



Sent via email: rlamb@glendaleaz.com

March 22, 2011

**CITY CLERK
ORIGINAL**

Mr. Robert Lamb
Economic Development Administrator
Economic Development Department
City of Glendale
5850 West Glendale Avenue
Glendale, Arizona 85301

Dear Mr. Lamb:

In accordance with your request, we are pleased to submit this proposal for professional services in connection with a study of potential market demand for a proposed hotel to be located in Glendale, Arizona. We understand that you are evaluating the development of a hotel at either of two sites in the downtown area of Glendale that the City owns, and that you would like us to assist you in determining the demand for and market feasibility of the proposed project.

To assist you in your planning process, we will be pleased to conduct a study to ascertain the potential market demand for the proposed hotel at either of the two sites. Assuming that sufficient market support is indicated, our analysis will assist you in establishing a program for the development of the property.

PKF CONSULTING USA

As a point of background, we would like to provide you with a brief overview of our Firm. PKF Consulting USA ("PKF") is a division of Colliers International (Nasdaq:FSRV), the third largest real estate services firm in the World. PKF USA is a national firm of management consultants, appraisers, real estate brokers and industry specialists who provide a full range of services to the hospitality and tourism industries. Headquartered in San Francisco, the Firm has offices in Boston, New York, Philadelphia, Portland, ME, Atlanta, Miami, Washington, D.C., Houston, Dallas, Indianapolis, Los Angeles, Seattle, Sacramento, and Bozeman with nearly 100 professionals and support staff.

Our Firm is comprised of three integrated divisions which provide consulting, brokerage and research services to the hospitality industry.

Consulting

Our consulting group provides advisory services and industry expertise to help our clients in planning, developing, managing, financing, problem-solving, improving operations, and valuing hotels and other hospitality assets. Our engagements range from hotel market and financial feasibility studies to investment structuring, and from hotel appraisals to asset management.

Our consulting group is constantly providing clients both large and small with the most constructive and valuable advice in the industry, performing feasibility and market studies, acquisition due diligence and valuations involving hotels, resorts, restaurants, golf courses, and a

variety of mixed-use developments and other hospitality products. We have the distinct advantage of being the only hospitality consulting firm with its own, proprietary database of U.S. hotel financial statistics.

Brokerage

PKF's brokerage group, Colliers International Hotels ("CIH"), serves the investment market primarily as exclusive agents for owners/sellers managing the sale and disposition process. The team members of CIH have extensive backgrounds in hotel and resort transactions as well backgrounds in hotel consulting and operations. CIH's presentation of prospective hotel investments reflects a thorough understanding of hotels, their branding/affiliations, management issues, operating margins, market dynamics, and capitalization.

Our hotel brokerage team has been retained for other services that include specific buyer-representation assignments, executing ground leases, development financing, joint venture partnerships, and land sales. The scope of our business includes all tiers of the lodging industry including hotels and resorts, vacation-ownership, residential/hotel mixed-use, conference centers, and recreational facilities.

Because of its close working relationship with the consulting and research groups of PKF, our dedicated lodging brokerage platform offers clients an unparalleled level of market knowledge with a proven track record of sales and marketing successes.

Research

PKF Hospitality Research owns the database for *Trends® in the Hotel Industry*, the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. PKF's professionals use the *Trends®* database to assist their clients in making informed decisions. In addition, the *Trends®* data is used to produce custom financial reports for clients that enable them to benchmark hotel revenues, expenses, and profits.

Beginning in 2007, PKF unveiled its powerful *Hotel Horizons®*, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry. *Hotel Horizons®* reports are published on a quarterly basis for 50 markets and six national chain-scales.

With a long-standing tradition of tracking and forecasting the lodging industry, our Research Group has the technical capacity to conduct custom research, the analytical skills to interpret the data, and the access necessary to gather confidential performance information from the industry.

PKF Consulting USA Services

- Asset Management and Management Company Selection
- Real Estate Appraisals and Business Valuation
- Market and Financial Feasibility Studies
- Litigation Support and Expert Testimony
- Acquisition Due Diligence
- Operational Studies
- Tourism and Recreational Studies

- Resort and Recreation Services
- Conference, Convention, and Public Assembly Facilities
- Financial Benchmarking
- Econometric Forecasting
- Custom Research
- Transaction (brokerage) Advisory Services
- Development Financing

Local Market Knowledge

In addition to our long-standing expertise in the hotel industry, we would bring to you in this engagement substantial familiarity within the greater Phoenix market area.

Given the historical role of PKF in the hospitality and real estate industries, and our knowledge of the local market, we are of the opinion that there is no firm that can provide the services available through us. More background and information on our Firm can be obtained from our web site at www.pkfc.com.

METHODOLOGY

The study will be conducted in phases and the work program will be concerned with the determination of current and potential future lodging demand in the market area, the assessment of existing and potential future supply and the share of the market that could reasonably be attained by the proposed project, and our facilities recommendations. Our work plan for the study will be as follows.

PHASE I- INITIAL MARKET STUDY

Initial Briefing

At the outset of the assignment we will meet with you and your associates to gain an understanding of the overall proposed project, its phasing and timing, and your objectives for the proposed hotel.

Analysis of the Site Locations

This part of the study is designed to evaluate each proposed site in terms of its opportunities and constraints for development. Some of the factors to be examined include:

- Access
- Visibility
- Ambiance
- Present utilization
- Topography
- Relationship to demand generators
- Relationship to area amenities
- Advantages/disadvantages of the site versus the major competitors

At the conclusion of this phase of our analysis we will recommend which of the two subject sites is better suited for the proposed development, review that recommendation with you and then focus the balance of the analysis on the agreed upon site.

Area Review

We will gather and analyze relevant economic data regarding the market area to determine whether the overall economic environment in the area appears to be suitable for hotel development. We will examine correlations between key economic factors and the demand for lodging and will utilize any available forecasts of these indicators in our evaluation of potential future demand.

We will perform primary market research in the site area, consisting of interviews with key demand generators, inspection and evaluation of competition and discussions with persons familiar with development patterns and the local hotel market. Among those with whom we will conduct such interviews are:

- Managers of tourist attractions
- Owners and managers of potentially competitive lodging facilities
- Government officials in zoning, development and transportation
- Major employers in the area
- Convention and Visitors Bureau representatives

On the basis of the foregoing research, we will prepare estimates of future growth in demand for, and the supply of lodging facilities in the market area.

We will analyze historical economic growth in the area and the characteristics of each of the principal segments of demand for hotels. Then, using the information gathered in our research, we will estimate growth in demand for each market segment and project demand for each of the next five years, expressed in terms of room nights, including any demand that might be induced by the proposed project.

Facilities Recommendations

As part of our analysis, we will make preliminary recommendations as to the proposed hotel's facilities, including:

- Branding and Market Positioning
- Number, type, and mix of guest rooms
- Restaurant and lounge facilities, if appropriate
- Other facilities and amenities

Market Share Estimates

The focus here will be on estimated demand for the subject hotel. Upon completion of the estimate of market area supply and demand for the future, we will estimate the share of the market that the proposed facilities should reasonably be expected to capture for the hotel's first five years of operation.

Based upon an analysis of the sources of demand available to the subject property and its estimated competitive position, we will estimate the average daily room rate that could potentially be achieved in a representative year, in current value dollars, and over the first five years of operation of the subject hotel.

Initial Report

At the conclusion of Phase I we will summarize our findings and conclusions in a brief letter report designed for the internal use of City staff in evaluating the potential project. We will then request authorization to proceed to Phase II of the assignment.

PHASE II- ESTIMATED ANNUAL OPERATING RESULTS AND FULL REPORT

Statements of Estimated Operating Results

Based upon the analysis of market demand, we will estimate occupancy, average daily room rate, revenues and operating expenses for the subject hotel for its first five years of operation. These estimates will result in a "bottom line" of income before fixed charges of interest, depreciation, amortization and income taxes.

Since the estimated operating results will be based on estimates and assumptions that are subject to uncertainty and variation, we will not represent them as results that will actually be achieved.

Full Report

We will codify our conclusions into a draft of a report suitable for presentation to third parties in connection with the negotiation of a joint venture, lease, franchise or management agreement or for use in connection with primary mortgage financing. The draft report will be for the internal use only of you and other members of the planning team and for discussion purposes with us. Once you have reviewed the draft report, we will be pleased to review it with you, address any additional questions or concerns necessary and then finalize our report.

ADDITIONAL CONSULTATION

We understand that your desire is to sell the site to a hotel developer or bring in a development partner. As a follow up to our initial conclusions, we would be pleased to consult with you as to potential land values under various realistic development scenarios and a development/disposition strategy.

LIMITATIONS OF THE STUDY

Our final report will be subject to the attached assumptions and limiting conditions.

PROFESSIONAL FEES

Our fees are commensurate with services rendered and are based on time expended by our professionals, charged at our normal billing rates as indicated below, and are not in any way contingent upon the results of our work. Any hours expended due to additional consultation and/or changes in the scope of the assignment will be billed at our normal hourly billing rates, which are as follows:

	Per Hour
Senior Vice President	\$300 - \$450
Vice President	225 - 300
Associates	200 - 225
Consultants	110 - 185

Based on our understanding of the scope of this engagement, we estimate that our professional fee for the assignment will be \$9,000 for Phase I and \$6,000 for Phase II. In addition to our fees, we will be reimbursed for any out of pocket expenses incurred in performance of the assignment such as travel of our representatives while in the field, long distance telephone, computer costs and photocopying. We estimate that our expenses will not exceed \$1,200.

If, at any time during the course of the study we form an initial opinion that there is insufficient demand for the proposed facilities, we will suspend the assignment at that point and discuss our findings with you. If you desire that we terminate the assignment at this point, we will write you a brief letter summarizing our findings and charge you only for that time actually incurred to date at our regular per diem rates, plus expenses.

As is customary in assignments of this nature, we request a retainer of \$4,000 at the start of the assignment. The remainder of our fees and expenses will be billed and payable on a progress basis.

STUDY TIMETABLE

Based on our present scheduling, we could commence the assignment with one week of receiving your authorization to proceed. Barring unforeseen circumstances, we envision completing Phase I within three to four weeks of commencing the assignment. Phase II will take an additional two weeks

APPROVAL AND ACCEPTANCE

If the foregoing correctly states the nature of the work you wish undertaken at this time, and arrangements are satisfactory, please sign a copy of this proposal and return it to us, together with the requested retainer, as our authorization for the assignment. If, on the other hand, you have any questions, please do not hesitate to call on us.

We appreciate having the opportunity to submit this proposal and look forward to working with you and your associates on this most interesting assignment.

Sincerely,

PKF Consulting



By Bruce Baltin
Senior Vice President

APPROVED AND ACCEPTED:



By _____
Title Director of Econ Dev.

Date 5/13/11

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This report is made with the following assumptions and limiting conditions:

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing this report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would cause a loss in value. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

(continued)

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the American Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of the consultant(s).

Distribution and Liability to Third Parties - The party for whom this report was prepared may distribute copies of this appraisal report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation, may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

Limits to Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.