total Development	**$47,300,000**

Source: HVS

Mortgage Component

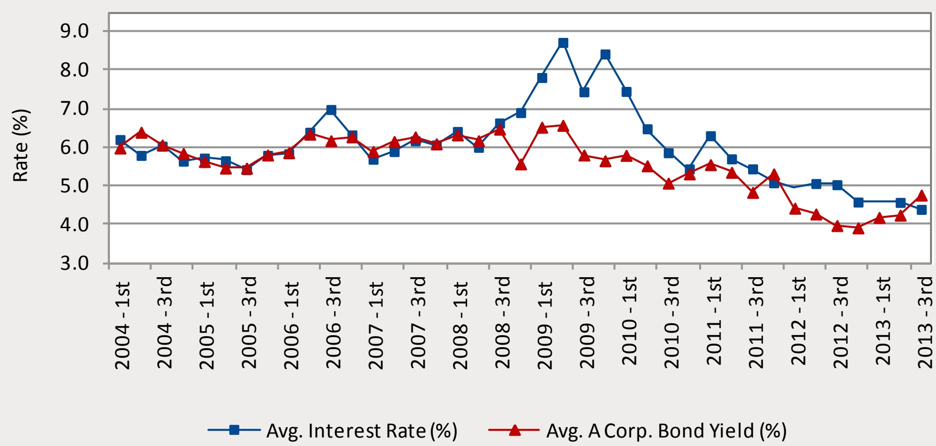
Hotel financing is currently very active at all tiers of the lodging industry. Lenders are attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate, and the industry is performing strongly, with supply growth constrained. Commercial banks, mortgage REITs, insurance companies, and CMBS and mezzanine lenders are aggressively pursuing deals. Financing is also increasingly available for hotels that require a turnaround.

Data for the mortgage component may be developed from statistics of actual hotel mortgages made by long-term lenders. The American Council of Life Insurance, which represents 20 large life insurance companies, publishes quarterly information pertaining to the hotel mortgages issued by its member companies.

Because of the six- to nine-month lag time in reporting and publishing hotel mortgage statistics, it was necessary to update this information to reflect current lending practices. Our research indicates that the greatest degree of correlation exists between the average interest rate of a hotel mortgage and the concurrent yield on an average-A corporate bond.

The following chart summarizes the average mortgage interest rates of the hotel loans made by these lenders. For the purpose of comparison, the average-A corporate bond yield (as reported by *Moody's Bond Record*) is also shown.

FIGURE 9-2 AVERAGE MORTGAGE INTEREST RATES AND AVERAGE-A CORPORATE BOND YIELDS



Sources: American Council of Life Insurance, Moody's Bond Record, HVS

The relationship between hotel interest rates and the yields from the average-A corporate bond can be detailed through a regression analysis, which is expressed as follows.

$$Y = 0.93110700\ X + 1.02995700$$

Where: Y = Estimated Hotel Mortgage Interest Rate
X = Current Average-A Corporate Bond Yield
(Coefficient of correlation is 93%)

The January 29, 2014, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 4.64%. When used in the previously presented equation, a factor of 4.64 produces an estimated hotel/motel interest rate of 5.35% (rounded).

Yields on U.S. treasuries and average-A corporate bonds remain at low levels despite their recent uptick, providing a very favorable financing environment. Interest rates for single hotel assets are currently ranging from 5.5% to 7.0%, depending on the type of debt, loan-to-value ratio, and the quality of the asset and its market.

In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Fixed-rate debt is being priced at roughly 200 to 500 basis points over the corresponding yield on treasury notes. As of January 29, 2014, the yield on the ten-year T-bill was 2.9%, indicating an interest rate range from 4.9% to 7.9%. While hotel mortgage interest rates have risen from their recent historic low, they are still at very favorable levels due to the low interest rate environment being maintained by the Federal Reserve. At present, we find that lenders who are active in the market are using loan-to-value ratios of 50% to 75% and amortization periods of 20 to 30 years.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the proposed property's location and conditions in the Bloomington hotel market, it is our opinion that a 5.50% interest, 25-year amortization mortgage with a 0.073690 constant is appropriate for the proposed subject property. In the mortgage-equity analysis, we have applied a loan-to-value ratio of 70%, which is reasonable to expect based on this interest rate and current parameters.

Equity Component

The remaining capital required for a hotel investment generally comes from the equity investor. The rate of return that an equity investor expects over a ten-year holding period is known as the equity yield. Unlike the equity dividend, which is a short-term rate of return, the equity yield specifically considers a long-term holding period (generally ten years), annual inflation- adjusted cash flows, property appreciation, mortgage amortization, and proceeds from a sale at the end of the holding period. To establish an appropriate equity yield rate, we have used two sources of data: past appraisals and investor interviews.

Hotel Sales – Each appraisal performed by HVS uses a mortgage-equity approach in which income is projected and then discounted to a current value at rates reflecting the cost of debt and equity capital. In the case of hotels that were sold near the date of our valuation, we were able to derive the equity yield rate and unlevered discount rate by inserting the ten-year projection, total investment (purchase price and estimated capital expenditure and/or PIP) and debt assumptions into a valuation model and solving for the equity yield. The overall capitalization rates for the historical income and projected first-year income are based on the sales price "as is." The following table shows a representative sample of hotels that were sold on or about the time that we appraised them, along with the derived equity return and discount rates based on the purchase price and our forecast.

FIGURE 9-3 SAMPLE OF HOTELS SOLD – SELECT UPSCALE & UPPER MIDSCALE

						Overall Rate Based on Sales Price	
Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Historical Year	Projected Year One
Residence Inn	Bellevue, WA	231	Oct-13	9.7 %	16.5 %	8.4 %	8.0 %
Courtyard Raleigh	Raleigh, NC	109	Sep-13	11.2	18.6	7.8	7.8
Holiday Inn	New York, NY	226	Jun-13	10.0	16.6	7.8	7.8
Residence Inn Coconut Grove	Miami, FL	140	Jun-13	10.0	16.1	7.2	6.7
Holiday Inn Express & Suites	Elk Grove, CA	116	Jun-13	10.8	17.4	7.6	8.2
Hyatt Place North Shore	Pittsburgh, PA	178	Jun-13	10.6	18.8	7.1	7.5
Courtyard by Marriott	San Diego, CA	245	May-13	9.8	16.1	4.7	6.2
Hilton Garden Inn	Dublin, OH	100	Apr-13	12.5	20.5	9.2	10.5
Hyatt Place	Germantown, TN	127	Apr-13	11.9	20.8	7.5	9.1
Courtyard Shadyside	Pittsburgh, PA	132	Mar-13	10.5	16.5	8.3	8.7
Courtyard Medical Center	Houston, TX	197	Feb-13	10.2	16.0	5.7	7.1
Courtyard	Santa Rosa, CA	138	Feb-13	12.9	22.5	10.2	9.5
Holiday Inn Express & Suites	San Francisco, CA	252	Feb-13	11.5	16.6	5.6	6.7
Holiday Inn Express South	Minot, SD	66	Feb-13	12.2	19.9	14.2	14.8
Hampton Inn & Suites	Ontario, CA	91	Feb-13	11.7	17.1	2.5	9.4
Candlewood Suites	Victoria, TX	82	Feb-13	13.9	27.9	25.2	18.1
Holiday Inn Express	Tucson, AZ	98	Jan-13	11.5	18.7	4.4	8.5
Hampton Inn	Portland, OR	122	Dec-12	10.0	17.1	9.6	10.1
Holiday Inn Southaven	Memphis, TN	121	Dec-12	13.0	20.6	11.7	12.6
Homewood Suites Conversion	New York, NY	241	Nov-12	9.5	13.8	—	11.9
Hilton Garden Inn	Fort Worth, TX	96	Oct-12	10.7	17.1	6.9	9.3
Hilton Garden Inn	Clarksville, TN	111	Sep-12	11.1	18.4	9.5	10.0
Courtyard Ventura	Oxnard, CA	166	Aug-12	12.1	19.1	5.6	8.2
Hilton Garden Inn	Odessa, TX	100	Aug-12	14.1	24.1	9.6	10.9
Homewood Suites	Egg Harbor Twnshp, NJ	120	May-12	12.1	19.9	—	8.7
Hilton Garden Inn	Dowell, MD	100	May-12	11.2	18.4	8.4	8.7
Hampton Inn & Suites	Smyrna, TN	83	May-12	12.0	19.5	9.1	9.1
Residence Inn Dallas Arlington	Arlington, TX	96	May-12	10.1	16.5	7.9	7.3
Courtyard Dallas Arlington	Arlington, TX	103	May-12	10.8	17.1	6.5	7.1
Hilton Garden Inn	Smyrna, TN	112	May-12	11.2	17.9	7.4	8.5
Courtyard Upper East Side	New York, NY	226	May-12	10.3	14.3	4.4	5.7
Courtyard	Atlanta, GA	150	Mar-12	10.6	17.7	4.0	7.5
Springhill Suites	Boise, ID	119	Feb-12	12.4	19.4	6.3	8.3
Hilton Garden Inn Lakeshore	Birmingham, AL	95	Feb-12	11.2	17.4	9.0	8.2
Hilton Garden Inn SE Liberty	Birmingham, AL	130	Feb-12	12.1	19.3	7.4	8.7
Holiday Inn Express Burlingame	Burlingame, CA	146	Dec-11	12.5	19.1	8.7	8.5
Springhill Suites	Lincolnshire, IL	161	Nov-11	13.1	20.3	8.8	10.5

Source: HVS

Investor Interviews - During the course of our work, we continuously monitor investor equity-yield requirements through discussions with hotel investors and brokers. While equity still looks to yield high returns for the risk of hotel investment, the low yield environment, coupled with increased competition for quality assets, has placed downward pressure on equity yield returns. We find that equity yield rates currently range from a low in the low to mid-teens for high-quality, institutional-grade assets in markets with high barriers to entry to the upper teens for quality assets in more typical markets; equity yield rates tend to near or exceed 20% for aging assets with functional obsolescence and/or other challenging property- or market-related issues. Equity return requirements also vary with an investment's level of leverage. Higher loan-to-value ratios are becoming more prevalent, allowing for increased equity returns.

The following table summarizes the range of equity yields indicated by hotel sales and investor interviews. We note that there tends to be a lag between the sales data and current market conditions, and thus, the full effect of the change in the economy and capital markets may not yet be reflected.

FIGURE 9-4 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	13.4% - 19.7%	16.9%
HVS Hotel Sales - Select-Service & Extended-Stay	13.8% - 27.9%	18.5%
HVS Hotel Sales - Budget/Economy	16.7% - 26.2%	20.6%
HVS Investor Interviews	12% - 22%	

Based on the assumed 70% loan-to-value ratio, the risk inherent in achieving the projected income stream, and the age, condition, and anticipated market position of the subject property, it is our opinion that an equity investor is likely to require an equity yield rate of 18.0%. The lack of attainable yields on alternate investments has continued to put downward pressure on equity yield rates, despite the desire of investors to yield higher returns. Competition for quality assets is increasing amongst all hotel asset types. These influences are keeping equity yields from increasing significantly. Equity return requirements remain elevated for the more challenged hotel assets.

Terminal Capitalization Rate

Inherent in this valuation process is the assumption of a sale at the end of the ten-year holding period. The estimated reversionary sale price as of that date is calculated by capitalizing the projected eleventh-year net income by an overall terminal capitalization rate. An allocation for the selling expenses is deducted from this sale price, and the net proceeds to the equity interest (also known as the equity residual) are calculated by deducting the outstanding mortgage balance from the reversion.

We have reviewed several recent investor surveys. The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade. Note that survey data lag the market and do not necessarily reflect the most current market conditions.

FIGURE 9-5 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

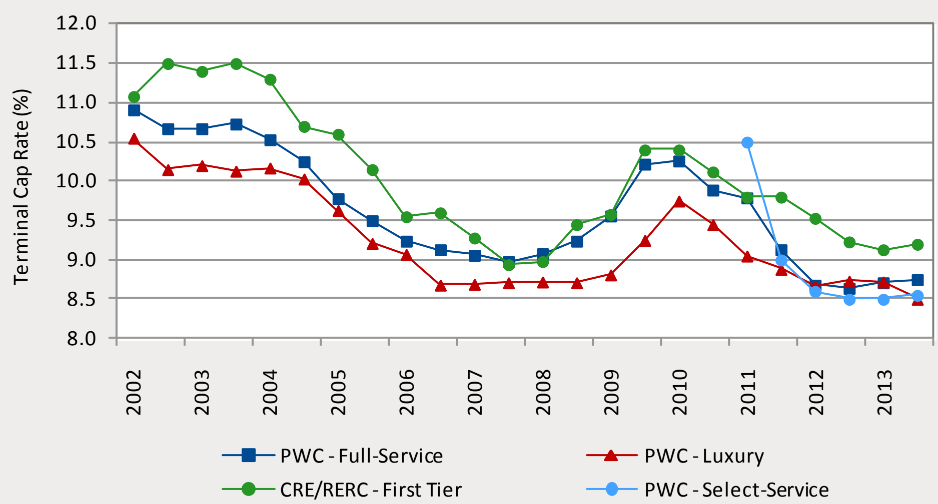


FIGURE 9-6 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
PWC Real Estate Investor Survey - 3rd Quarter 2013		
Select-Service Hotels	5.0% - 12.0%	8.6%
Full-Service Hotels	6.5% - 12.0%	8.8%
Luxury Hotels	6.0% - 12.0%	8.5%
USRC Hotel Investment Survey - Mid-Year 2013		
Full-Service Hotels	6.5% - 9.5%	8.2%
CRE/RERC Real Estate Report - Fall 2013		
First Tier Hotels	6.4% - 13.0%	9.2%

For purposes of this analysis, we have applied a terminal capitalization rate of 9.0%. Our final position for the terminal capitalization rate reflects the current market for hotel investments. In tandem with overall lower return expectations, terminal capitalization rates for quality hotel assets in markets with high barriers to entry have returned to their 2005 to 2007 lows, while terminal capitalization rates for older assets or for those suffering from functional obsolescence and/or weak market conditions remain elevated, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

Mortgage-Equity Method – Opinion of Net Present Value

As the two participants in a real estate investment, investors and lenders must evaluate their equity and debt contributions based on their particular return requirements. After carefully weighing the risk associated with the projected economic benefits of a lodging investment, the participants will typically make their decision whether or not to invest in a hotel or resort by determining if their investment will provide an adequate yield over an established period. For the lender, this yield will typically reflect the interest rate required for a hotel mortgage over a period of what can range from seven to ten years. The yield to the equity participant may consider not only the requirements of a particular investor, but also the potential payments to cooperative or ancillary entities such as limited partner payouts, stockholder dividends, and management company incentive fees.

The return on investment analysis in a hotel acquisition would not be complete without recognizing and reflecting the yield requirements of both the equity and debt participants. The analysis will now calculate the yields to the mortgage and equity participants during a ten-year projection period.

The annual debt service is calculated by multiplying the mortgage component by the mortgage constant.

Mortgage Component	$20,607,000
Mortgage Constant	0.073690
Annual Debt Service	$1,518,540

The yield to the lender based on a 70% debt contribution equates to an interest rate of 5.50%, which is calculated as follows.

FIGURE 9-7 RETURN TO THE LENDER

Year	Total Annual Debt Service		Present Worth of $1 Factor at 5.4%		Discounted Cash Flow
2016	$1,519,000	x	0.948445	=	$1,441,000
2017	1,519,000	x	0.899548	=	1,366,000
2018	1,519,000	x	0.853172	=	1,296,000
2019	1,519,000	x	0.809187	=	1,229,000
2020	1,519,000	x	0.767470	=	1,166,000
2021	1,519,000	x	0.727903	=	1,106,000
2022	1,519,000	x	0.690376	=	1,049,000
2023	1,519,000	x	0.654784	=	995,000
2024	1,519,000	x	0.621027	=	943,000
2025	17,006,000 *	x	0.589010	=	10,017,000
			Value of Mortgage Component		$20,608,000

*10th year debt service of $1,519,000 plus outstanding mortgage balance of $15,487,000

The following table illustrates the cash flow available to the equity position, after deducting the debt service from the projected net income.

FIGURE 9-8 NET INCOME TO EQUITY

Year	Net Income Available for Debt Service		Total Annual Debt Service		Net Income to Equity
2016	$1,931,000	-	$1,519,000	=	$412,000
2017	2,334,000	-	1,519,000	=	815,000
2018	2,640,000	-	1,519,000	=	1,121,000
2019	2,719,000	-	1,519,000	=	1,200,000
2020	2,801,000	-	1,519,000	=	1,282,000
2021	2,885,000	-	1,519,000	=	1,366,000
2022	2,972,000	-	1,519,000	=	1,453,000
2023	3,061,000	-	1,519,000	=	1,542,000
2024	3,153,000	-	1,519,000	=	1,634,000
2025	3,247,000	-	1,519,000	=	1,728,000

In order for the present value of the equity investment to equate to the $8,829,000 capital outlay, the investor must accept a return of 18.0%, as shown in the following table.

HVS

FIGURE 9-9 EQUITY COMPONENT YIELD

Year	Net Income to Equity		Present Worth of $1 Factor at 18.0%		Discounted Cash Flow
2016	$412,000	x	0.847484	=	$349,000
2017	815,000	x	0.718228	=	585,000
2018	1,121,000	x	0.608687	=	682,000
2019	1,200,000	x	0.515852	=	619,000
2020	1,282,000	x	0.437176	=	560,000
2021	1,366,000	x	0.370499	=	506,000
2022	1,453,000	x	0.313992	=	456,000
2023	1,542,000	x	0.266103	=	410,000
2024	1,634,000	x	0.225518	=	368,000
2025	22,467,000 *	x	0.191123	=	4,294,000
			Value of Equity Component		$8,829,000

*10th year net income to equity of $1,728,000 plus sales proceeds of $20,739,000

Feasibility Conclusion

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

The Feasibility Analysis chapter of this report compares the proposed development's "when complete" market value with the expected total development cost of the property. If a project's value equals or exceeds its cost, then a project is deemed feasible. However, if a project's costs exceed its value, then a feasibility gap exists. Our market value conclusion, based on market-appropriate debt and equity requirements, for the project upon opening is $29,400,000 or $196,000 per room. Our preliminary cost analysis indicates the total development cost may be roundly $47,300,000 . Therefore, we conclude the project's feasibility gap is approximately $17,900,000, including the conference center and parking structure. It is common for this size of project to have a feasibility gap. To fill this feasibility gap, the project will likely require investment from the public sector.

HVS and the City of Bloomington representatives have discussed a range of potential public-sector actions or investments that could be used to eliminate the project's feasibility gap. These factors have been discussed in more detail, but are not included in this report.

We have made no assumptions of hypothetical conditions in our report. The analysis is based on the extraordinary assumption that the described improvements have been completed as of the prospective "when complete" date of value. The reader should understand that the completed subject property does not yet, in fact, exist as of the date of appraisal. Our appraisal does not address unforeseeable events that could alter the proposed project and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, will take place between the date of inspection and date of prospective value. We have made no other extraordinary assumptions specific to this appraisal. However, several important general assumptions have been made that apply to this appraisal and our valuations of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report. We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

10. Statement of Assumptions and Limiting Conditions

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

licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

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

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

13. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.

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

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

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

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

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

19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity,

most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

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

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

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

11. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Numerous potential development sites were inspected by Yoshihiro Kanno and Hans Detlefsen, MPP, MAI.
9. Yoshihiro Kanno provided significant assistance by completing the market area analysis; formulating the supply and demand analysis; assisting in the projection of occupancy and average rate; analyzing the financial operating statements of the subject property; researching comparable hotel operating statements for financial analysis to Hans Detlefsen, MPP, MAI, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report; Hans Detlefsen MPP, MAI has not performed appraisal or consulting work on this property within the past three years;

10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

12. as of the date of this report, Hans Detlefsen, MPP, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

Hans Detlefsen

Hans Detlefsen, MPP, MAI
Managing Director
CCG Holdings, LLC
State Appraiser License (IL)553.001838

Penetration Explanation

Let us illustrate the penetration adjustment with an example.

A market has three existing hotels with the following operating statistics:

BASE-YEAR OCCUPANCY AND PENETRATION LEVELS

Property	Number of Rooms	Fair Share	Commercial	Meeting and Group	Leisure	Occupancy	Penetration
Hotel A	100	23.5 %	60 %	20 %	20 %	75.0 %	100.8 %
Hotel B	125	29.4	70	10	20	65.0	87.4
Hotel C	200	47.1	30	60	10	80.0	107.5
Totals/Average	**425**	**100.0 %**	**47 %**	**38 %**	**15 %**	**74.4 %**	**100.0 %**

Based upon each hotel's room count, market segmentation, and annual occupancy, the annual number of room nights accommodated in the market from each market segment can be quantified, as set forth below.

MARKET-WIDE ROOM NIGHT DEMAND

Market Segment	Annual Room Night Demand	Percentage of Total
Commercial	54,704	47.4 %
Meeting and Group	43,481	37.7
Leisure	17,246	14.9
Total	**115,431**	**100.0 %**

The following discussion will be based upon an analysis of the commercial market segment. The same methodology is applied for each market segment to derive an estimate of a hotel's overall occupancy. The table below sets forth the commercial demand accommodated by each hotel. Each hotel's commercial penetration factor is computed by:

1) calculating the hotel's market share % of commercial demand (commercial room nights accommodated by subject hotel divided by total commercial room nights accommodated by all hotels) and

2) dividing the hotel's commercial market share % by the hotel's fair share %.

The following table sets forth each hotel's fair share, commercial market share, and commercial penetration factor.

COMMERCIAL SEGMENT PENETRATION FACTORS

Property	Number of Rooms	Fair Share	Commercial Capture	Commercial Market Share	Commercial Penetration
Hotel A	100	23.5 %	16,425	30.0 %	127.6 %
Hotel B	125	29.4	20,759	37.9	129.0
Hotel C	200	47.1	17,520	32.0	68.1
Totals/Average	**425**	**100.0 %**	**54,704**	**100.0 %**	**100.0 %**

If a new 100-room hotel enters the market, the fair share of each hotel changes because of the new denominator, which has increased by the 100 rooms that have been added to the market.

COMMERCIAL SEGMENT FAIR SHARE

Property	Number of Rooms	Fair Share
Hotel A	100	19.0 %
Hotel B	125	23.8
Hotel C	200	38.1
New Hotel	100	19.0
Total	**525**	**100.0 %**

The new hotel's penetration factor is projected for its first year of operation. It is estimated that the hotel will capture (penetrate) only 85% of its fair share as it establishes itself in the market. The new hotel's market share and room night capture can be calculated based upon the hotel's estimated penetration factor. When the market share of the existing hotels and that of the new hotel are added up, they no longer equal 100% because of the new hotel's entry into the market. The market share of each hotel must be adjusted to reflect the change in the denominator that comprises the sum of each hotel's market share.

This adjustment can be mathematically calculated by dividing each hotel's market share percentages by the new denominator of 97.1%. The resulting calculations reflect each hotel's new adjusted market share. The sum of the adjusted market shares equals 100%, indicating that the adjustment has been successfully completed. Once the market shares have been calculated, the penetration factors can be recalculated (adjusted market share divided by fair share) to derive the adjusted penetration factors based upon the new hotel's entry into the market. Note that each existing hotel's penetration factor actually increases because the new hotel is capturing (penetrating) less than its fair share of demand.

COMMERCIAL SEGMENT PROJECTIONS (YEAR 1)

Property	Number of Rooms	Fair Share	Hist./Proj. Penetration Factor	Hist./Proj. Market Share	Adjusted Market Share	Adjusted Penetration Factor	Projected Capture
Hotel A	100	19.0 %	127.6 %	24.3 %	25.0 %	131.4 %	13,688
Hotel B	125	23.8	129.0	30.7	31.6	132.8	17,299
Hotel C	200	38.1	68.1	25.9	26.7	70.1	14,600
New Hotel	100	19.0	85.0	16.2	16.7	87.5	9,117
Totals/Average	**525**	**100.0 %**		**97.1 %**	**100.0 %**		**54,704**

In its second year of operation, the new hotel is projected to penetrate above its fair share of demand. A penetration rate of 130% has been chosen, as the new hotel is expected to perform at a level commensurate with Hotel A and Hotel B in this market segment. The same calculations are performed to adjust market share and penetration factors. Note that now the penetration factors of the existing hotels decline below their original penetration rates because of the new hotel's above-market penetration. Also, note that after the market share adjustment, the new hotel retains a penetration rate commensurate with Hotel A and Hotel B, though the penetration rates of all three hotels have declined by approximately nine percentage points because of the reapportionment of demand.

Once the market shares of each hotel have been adjusted to reflect the entry of the new hotel into the market, the commercial room nights captured by each hotel may be projected by multiplying the hotel's market share percentage by the total commercial room-night demand. This calculation is shown below.

COMMERCIAL SEGMENT PROJECTIONS (YEAR 2)

Property	Number of Rooms	Fair Share	Hist./Proj. Penetration Factor	Hist./Proj. Market Share	Adjusted Market Share	Adjusted Penetration Factor	Projected Capture
Hotel A	100	19.0 %	131.4 %	25.0 %	23.1 %	121.5 %	12,662
Hotel B	125	23.8	132.8	31.6	29.3	122.9	16,004
Hotel C	200	38.1	70.1	26.7	24.7	64.8	13,507
New Hotel	100	19.0	130.0	24.8	22.9	120.3	12,531
Totals/Average	**525**	**100.0 %**		**108.1 %**	**100.0 %**		**54,704**

State of Illinois

Department of Financial and Professional Regulation

Division of Professional Regulation

LICENSE NO.
553.001838

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES:
09/30/2015

CERTIFIED
GENERAL REAL ESTATE APPRAISER

HANS DETLEFSEN
111 N WABASH AVE STE 1717
CHICAGO, IL 60602

MANUEL FLORES
ACTING SECRETARY

JAY STEWART
DIRECTOR

The official status of this license can be verified at www.idfpr.com

8062893

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Department of Financial and Professional Regulation
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CERTIFIED
GENERAL REAL ESTATE APPRAISER

HANS DETLEFSEN

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WORK SESSION
Feasibility Study for Proposed Downtown Hotel
February 10, 2014

Council present: Aldermen Mboka Mwilambwe, Kevin Lower, Judy Stearns, Jim Fruin, David Sage, Karen Schmidt, Scott Black and Mayor Tari Renner.

Council absent: Rob Fazzini.

Staff present: David Hales, City Manager, Justine Robinson, Economic Development Coordinator, and Tracey Covert, City Clerk.

Mayor Renner called the meeting to order at City Hall at 5:47 p.m. He noted the Work Session topic: Feasibility Study for Proposed Downtown Hotel.

Justine Robinson, Economic Development Coordinator, addressed the Council. This evening's presentation would be an update to item #24 on the FY 2014 Action Plan, Downtown Hotel Feasibility Study: Staff to complete study and present to Council. An RFP, (Request for Proposal), for a Downtown Hotel Feasibility Study had been issued and awarded to HVS. The contract was approved by the Council on December 9, 2013. She provided background information about HVS. This firm specialized in the hospitality sector. HVS served as trusted advisors and conducted market studies. She introduced Hans Detlefsen, HVS' Chicago office's Managing Director/Owner.

Mr. Detlefsen thanked the Council for the opportunity to address them. He provided background information regarding his office, (case studies, market conclusions, hotel supply analysis, occupancy & ADR, (Average Daily Rate), projections and feasibility analysis). His presentation would include a summary of the feasibility study, case studies, market conclusions, hotel demand/supply, occupancy and feasibility. The overall concept was for an upscale hotel with 150 rooms. The hotel would offer food/beverage service for breakfast/dinner, fitness center, business center, and conference center. A planned opening date was 2016. It would be an upscale, select service brand.

He presented case studies. Type #1. Public Ownership, (Rare). Under the Public Ownership Model the public entity owns the hotel & conference center, a private hotel company operated both, public funds cover construction costs, public sector is at risk if operating income was insufficient to pay the debt service, and public sector approves the budget and may influence booking strategy through asset management. He cited the Marriott Coralville Hotel & Conference Center, Coralville, IA and the Hilton Hotel & Conference Center, Vancouver, WA, as examples.

Type #2. Public Private Partnership. Under the Public-Private Partnership Ownership Model the conference center is publicly owned while hotel is privately owned. It was beneficial to have one operator due to cost savings from shared BOH and sales & marketing department. It has become more common in recent years due to shared costs and risks, public only responsible to fund the initial construction costs of conference center rather than commit to ongoing support of operating costs, and community typically has limited control over budget process and booking strategy. He cited Tinley Park Holiday Inn & Convention Center, Tinley Park, IL and Embassy Suites Frisco Convention Center, Frisco, TX as examples.

Type #3 Private Ownership. Under the Private Ownership Model the conference center and hotel were privately owned. Both were also privately operated, typically not financially feasible, and public subsidizes feasibility gap. He cited Embassy Suites Hotel & Conference Center, Norman, OK and Hilton Garden Inn Manhattan, Manhatten, KS as examples.

Mr. Detlefsen stated that HVS was not an advocate. HVS acted as a resource.

David Hales, City Manager, addressed the Council. He cited the Marriott in Normal which appeared to be a model privately owned hotel with a City funded conference center.

Ms. Robinson noted the parking garage. She believed that the figure was $40 million but offered to verify the numbers.

Mr. Detlefsen restated that this hotel would be one step down from a full service level hotel. He noted the strong brand range of demand sources, (State Farm Ins. Co., Illinois State University, US Cellular Coliseum, (USCC), Country Financial, Advocate BroMenn Medical Center, Mitsubishi Motors Co., OSF St. Joseph Medical Center, and Illinois Wesleyan University).

HOV performed a SWOT, (Strengths, Weaknesses, Opportunities, & Threats), Analysis. Under Threats he cited new hotels: Residence Inn by Marriott and Hyatt Place. These hotels would also be a threat to existing hotels.

Mr. Detlefsen addressed event days at the USCC. He also addressed hotel occupancy. A bar chart was presented for December 2012 until November 2013. Occupancy rates were over seventy percent (70%) in nine (9) of these months. He also addressed the local hotels' wide range of ADR. A bar graph was provided which addressed a number of local select limited service hotels. The ADR varied from $85 - $150. He added that the ADR was strong. A bar chart was provided which covered December 2012 until November 2013. The ADR over the last year had been $110 for ten (10) of these months. In addition, he addressed mid-week occupancy. A bar chart had been provided which was presented by the day of the week. He cited strong midweek occupancy.

HVS provided a Hotel Supply Analysis. It addressed the location of existing hotels. These hotels were clustered. There was not a single hotel in the Downtown. New supply was the result of strong demand. The long term trends data chart addressed annual average supply/demand. Demand was outpacing supply. The ADR had grown during the recession. The current competition offered a mix of performance levels. The primary competitors, (Marriott Hotel & Conference Center, Courtyard and Doubletree), were strong performers. He also addressed the secondary competitors. In addition, there was new supply, (Residence Inn, Hyatt Place and proposed Downtown Hotel). This would dilute demand.

Mayor Renner addressed location. The proposed Downtown hotel would be located near/adjacent to the USCC. He hoped that this would lead to new events at the USCC.

Mr. Detlefsen addressed three (3) market segments: 1.) commercial; 2.) meeting/group; and 3.) leisure. He also addressed demand: economic improvement and induced demand. The conference center would induce demand by an estimated 7,200 room night per year. The conference space was large which would attract groups other than USCC events. A hotel staff's goal was to sell room nights. The USCC staff had different goals. HVS looked at similar properties and researched data from other cities.

Mr. Detlefsen addressed occupancy and ADR. He anticipated a slight decline in base demand. He cited the slow economic growth. The projected occupancy was a realistic reflection of same. He addressed the substantial unaccommodated demand. An occupancy chart had been prepared. Occupancy percentages over ninety percent (90%) were shown in red. Occupancies over eighty percent (80%) were shown in orange and occupancies over seventy percent (70%) were shown in yellow. Occupancy over seventy percent (70%) meant that demand was turned away. This was a positive sign for investors/developers.

Based upon the information, HVS estimated that a Downtown hotel would have an occupancy rate of sixty-nine percent (69%) and an ADR of $125.

Mayor Renner questioned figures for the Marriott in Normal. He believed that a greater market segment at this property was commercial.

Mr. Detlefsen cited management strategy. The Downtown hotel would have 150 rooms for transient commercial guests.

Mayor Renner questioned a comparison of the meeting/group versus leisure market segments. Mr. Detlefsen believed that leisure would have the advantage due to the proximity to the USCC.

Mayor Renner noted a potential Rt. 66 Visitor's Center at the McLean County History Museum. He questioned if the Visitor's Center would have an impact on HVS' model.

Mr. Detlefsen cited timing and induced demand for lodging. He reviewed figures for the first three (3) years, ADR for 2016 – 2018.

HVS had performed a Feasibility Analysis. It looked at cost versus market value. The projected house profit was approximately forty percent (40%). Net income was projected at approximately thirty percent (30%).

Mayor Renner noted that the funding/feasibility gap addressed raw costs – no incentives had been included.

Mr. Detlefsen stated that the income stream looked at the first ten (10) years. HVS had also considered market value at completion. The estimated market value at the hotel's opening was $29.4 million. The preliminary cost figure for the hotel was $24.4 million and for the conference center was $18 million. The total development cost was estimated at $43.5 million. This concept had a funding gap of $14.2 million. The next steps would address ways to close this gap.

Mayor Renner addressed items such as land donation, and/or other economic development incentives. The funding gap was beyond $10 million. He questioned how realistic these figures were.

Mr. Detlefsen believed that the cost figures were realistic. HVS was upfront with its clients. Conference centers were loss leaders. There were a variety of incentives.

Mayor Renner noted that the conference center drove the gap. He questioned the size, (hotel and/or conference center).

Mr. Detlefsen looked at different scenarios. The select service hotel could be downsized or be viewed as a special project which would be seen as a Downtown anchor.

Mr. Hales noted that a conference center would need additional parking. Mr. Detlefsen acknowledged that this report did not include a parking structure.

Mayor Renner questioned hotel parking. Mr. Detlefsen responded affirmatively. Surface parking for the hotel had been included.

Alderman Sage questioned if there would be any cause/effect between the USCC and the hotel. Mr. Detlefsen did not believe that the hotel would harm the USCC. It would be viewed as an advantage. Nothing had been quantified as part of this assignment.

Alderman Sage noted that these were two (2) separate facilities. Mr. Detlefsen stated that HVS took the viewpoint of the hotel. It addressed advantages & disadvantages and amenities.

Alderman Sage questioned if these two (2) entities could coordinate and leverage the conference space at the USCC in an effort to reduce the conference space at the hotel.

Alderman Stearns believed that the conference space would be located at the hotel.

Alderman Sage restated that if a relationship was developed between the USCC and the hotel then the conference center could be reduced in size. Mr. Detlefsen stated that this was complicated. The USCC was a nice facility. He did not believe that there would be a change to the numbers.

Alderman Sage believed that the USCC offered exhibition space. Mayor Renner noted that there was no conference space at the USCC.

Mr. Detlefsen added that a development in the community would be needed to reduce the size of the conference center.

Alderman Schmidt addressed the feasibility of closing or not closing the funding gap. She cited the cost of infrastructure.

Mr. Detlefsen stated that this type of question would be addressed in the next phase. He added that developers hoped that infrastructure would be addressed by the public sector.

Alderman Schmidt addressed the next tier down. She questioned the City's role as it had not done anything like this in the past.

Ms. Robinson recalled that the Chateau was a TIF (Tax Increment Financing) District.

Alderman Schmidt stated that most hotels within the City had been built without City support. She questioned why the City should be involved.

Mr. Hales noted that the new Residence Inn had not received a City subsidy. It did not include a conference center.

Mr. Detlefsen noted that the Residence Inn was a limited service hotel. There were full service hotels like the Chateau which had conference centers. The Downtown hotel would be a select service hotel. Some select service hotels offered a conference center. The City's involvement would mean that the hotel's design and amenities would be better than the private sector would have offered. He believed that any new hotel construction would be limited service without City involvement. Developers were interested in a viable project. This was done be removing the unprofitable portions. The City's involvement would enhance the hotel chain, the hotel's scale. He added that there was not a hotel in the Downtown.

Mayor Renner cited economic development.

Alderman Stearns questioned the demand forecasting. Mr. Detlefsen noted that demand was quantified by groups, business and leisure. A competitive supply offered a mix.

Alderman Stearns noted that HVS used existing data to forecast the future. Mr. Detlefsen added that the forecasting model used little to no growth. The sales teams at the various hotels were interviewed.

Alderman Stearns cited the new Hyatt in Uptown Normal. Mr. Detlefsen noted the Hyatt and the Residence Inn.

Alderman Mwilambwe cited the brand assumptions. The Downtown Plan called for boutique hotel and mixed use buildings.

Mr. Detlefsen addressed the development community. This presentation included hotel brands that were not here in the community. He acknowledged that there would be a focus on this hotel.

Alderman Lower addressed the downside. He cited macro economics. The City would be manipulating the market. He added that a number of local hotels had failed.

Mr. Detlefsen believed that the hotel failures were at the lower end. Some of these facilities were at the end of their life cycle. These were older economy hotels. There had not been an upscale failure.

Alderman Lower believed that there was one (1) under direst at this time. He questioned the message being sent to future investors.

Mr. Detlefsen thanked the Council for the opportunity to address them.

Mr. Hales restated that this was phase one. Phase two would address future information. There needed to be a successful public/private partnership. The City needed to own the land in order to have control. The opportunity was there. There were viable options.

Alderman Black questioned next steps.

Mr. Hales stated that this item would be placed on a future Committee of the Whole meeting agenda or a Work Session could be schedule. The purpose would be for Council discussion. Phase two information would also be presented.

There being no further business the meeting adjourned at 6:56 p.m.

Respectfully submitted,

Tracey Covert
City Clerk

FOR COUNCIL: July 21, 2014

SUBJECT: Illinois Municipal Retirement Fund (IMRF) For Elected Officials

RECOMMENDATION/MOTION: Discussion only.

BACKGROUND: In April 2014, IMRF conducted an audit of the City's administrative practices pertaining to participation in IMRF. At IMRF's request and in preparation for this audit, Laurie Wollrab, Compensation and Benefits Manager, requested the Mayor and Council to complete a verification form. The purpose of the verification form was to certifying that the hours related to their elected position was at least 1,000 hours per year. The results varied based on the respective elected officials' calculations. This suggested that there was not a systematic method to establish whether or not the 1,000 hour requirement was being met.

There is currently a "Resolution Relating to Participation By Elected Officials In The Illinois Municipal Retirement Fund" on record, Resolution Number 1998-29 adopted by the City Council on May 11, 1998. (Resolution is attached) This resolution establishes that:

- Elected officials may participate in the Illinois Municipal Retirement Fund if they are in positions normally requiring performance of duty for 1,000 hours or more per year
- The governing body can determine what the normal annual hourly requirements of its elected officials are and should make such determination for the guidance and direction of the Board of Trustees of the Illinois Municipal Retirement Fund.

This resolution adopted by the Council allows elected officials to participate in the IMRF pension on a voluntary basis requiring at least 1,000 hours of work each year.

Currently there is no record of the governing body determining what the normal annual hourly requirements are of its elected officials. City Manager Hales requested that there be a determination on qualifying hours for the Council. Jeff Jurgens, Corporate Counsel, identified a section in the IMRF Manual that addresses qualifying hours for the 1,000 hour requirement. (Attached) This document details what can be included in the 1,000 hours and also highlights it would be highly unusual for an elected official to meet the 1,000 hour requirement.

Council may elect to continue under the current Resolution which will necessitate defining the normal annual hourly requirement based on IMRF's guidelines. If the Council elects not to define the annual hourly requirement this will necessitate adoption of a resolution eliminating the option to participate in IMRF.

COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED: Not applicable.

FINANCIAL IMPACT: If elected officials met the 1,000 hour requirement and voluntarily opted to participate in IMRF they would contribute 4.5% of their earnings into IMRF and the

City of Bloomington would contribute 14.88% based on the current calendar year rate. The City's contribution is subject to change yearly.

Respectfully submitted for Council consideration.

Prepared by: Emily Bell, Human Resources Director

Legal review by: Angela Fyans Jimenez

Financial review by: Patti-Lynn Silva, Finance Director

Attachments: Attachment 1. IMRF Manual for Elected Officials
Attachment 2. Resolution

3.65 F. Paid Members of Elected Governing Body (City Council, Village Board, County Board, and Board of Town Trustees)

1. Optional Participation

Members of an elected governing body may elect to participate in IMRF if their positions meet the applicable hourly standard. Persons appointed to fill vacancies are considered elected officials for this purpose.

If the 1,000 annual hourly standard is applicable, barring highly unusual circumstances, the governing body positions will not qualify for participation.

In determining the hourly requirements of the positions of governing body members, you should consider not only attendance at official meetings, but also meetings and telephone calls with constituents and other officers and employees, attendance at civic functions in an official capacity, and attendance at meetings of municipal organizations.

Hours actually spent working should be counted, but hours spent "on call" are not considered when determining the expected hourly requirements of elected positions, nor is time spent traveling from home to meeting sites.

Members of an elected body must file Form 6.21, "Election to Participate" (see 6.10 C. Member Paid Irregularly), if they wish to participate. The election to participate may not be rescinded.

IMRF requires employers with Internet access to enroll new members via Employer Access. If an elected official elects to participate in IMRF, IMRF requires the official's signature on the "Election To Participate For Qualifying Position" form. Therefore, as part of the online enrollment process, a pre-populated "Election To Participate For Qualifying Position" form will be created. The employer will download the pre-populated form, sign it, have the elected official sign it and mail it to IMRF along with the signed enrollment form.

The ECO Plan is closed to new members as of August 8, 2011. Elected county officials may not elect the ECO plan; counties may not adopt the ECO plan.

2. Establishment of retroactive service

When a member of an elected governing body elects to participate, he or she may establish up to 50 months of service retroactively (see 6.40-4 Past Service Credits/Member Account Corrections).

Certain elected officials have the option of purchasing more than 50 months of retroactive service credit **if** the governing body **passed a resolution before January 1, 2002**, allowing such purchase (see 6.40-4 Past Service Credits/Member Account Corrections).

3. Verification of Qualification to Participate

IMRF is not in a position to determine the hourly requirements of members of a governing body.

It is the policy of the IMRF Board of Trustees to require that the governing body of the governmental unit determine, by resolution, that the positions require performance of duty for the applicable annual hourly standard before an official in the position participates. The resolution must indicate whether the employer is under the 600-hour or 1,000-hour standard.

The IMRF Board requires documentation of the actual hours required for a governing body member. This documentation would include office hours, number of meetings held annually, preparation time for meetings, conferences, and other corroboration of the time required to perform the duties of the office. Time spent on-call or otherwise informally available to constituents does not count toward the IMRF hourly standard, nor does time spent traveling to meetings. The unit of government should be prepared to produce the documentation verifying that the hours required meet or exceed the IMRF hourly standard.

A certified copy of the resolution should be filed with IMRF (see 6.60 D. Relating to Participation by Elected Officials in IMRF).

Related Topics

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A RESOLUTION RELATING TO PARTICIPATION BY ELECTED OFFICIALS IN THE ILLINOIS MUNICIPAL RETIREMENT FUND

IMRF Form 6.64 (Rev. 6/96)

(Income tax information can be found on the reverse side of this resolution)

PLEASE ENTER Employer IMRF I.D. Number 3327

RESOLUTION
Number 1998-29

WHEREAS, the City of Bloomington, Illinois
EMPLOYER NAME

is a participant in the Illinois Municipal Retirement Fund; and

WHEREAS, elected officials may participate in the Illinois Municipal Retirement Fund if they are in positions normally requiring performance of duty for 1,000 (600 OR 1,000) hours or more per year; and

WHEREAS, this governing body can determine what the normal annual hourly requirements of its elected officials are, and should make such determination for the guidance and direction of the Board of Trustees of the Illinois Municipal Retirement Fund;

NOW THEREFORE BE IT RESOLVED that the City Council (BOARD, COUNCIL, ETC.) finds the following elected positions qualify for membership in IMRF.

TITLE OF ELECTED POSITION	DATE POSITION BECAME QUALIFIED
Mayor	May, 1998
Council Members	May, 1998

CERTIFICATION

I, Tracey Covert (NAME), the City Clerk (CLERK OR SECRETARY OF THE BOARD) of the City of Bloomington (EMPLOYER NAME) of the County of McLean (COUNTY), State of Illinois, do hereby certify that I am keeper of its books and records and that the foregoing is a true and correct copy of a resolution duly adopted by its City Council (BOARD, COUNCIL, etc.) at a meeting duly convened and held on the 11th day of May, 1998.

SEAL

Tracey Covert
CLERK OR SECRETARY OF THE BOARD

A RESOLUTION RELATING TO PARTICIPATION BY ELECTED OFFICIALS IN THE ILLINOIS MUNICIPAL RETIREMENT FUND

INCOME TAX INFORMATION

All elected officials eligible to participate in IMRF are considered active participants in an employer sponsored retirement plan under the Internal Revenue Code, **even if the official does not elect to participate in IMRF,** and are subject to the IRA deductibility limits imposed by law.

Rescission of this resolution is not definite evidence under IRS regulations that these elected positions are no longer covered by an employer sponsored pension plan.

FOR COTW: July 21, 2014

SUBJECT: Draft Private Sewer Summary Report

RECOMMENDATION/MOTION: For discussion only.

STRATEGIC PLAN LINK: Goal 1. Financially sound City providing quality basic services; Goal 2. Upgrade City infrastructure and facilities; Goal 4. Strong neighborhoods, and Goal 5. Great place – livable, sustainable City.

STRATEGIC PLAN SIGNIFICANCE: Objective 1a. Budget with adequate resources to support defined services and level of services; 1d. City services delivered in the most cost-effective, efficient manner; 2a. Better quality roads and sidewalks; 4d. Improved neighborhood infrastructure, and 5b. City decisions consistent with plans and policies.

BACKGROUND: Private sewers and sewer services have become a major maintenance issue for the City and many private property owners over the past several years. Current City Code is somewhat vague regarding ownership and maintenance or repair responsibilities. The City repairs about twenty (20) sewer services each year at a total cost of approximately $200,000. Many residents have also repaired plugged or damaged services at their expense when a hazard to the public is not present in the right of way. These repairs often require removal and replacement of public infrastructure, such as streets and sidewalks. The attached summary report provides a review of the issue, current relevant City Codes and three potential alternatives with related advantages, disadvantages and costs.

COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED: With Council's approval, the Public Works Department will post the report on the City's Internet site along with an explanatory article. The article will explain how members of the public can submit written comments by U.S. mail, by e-mail to engineer@cityblm.org or by dropping off comments at the Public Works office on the Government Center's third floor, 115 E. Washington St. Further, with Council approval, the issue will be presented to the Bloomington Planning Commission and other public forums for review and public input.

FINANCIAL IMPACT: The financial impact varies with each alternative. Approximate costs are included in the attached report.

Respectfully submitted for Council consideration.

Prepared by:	Robert D. Yehl, P.E., Assistant City Engineer
Reviewed by:	Jim Karch, P.E., CFM, Director of Public Works
Reviewed by:	Sue McLaughlin, ICMA-CM, Interim Asst. City Manager

Financial & budgetary review by: Chris Tomerlin, Budget Analyst
Carla A. Murillo, Budget Manager

Attachments: Private Sewer Summary Report

PRIVATE SEWER SUMMARY REPORT

INTRODUCTION

Private sewers and sewer services have become a major maintenance issue for the City and some private property owners over the past several years. Most of these issues are discovered when a backup occurs in a property owner's building or when a cave-in occurs. Both issues require the property owner, the City, or both parties to expend considerable time, money and effort to determine, evaluate and address the problem. Much of these resources are expended trying to determine which entity, property owner or City, is responsible. In addition, the protection or removal and replacement of impacted or adjacent public infrastructure needs to be addressed. This report summarizes the issues, relevant City Codes and potential solutions.

BACKGROUND

A sanitary sewer service is the pipe that connects a home's or business' plumbing to the City's sanitary sewer system as illustrated in *Figure 1*. All homes or businesses in the vicinity of a sanitary sewer currently have or may install a sanitary sewer service connection.

A storm sewer service is the pipe that connects a home's or business's downspouts, foundation drains (footing tile), sump pump discharge, and/or yard area drains to the City's storm sewer system. There are fewer homes and businesses that have storm sewer service than sanitary sewer services. Generally, storm sewer services are present at homes or businesses with basements.

A private sewer, often called a "Wildcat" sewer, is a pipe that connects multiple businesses or homes to a public sewer. The sewer is considered private based on several factors. These include; location, size, lack of records which show ownership of the sewer, and City Code. Sewers that are not located in the public right-of-way or in an easement are typically considered private. Also, sewers that are smaller than 8" diameter are typically considered private. Sewers that were not installed by the City or dedicated to the City are typically considered private if any of the other factors are applicable. Lastly, sewers that do not meet City Code requirements are typically considered private. Private sewers are currently considered private sewer services. No distinction between private sewers and sewer services will be made in the remainder of this report.

The City sanitary and storm sewer mains can be located on private property (side yard, front yard or backyard in an easement) or in City right-of-way (ROW) (within the parkway or under the street). Many homes in the City were built before 1920 and often have not replaced their original sewer services. These pipes are generally made of clay and can crack, break, collapse, become disjointed, experience displacement, or be subject to intrusion by roots. Figure 2 shows the various common ways that a private sewer service can experience issues.

Figure 1 – Sewer and Sewer Service Ownership

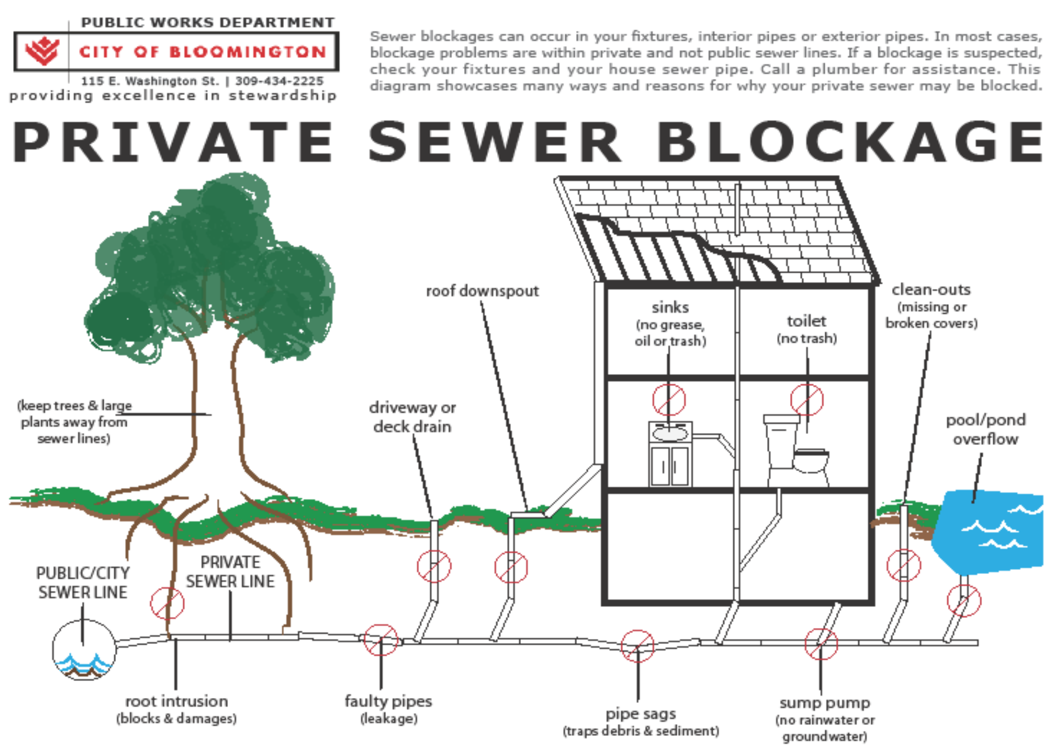


Figure 2 – Typical issues experienced in a private sewer service.

CURRENT RELEVANT CITY CODES

Chapter 22 – Section 90
(a) In areas where sewer mains are laid in any street, all buildings located or accessible to such street shall connect with said mains not later than six months after such mains are ready for connections; all septic tanks, vaults, cisterns, or cesspools used on such premises shall be disconnected at the time of the connection with the sewer main. Disconnected receptacle shall be filled with sand or limestone screenings.

Chapter 24 – Subdivision Regulations
The Director of Engineering will require the owner or developer to submit all data, plans, specifications and additional materials as may be necessary to completely and accurately determine the extent of compliance or noncompliance with the City's public improvement design standards and accepted engineering practice and to demonstrate that the construction and installation will meet or exceed all public improvement requirements as outlined in *"A Manual of Practice for the Design of Public Improvements in the City Of Bloomington."*

7.02 GENERAL REQUIREMENTS
All subdivisions shall be designed so the proposed sanitary sewer system does and accomplishes the following:
A. Conforms to the City of Bloomington Comprehensive Plan;
B. Extends interceptor sanitary sewers through the proposed subdivision to serve upstream properties in the natural drainage area;
C. Provides sanitary sewer services with separate service connections terminating not less than two feet inside the property or easement line of each proposed lot of record;

I. Sewer Services
1. Location: All services shall terminate at a point at least 0.6 m (2 feet) inside the property line or a minimum of 0.6 m (2 feet) beyond any front yard easement containing a City owned utility. Sewer services to individual lots, which are to be privately maintained, shall not be located in easements across other lots, except for short distances to reach the public sewer main located in an easement immediately adjacent to the lot being served, or to reach the public sewer main located in a front yard easement on the opposite side of, and adjacent to, the street right-of-way from the lot being served.

7.04 RIGHT-OF-WAY DEDICATION
Generally, all sanitary sewers which are to be publicly maintained shall be installed in public easements or dedicated public rights-of-way.

Chapter 34 – Article VI - Section 93: Independent System
The drainage and plumbing system of each new building and of new work installed in an existing building shall be separate from and independent of that of any other building, except as provided below, and every building shall have an independent connection with a public or private sewer when available. In no case, except as noted below, will the sewer from one building be permitted to run beneath any other building. A sewer is deemed available when a public sewer has been provided for the plat of ground of which it may be a part.

Chapter 34 – Article VI - Section 94: Exception
Where one building stands in the rear of another building or an interior lot and no private sewer is available or can be constructed to the rear building through adjoining alley, court yard, or driveway, the house drain from the front building may be extended to the rear building and the whole will be considered as one house drain.

Chapter 34 – Article VI - Section 98: Building Sewer
The waste piping from a point five feet (5') outside a building to the City sewer shall be considered the building sewer and shall be constructed of the following materials with a minimum diameter of four inches (4"): cast or ductile iron, PVC schedule 40, PVC schedule 80 with solvent weld joints, or PVC Schedule 21 - Type PSM-SDR slip joint pipe.

Chapter 37 – Section 31
"Building Drain" means the lowest horizontal portion of a building or structure's sewage collection and disposal system which is designed to carry sewage through or beyond the foundation wall to the building sewer. A building drain may include a sewage sump pump, ejector, lift pump or other similar device which pumps sewage.

"Building Sewer" shall mean a pipe or conduit located on private property owned and controlled by the private property owner which is designed and intended to carry sewage from the building to the public sanitary sewer or a private sewage disposal system.

"Combined Sewer" shall mean a pipe or conduit receiving both surface water and sewage.

"Public, Sanitary, or Storm Sewer" shall mean a sanitary sewer or storm sewer or storm drain located in the public right-of-way or public easement in which all owners of abutting properties have equal rights and which is controlled by a public authority.

"Sanitary Sewer" shall mean a pipe or conduit designed and intended to carry sewage and to exclude storm, surface, and ground Water.

"Sewage" shall mean the water carried wastes from residences, businesses, institutions, and industrial establishments, plus minor or incidental amounts of ground surface or storm water.

"Storm Sewer or Storm Drain" shall mean a pipe or conduit which is designed and intended to carry storm, surface, and ground water and to exclude sewage and industrial wastes. (Ordinance No. 1981-73)

Chapter 37 – Section 9
(a) It shall be unlawful for any person owning property located within the City of Bloomington to permit any of the following conditions to be or remain on such property after the compliance date specified in notification by the City Engineer or after obtaining actual knowledge of the existence of such a condition, whichever is earlier:

(4) A building drain or building sewer with broken, missing, or cracked tiles, loose or separated joints, or other holes, cracks, gaps, or spaces.

There are several inconsistencies and ambiguities in these relevant City Codes that need clarification. These issues are discussed in the following sections.

ISSUE OR PROBLEM

Currently, the City repairs private sewer service failures when they impact the public on a City street, alley or sidewalk. Sewer service failures within the public right-of-way that are not impacting the public are currently considered the responsibility of the adjacent property owner.

Most property owners do not question that it's their responsibility to repair a sewer service issue on their property. Responsibility is usually only questioned when the public sewer main is located in an easement. Some property owners feel that any part of the sewer or service located in the easement is not their responsibility.

Most property owners question or even adamantly disagree that the sewer service located within the public right-of-way is their responsibility to maintain or repair. There are several reasons for this opinion. The most common reason is property ownership. Since they do not own the property, they don't believe they are responsible for anything beyond their property line. Another major concern is cost. Repairs to sewer services within the right-of-way often include sidewalk and street removal and replacement. Even if the property owner agrees that the sewer service is their responsibility, they question why they have to pay for removal and replacement of the public infrastructure.

The most substantial issue related to sewer service responsibility is the connection to the public sewer main. The majority of property owners feel that the connection to the public sewer main is actually part of the sewer main and therefore, the City's responsibility. This is even true for property owners who agree that the sewer service within the public right-of-way is their responsibility. Responsibility of the connection to the sewer main is extremely important since the vast majority of sewer service problems are at this location. Although it's often inferred, current City Code does not indicate that the connection to the public sewer main is part of the sewer service. Since this is unclear, it's difficult to determine which entity, City or property owner, is responsible for repairing a failure of the actual connection. Another related problem, is multiple connections in the same general location. There are often two to three connections into the sewer main in the same area, which makes it difficult to determine which connection has failed. Many times all connections in the same general location appear to be in equally poor condition.

Alternative Options

A. Status Quo

Maintain the current practice of the City fixing and paying for sewer service failures only when they impact the public on a City street, alley or sidewalk.

This alternative would require modification of the current City Codes to clarify sewer service ownership including the connections to the public sewer mains. Property owners would continue to be responsible for maintaining their sewer services including the connection to the public sewer main except in cases where the street, alley or sidewalk has failed causing a hazard for vehicles or pedestrians.

1. Impact to City
   a. Advantages

- Safer for the traveling public when the City controls the timing of repairs to cave-ins in the street, alley or sidewalk.

b. Disadvantages
- Promotes citizens not fixing their sewer services unless it interrupts the sewer flow from their house in the hope that it will cause a cave-in which the City will fix.
- The cost of repairing a sewer service is not bore by the person with the failed service.
- The Public Works Department currently repairs most cave-ins caused by private sewer services. The Department already has a backlog of work. This additional responsibility will add to the backlog.
- What constitutes a hazard to the public is open to various interpretations. A cave-in in the parkway adjacent to the sidewalk or pavement may not be repaired even though others may consider it a hazard to the public.
- A settlement in the street, which does not have an actual cave-in, may not be repaired even though others may consider it a hazard to the public.
- Requires the City to provide proof that an issue at the surface, which is not currently a hazard to the public, may develop into a hazard and should be repaired by the property owner.

c. Financial Burden
- During the past three years, the City has repaired about 20 sewer services each year. The average repair cost for each location is approximately $10,000. Based on this history, the average annual financial burden to the City is about $200,000.

2. Impact to Residents

a. Advantages
- Property owners not required to repair failed sewer services which are not causing back-ups.
- Provides assistance to those citizens who cannot afford to have their service fixed.

b. Disadvantages
- Property owners bear the expense of maintaining sewer services beneath City infrastructure unless the failure causes a cave-in or public hazard.
- What constitutes a hazard to the public is open to various interpretations. A cave-in in the parkway adjacent to the sidewalk or pavement may not be repaired even though others may consider it a hazard to the public.
- A settlement in the street, which does not have an actual cave-in, may not be repaired even though others may consider it a hazard to the public.

c. Financial Burden
- Private property owners can usually have work performed at rates lower than the City or other government entities. Their typical average cost to repair a sewer service is about $8,000.

B. City Responsible for Sewer Services in Right-of-Way

The City would completely maintain what was previously installed or will be installed in the right-of-way. The property owner maintains the sewer service only on their property.

This alternative would require modification of the current City Code to clarify that the property owner is not responsible for the sewer service in the right-of-way. If there is a backup, the City would evaluate the sewer main. If the sewer main is functioning properly, the property owner will call a local plumber to clean the service. The property owner pays for a successfully cleaned sewer service. If the plumber finds a blockage or problem in the right-of-way, the City will confirm the problem and perform the repair.

1. Impact to City
   a. Advantages
      - Safer for the traveling public when the City controls the timing of repairs to cave-ins in the street, alley or sidewalk.
   b. Disadvantages
      - Promotes citizens inspecting their services for problems and turning them over to the City for repairs.
      - The cost of fixing a private service is not bore by the person with the failed service.
      - The Public Works Department currently repairs most cave-ins caused by private sewer services. The Department already has a backlog of work. This additional responsibility will add to the backlog.
      - City would be required to locate sewer services within the right-of-way in accordance with the Joint Utility Locating Information for Excavators (J.U.L.I.E.). This requirement will be extremely difficult to achieve. Since the City has minimal, if any, records of private services and no equipment exists to locate buried clay pipe, accurately locating the services will be nearly impossible.
   c. Financial Burden
      - According to Mclean County records, there are approximately 26,000 property parcels in the City. As previously indicated, the average cost to repair a sewer service is approximately $10,000. By accepting responsibility for all sewer services in the public right-of-way, the total financial liability to the City will be about $260,000,000.

2. Impact to Residents
   a. Advantages
      - Provides assistance to all citizens for sewer service repairs.
   b. Disadvantages
      - There would need to be an increase to the Stormwater and Sewer Rate to pay for this service to subsidize private sewer service repairs.
   c. Financial Burden
      - In order to fund the anticipated sewer service repairs, a sewer rate increase or service repair fee would be necessary. If the total financial liability indicated above were spread over a ten year period, the required additional fee per property parcel would be approximately $83 per month.

C. Property Owner Responsible for Sewer Services in Right-of-Way

The property owner maintains the sewer service on their property on the right-of-way and the connection to the sewer main.

This alternative would require modification of the current City Codes to clarify sewer service ownership including the connection to the public sewer main. Property owners would be responsible for maintaining their sewer services including the connection to the public sewer main.

In an effort to ensure that the City maintains the safety of our citizens, a letter would be sent to the property owner giving a timeline for repairs that are impacting the public. If the citizen has not made the required repairs in the public right-of-way within the specified time, the City would have the repair made and bill the resident for full cost recovery.

Prior to implementing this option, the City would do an extensive education outreach to ensure that the public understands the following issues.

- Sewer services are private.
- Cost for sewer service repairs, including impacted public infrastructure, are the property owner's responsibility.
- Homeowners Insurance does not pay for sewer service failures.
- The different maintenance operations that citizens can do to be proactive.
- Steps that they can take if their private sewer service does fail.
- City will assist property owners by inspecting and evaluating sewer mains and sewer services at no cost.

1. Impact to City
   a. Advantages
      - Places the burden upon the responsible party rather than distributing it to all citizens.
      - This would lessen the burden on the Sewer Fund.
      - The burden on the Public Works Department to repair private sewer services would be removed allowing further focus in other areas.
      - Promotes citizens inspecting and maintaining their services to avoid major repairs.

   b. Disadvantages
      - Resident frustration.
      - Requires the City to provide proof that an issue at the surface or a current hazard to the public is being created by a sewer service and should be repaired by the appropriate property owner.
      - Increased applications for assistance to the Community Development Department.

   c. Financial Burden
      - As indicated, there are approximately 26,000 property parcels in the City. The average cost to investigate a sewer service is approximately $2,000. If the City is required to provide proof of damage to a sewer service in the public right-of-way, the total financial liability to the City will be about $52,000,000.

2. Impact to Residents
   a. Advantages
      - Increase in Sewer Rate may be minimal or not necessary.
      - Promotes citizens inspecting and maintaining their sewer services to avoid major repairs.

   b. Disadvantages
      - Property owners bear expense of repairing sewer services and impacted City infrastructure.

   c. Financial Burden
      - As previously indicated, the typical average property owner's cost to repair a sewer service is about $8,000.

CITY OF Bloomington ILLINOIS

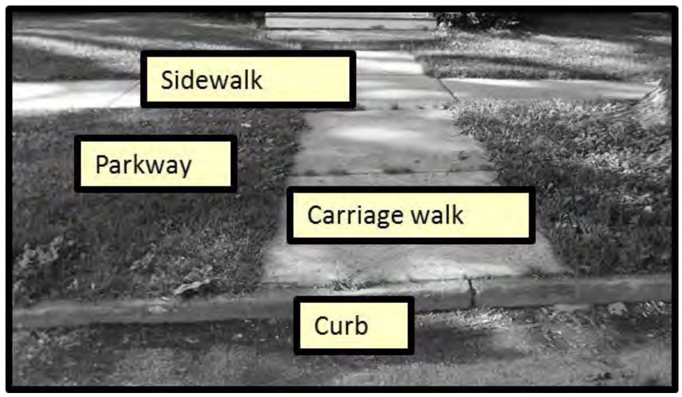
FOR COTW: July 21, 2014

SUBJECT: Text Amendment - walkways (“carriage walks”) located on City right-of-way

RECOMMENDATION/MOTION: Discussion only.

STRATEGIC PLAN LINK: Goal 4. Strong neighborhoods.

STRATEGIC PLAN SIGNIFICANCE: 4d. Improved neighborhood infrastructure.



BACKGROUND: The policy proposal regards walkways which run through City parkways. These walkways connect the public sidewalk and the curb. The pathways usually are concrete and usually resemble sidewalks. The Public Works Department calls them “carriage walks” but they also at times are called “courtesy walks” or “service walks.” The term carriage walks harkens to their original use: Easing the process of entering and exiting a carriage. The term also explains why most carriage walks are located in older neighborhoods; they are not built in new subdivisions. Carriage walks are not public sidewalks, but are privately constructed walkways in the public right-of-way by permit.

As explained later in the memo, Public Works began removing these walkways in the course of undertaking street, sidewalk and other infrastructure work. Members of Council, the public and City staff and administration raised concerns. This prompted Public Works to stop removing the walkways unless given express permission by property owners who wished them removed. Simultaneously, Public Works staff researched and sought options to bring to the City Council. The Department seeks a formal City policy that will allow people who want carriage walks and are willing to take responsibility for them to have safe, correctly constructed walkways. As noted during the July 14 Council meeting, the Department will fully revise its draft Sidewalk Master Plan once policy issues are resolved in order that the Plan reflects those decisions.

The problem with carriage walks: Concrete expands and contracts with the weather. During hot weather, the expanded concrete of the carriage walk places pressure on the City curbs and sidewalks. The expansion of the carriage walk pushes on the curb and sidewalk. The competing forces can cause one or more of these infrastructure elements to break or move. The curb typically is the most vulnerable piece. The top portion of the curb is not always able to withstand the carriage walk expansion and will often move. There is less countering force on the other side of the curb, the street side, to hold the curb in place when it is being pushed by the carriage walk. In spots, pieces of curb completely dislodge under the pressure of the carriage walk. Commonly, pieces of curb or the entire curb are missing at the carriage walk, as seen in the accompanying photograph, but the curb is in better shape elsewhere along the street.

In common terms, when the forces of abutting concrete grow to a certain point, something may move or break – either the sidewalk, the curb or the carriage walk. Installing expansion joints during construction creates a buffer to prevent damage between abutting infrastructure pieces. However, in most cases, expansion joints have not been used in carriage walk construction.

Carriage walks produce more vulnerability to abutting infrastructure merely by the nature of construction of these walkways – long and perpendicular to neighboring infrastructure and usually exerting force at the top of the curb. In contrast, driveways meet the curb at street level, where countervailing forces are in place. Where driveways cross sidewalks, sidewalks are extra-thick by City code.

An additional concern involves safety. Carriage walks themselves often are uneven and in a state of disrepair. Many of them may present tripping hazards, and the City attempts to remove or remedy safety problems in the right-of-way. An uncounted number of carriage walks have steps with no handrails. The carriage walks also were causing some sidewalks to become uneven, creating trip hazards. Public Works worried about people getting injured and about City liability. Of further concern, members of the public can misinterpret carriage walks to be mid-block street crossing locations, thereby directing people into the middle of a street at an inappropriate location.

ADA implications: While a person might misinterpret carriage walks as denoting mid-block street crossings, they are not mid-block crossings. They are sections of pathway designed to convey individuals from private residences to curbs. The Americans with Disabilities Act has companion regulations called the Public Right-of-Ways Accessibility Guidelines (PROWAG). ADA and PROWAG regulate accessibility for persons with disabilities. The City works toward making all sidewalks accessible. However, the Act itself and PROWAG do not address carriage walks. Carriage walks are not public sidewalks and arguably therefore do not fall under ADA and PROWAG guidelines. Making carriage walks handicapped accessible would be cost-prohibitive and in many cases all but impossible. For example, ADA ramp slopes can be no steeper than one inch per foot. As the adjacent photo demonstrates, installation of an ADA-complaint ramp in many cases would require major excavation, re-grading, redesign and replacement of adjoining infrastructure. In the photograph example at right, the sloping would have to extend into the adjacent yard or would require raising the height of the street.

Practice formed: In many cities, including Bloomington, operational practice was formed in the interest of protecting thousands of dollars in taxpayer investment in infrastructure. Public Works began removing carriage walks last year, allowing them to remain only in rare cases. In those cases, property owners would accept sole responsible for cost of the carriage walk replacement and upkeep and were required to assume liability for the carriage walk through a hold harmless agreement.

Practice tested: Removal of a carriage walk generally occurs when other work, such as sidewalk or curb repair or street resurfacing, is being done in the neighborhood. This year is marked by unusually large amounts of construction work associated with the $10 million infrastructure bond passed by the Council in 2013. Therefore, the carriage walk operating practice was put to the test on a large scale. In the course of removing carriage walks this summer, the City encountered several residents who wanted their carriage walks to remain. In response to a concern, the operational practice was altered to expressly allow a carriage walk to remain or be replaced by the City at no cost to a property owner in historic districts. Strong reactions from the public in favor of keeping their walkways have caused Public Works to revisit the practice and bring a formal policy recommendation to the City Council.

Usefulness of carriage walks: While we no longer use carriages, citizens find uses for carriage walks. Residents citywide began using their carriage walks for placement of garbage carts, which the City began using this spring. This new use was commonly cited by residents in favor of keeping their carriage walks. Residents also use carriage walks as pedestrian pathways to their homes. Old neighborhoods such as Dimmitt's Grove were not designed for the automobile society. Homeowners and tenants rely on street parking for their own vehicles and those of guests. Some homes have no driveways, and others have driveways not built for multiple cars or the multiple tenants living in a former

single-family house. Carriage walks allow people to get from curb to sidewalk in midblock without having to walk through grass, dirt or mud.

Policy options

Option 1: Do nothing. Leave carriage walks as is.
Pros: The City will save money by no longer removing them or replacing them. Residents who want to use carriage walks may fix and replace them at their own expense.
Cons: Some of the walks have safety issues and claims could be made against the City for not acting. The City would have no quality control on the work, and incorrectly installed carriage walks can damage City infrastructure.
Financial Burden: All financial burdens for carriage walk construction falls to owners of the adjacent property but the City still experiences the impact to the public infrastructure.

Option 2: Fix all carriage walks as needed and accept City responsibility for them in perpetuity.
Pros: Residents who use them will appreciate the upgrades without having to pay any cost or take responsibility for them.
Cons: The City will bear all cost at a time when it already has millions of dollars of needed infrastructure improvement, including sidewalk repair and sidewalk ramp work estimated at $11 million (in 2014 dollars). The City could also see liability claims associated with the carriage walks. Some residents don't want the carriage walk. Others will be dissatisfied with the product.
Financial Burden: Falls entirely on City government

Option 3: Remove all carriage walks as they are impacted
Pros: The City while paying for removal will rid itself of any potential liability and cost of future repair.
Cons: Some residents want them. It would take away a historical aspect of the City's landscape.
Financial Burden: Falls completely to the City, but only for the short-term.

Option 4: A nuanced approach detailed below
Pros: Residents have a choice on keeping them. The City ensures existing carriage walks are either removed or, if needed, repaired/replaced using proper construction technique. For the City, the likelihood of a claim is reduced.
Cons: For individual property owners, they have to accept a new responsibility and provide upkeep or lose their carriage walks. The City will incur cost to pay for replacement/repair of carriage walks.
Financial Burden: Falls initially to the City but then is assumed by the owner of adjacent property.

Option 4 explained: Through discussions with residents, aldermen, staff members, administration and members of other departments including Legal, Public Works Administration became convinced that its existing practice of carriage walk removal was not working. Public Works sought and believes it has developed a policy that seeks a spirit of compromise with constituents while also ensuring continued, long-term improvements of walkways, while also striving for public safety and the accommodation of property owners who wish to have them.

- The City will have a policy to remove a carriage walk unless the property owner wants it.

- Those who wish to retain a carriage walk may only do so by signing an "encroachment license," a copy of which is attached to this memo. (The license was patterned after one used in Downers Grove, IL, and adjusted to our needs by Bloomington legal staff.) The license must be notarized and recorded on a deed. The City can accomplish both requirements through the Public Works office without charge to the resident. The encroachment license carries stronger legal weight than a hold harmless agreement. It also requires that property insurance extends to the carriage walk.
- The license holds the property owner responsible for upkeep, repair and replacement, and if the property is sold, the new owner takes over that responsibility. Any such work must be done to industry standards, and any City infrastructure disturbed during the process must be restored.

- If the City deemed that the carriage walk in question is in good shape and the license is issued, the City will take no further action. If the City deems that the licensed carriage walk is harming the infrastructure or posing danger, the City will insist upon and perform repair or replacement. The City in this way ensures the quality of the work to protect sidewalks and curbs. In the alternative, the property owner can present a construction plan and, if approved by Public Works, assumes responsibility for payment of work. This alternative will be needed if the property owner wants to use a non-concrete surface or in some other way constructs outside the normal template. The property owner also will need an excavation permit from PACE for work in the right of way. See the photograph for an example of non-standard carriage walk construction.
- If the City deems the property owner's work to be unsafe, the City may take action. This can range from demanding a repair to removing the carriage walk and billing the owner for the cost of doing so.
- Properties owners who had their carriage walks removed under the existing practice may obtain a replacement carriage walk under the new one. If the owner agrees to the encroachment license, the City will eventually replace the carriage walk, but ongoing job tasks and the current budget do not allow for immediate replacement.

Communication Plan: The property taxpayer on record at the Assessor's Office and current resident, if not the same, shall be notified by mail of the policy and the possibility that their carriage walk will be removed. Notification will occur at least 30 days prior to construction/demolition. They will be asked to respond and, if they want to keep the carriage walk, proceed in obtaining an Encroachment License. The City will attempt a second contact if there is no response. This second attempt may entail an in-person visit and, if the resident is not available, the leaving of a note and/or sticker on the door of the property. Public Works staff will log these contact attempts in a database. The City will remove the carriage walk if the owner does not respond to the first or second inquiry.

Preservation aspect: Historical significance of carriage walks has been discussed within Public Works and with the City Planner's office. The Planner initiated e-mail exchanges with the Illinois Historic Preservation Agency. A case has been made that carriage walks have a degree of historical importance, even if they are not the original construction. (See Attachments 3 and 4.) However, carriage walks also can damage the infrastructure and leave the City open to some degree of liability. A logical City policy would be for the City to exempt properties zoned S-4 from the new carriage walk policy. The carriage walks in these areas could be fixed or replaced at no cost to the property owner and the Encroachment License requirement would be waived, leaving the City as overseer of these carriage walks. When replacing the walkway, the City should ensure that proper expansion elements are in place to prevent damage to abutting infrastructure. The City also should retain the existing footprint or "development pattern" of the carriage walk if possible or restore the footprint to the original carriage walk footprint, if the original development pattern for a particular property can be ascertained. The historical aspect of the carriage walk relates to the development pattern rather than the construction material used, according to Anthony Rubano of the Illinois Preservation Commission. The City Planner and the Historic Preservation Commission should be tasked with researching original carriage walks to ascertain historic development patterns. Public Works should then consult with the Commission prior to making changes to carriage walks in S-4 areas and properties. A property owner wanting to alter or replace a carriage walk at his/her own expense also should bring plans to the Commission and must obtain an excavation permit from the City.

COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED: Numerous discussions held with impacted residents and Aldermen. The City Planner and the Illinois Historic Preservation Agency have been involved.

FINANCIAL IMPACT: If the newly proposed policy is adopted, financial impact will depend upon how many people choose to obtain a license and the condition of their existing carriage walks. (Under the existing operational practice, most people did not object to removal of their carriage walks.) Replacement of a carriage walk would approximate the cost of sidewalk replacement and would occur, usually, in conjunction with other infrastructure work in the neighborhood. The current price for public sidewalk is approximately $7 per square foot.
Respectfully submitted for Council consideration.

Prepared by:	Stephen Arney, Public Works Administration
Reviewed by:	Jim Karch, PE, CFM, Director - Public Works
Financial & budgetary review by:	Chris Tomerlin, Budget Analyst Carla Murillo, Budget Manager
Legal review by:	Jeffrey R. Jurgens, Corporation Counsel

Attachments:
Attachment 1. Text Amendment
Attachment 2: Encroachment License
Attachment 3: Email from Anthony Rubano, Illinois Historical Preservation Commission re: Grove St. carriage walks
Attachment 4: Referenced Grove St. carriage walks

ENCROACHMENT LICENSE REGARDING INSTALLATION AND MAINTENANCE OF

____

WITHIN THE CITY-RIGHT-OF WAY OR LOCATED UPON CITY PROPERTY

____
Address

____
Property Identification No. (PIN)

(Reserved for Recorder's Use Only)

This Agreement, made this ________________________ day of __________________, 20_______, between ____[hereinafter referred to as "Owner"] and the CITY OF BLOOMINGTON, an Illinois Municipal Corporation (hereinafter referred to as the "City");

WHEREAS, Owner owns or otherwise has an interest in the following real estate (hereinafter referred to as the "Property")

Commonly known as
(PIN:)

WHEREAS, Owner currently has or will be installing _____________________________ (hereinafter referred to as the "Improvement") within the City property or right-of-way which is located adjacent to their Property. In consideration of the City's authorization for the Owner to place and maintain the Improvement on its property, the Owner hereby acknowledges and agrees as follows:

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. The Owner, as well as any successor in title to the Property, shall be responsible, jointly and severally, for the following:

   a. All maintenance, repair and replacement of such Improvement.

   b. The Improvement shall be maintained and operated in such a way that it does not damage or otherwise create defects within the City property or right-of-way, including any adjoining sidewalk or street.

   c. The Improvement shall be maintained and operated in such a way that it does not create a hazard or otherwise dangerous condition upon City property or within the City right-of-way, including any adjoining sidewalk or street.

d. The Improvement shall be installed, operated and maintained in conformance with manufacturers specifications in full compliance with the ordinances of the City of Bloomington and the laws of the State of Illinois.

e. The property or right-of-way of the City shall be restored upon installation, maintenance or repair of the Improvement, to a condition substantially equivalent to the condition before the Improvement, or to such other condition as the City Manager may direct. Thereafter, the City of Bloomington property or right-of-way shall be maintained in a clean and safe condition.

f. Upon demand from the City, Owner(s) shall immediately correct any defect or remove any debris from the property or right-of-way which, in the sole determination of the City, presents an unsightly or unsafe condition. Provided, however, nothing contained herein shall impose upon the City any duty or obligation to maintain the property or right-of-way or to effect any repairs on the Improvement. The City shall have the right to enter upon the property or right-of-way and to remove or otherwise render safe the Improvement when, in the sole determination of the City, such action is necessary to protect the public health, welfare or safety or as otherwise necessary to comply with applicable law. Owner(s) shall remain responsible for all expenses incurred by the City in effecting said repairs or removing said debris from the Improvement as provided herein. If the City elects to remove the Improvement, the City shall bill the property owner for the cost of removal which must be paid by the Owner within 30 days of billing.

g. The City of Bloomington shall be named as an additional insured on the Grantees insurance policy covering the property or right-of-way area and the Improvement.

h. The Owner shall indemnify and hold harmless the City, its agents, officers, and employees, against all injuries, deaths, losses, damages, claims, suits, liabilities, judgments, costs, and expenses which may arise directly or indirectly from the use, existence, condition, installation, repair, operation, or maintenance of the Improvement.

2. Neither the City, its officers, agents or employees, including any public utility that is authorized to use the public property or rights-of-way, shall be liable for any damage incurred to the Improvement during or as a result of any repair, maintenance, operation, use, or installation of equipment or facilities within City property or right-of-way, including tree maintenance and removal and snow removal.

3. This Agreement shall run with the land and be binding upon the Owner, their heirs, successors and assigns.

4. The Owner agrees that the grant of license shall not otherwise modify or remove any other requirements or rights established pursuant to any other public easements or covenants of record. The parties agree that this license is subject to any rights of third parties in the property or right-of-way and the City makes no warranty regarding Owner(s) right to use the encroachment area except as regards to the interest of the City. Owner(s) assumes all risk in the placement of Owners(s)' Improvement and shall be responsible for removal or relocation of Owner(s)'s Improvement in the event that any utility, including the City, requires to work within the City property or right-of-way on public facilities located therein.

5. A fully executed copy of this Agreement shall be recorded in the Office of the McLean County Clerk (Recorder) by the Public Works Department upon execution.

6. At any time, the City may terminate the Owner's rights and responsibilities hereunder upon notice to the Owner(s) or resident. Upon termination, the City will execute a release to be filed with the McLean County Clerk's Office. In the event of such termination, Owner(s) shall cause the removal of Improvement and shall return the property or right-of-way to substantially the same condition as when this Agreement was executed. In the event Owner(s) fails to effect such removal, the City shall have the right to enter upon the property or right-of-way and remove Owner(s)'s Improvement. All costs of said removal as provided herein shall be borne by the Owner(s) and shall be paid to the City upon demand.

7. The Owner hereby warrants that he has/have full power and authority to execute this covenant.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Owner(s):

____
Signature

____
type or print name

____
Signature

____
type or print name

City of Bloomington:

____
City Manager

Attest:

____
City Clerk

Subscribed and sworn to before me
this _______ day of ____________________, 20_____.

____
Notary Public

The recorded copy of this document will be e-mailed to you

PLEASE PRINT your e-mail address CLEARLY ____________________________
Telephone number, including area code ___________________________________

To: Mark Woolard <mwoolard@cityblm.org>
From: "Rubano, Anthony" <Anthony.Rubano@Illinois.gov>
Date: 07/01/2014 10:35AM
Cc: "Dyson, Carol" <Carol.Dyson@Illinois.gov>, Kathryn Occonor <Kathryn_Occonor%CITYBLM@cityblm.org>, Frank Koehler <fkoehler@cityblm.org>
Subject: RE: Grove Street carriage walks

Hi Mark. Thanks for these images. The bluestone curbing is definitely historic in my opinion. It seems to be under some of the carriage walks in the attachment, which, of course, means that it predates that particular iteration of the walk. It looks like some of the walks are of a concrete old enough to actually have been around when carriages were in use – turn of the 20^{th} century, perhaps. Other examples, though, are clearly newer, like the one of brick set in concrete. So it seems that these walks are old in conception, placement, shape, and size, but potentially newer in material. The development pattern has remained even if the material has been made new. Regardless of the age of the material, I think they are distinctive elements. I've not seen them in too many other communities. They can be considered a contributing component of the cultural landscape of the residential neighborhood. Even if the material of a particular walk is newer, the pattern is historic and should be maintained. This approach would allow the bluestone curbing to be restored (lifted, reset, even inverted to expose the fresh end), while adjusting the later walks in terms of size to get them off the curbing. You can identify the walks that may actually date from the period of significance of the district and ask for their retention and repair, or offer a plan to refabricate them in a proper manner, while the later walks should have the footprint maintained even if the material changes.

Anthony Rubano
Illinois Historic Preservation Agency
One Old State Capitol Plaza
Springfield, IL 62701

Phone: 217-782-7459
Email: anthony.rubano@illinois.gov
www.illinois-history.gov

Jim: On 6-24-14, I took photos of most (possibly all) of the carriage walks along East Grove Street from Gridley to Clinton streets. I found a variety of condition and functionality. I selected Grove Street because the question of historical significance has arisen. I have tried to provide a fair sampling. Grove is the first major neighborhood for the monied people of the 1800s. I would have to research current status in terms of historic district. I do know that some property owners along this street successfully petitioned to rezone their properties to S-historic zoning around the turn of the century when I covered the City Council for The Pantagraph newspaper. None of the service walks are original. Nor is the street. If we researched, I bet we'd find that the original street was dirt, replaced by brick. The curbs appear to be made of some sort of stone, not concrete. In many cases, the edge of the service walk sits atop the curb. Because of the intense owner pride taken in these properties, the average carriage walk likely will be in substantially better shape than is the case elsewhere in the city. The nature of the neighborhood also means they get used routinely, especially as a pathway from sidewalk to vehicle. Some of the properties are multiple-family, and a good number of residents are dependent on street parking. The file with these images is
F:\LOOKUP\Steve Arney\SIDEWALK MASTER PLAN\Grove St carriage walks
-Steve Arney


Montana

Item 4E.

Illinois High-Speed Rail –
Chicago to St. Louis – Impacts to Bloomington.
Planned Changes to Miller St. & Six Points Rd.
(5 minutes)

Illinois High-Speed Rail

Chicago to St. Louis

Impacts to Bloomington

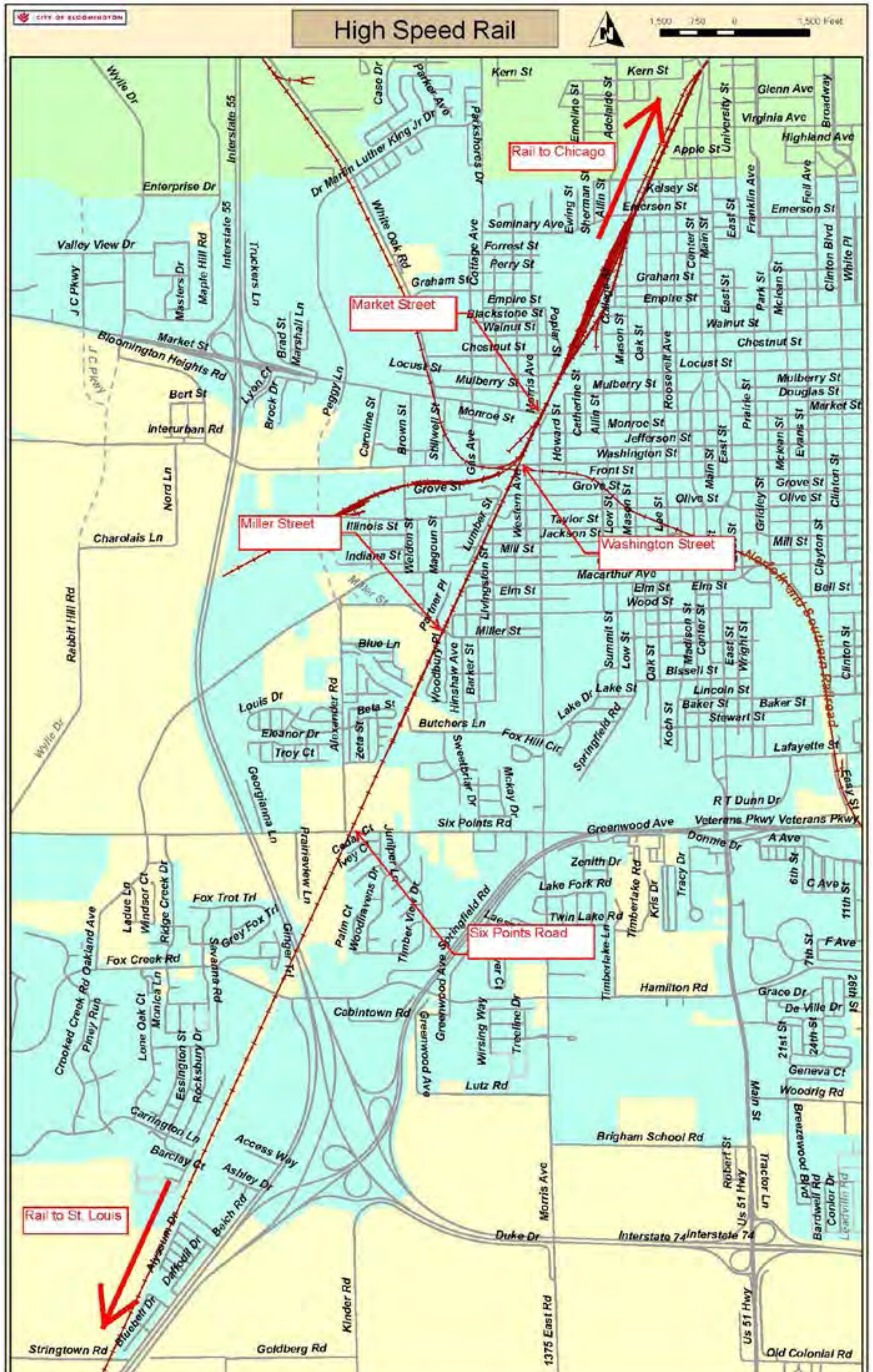
Presented by Jim Karch
Public Works Department

Illinois High-Speed Rail

Chicago to St. Louis

$1.5 billion project to increase passenger train speed from 79 to 110 mph.

(All HSR improvement projects through Bloomington will be made at no cost to the City.)



Projects in Bloomington

1. Grade Separation Crossing

Market Street – Bridge replacement.

2. At Grade Crossings

Washington Street – New pedestrian crossing and vehicle gates.

Miller Street - New pedestrian crossing, upgraded vehicle gates, and street reconstruction.

Six Points Road – Vehicle gate upgrades and street reconstruction (no pedestrian crossing).

3. Fencing

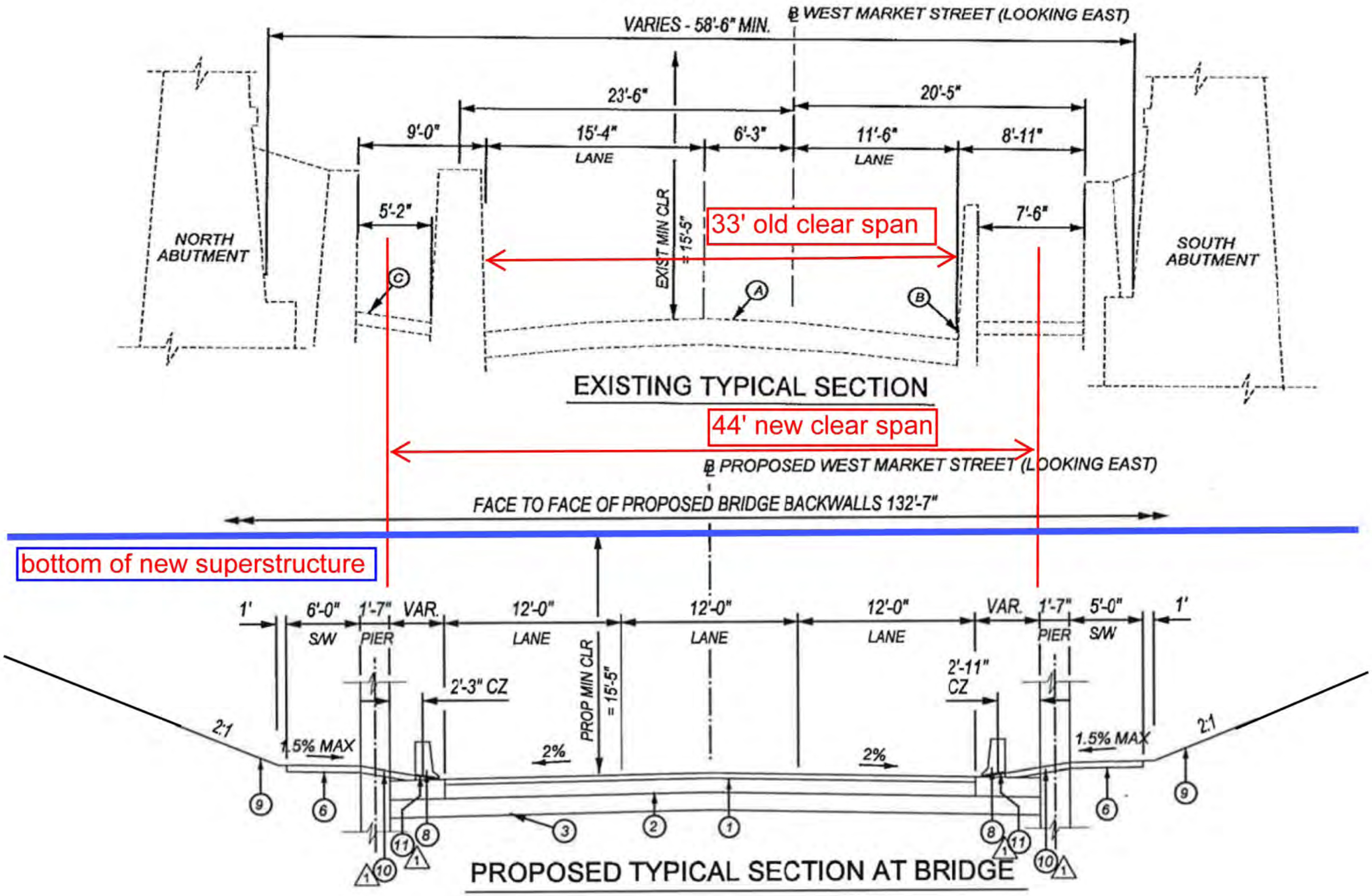
New fencing nearly entire length of tracks through Bloomington.

1. Grade Separation

The existing structure at Market Street will be completely removed and replaced with a new bridge, along with street and traffic signal reconstruction.

Grade Separation - New Market Street Bridge

Clear span improved from 33' to 44'



Grade Separation - New Market Street Bridge

Construction is expected to begin late summer and may take up to one (1) year to complete. Traffic will be detoured onto Locust St. (US 150/IL Rte. 9).

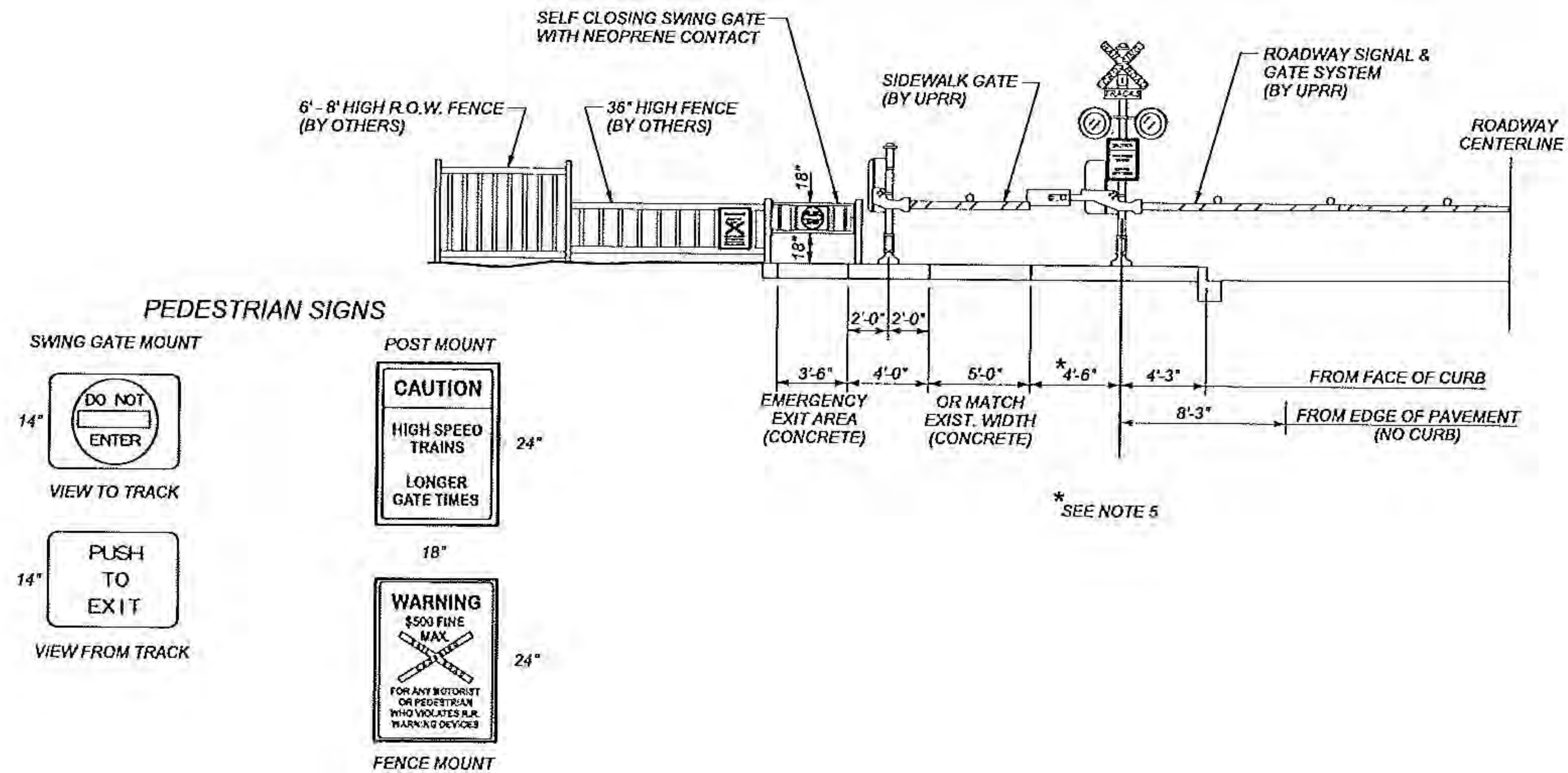
2. At-Grade Crossings

At-Grade Crossing (Washington Street)

Washington Street work includes a new gated pedestrian crossing on north side and new four quadrant roadway gates on the mainline track only. In a separate project (non-HSR) the next two street crossings to the west will also be improved, including future sidewalk.

Washington St., looking west.

At-Grade Crossing (Washington & Miller St.)



PEDESTRIAN VIEW AT EXIT GATE - TRAIN APPROACHING

At-Grade Pedestrian (Washington & Miller St.)

Typical pedestrian rail crossing installation

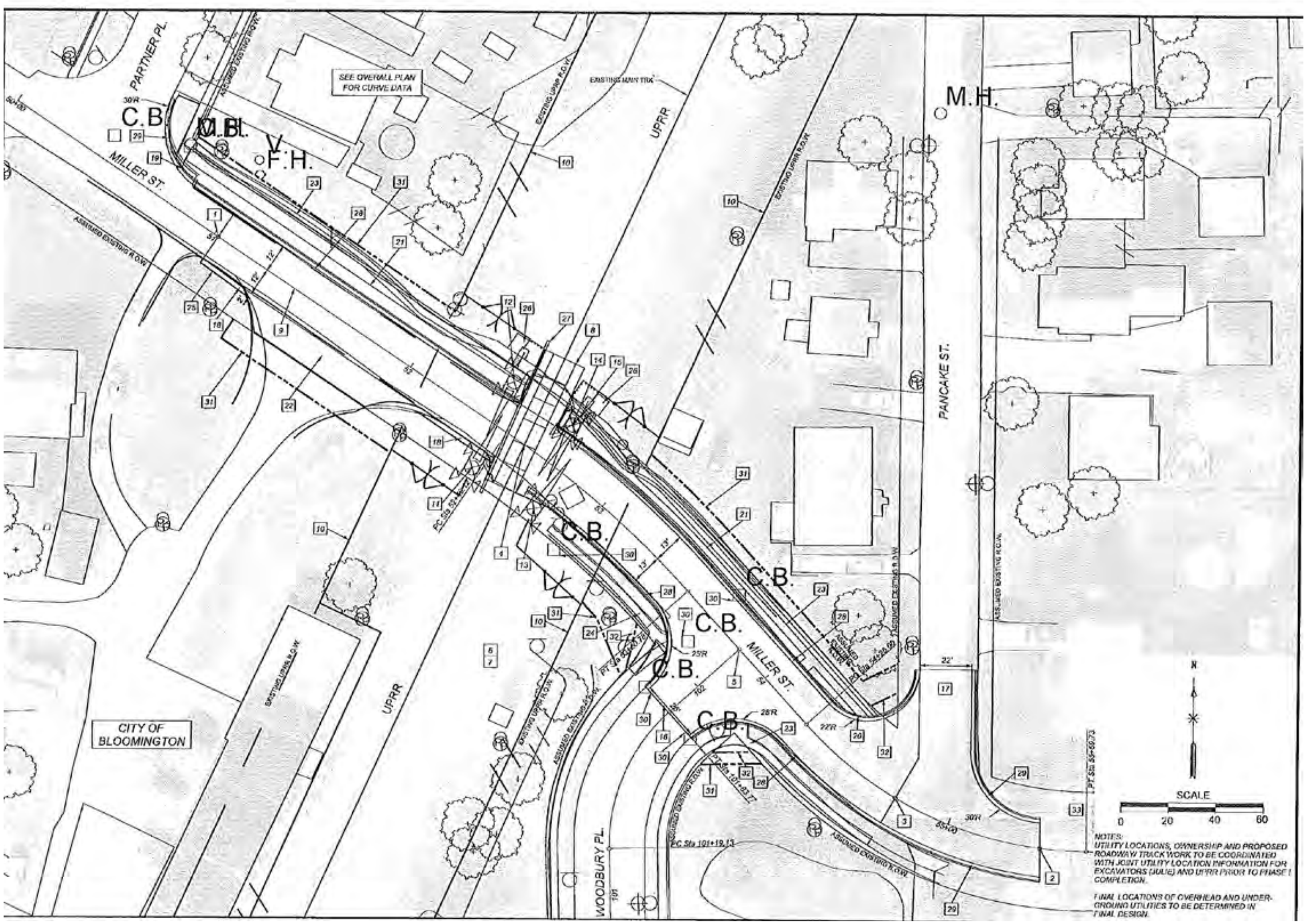
At-Grade Crossing (Miller Street)

Miller Street work includes a new gated pedestrian crossing on north side and upgraded four quadrant roadway gates (just like Washington St.), and also street reconstruction to match grade of new track.

Miller St., looking west.

At-Grade Crossing (Miller Street)

Miller Street roadway reconstruction limits (Partner Place to Pancake St.).



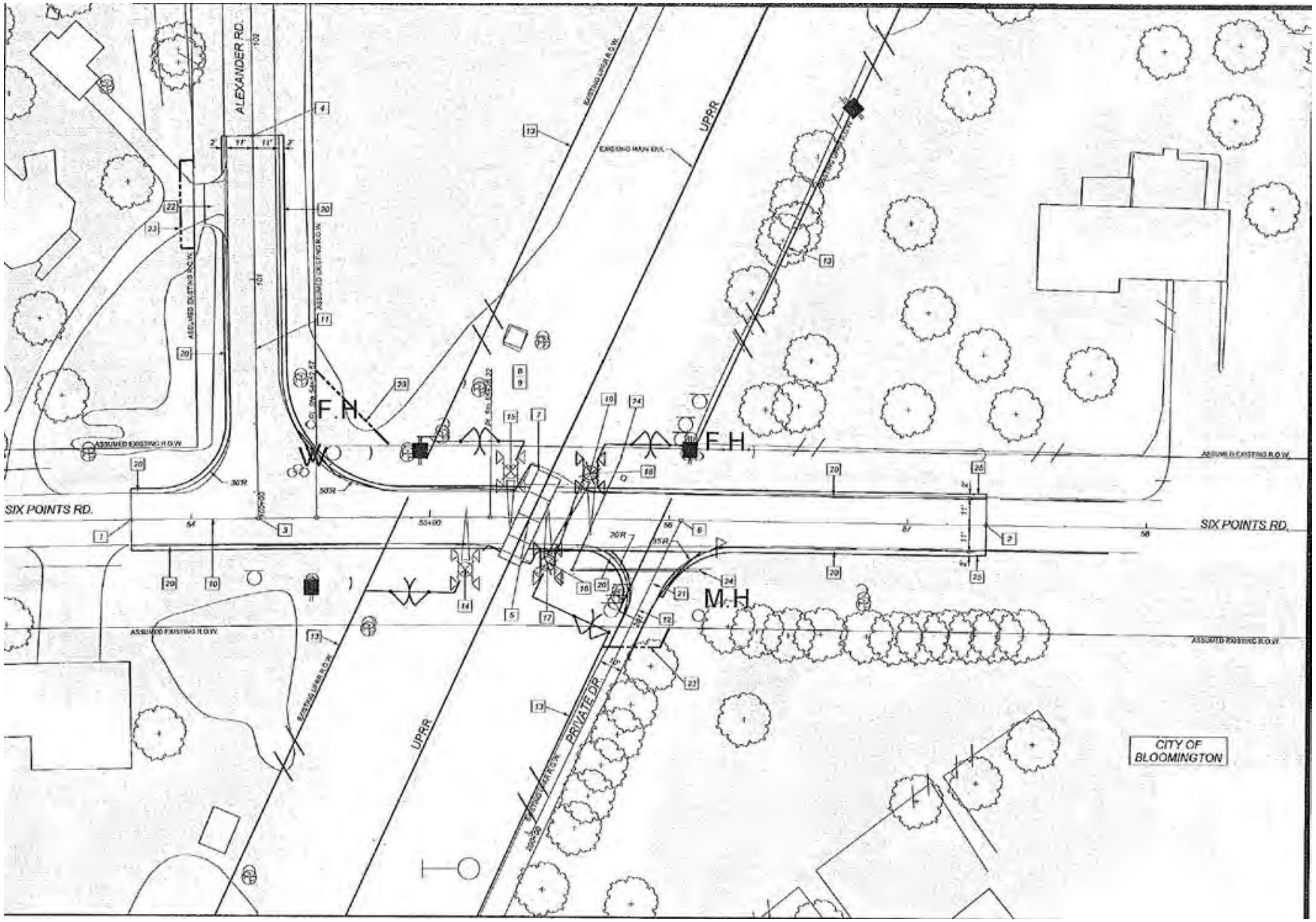
At-Grade Crossing (Six Points Road)

Six Points Road work includes street reconstruction to match the grade of new track and upgraded four quadrant roadway gates. There is no pedestrian crossing at this location.

Six Pts. Rd., looking west.

At-Grade Crossing (Six Points Road)

Six Points Road work includes street reconstruction (Alexander Rd to 100’ east of RR r.o.w.) to match the grade of new track and upgraded four quadrant roadway gates. There is no pedestrian crossing at this location.



At-Grade Crossing (all)

- At-Grade Crossing work will begin late summer and continue into 2015.
- No two consecutive crossings will be closed at the same time.
- Detours will not be provided for at-grade crossing work, as the traffic is more local, traffic volumes are lower than Market St., and construction at each location will be for a shorter duration (90 days +/-) than the Market St. bridge replacement.
- Pavement reconstruction will include new concrete curb and new asphalt pavement from curb to curb.

3. Fencing

HSR fencing will consist of 3, 6 & 8 ft. decorative fencing in residential areas and 6 ft. chain link fence in commercial and rural areas. Nearly the entire corridor through Bloomington will be fenced on both sides of the tracks.

Most fence installation will occur after the grade crossings are completed.

Fencing (general)

- The HSR Project team will be individually contacting property owners affected by fencing work.
- The HSR Project preference is to remove private fence that is parallel to the tracks and replace it with HSR fencing, 1’ onto RR r.o.w., and tie in perpendicular private fence to the HSR fence.
- The HSR Project will make accommodations to individual properties for pet safe fence.
- The City Public Works Dept. intends to coordinate an open public meeting with assistance from the IDOT / HSR Public Information Group. (mid to late summer)

Questions?

Item 4G.

Draft Website Transparency Policy
(20 minutes)

RESOLUTION 2014- ___

A RESOLUTION ADOPTING REVISIONS TO THE CITY WEBSITE TRANSPARENCY POLICY

WHEREAS, the City Council recognizes the importance and the need for an open and transparent government to serve its residents; and

WHEREAS, the Illinois Policy Institute is a "non-partisan research organization dedicated to supporting public policy initiatives for a better Illinois"; and

WHEREAS, the Illinois Policy Institute describes itself, "as a leading voice for economic liberty and government accountability, the Institute engages policy makers, opinion leaders and citizens on the state and local level;" and

WHEREAS, the Illinois Policy Institute has developed its Ten Point Transparency Checklist to hold government and elected officials accountable to the taxpaying public. In addition, this checklist will provide a "best practices" framework to improve government transparency across the State of Illinois; and

WHEREAS, the Illinois Policy Institute's Ten Point Checklist is a proactive guideline to ensure that government bodies freely share the identified information with the public; and

WHEREAS, the Ten Point Transparency Checklist includes but is not limited to the following: (1) Elected & Administrative Officials: Contact Information; (2) Meeting Information: Calendar (Future) Minutes & Board Packets (Past); (3) Public Records: FOIA submission & FOIA Officer Contact Information; (4) Budgets: General and Special Projects; (5) Financial Audits: Comprehensive Annual Financial Reports; (6) Expenditures: Bills & Payroll; (7) Salary & Benefits: Wages, Salary, Overtime, Health, Dental, Life, Pension, etc.; (8) Contracts: Union, Private Contractors, Vendors, Council Contract; (9) Lobbying: Taxpayer-Funded Lobbying Associations; and (10) Taxes & Fees: Sales, Property, Income, and Miscellaneous Taxes, Non-proprietary in excess of $25,000.

WHEREAS, the City Council is committed to transparency in the conduct of the public's business; and

WHEREAS, utilizing the Illinois Policy Institute the City Council has developed standards for the City website to provide the public with information in an accountable and transparent manner; and

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BLOOMINGTON, ILLINOIS:

1. That the above recitals are hereby incorporated into the body of this Resolution and restated as though set forth herein.

2. The City's Website Transparency Policy, attached hereto and made a part of as Exhibit "A", is hereby adopted by the City Council.

3. This Resolution shall become effective immediately upon its passage and approval as required by law.

Adopted by the City Council of the City of Bloomington this __ day of August, 2014.

ADOPTED this ____ day of August, 2014.

APPROVED this ____ day of August, 2014.

APPROVED:

Tari Renner
Mayor

ATTEST:

Tracey Covert
City Clerk

EXHIBIT A
CITY OF BLOOMINGTON
WEBSITE TRANSPARENCY POLICY

I. Purpose

This policy provides guidance as to how the City presents public information in a transparent and accountable manner, with emphasis on openness, ethics, and fiscal responsibility. This policy is a minimum standard and should not inhibit the dissemination of other public information where appropriate. In many cases, the information contained herein, and more, is already on the City's website and this policy is simply designed to provide a framework and baseline for the documents and information made available electronically. It is further recognized that the City's resources are limited and in some cases compliance may be phased in as set forth within the policy. Finally, the retention dates set forth in this policy refer to recommendations from the Illinois Policy Institute and will be followed to the extent that website space allows.

II. Effective Date

The provisions of this Policy shall be applicable on or after September 1, 2014.

III. Procedures/Guidelines

As part of the commitment of the City to open, transparent and honest government, the City website at www.cityblm.org shall include the following information and documents accessed by a link named "Transparency" on the website homepage.

1. Elected & Administrative Officials.

The City website shall include contact information, including name, department or office, job title, mailing address, facsimile number, telephone number, and an electronic contact method for all elected City Council members. The contact information for the City Manager and each City Department shall also be listed on the website. The website shall finally contain a listing of all other City boards and commissions and the names of the individuals appointed to serve on same.

2. Meeting information

The City website shall comply with the Illinois Open Meetings Act. The City website shall include the annual meeting schedule and monthly calendar for all meetings of the City Council and its boards and commissions. The website shall also include agendas, packets, minutes, audio and video recordings of all open sessions of City Council meetings. Meeting dates may be changed and meetings may be canceled, subject to the requirements of the Open Meetings Act. The City shall use its best efforts to promptly update the City's website to notify the public of any canceled or rescheduled meetings.

The City Council meeting agendas, packets and minutes shall remain available on the City's website for a minimum of four (4) years after completion of the City Council meeting. Audio and video recordings of open sessions of City Council meetings shall remain on the City's website for at least one calendar year after completion of the City Council meeting. Once per year, the City Clerk may remove audio and video recordings that have been on the City's website for at least one calendar year. Subsequently, the City Clerk may apply to the Illinois Records Commission for disposal of all audio and video recordings of open sessions that have been removed from the City's website.

Previous City Council meeting packets and minutes shall remain on the City's website for a minimum of five years.

3. Public Records / FOIA Requests

The City website shall include the name, department or office, job title, mailing address, telephone number, and an electronic contact method for all City Freedom of Information Act (FOIA) Officers, along with the mailing address, facsimile number, and electronic submission method for FOIA requests.

4. Budgets

The City website shall include the detailed budget for the current fiscal year, along with the detailed budgets for a minimum of five prior fiscal years. This information is to be listed on the City's website in a user-friendly format (e.g., listed and/or searchable) as possible.

5. Financial Audits

The City website shall include the City's Annual Audited Financial Reports for a minimum of five years after the City's auditor presents the Audited Financial Report to the City Council. This information is to be listed on the City's website in a user-friendly format (e.g., listed and/or searchable) as possible.

6. Expenditures

The City website shall include the City's bi-monthly claims reports, which shall include, where applicable, bills processed for all City funds presented within the City's annual financial statements, including bills and payroll applicable to special revenue, debt service, capital project, enterprise, agency and internal service funds (as well as special funds). This shall be in the form of the Bills & Payroll Report. The Report shall be in a searchable format and shall include the name of the payee, the amount of expenditure, and the line item and/or account number. The Bills & Payroll Report will remain on the City's website for a minimum of five years after the City Council has approved the Report.

7. Salary & Benefits

Starting with Fiscal Year 2013, the City website shall display total compensation for each City budgeted position per fiscal year in a searchable format. Each City budgeted position will be displayed by position and department or office. City paid benefits shall be shown in separate categories, including, total compensation, budgeted salary, clothing allowance, health and dental insurance, life insurance, pension, FICA, and Medicare. In addition, annual vacation days, annual personal and sick days, and annual number of holidays will be shown for each City budgeted position. This information shall be updated as required by law and shall remain available on the City's website for a minimum of five years after the information has been posted on the City's website.

8. Contracts

The City's website shall include a copy of all vendor contracts in excess of $25,000 entered into by the City Council starting September 1, 2014, which shall remain available on the City's website for three years after the contracts have been executed by the parties. Existing agreements or contracts with the City (i.e., those in existence prior to September 1, 2014 and in excess of $25,000) shall be placed onto the City's website as City staff is able to do so and as resources allow. City staff shall also attempt to categorize the contracts and agreements and make access to said contracts and agreements searchable if resources allow. Those contracts involving proprietary matters and/or information shall not be placed on the City's website.

The City's website shall also display the current union contracts for all bargaining units. The union contracts will remain posted on the website until a new union contract is approved and ratified by the bargaining unit and the City Council.

The City's website shall also include a section on the City's procurement services, including how to do business with the City and notification of any current competitive solicitation opportunities offered by the City.

9. Lobbying

The City Council does not currently have a contract with a certified lobbyist. If the City ever enters into a lobbying contract, it will be posted on the City's website in accordance with Section 8. In addition, the City Council, Elected Officials and multiple departments may have memberships with various associations. Any contracts with those associations will be posted in accordance with Section 8 and payments made to those associations posted in accordance with Section 6.

10. Taxes and Fees

The City's website shall contain a section on local tax information. This section shall include information on the City's taxes, including amusement, food and beverage, hotel/motel, motor fuel, packaged liquor, utilities, property and sales tax. This section shall be updated to coincide with any changes to existing local taxes and/or rate changes. Information on the City's permit and application fees shall also be listed, along with any applicable written application. This information is to be listed on the City's website in a user-friendly format.