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February 13th, 2013

Artie Jones, III, Director
City of St. Marys
Department of Economic Development
400 Osborne Street
St. Marys, Georgia 31558

Proposed Development
St. Marys Intracoastal Gateway Project
100 Ready Street
St Marys, GA 31558

Dear Mr. Jones

Pursuant to your request, we herewith submit our *Market/Feasibility/Highest & Best Use Analysis* pertaining to the above-captioned project. We have inspected the site and neighborhood and have analyzed the hostelry market conditions in St Marys and the region. In Chapter 3, *St Marys and Environs*, we evaluated the tourism resources of St Marys and Cumberland Island and the Submarine Naval Base as a demand generator and other sources of lodging demand.

In Chapter 1, *Nature of the Assignment*, we have summarized incentives and concessions available or under consideration; in Chapter 13, *Reconciliation of Valuation Indications and Conclusions*, we have commented on subsequent action taken in our analysis. Also in Chapter 13, we presented recommendations that should further motivate an investor. In Chapter 2, *Description of the Land* we concluded that the site is premier waterfront land that offers excellent views of the harbor, the salt-marsh and Cumberland Island. It also has a deep water harbor with boat docking privileges for 18 slips. The river represents an amenity to the SMIG project as well as an important access point for boating tourists as potential guests. St Marys is tied to the sea via its once vibrant waterfront. Previously it was a main port city when 200 to 300 ships lay in the river and shipbuilding and related industries were St Marys economic engine.

We have conducted a *Highest and Best Use Analysis*, summarized in Chapter 8. In our analysis we considered all uses that were within the guidelines established for the St. Marys Intracoastal Gateway Project by its committee. Also in the final Chapter 13, *Reconciliation of Valuation Indications and Conclusions* we presented a reconciliation of value indications and overall conclusions. The *maximally productive use* of the subject land without incentives or concession is to hold for future speculative development with resort, residential or related uses. With incentives and concessions applied as stated in the analysis, there is profitability to an investor who completes a hotel/resort development.

Our analysis includes the Georgia Tourism Development Act incentive, the Military Zone Tax Credit and a 25% Property Tax Abatement for a limited period. Concessions from the city include the land, the parking on Ready

Street and the boat dock with 16 slips. We also considered that there would be less restrictions on building height for site efficiency and in consideration of development costs and overall feasibility. Other incentives were reviewed but were unquantifiable and are commented on in Chapter 13. We recommended that these other incentives referenced be further investigated.

Other concessions, not considered in our analysis, that would be mutually beneficial, include an operation agreement (or lease) for the Orange Hall as an upscale corporate civic conference venue. Plum Orchard perhaps could be an off-site event venue, if there was consensus. An agreement with Cumberland Island or its concessionaire for “fast” boat service access or “on demand” service would benefit the project. An operation agreement for luxury “eco-camps” for example ten units, would create a strong ecological theme for marketing and increase potential rooms’ revenues. Such agreements would also create synergies and strengthen the properties ties with the waterfront, the Historic District and Cumberland Island. These additional concessions should be investigated further and considered as they enhance the project and create greater financial viability. Further concessions have not been included in our analysis but are recommendations that would increase viability and lead to a greater development result for the city.

In Chapter 12, *Forecast of Income and Expense*, we presented three scenarios and concluded with value indications by using a Discounted Cash Flow (DCF) Analysis. We also examined *Comparable Hotel Sales* in Chapter 10 and a *Development Cost Analysis* in Chapter 11, and concluded with our opinion of profitability applicable for each scenario. We evaluated three hotel types in the scenarios and concluded with the profit after development costs for each. The three hotel options were a *Full Service Hotel* and two upscale select service hotels- *Aloft and Hyatt Place*. The full service hotel provided the least entrepreneurial profit but the highest valuation, while the Aloft provided the highest profit but the least value. Aloft was the most financially viable and feasible of the three. Should the full service hotel be modeled on the Aloft in terms of efficiency then it may be viable with an adequate return but it would depend on the franchise affiliation. There are other upscale brands that are suitable that should also serve the potential demand. The key considerations are style, whether their development costs can be financially supported, and the risk parameters and motivation of the investor.


The SMIG site does present a good opportunity to an investor to be the catalyst in creating a new destination, in a market that is secretly rich in tourism resources and that has special access to Cumberland Island and links with the waterfront and Historic District. The location is the premier site, in a city that once revitalized, should bolster revenues and improve profitability for the subject resort and for St Marys businesses overall.

In Chapter 8, *Highest & Best Use Analysis* other stand-alone uses were considered including retail, residential, spa, independent restaurant but were not deemed financially viable as stand-alone developments. Full service marina use was considered already well provided for in St Marys. The

commercial uses such as marina, spa retail were beneficial and contribute value, as smaller components of a resort development.

Finally, we recommend that the next steps for the SMIG committee as follows. The SMIG committee should foremost consolidate consensus on the full range of concessions and incentives to be provided. In an RFP (Requests for Proposals) an investor should be invited to structure an appropriate long term ground lease based on all the benefits (concessions and incentives) provided or confirmed to the city. The more favorable the benefits the higher the terms offered to the city and the results would therefore be market driven. An upscale hotel is an essential component in the revival of the waterfront and its impact will greatly impact the economy of St. Marys and directly influence future development and overall economy of St Marys.

Very truly yours,

 Hotel Consulting International
Division of O & R Valuations, Inc.

Thomas F. O'Neill, CRE, MAI, FRICS ISHC, CHA
Managing Director

1. NATURE OF THE ASSIGNMENT

SUBJECT OF STUDY AND ST MARYS VISION

THe subject of the study is the St. Marys Intracoastal Gateway (SMIG) Project. The project is owned by the city of St Marys and its redevelopment is being directed by its Department of Economic Development and the St. Marys Intracoastal Gateway Committee. It acts under the Authority of the City Council, and in conjunction with the Downtown Development Authority (DDA). The City's Department of Economic Development has engaged the services of Hotel Consulting International to conduct Market/Feasibility/Highest & Best Use Analysis on upscale hotel development. The SMIG Committee's mission and objectives are to identify, pursue and implement with City Council approval, appropriate development and funding for the SMIG site with open public participation. A process for the sale/lease of the St. Marys Intracoastal Gateway Project is in its early stages. The committee's vision is to create a citizen and visitor destination while guaranteeing public access, environmental enhancement, and economic development which is fully compatible with Historic Downtown St. Marys.

PROJECT AND HOTEL CONSULTING INTERNATIONAL ASSIGNMENT TO DATE

The property was acquired by the city of St Marys at auction June 17th 2010 for \$1,300,000. The SMIG Committee consensus in pursuing their vision for development and or the sale/lease of the SMIG Project was a two part process. The first segment was to be RFI/RFQ (Request for Interest/Qualifications and the second segment was to be a RFP (Request for Proposal). A Request for Qualifications (RFQ) was undertaken with a June 8th 2011 deadline and The Forum Group was deemed financially capable and appropriately qualified for the project). The City's Department of Economic Development engaged the services of Hotel Consulting International to conduct an assignment. Our engagement agreement was captioned **Proposal for Market/Feasibility /Highest and Best Analysis of Aloft, Hyatt Place or Similar**. The assignment start date in St Marys was February 10th 2013 and fieldwork and fact finding commenced that week.

OBJECTIVE OF THIS STUDY

The objective of this study is as follows:

- ❑ To perform a Highest and Best Use on the property so as to identify appropriate development that is compatible with the SMIG mission statement.
- ❑ The SMIG vision identifies a citizen and visitor destination use development that ensures public access, environmental enhancement, and economic development which is fully compatible with Historic

Downtown St. Marys. Our Highest & Best Use will examine and consider these objectives.

- ❑ Our Highest and Best Use Analysis examines, hotel use as it is compatible with the SMIG mission statement. Other uses considered include stand alone meeting/conference/wedding center, marina facilities, restaurants, retail amongst other uses.
- ❑ Our Highest and Best Uses considers those uses that are maximally productive and ensures profitability for an investor.
- ❑ Our Highest and Best Use also considers uses that are likely to lead to further economic development. Our interpretation of guaranteeing economic development is that use which will spur further development and improvements in St Marys. The SMIG project should act as a catalyst to promote the future of St Marys as a tourism destination, to to be more than a 'gateway' to Cumberland Island.
- ❑ Our Highest and Best Use will consider hotel product types, services and amenities that are compatible with the the stated objectives and market dictates .
- ❑ Our assignment incorporates a market study that examines supply, demand factors impacting St Marys.
- ❑ In our analysis we will examine the project with hypothetical conditions that incorporate development incentives that are necessary to solicit and attract reliable investor/ developers.
- ❑ Our study will conclude with an opinion of feasibility and a summary of incentives considered. We will also comment on additional incentives and concessions that may be required to increase the viability of the project.

USE OF THE STUDY

This study was prepared solely for the Economic Development Department, City of St Marys and their consultants the Foram Group. The information presented in this report contains confidential information and third party information that may not be shared with other parties. It should not be disseminated to the public without the express written consent of Hotel Consulting International and Economic Development Department. Investors should conduct their own due diligence. This study should not be relied on solely as the basis for an investment decision or decisions on incentives and concessions that may be offered.

ASSUMPTIONS

The following assumptions were made regarding the proposed development:

1. The project will be operated by competent management throughout the projection period.

2. The property will be affiliated or franchised with well-known successful brand(s).
3. Most analysts predict that the economy will continue its recovery for the next 3 years and that sequestration or military spending cutbacks will not severely impact the Naval Submarine Base Kings Bay or the regional economy over the medium term.
4. No major man-made or catastrophic disaster such as hurricane or financial crisis will occur that would severely impact the tourism in the region or St Marys.

EFFECTIVE DATE OF STUDY

The effective date of this study is March 1st 2013. All projections are expressed in inflated dollars, and the value estimate represents dollars as of the date of operation commencement. The date of operation is assumed to be September 1st, 2015. The study, forecasts and conclusions are valid for an opening date within six months of September 1st, 2015.

INSPECTIONS

St Marys, Kingsland, the Naval Submarine Base Kings Bay, Cumberland Island were visited by Thomas F. O'Neill, CRE, MAI, ISHC, FRICS during fieldwork which occurred between February 10th and 14th. Hotels deemed relevant to the study were visited and included in the analysis. Over 35 interviews were conducted with representatives of City of St Marys, City of Kingsland, Camden County, and Naval Submarine Base Kings Bay, National Park Services, St Marys Businesses, local hotels and other contacts.

Fee Simple Interest "absolute ownership unencumbered by any other interest or estate, subject only to the limitations of eminent domain, escheat, police power and taxation"³

³The Dictionary of Real Estate Appraisal. Study Institute, Chicago, IL, 1989, p.12.

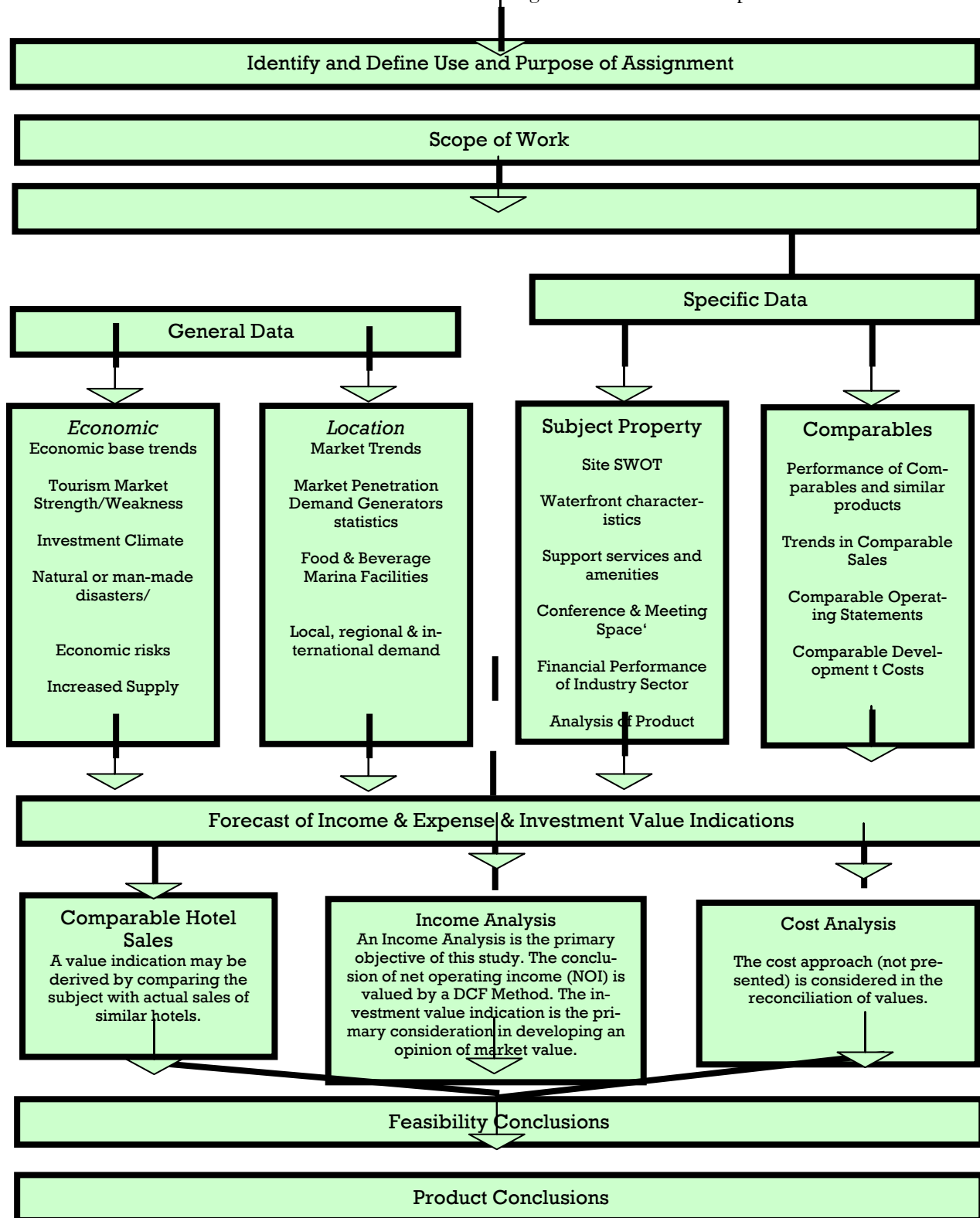
PROPERTY RIGHTS ANALYZED AND EVALUATED

The property rights being evaluated include the fee simple interests in the properties, as well as the improvements, including all furniture, fixtures, and equipment of all components. The proposed hotel is evaluated as a going concern i.e., as open and operating facility. It is also evaluated as fee simple. If a ground lease is introduced it will become a lease fee interest and the property value should be discounted by the value of the lease.

METHOD OF STUDY

The methodology used to develop this study is based on the market research and valuation and feasibility techniques approved by the Appraisal Institute. Historical performance data in the market has been reviewed and analyzed. To arrive at an estimate of feasibility, an income capitalization approach, which is based upon a forecast of income and expense, is primarily relied upon. Cost and sales comparisons are considered in the reconciliation of conclusions. The report is a concise document identifying the enti-

ties evaluated and setting forth the scope of work, the assumptions made and conclusion. The following table illustrates the process.



INVESTOR/DEVELOPER INCENTIVES

The following are the incentives and a comment and action taken is entered in Chapter 13: Reconciliation of Value Indications and Conclusions.

HB 0234 - Georgia Tourism Development Act:

This bill creates the Georgia Tourism Development Act to promote the development of new tourism attractions or expansions of existing tourism attractions that are supported by at least 25 percent from out of state visitors.

It authorizes the incremental increase in state and county/city sales tax generated from the project to be applied toward a tax refund up to 25 percent of the project costs over a ten year period. To qualify the project must have a cost in excess of \$1 million, be approved by the local governing authority, the Governor and enter into an agreement with the Department of Community Affairs. Tourism projects include cultural or historic sites, recreation or entertainment venues, and convention and hotel conference centers.

Military Zone Tax Credit: Businesses locating within the Military Zone and creating at least two full-time jobs can take advantage of a tax credit of \$3,500 per job claimed against their Georgia Income Tax liability.

Employment Incentive Program (E.I.P.): The EIP is a financing program that may be used in conjunction with traditional private financing to carry out economic development projects which will result in employment of low and moderate income persons. Many types of projects can be financed with EIP funding. However, projects creating opportunities for low and moderate income persons to advance themselves by obtaining employment, greater job security, better working conditions, job training, enhancement of workplace skills and advancement opportunities receive the greatest consideration.

State Historic Preservation Tax Incentives: The **Georgia State Income Tax Credit Program for Rehabilitated Historic Property** allows eligible participants to apply for a state income tax credit equaling 25% of qualifying rehabilitation expenses capped at \$100,000 for personal, residential properties, and \$300,000 for income-producing properties. The credit is a dollar for dollar reduction in taxes owed to the State of Georgia and is meant to serve as an incentive to those who own historic properties and wish to complete rehabilitation.

The **Georgia Preferential Property Tax Assessment Program for Rehabilitated Historic Property** allows eligible participants to apply for an 8-year property tax assessment freeze. This incentive program is designed to en-

courage rehabilitation of both residential and commercial historic buildings by freezing property tax assessments for eight and one-half years.

Facade Grant Program: Businesses located within the Downtown Development Authority boundaries are eligible to apply for a facade grant. Exterior improvements to buildings can be made with facade grant funds. Eligible improvements include exterior signage and lighting, facade painting, roof and building code repair, landscape improvements, and etc. Architectural design assistance is also available.

Redevelopment Fund: Redevelopment projects can be the most challenging economic and community development projects a local government undertakes. The Redevelopment Fund gives local governments' access to flexible financial assistance to help them implement projects that cannot be undertaken with the usual public sector grant and loan programs. The Redevelopment Fund finances locally initiated public/private partnerships to leverage investments in commercial, downtown and industrial redevelopment and revitalization projects that wouldn't proceed otherwise.

Local Revolving Loan Funds (RLF): Local Revolving Loan Funds (RLF) are potential sources of funding for new or expanding businesses in select areas throughout Georgia. The goal of each RLF is the creation of job opportunities, primarily for low- and moderate-income persons. Funds for each RLF are capitalized with a Community Development Block Grant (CDBG) Employment Incentive Program (EIP) grant that is loaned to a private business or a Redevelopment Fund (RDF) loan(s). As loan repayments are made, the RLF is capitalized by the local government that was the recipient of the initial CDBG EIP or RDF award. RLF loan applications are received and reviewed by the local RLF committee and government that operate the RLF.

GA Cities Foundation Revolving Loan Fund (GCFRLF): Applications are evaluated based on leadership, accountability, long-term sustainability, and potential for private investment. Projects should encourage spin-off development, add jobs, promote downtown housing, or add to the cultural enrichment of the community. Each application must also undergo credit underwriting. Eligible Projects include real estate acquisition, building rehabilitation, new construction, green space and parks. Ineligible uses of funds are operating expenses and administration, local revolving loan funds, public infrastructure projects, streetscapes, and facade projects.

DCA Downtown Development Revolving Loan (DDRFL): The purpose of the Downtown Development Revolving Loan Fund (DDRFL) is to assist cities, counties and development authorities in their efforts to revitalize and enhance downtown areas by providing below-market rate financing to fund capital projects in core historic downtown areas and adjacent historic neighborhoods where DD RLF will spur commercial redevelopment.

Equity Fund (One GA): The purpose of the Equity Fund is to provide a program of financial assistance that includes grants, loans and any other forms of assistance authorized by (O.C.G.A.50-34-1 et seq.) to finance activities that will assist applicants in promoting the health, welfare, safety, and economic security of the citizens of the state through the development and retention of employment opportunities in areas of greater need as defined by the Georgia Business Expansion and Support Act of 1994, as amended (O.C.G.A.48-7-40).

Main Street Community: As part of the DDA Downtown District, St. Marys has been designated as a Main Street Community, with design services made available through partnerships with The Department of Community Affairs, Georgia Trust for Historic Preservation and the University Of Georgia School Of Environmental Design. Technical assistance may include:

- Facade rehabilitation drawings and specifications
- Paint colors and signage recommendations
- Review and assistance in drafting of landscape, parking, and sign ordinances
- Schematic streetscape design
- In-town and historic neighborhood in-fill design assistance
- corridor management and traffic planning assistance
- landscape horticultural assistance for public and community buildings
- Park, recreation, and trail system planning and design.

INVESTOR/DEVELOPER CONCESSIONS

The following are the concessions and incentives that may be available with the comments on action taken and recommendations considered in Chapter 13: Reconciliation of Value Indications and Conclusions.

The Site The site was purchased by the city of St Marys for \$1,300,000 at auction on June 17th 2010 as a tourism asset. The land will be used for developing a tourism project that will serve as a catalyst for further economic growth.

Parking on Ready Street: The site is small for hotel development of significant size and we recommend that the section of Ready Street south west of the subject from its intersection with East Stable Alley be contributed as land for additional parking to the project.

Boat Dock with 16 Slips: extension of the Dock permit for the existing eight slips + the additional eight slips has been approved by DNR. Extension is to March, 2016. This permit does not cover any future “mooring field” initiative. If appropriate and of value, this could be by the private sector or as part of the SMIG project. The dock and 16-slip are assumed to be part of the project and enhance the site. Any separation of these rights would not only be negative for the project but also difficult to accomplish.

The Buildable rights – A Minimum of four stories may be necessary due to the size of the site and for building and operational efficiencies. Separate buildings as suggested by the Historic Preservation Society would handicap the property and unlikely to be approved by hotel franchise companies. However, additional restaurant, retail, small spa or meeting space could have separate buildings as proposed by HPS.

Orange Hall – The Highest and Best Use of Orange Hall is likely as a venue for conferences, corporate events and training courses. The facilities should include reception rooms, boardroom suites and teleconferencing. Smaller operations usually are marginally profitable on due to scale but if operated in conjunction with an upscale hotel, that also had significant meeting and conference space and the specialized management necessary, the synergies would likely result in economic benefits. A lease or operating agreement on Orange Hall with a capable operator that has professional staff to operate as an upscale facility in cooperation with the subject’s meeting space, would be mutually beneficial. It would also increase the link between the hotel and the historic city.

Waterfront and Howard Gilman Memorial Park The hotel could also provide services such as catering for the Waterfront Howard Gilman Memorial Park. With the expansion of the boardwalk to the subject site the synergies would be even greater.

Cumberland Island: While under the domain of the National Park Service greater synergies between an upscale hotel could be generated by providing the National Park Service and Cumberland Island with upscale services that would complement the Greyfield Inn endeavors. The hotel project operation would benefit from a concession of a luxury eco- camp (+10 units) on the island similar to such offerings in exotic locations such as Africa and the Middle East. It would create a greater link with the mainland and St Marys and provide additional support as a revenue generator to the subject tourism project. It would also benefit the NPS with additional revenues and a very high end camping product for visitors who are not comfortable with rugged camping.

The Marsh Walk Extension: The city previously envisioned expansion of the Marsh Walk. The lot Parcel id number S41 11 001 of 0.43 acres at 0 East

Bryant Street valued by the County Assessor at \$6,450. It is unbuildable but available for a marsh walk. We recommend that this inexpensive land should likely be folded into the project so as to protect the marsh and provide a walk as an amenity to the hotel.

Transportation System with the Toonerville Trolley.

With a major tourism project and revitalization the city should consider recreating the **Toonerville Trolley**, as a tribute to cartoonist Roy Crane and his comic strip. The quaint little car that played a major role in Crane's story line, or a replica could be functional with small expenditures. It would be a unique tourist attraction as well as a mode of transport. The current oversized golf cart is functional but will not be a center piece.

Landscaping Revitalization at east end of St Marys Street should be a priority of the city and should be a neighborhood project of DDA and Main Street Community. The technical assistance and financial incentives would be beneficial. This area of East Mary Street to Ready Street is poorly maintained and unattractive and discourages pedestrians.

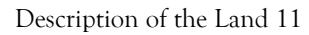


2. DESCRIPTION OF THE LAND/ACCESS & VISIBILITY

The St. Marys Intracoastal Gateway Project is a 2.8 acre upland waterfront parcel located at the foot of the St. Marys River. It is located in the historic downtown area at its eastern side. The tract has exceptional water frontage with deep-water access and has unrestricted public access to the St. Marys River. The land offers spectacular views of the harbor, the salt-marsh and Cumberland Island. The river represents an amenity to the SMIG project as well as important access for boating tourists.

2-1 View of Subject and St Marys





The 2.8 acre tract of land's address is 100 Ready Street, St Marys Georgia, 31558. It is bordered to the west by Ready Street, to the north by a residential property and on the east and south sides by the St Marys River and salt water marsh. The land previously occupied the Gilman House, which has been demolished. That property was developed on several feet of fill material behind a concrete retaining wall. There is a fixed boat dock extending from the property into the St. Marys River. It has recently been improved by the City. The following site survey illustrates the land and the extending dock.

The over





2-2 Aerial Intracoastal Gateway Tract - Overhead



Gilman House is in the aerial photograph but has since been demolished. To the south is Lang Charters operated by family members and captains, Captain Cal or Tripp Lang. The St Mary's Pavilion adjoins the marina. This is also the dock for the Cumberland Island Ferry. The ferry service is operated by Lang Charters who are under contract with the National Park Service (NPS) until 2014. The subject is located along the east side of Ready Street at its south ending with St Mary Streets. The parcels to the north are developed with residential properties. Ready Street borders the subject property to the west and behind Ready Street is a mixture of developed and undeveloped commercial and residential properties. There is salt water marsh to the east of the site and the St. Marys River is south of the property. The ground elevation of the property is crowned and graded to drain to the adjacent marsh and river. The property is accessed from Ready Street near the intersection with Stable Alley. The pictures that follow are of the water and dock.



The following are pictures of the subject land. The first image is a view south of the river and is followed by a photograph of east of the marsh and its adjoining land.





NEIGHBORHOOD AND SURROUNDINGS AND VACANT LOTS

The surrounding neighborhood to the north and west is in fair condition with residential homes and some vacant lots. The neighborhood to the west along East St Mary Street is in poor condition and many of the buildings require maintenance. Several lots and buildings are for sale. The lot Parcel id number S41 10 008 of 0.23 acres at 105 Ready Street, valued by the County Assessor at \$103,000 and zoned C-1, is available. The adjoining parcel with id number S41 10 007 of 0.17 acres is also zoned C-1, facing East St Marys Street, has a land value of \$76,000 and is available. The lot Parcel id number S41 11 001 of 0.43 acres at 0 East Bryant Street and valued by the County Assessor at \$6,450. It is unbuildable but available for a marsh walk. This property should likely be folded into the subject land so as to protect the marsh and provide the marsh walk as an amenity to the hotel. The city property of Ready Street from East Stable Alley and East St Marys should be incorporated into the site for parking. There are other sites that are available such as 105 St. Marys Street with an assessor value of \$316,350. On the east side of Ready St. there is another site that is vacant and is possibly available. Its property id is S41 09 006 and the assessor has valued the 0.38 acre site at \$217,508.

ACCESS AND EGRESS

Located 4.5 miles from the Atlantic Ocean and 15 minutes by boat from Fernandina Beach, Florida this waterfront property can be easily accessed from Interstate -95 (exits 1, 3, and 6) and thus is conveniently accessible to two major Atlantic Coast markets: Jacksonville, Florida and Savannah, Georgia. To reach the subject site, motorists traveling northbound on I-95 will exit at the Georgia Welcome Center which is just over the state border line with Florida and I-95. I-95 is the main highway on the East Coast of the United States, running parallel to the Atlantic Ocean seaboard serving areas between Florida and New England inclusive. In general, I-95 serves major cities such as New York, Philadelphia and Washington D.C. in the north and beach areas like the Outer Banks and Miami Beach in the



south. The route notably bypasses the major cities of Boston, Raleigh, and Charleston which require connections through other Interstate highways. I-95's two pieces total 1,925 miles. The southern terminus of I-95 is at U.S. Route 1 in southern Miami, Florida while the northern terminus is at the Houlton/Woodstock Border Crossing. I-95 is the sixth longest Interstate Highway with Interstate 10, to the south being the longest with 2,460 miles. I-95 passes through more states than any other Interstate highway. Interstate 95 begins at U.S. Route 1 just south of downtown Miami, Florida, and follows a path north along the Atlantic coast of Florida, passing near such locations as Florida's Space Coast, Port Orange and Saint Augustine, Florida before continuing north through Jacksonville and entering Georgia. Between West Palm Beach and Fort Pierce, I-95 parallels Florida's Turnpike, which had been a gap in I-95 as late as 1987. The Florida section of I-95 had the most fatalities of all US Interstates in 2010.

Interstate 10 (I-10) is the southernmost transcontinental highway in the Interstate Highway System of the United States. It stretches from the Pacific Ocean at State Route 1 (Pacific Coast Highway) in Santa Monica, California to Interstate 95 in Jacksonville, Florida. Interstate 16 (I-16), also known as Jim Gillis Historic Savannah Parkway or State Route 404 (SR 404), is an intrastate Interstate Highway located entirely within the state of Georgia, United States. I-16 runs from downtown Macon, at Interstate 75 to downtown Savannah at Montgomery Street. State Route 40 (SR 40) is a state highway in the U.S. state of Georgia. The highway runs 30.46 miles from US 1/US 23/US 301/SR 4/SR 15 in Folkston east to Church Street in St. Marys. SR 40 is the primary east-west highway of eastern Charlton County and southern Camden County. The highway connects Folkston and St. Marys with Kingsland, where the route meets I-95 and US 17/SR 25. SR 40 also serves as the majority of the route from I-95 to Naval Submarine Base Kings Bay and Cumberland Island National Seashore. SR 40 has a pair of auxiliary routes: a connector route in Folkston and a spur route in St. Marys that provides access to the submarine base and Crooked River State Park. SR 40 was assigned to the Folkston–St. Marys highway in the early 1920s. The highway was first improved in the mid-1920s and paved in the mid-1930s from Kingsland to St. Marys. SR 40 was paved from Folkston east to the Charlton–Camden county line in the late 1930s and from the county line to Kingsland in the early 1940s. The highway was extensively relocated between Folkston and Kingsland in the mid-1960s. SR 40 was expanded to four lanes, much of it divided highway, east of Kingsland in the 1980s. The Georgia Department of Transportation (GDOT) has long-term plans to expand the state highway to a four-lane divided highway from Folkston to Kingsland. The first portion of this project was completed east of Folkston in the mid-2000s. State Route 17 (SR 17) is a state highway that runs south-to-north through portions of Chatham, Effingham, Screven, Jenkins, Burke, Jefferson, Warren, McDuffie, Wilkes, Elbert, Hart, Franklin, Stephens, Habersham, White, and Towns counties in eastern and northeastern Georgia. The route runs from its southern terminus at I-16/SR 404 south of Bloomingdale to its northern terminus at SR 515, and NC 69 at the North Carolina-Georgia state line, north of Hiawassee. The regional highways are depicted on the following table.

Table 2-3 Regional Access



The aerial picture that follows illustrates the three exits off I-95 and the major points of interests served by the roadway.

Table 2-4 Exit 1, 3, 6 from I-95





VISIBILITY OF THE SUBJECT AND PARKING

The subject site is located in a less developed part of the city and is not immediately visible to visitors. Once a visitor is on the waterfront or using the St Marys Pavilion, the proposed subject improvements should be visible, depending on height restrictions. The land enjoys easy access from the downtown area on several routes. The waterfront artery is known as East St Marys Street and extends the full length of the waterfront roadway. In the vicinity of the subject the neighborhood appears dilapidated. The property is also accessible for East Stable Alley and Ready Street. The second photograph depicts the view south along Ready Street to the property entrance. A sign is displayed that offers the property opportunity. The third picture is another view east of the subject along East St Marys Street from the Lang Charters Marina. Primary access to the site should be along East Mary Street and the waterfront rather than via Ready Street or Stable Alley which are mostly residences areas. **We recommend that the city close this section of Ready Street south of its intersection with East Stable Alley. Its use should be parking at the SMIG tourist project as well as an entrance direct from Mary Street and the waterfront.**

Table 2-5 Visibility



Table 2-6. The subject Site



Ready Street south suitable for parking



East view of Marsh from the site



View west along river bank and property wall



View west of land and vegetation



View south towards St Marys River, shielded by trees.



View north of the dock and welcome area for visitors using the waterways



Table 2-7 Exit 1, 3 from I-95



AIRPORT ACCESS

The subject has access from three airports the local St Marys Municipal Airport, Jacksonville International Airport and Brunswick/Golden Isle Airport. Jacksonville International Airport (IATA: JAX, ICAO: KJAX, FAA LID: JAX) is a joint civil-military public airport located 13 miles north of downtown Jacksonville, a city in Duval County, Florida.





The subject SMIG site is 31.3 miles north from the airport and an approximately 45 minute drive. Jacksonville Airport in Florida is the primary airport serving St Marys and the tourist destinations in the region. This airport is owned and operated by the Jacksonville Aviation Authority. Initially, Jacksonville International Airport was slow to expand, only serving two million passengers a year by 1982. However, additional airline service in the late 1980s and early 1990s increased the need for space in the complex. The airport served over five million passengers annually by 1999, and an expansion plan was approved in 2000. The first phase, which included rebuilding the landside terminal, the central square and main concessions area, as well as consolidating the security checkpoints in a single location, and adding more parking capacity, was completed in 2004-2005. In 2007, a total of 6,319,016 passengers were processed.

Brunswick Golden Isles Airport (IATA: BQK, ICAO: KBQK, FAA LID: BQK), is further from the subject site and is 47 miles north also along I-95. Driving time from the subject site is approximately one hour. The airport was previously known as Glynnco Jetport, is a county-owned public-use airport located five nautical miles (9 km) north of the central business district of Brunswick, a city in Glynn County, Georgia, United States. It is mostly used for general aviation, but is also served by one commercial airline.



St. Marys Airport (FAA LID: 4J6, is a public use airport located two miles north of the central business district and minutes from the subject site. It is owned by the St. Mary's Airport Authority. St. Marys Airport covers an area of 286 acres at an elevation of 23 feet above sea level. It has two asphalt paved runways: 4/22 is 5,021 by 100 feet and 13/31 is 4,000 by 75 feet (1,219 x 23 m). For the 12-month period ending June 20, 2011, the airport had 4,000 aircraft operations, an average of 10 per day, 99% general aviation and 1% military. At that time there were 29 aircrafts based at this airport: 62% single-engine, 3% multi-engine and 35% ultralight.

ACCESS TO THE RIVER

The site has excellent water frontage and direct access to the river and onto the Atlantic Ocean. It is a protected harbor which is advantageous for the city. The following exhibits illustrate the direct access to the river and the ocean. The harbor is deep and Cumberland Island acts as a shelter protecting the city and boats that dock there. A potential mooring field location has been identified by the City of St Marys for possible use by boaters. The State of GA has no guidelines for this type of function, but there is definite interest by the permanent and transient boating public for this use. The mooring field location is as noted in the images that follow.

Table 2-8 River Access



SOIL AND SUBSOIL CONDITIONS

Because we are not experts in this field, we are unable to determine whether or not the soil type and quality is adequate to support the improvements. We are not qualified to make judgments on the soil conditions and advise readers to refer to reports or expertise of professional site surveyors.



NUISANCES AND HAZARDS

A phase 1 Environmental Site Assessment of the site was conducted by EMC Engineering Services on February 2010 and concluded that there was no Recognized Environmental Condition associated with the subject site. This consultant has not been informed of any site-specific nuisances or hazards, and there were no visible signs of toxic contaminants apparent at the time of our inspection. Because we are not experts in this field, an independent analysis of these factors should be examined.

PROPERTY ZONING

Zone C-1 (Central Business District)

In general, the C-1 zone permits downtown businesses similar to that already existing, and permits existing single family, homes to remain, plus permits floors above the main floor commercial to be used for residential purposes. Hotel, restaurant and related uses are expressly permitted in the C-1 Central Business District zoning classification. The C-1 zone has zero feet front, side and rear setbacks, and 45 feet maximum height above the base flood elevation. Parking requirements are as per the ordinance, however, and the area required for parking and storm water mitigation needs to be addressed as part of the site plan. Maximum coverage is 100%. A buffer is required between any commercial zone and residential zone. City Council has approved the use of design standards for the C-1 District, and for the area served by the DDA. In general, the design standards conform to the HPC standards. Planning Commission's Power to Adopt Design Guidelines: The Planning Commission shall have the flexibility to adopt design guidelines for any zone without amendment to this ordinance.

FLOOD ZONE

The Site is half in Zone AE (EL 11) and half in Zone VE (EL 11). On this site, the VE designation will govern. This requires the bottom of the structural members of any occupied portion of the structure be constructed 12" above Elevation 11. The top of the site at present is in the center of the existing house. This elevation is approximately 10.5 feet. Depending on location of any proposed new structures and the thickness of the structural members, the elevation of the lowest floor will need to be approximately an elevation of 13.5 feet. Elevation at the head wall is approx. 7.5 feet with the elevation at the rear property line of approx. 6.5 feet. These elevations can remain as long as any structured and occupied floor elevation is at 13.5 feet. There can be no below flood elevation occupied area. The only enclosed areas permitted below the occupied floor are fire stair enclosures or elevator shaft enclosures with proper flood proofing. Parking can be under the occupied floor, but this would mean that the floor of the parking area would be below grade, creating an area that would fill with water regularly as it would have an elevation of approx. 5.5 feet which would fill with flood water and mud. It is noted that Ready Street, floods regularly during high tide events..



ORDINANCES

This site is governed by three ordinances relating to trees: The HPC Ordinance, the Tree Ordinance and the Subdivision ordinance.

MILITARY ZONE FOR (ECONOMIC CREDITS)

100 Ready Street is located in the St. Marys Military Zone. Any proposed commercial use locating in a Military Zone and creating at least two jobs can maximize job tax credits to Georgia's highest benefits.

HISTORIC PRESERVATION COMMISSION

The parcel is in the historic district and all proposed structures will be required to be reviewed and approved by the Historic Preservation Commission (HPC). Preservation in St. Marys is guided by the HPC which issues Certificates of Appropriateness for projects located within Historic St. Marys. It is the duty of the Historic Preservation Commission to preserve historic and/or architectural value; enhance the Town's historic attractions to tourists; consider the appropriateness of any new alteration, addition, demolition or exterior changes visible to public right-of-way and compatibility to design with the Historic District (including signs); and to approve or deny certificates of appropriateness on a case-by-case basis. Seven members comprise this commission.

The standards the HPC uses are generally proof of the C-1 Design Standards as approved by the City Council. The design should be consistent with coastal design features and with other structures along the waterfront. Historic Preservation Commission supports a profitable business development that provides employment and tourism resource for visitors and also noted that conference facilities and other tourist resources are needed. The main attractions of St Marys are its waterways, history, but also its friendly small-town atmosphere. The HPC are concerned with the exterior of buildings only, but will encourage that interiors consider the town's history. HPC requests that architects and developers meet with HPC in advance so as to be mutually productive. The following are design key points that could be considered.

St. Marys was built around shipping--building ships, providing hard wood to build ships, and trade with other parts of the country and the world. Up until 1837 most ships of the Georgia coast were built in the city with 300-400 sailing ships engaging in the shipping trade in the harbor at any given time.

- ❑ St Marys was a border town with Spain, Florida was Spanish as was Cumberland Island and Spain was more foe than friend. The architectural style in St Marys was not Spanish and its historic buildings do not have terra cotta roofs or other Spanish style design elements.
- ❑ A true St. Marys house was built of wood with a symmetrical design. All windows and doors had a matching window or door across the building to



allow breezes to pass through. Large porches with swings and rockers were once essential to the facades. It is a hot, tropical climate and a building was designed to reduce the heat and allow fresh air through. Working shutters on windows are another characteristic of a St. Marys house. The HPC has offered to provide photographs of the city's historic architecture which illustrates the type of buildings and details that the Historic Preservation Commission strives to preserve or complement.

- ❑ Traditional St. Marys plantings include tropical fruit trees, shade trees and palm trees and blooming plants like roses or oleanders. St Marys is known for large oak trees.

In the Highest and Best Use Analysis, Hotel Consulting International addresses requirements, requests and recommendations of the Historic Preservation Commission.

DOCK PERMITS

There is a currently valid dock permit for the existing dock and for 16 slips. There are currently 8 slips in operation. This permit has been transferred to the City, and was renewed in February, 2011. The renewal was for five (5) years. For safety, the city has taken the initiative and added handrails and replaces some wood that had rotted. The existing concrete Bulkhead as presently constructed is permitted to remain and should be maintained in good condition, in order to retain the permit for this bulkhead.

CONCLUSIONS

St. Marys was built around shipping- and -building ships. Up until 1837 most ships of the Georgia coast were built in the city with 300-400 sailing ships engaging in the shipping trade in the harbor at any given time. St Marys was also a border town with Spain; Florida was Spanish as was Cumberland Island. The subject has exceptional water frontage with unrestricted deep-water access and public access to the St. Marys River onwards. The land offers superior views of the harbor, the salt-marsh and Cumberland Island. The subject has a dock and 8 slips in operation and a permit for 16 slips. The river represents an amenity to a tourism project as well as important access for boating tourists. East St Mary Street at its terminus is in poor condition and many buildings require maintenance. Several lots and buildings are for sale. The lot Parcel id number S41 11 001 of 0.43 acres at 0 East Bryant Street and valued by the County Assessor at \$6,450. It is unbuildable but available for a marsh walk. This lot should likely be folded into the subject land so as to protect the marsh and provide an amenity. The Jacksonville Airport in Florida is 31.3 miles and 45 minutes' drive and is the primary airport serving St Marys and the tourist destinations in the region> **We recommend that the city close a section of Ready Street south of its intersection with East Stable Alley. Its use should be parking at the SMIG tourist project as well as an entrance direct from Mary Street and the waterfront.**



3. ST. MARYS AND ENVIRONS

The city that is primarily known as “The Gateway” to Cumberland Island National Seashore, is also a city steeped in history and places of beauty and interest. It is also well located along an important waterway and has deep harbor facilities and inland protection. The city is named for St. Marys Mission, a Spanish mission and first settled by the Spanish in the mid-16th century. It became an important port city, and one time, two to three hundred ships lay in the St Marys River. Shipbuilding, related services and the sea were the economic engine of the city. St. Marys is believed, although disputed, to be the second oldest continuously inhabited city in the United States after St Augustine, Florida. The waterfront city faces Cumberland Island and its jurisdiction borders the Submarine Naval Base in King Bay. Cumberland Island National Seashore is the largest and southernmost of the Georgia Coast's barrier islands. The Island's visitor center and boat access are both located at the St. Marys waterfront. The city is also home to the Naval Submarine Base Kings Bay St. Marys Submarine Museum. It is host to large annual festivals of St. Marys Rock Shrimp Festival and Mardi Gras. It is noted for its Independence Day Celebrations and the Candlelight Tour of Homes in December. **In 1996, Money magazine selected St. Marys as the #1 Small Boom Town in America** and in the same year John F Kennedy Jr. was married at Cumberland Island's First African Baptist Church.



The city should benefit more from its “gateway” status if St Marys is perceived more as a destination worthy of extended stopovers and overnight stays. Overnight visitation would stimulate the local economy and be the best contributor to revitalizing both the waterfront and the city. Visitors both leisure and business travelers would utilize local retail, restaurants, visitor amenities and support services. Waterfront commerce should be a driver of further economic growth and likely induce additional visitation to all the city’s lodging facilities. Today, the city tourism resources are much underutilized due to inadequate hotel inventory to accommodate visitors. More night time activity would generate not only business for the city but also encourage more visitors to stay over for the city’s hotels and B&B’s. St Marys does not have a beach area but in conjunction with Cumberland Island has access, albeit limited, to a spectacular, one of a kind beach. By developing and promoting further its tourism resources the city should be able to improve the local economy, employment rate and its tax base. The city has made progress particularly with the completion of the Waterfront and Howard Gilman Memorial Park and by maintaining important buildings and museums. With more “life”, in St Marys, especially along the waterfront and its street it will be a more desirable location for overnight visitors. It will also be appealing for area businesses as well as the Submarine Naval Base. While a modern facility will be more suitable for most demand, there will remain healthy demand for boutique style hotels and B&B accommodations.

THE DEMOGRAPHICS AND ECONOMY -CITY OF ST MARYS

St Mary had a population of 17,247 in 2012 that is forecasted to increase modestly to 17,516 by 2017. According to Georgia Power Community Profile within 15 minutes’ drive, there is a population of 30,202 and within 45 minutes’ drive time there are 601,118. Within 45 minute drive there are 238,397 households and 269,961 housing units. Within a 15 minute drive time for 2012, medium household income is \$46,976 median home value is \$177,356. Per Capita Income is \$20,920 and medium age is 28.8. For the 45 minute drive the medium age is higher, at 33.2 and 37.1 respectively. St Marys has a younger population on average. Georgia Power’s Business Comparison is also interesting of Jacksonville MSA and St Marys 45 Minute Drive Time (MTD) shows a population 1,37,162 for Jacksonville MSA versus 601,119 for St Marys 45-MTD. Jacksonville’s MSA growth is anticipated at an average rate of 0.84% versus St Marys (45MTD) of .35%. The workforce size January 2013 is 693,378 for Jacksonville MSA versus 542,075 for St Marys 45-MTD. The unemployment rate January 2013 is 7.5% or Jacksonville MSA versus 9.1% for Camden County. Georgia Pacific also compares cost of doing business based on state level data for Florida and Georgia. The Cost of Business Index for Florida is 102 versus 98 for Georgia almost 4% lower. The unit labor Cost index is the same at 103. Energy Cost Index is 107 for Florida and 90 for Georgia significantly, al-

most 16% less. The State and Local Tax Index is 97 or Florida and 94 for Georgia over 3% less. Payroll Cost unemployment insurance Taxable Wage Base is \$7,000 for Florida and \$8,500 for Georgia. New Employer's Tax Rate is 3.7% for Florida and 3% for Georgia. Experienced Employers' Tax Average Rate is 2.03% versus 2.4%. Georgia has the 17th lowest ranking state while Florida ranks #29. Georgia Pacific economic data clearly shows that Georgia is more competitive than Florida in many areas of business costs, energy costs, state and local taxes and payroll cost.

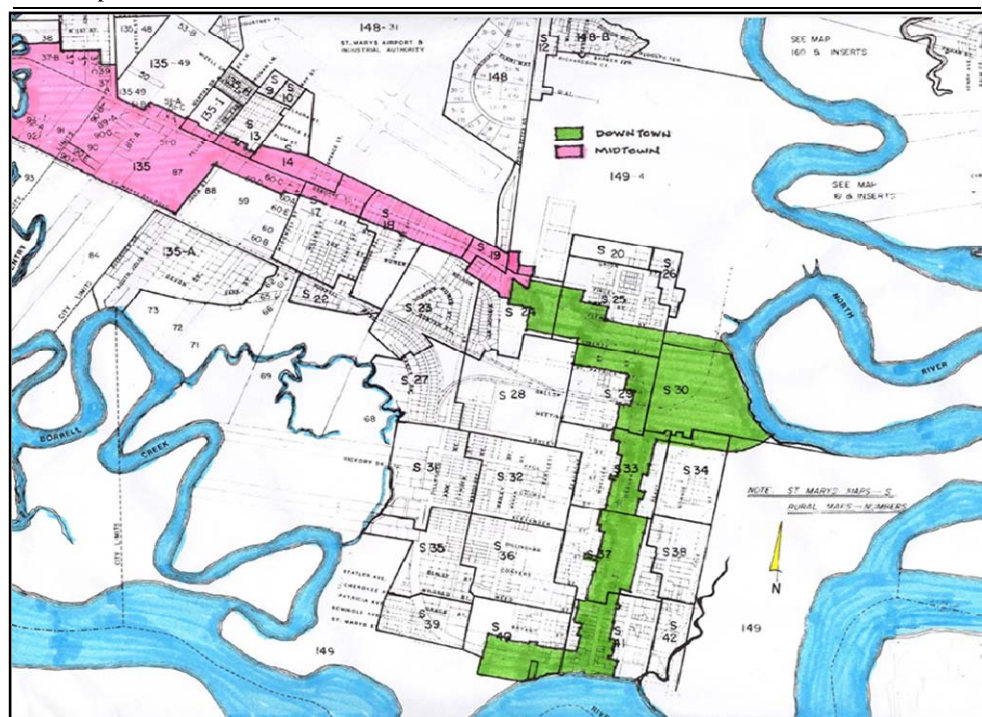
ST MARYS LARGEST EMPLOYERS

The largest employers are Express Scripts, on Osborne Road, a Pharmaceutical Call Center with 454 employees. Other employers include Walmart with 366 on State Highway 40, Osprey Cove Golf Course with 85, Georgia Pacific with 77, TDS Telecom with 40 workers and BAE Systems with 67 employees. Major employers include state, or local government, and education sectors. The hospital and healthcare sectors are major employers that generate room night demand, particularly the South East Georgia Health System. Once acquired and redeveloped the former Durango Paper Mill should create significant economic growth.

DOWNTOWN AND MIDTOWN ST MARYS

The Historic District encompasses the original grid pattern plan as laid out in 1787 when St Marys was established. The following map delineates the midtown and downtown areas of St Marys.

3-1 Map of Downtown and Midtown





ST MARYS HISTORY TO PRESENT TIMES

The city is named for St. Marys Mission, a Spanish mission and first settled by the Spanish in the mid-16th century. It became an important port city, and as stated at one time, two to three hundred ships lie in the St Marys River. Shipbuilding, related services and the sea were the economic engine of the city. It was a time that Florida was not part of the United States but the territories to the immediate south and east (Cumberland Island) were Spanish and frequently hostile to the population of St Marys and the area. St. Marys is believed, although disputed, to be the second oldest continuously inhabited city in the United States after St Augustine, Florida which was established in 1565. St Marys was established in 1787 and 19 of the streets in the Historic District were named after the founders. It served as Camden County Georgia's seat of government from 1869 until 1923.

From 1941 the Gilman Paper Co. and the Gilman family were the major influences on the economy. In 1955 the U.S Army developed the Kings Bay land as an ammunition loading facility and in 1979 the Navy established the Naval Submarine Base in an area that covered 17,777 acres. The Mexico-based Durango Paper Co. acquired Gilman Paper Co. in 1999, nearly two years after the former owner, Howard Gilman, died. Durango Paper Co. closed the mill in 2002. It was the town's major employer and its closure, with a loss of 900 jobs, severely impacted its economy and overall employment that continues to linger today. In 2006 the property was purchased by Landmar for nearly \$40 million and was rezoned for mixed-use development. Landmar had announced the development would include a marina, hotel, restaurants, shops and an estimated 2,200 multi-family and single-family homes and have the advantage of the deep river access, Cumberland Island, and proximity to Naval Submarine Base Kings Bay. Housing had staged a comeback in St Marys and it was providing the engine of growth until the housing crisis started. Landmar Group defaulted on its loan in 2009 and the company and St Marys became a victim of the housing crisis. House Prices fell about 50% in St Marys, from a high of around \$170,000 in 2007 to about \$120,000 today. The housing prices are down substantially from the peak and are more depressed than many other housing markets that have witnessed early stages of recovery. St Marys is a desirable location for quality of life issues such as low crime, education, affordability but available employment is its disadvantage. It will benefit when the economic recovery spurs a more robust sustainable housing recovery.

ST MARYS HISTORIC DISTRICT

Within the downtown area is the St. Marys Historic District. It was listed on the National Register of Historic Places in 1976. The St. Marys historic district is roughly bounded by Waterfront Rd., Norris Alexander, and Oak Grove Cemetery. It contains portions of the original 18th century town with



3-2Map of Historic St Marys with Major Attractions and Services



Situated on the banks of the St. Marys River, this beautiful park is named in honor of Howard Gilman. The Howard Gilman Foundation donated approximately \$1 million dollars for the construction of the waterfront park. The park has become one of the most popular attractions in Coastal Georgia. The park features a waterfront launching dock with marina, a boardwalk, an outdoor amphitheater, covered gazebo, a shaded children's playground and views of the St Marys River. Amenities include two boat ramps, a fishing pier, a kayak launch and temporary docking facilities The Park is an ideal setting for a wedding or other special events used in conjunction with local hotels. The park is also the host of an annual fireworks display on the Fourth of July and during the summer the St. Marys Convention & Visitors Bureau host Starry Nights.



TILDEN NORRIS MARSH WALK

Just a short walk from the park is the Tilden Norris Marsh Walk. There is a proposal to extend the boardwalk and walkway to the St Marys Intracoastal Gateway project site and this would further connect the development with the waterfront and the historic city.

ORANGE HALL

Orange Hall constructed in 1830, is located at 311 Osborne within the Historic District and was listed on the National Register of Historic Places in 1973. In 2011, Orange Hall was added to the list of the state of Georgia's ten most endangered historic sites by the Georgia Trust for Historic Preservation. The property was originally granted to William Ashley, one of the founders of St. Marys. With the American Civil War and the 1862 invasion of the area by Union troops, the house became headquarters of a squad of occupying troops and remained relatively unharmed. Orange Hall operated as an apartment until about 1960 when its owner, St. Marys Kraft, deeded it to the City of St. Marys for use as a library and civic center. The City of St. Marys has operated the building as a welcome center museum until its recent closure for repairs. The design is a good example of the temple-form Greek revival dwelling. It is reported by experts that Orange Hall was the first example of Greek revival design in America and is one of the South's finest examples. The name originated from the orange trees that surrounded the house. It is a frame building with clapboard siding.



Other details include: two stories, gabled roof, interior chimneys, front center entrance with side lights and transom surmounted by low pediment lintel and front tetra style prostyle. Doric pediment portico is supported by the projecting basement. It has a rear center and a recessed two-story porch. In the basement used to be the old kitchen, now marked by its whitewashed walls, a herringbone brick floor pattern and a Dutch oven. Orange Hall has a basic four room, central hall plan with smaller rooms near the rear porch. Each of the eight major rooms is approximately 18 by 20 feet with 11-foot ceilings. There are two primary chimney flues, each being fed by six fireplaces, two on each floor, including the ground level. Its main floor is above the ground-level floor, the latter used primarily for food preparation, servant areas, and storage. The old Dining Room was under the front portico.

The Highest and Best Use of Orange Hall is likely as a small center for conferences, corporate events and training courses with a selection of reception rooms and boardroom suites. Such operations are usually unprofitable on a small scale but if operated in conjunction with an upscale hotel that also had significant meeting and conference space and the specialized management necessary, the synergies would likely result in economic benefits. We recommend a favorable lease be offered, as a concession to the successful SMIG developer to incorporate into the management of the project. The benefits would likely be mutual. In addition there is the possibility of a **link with Plum Orchard** on Cumberland Island for small corporate/conference off site events, which is also underutilized and would benefit from the expertise offered by professional meeting management



LODGING AND RESTAURANTS IN THE HISTORIC DISTRICT

Lodgings in the Historic District comprise a boutique hotel and several B&B's. They are not only support service but a large part of the appeal and attraction of the city. Many had renovated and the style complements the city itself. The only hotel in the downtown area is the Riverview Hotel boutique style hotel with a popular bar and restaurant. There are B&B's which several of which are award winners for their quality of product. The following is a description of the hotel supply in the Historic District.

The **Riverview Hotel** was built in 1916 on the banks of the St. Marys River and is the nearest lodging facility to the Cumberland Island Ferry and Visitor Center. It has been continuously owned and operated by the Brandon Family since the 1920's. Sallie Brandon purchased the Hotel with her two sisters, Miss Semora and Miss Ethel, establishing a reputation as hospitable hostesses and fame for southern style cooking. The sisters were entrepreneurs and pioneer -women for their time. In addition to the hotel, the sisters operated a restaurant, pharmacy and a beauty parlor. The hotel has 18 upstairs guestrooms, each with its own character and all with private baths. The sitting room allows guests' access to a veranda overlooking main street and a view down the St. Marys River to Cumberland Island and Fernandina Beach. The Riverview Hotel also houses the Seagle's Cafe & Saloon a lively local eatery and bar facility. Room rates range from \$90 to \$120.

Spencer House Inn is listed on the Select Registry Distinguished Inns of North America. It was built in 1872 as an inn by William Tobias Spencer and his wife, Harriet Louis and except for a short period it has always been a facility that housed guests. It is located just one block from the waterfront and the ferry to Cumberland Island. Each of the 14 guestrooms have central air and heat, ceiling fan, complimentary wireless access, phone and flat screen HDTV with cable, HBO, ESPN and DVD player. The inn has an elevator and verandas. Trip Advisor gives the property top ranking for Bed and Breakfast in St. Marys and the Tribune and Georgian has recognized it as Best B&B in Camden county for 17 straight years most recently being 2012 -According to the Spencer House Inn website room rates range from \$135 to \$245.

Emma's Bed & Breakfast also ranks high. The nine room B&B is situated on four acres in historic downtown on Conyers Street. It was on this property that Sam Bealey, a superintendent for Dungeness on Cumberland Island, brought his bride "Miss Emma", as she became known in St. Marys, to live in 1911. In the main house there are four bedrooms, each with a private bath and all looking out over the gardens. The cottage located directly behind the main house has an additional five guest rooms, also with private baths. Each room has cable TV, wireless DSL, hair dryer and ironing board and iron. Its current advertised rate displayed on its website ranges from \$119 to \$189, single or double occupancy with private bath.



Goodbread House Inn is also highly rated by TripAdvisor. Restored in 1980's the Victorian bed and breakfast in the historic district. The six rooms are themed for famous lovers including the Rhett & Scarlett and Gable & Lombard. The Sandiford-Goodbread House was built in 1870 by Samuel Burns, who sold it to Ralph Sandiford, who in turn sold it to steamboat captain Walton Goodbread in 1901. In 1918, Kate Brandon Bagwell and her sisters, Sallie, Semora, and Ethel, bought The Goodbread House to accommodate the overflow of the Riverview Hotel, whose owners are former proprietors of The Goodbread House. More recently, The Goodbread House served as Dixon's Boarding House. It was renovated in the early 1980s, and today retains its original 1870s architecture with high ceilings, pine floors magnolia-shaded verandahs and antiques adding to its ambiance. Its current rates range from \$99 to \$109 according to its website.

In addition there are two properties also serving the market in the Midtown Area on the State Route 40 spur the 115 room **Cumberland Kings Bay Lodges** and the 79 room **Cumberland Inn & Suites**. Later in this chapter in our Cumberland Island section, we describe its **Greyfield Inn**.

The total room count for St Marys is 241 rooms. None of the properties participate with Smith travel Research and the city does not monitor occupancy and room rates. However there is a bed tax of 6% collected. Bed tax in 2009/10 was \$104,238, in 2010/11, increased to \$115,560 and in 2011/12 fell to \$109,377. This calculates rooms' revenue that bed tax is based on, of \$1,737,300, in 2019/10 to an 11% increase to \$1,926,000 in

2010/11 and a 5% drop in 2011/12 to \$1,822,950, representing RevPAR of \$20.72. This indicates very low occupancy levels in the town but also an opportunity for greater revenue for local lodging along with higher bed tax receipts if St Marys successfully captures more overnight visitors. For comparison purposes, visitors registered at the St Marys Welcome Center were 11,732, 14,046 and 17,794 for 2009/10, 2010/11 and 2011/12 equating to a 20% and 27% increase for 2001/11/ and 2011/12 respectively.

Noted restaurants include **Lang's Marina Restaurant** owned by **Lang Charters**, **Seagle's Restaurant** which is part of the Riverview Hotel facilities, the **Blue Goose**, the **Mad Hatter Tea Shop**, **The Riverside Café**, **Pauly's Café**, **St. Marys Seafood & More** and nearby **Borrell Creek Landing**.

HISTORIC CHURCHES AND OAK GROVE CEMETERY

Historic churches in St Marys are a feature of St Marys enjoyed by visitors. First Presbyterian Church constructed in 1808 is within St. Marys Historic District on Conyers St and is the oldest church building in St Marys. It is reported as one of the finest examples of Church Architecture of that period. Also on Conyers St. is St Marys United Methodist Church and was constructed in 1856. Our Lady Star of the Sea Catholic Church on Osborne St. was established in 1847, it used to be a bank building. Christ Episcopal Church on Wheeler St was consecrated in 1989; the original building was burnt during the civil war.





Oak Grove Cemetery on Bartlett St. is owned by the City of St. Marys. The historic cemetery was laid out in 1788 and draws visitors from all over the world, whether they are looking for ancestors, studying history or just visiting St Marys. Soldiers from all of the country's wars except the Gulf, Afghanistan and Iraq wars, rest here. The tragedies and triumphs of lives lived in St. Marys are represented in the inscriptions engraved on the stones of yellow fever victims and those of the French Arcadians who were driven out of Nova Scotia and found a home in St. Marys. The cemetery is surrounded by a low stone wall with arched gateways. Many of the individual lots are surrounded by brick walls and iron fences. Vine-covered marble slabs with French inscriptions mark the graves of French planters who fled Santo Domingo. The first settlers of St. Marys as well as the founders of both Kingsland and Woodbine rest here. The cemetery opens from sunrise to sunset and continues to operate.

OTHER HISTORIC BUILDINGS

Other historic buildings include **The Bachlott House** and **Pratt-Gillican House** on Wheeler Street that were built in 1885 and 1821 respectively. The **Bachlott-Porter House** built in 1911 a fine example of Queen Anne architecture style. The **Archibald Clark House** on Osborne St. is the oldest structure in town built in 1801. The **Collier-Casey House** on east Bryant was built around 1874 and is classified as a Folk Victorian that was typical construction in the area during the mid to late 19th century. Near the subject land are the **Frohock-Lockhart House** at 201 Ready Street built in 1906 and the Stone-Bunkley-Guy House at 208 Ready Street built in 1885.

MUSEUMS/ ATTRACTIONS

Cumberland Island Visitors Center is located on the waterfront. It opened in 2005 and is a replica of Miller's Dock, an old St. Marys landmark. Features an exhibit depicting the Carnegie family life at the turn of the century. There are other exhibits of the Timucuan Indians, the life of saltwater marshes, the primary and secondary dune systems and the barrier ecosystem.

Cumberland Island National Seashore Museum is one block from the St. Marys waterfront on Osborne Street. The park museum houses a collection of artifacts from Cumberland Island, including remembrances of the famed Carnegie lifestyle and of the Timucuan Indians who once inhabited the island. A moving exhibit of "The Forgotten Battle" demonstrates the dramatic events that occurred when the last battle of the War of 1812 was fought at St. Marys' Point Peter.

St. Marys Submarine Museum: St. Marys Submarine Museum has one of the world's most extensive collections of submarine memorabilia and dis-



plays and is visited by tourists and military buffs. It is a good introduction to the local Kings Bay Naval Submarine Base, the Atlantic coast home of Trident nuclear submarines. The museum houses more than 3,500 items, including models, photographs, written histories, artifacts, and a working periscope.

The Toonerville Trolley gained national recognition when cartoonist Roy Crane rode into St. Marys on the trolley and sketched local scenes to appear in his comic strip. The quaint little car played a major role in Crane's story line, along with Oak Grove Cemetery, Orange Hall, the Riverview Hotel, and other buildings in the downtown area. When St. Marys Railroad abandoned the trolley for a more modern Ford truck, a local resident decided to incorporate the wooden body into a small dwelling on the waterfront. In 1974, St. Marys Kiwanis Club restored using a 1924 Model T Ford truck. Trolley tours were conducted for two summers, and then the vintage machine was retired to its current glass-encased display Osborne Street. A trolley service is operated on occasions using an open-air extended golf cart vehicle.

Theatre by the Trax/ St. Marys Little Theatre. Theatre by the Trax is located at 1100 Osborne Road, and is the primary venue for St. Marys Little Theatre performances. The historic building was saved from demolition and converted from an old locomotive work station to a community theatre. COLORBLIND, an original play written by St. Marys resident, Gaila Brandon was performed in February 2013. The historical part of COLORBLIND depicts the struggles of the Civil Rights Movement and pays tribute to Martin Luther King.

ST MARYS MARITIME HISTORY AND A MARITIME HERITAGE DISTRICT

The City of St. Marys is tied to the sea many ways via its vibrant waterfront. Since 1799, when the galley St. Marys was launched from the St. Marys waterfront, St. Marys has been at the forefront of maritime history. The Spanish built a fort at Cumberland Island and were aware of the St. Marys River. George Washington references the fortification of St. Marys in one of his written orders as President. The British Royal Navy and Marines fought American Troops at the end of the War of 1812. Gunboats scoured and scoured the river banks during the Civil War, wreaking havoc on industry and residents alike. Clipper ships called at St. Marys on a regular basis. Minesweepers were tied up at the pavilion during WWII, with an aircraft spotter 'booth' occupying the roof. Shrimp Boats of all vintages plied the river for Georgia Wild Shrimp. Submarines came and stayed. Today, a ferry arrives to take visitors to the pristine Cumberland Island National Seashore and has become known as its gateway. St Marys, itself does not have a sand beach but a waterfront and harbor. However within a 20 minute boat ride of Cumberland Island's pristine beaches.



The deep water harbor can accommodate the sailing ships of the historic past as well as modern replica vessels and smaller cruise ships. These vessels can enter the harbor and view pristine marshes. Many school ships have anchored in our harbor and at Lang's Marina Docks. During Thanksgiving Week, a community sponsored feast fills the harbor with those boaters and their vessels. The hospitality of the City is well known with the Coastal Boating community. The harbor potential is the outline of the concept for a Maritime Heritage District was first proposed by the Mayor in 1998. In 2008, a three masted schooner – the Steelaway – visited the harbor for protection against a hurricane and remained. It offers small charter cruises for tourists and maritime history buffs. Many believe there is a potential to increase visitation to the waterfront via attracting and home porting 4 to 5 tall ships.

Prior to the founding of St. Marys, the water and landside areas of the waterfront at various times were under the flags of France, Spain, and England. When England and Spain agreed to a border between the two colonies, it was determined that the border would be the center of the navigable channel of the branch of the St. Marys River that had the largest flow. Then, when St. Marys was originally laid out in 1787, the border between the fledgling United States and Spanish Florida remained as the centerline of the navigable channel. Since that time, the city limits of St. Marys has been defined as the Centerline of the river between Georgia/St. Marys and Florida/Nassau County as measured from the mean high water mark.

The Port of the City of St. Marys is one of three ports still authorized by the State of Georgia - the other two are Brunswick and Savannah. This designation permits the Harbor to be used for commercial endeavors. The City also has the ability to reactivate the Pilotage Commission, which provides piloting services to any vessel intending to use the St. Marys anchorage. The Pilotage Commission is inactive, due to the lack of commercial vessels heading to the harbor, as well disagreement with the US Navy over pilotage to the Kings Bay Naval Submarine Base. For the Waterfront Area to thrive, experts believe it needs a mixture of commercial, recreational, and educational facilities as well as visitor accommodations to meet changing demands.

CROOKED RIVER STATE PARK

In 1985, the Crooked River State Park was added to The National Register of Historic Places. This 500-acre park is located on the banks of Crooked River. It sits on Elliot's Bluff, which overlooks the Crooked River, a salt water river which empties into Cumberland Sound. It is ideal for absorbing the Intracoastal Waterway and maritime forest. It is the closest state park to the Cumberland Island National Seashore. It has 60 Tent/Trailer/RV Sites, Pool and Bathhouse, 11 cottages and 5 picnic shelters.



The area is blanketed with several habitats including pine flatwoods, salt marsh and maritime forest. It is popular with birdwatchers of Birds of prey, shorebirds, wading birds, songbirds, and waterfowl. The best birding seasons are: Birds of prey (fall), shorebirds (fall and winter), songbirds (fall), wading birds (fall), waterfowl (winter). Its specialty is Osprey, bald eagle, wood stork and painted bunting. Visitors can visit the tabby ruins of the McIntosh Sugar Works Mill, which was built around 1825, listen for owls at sunset, and look for gopher tortoise burrows, armadillos and deer.



AIR TRANSPORTATION- ST. MARYS AIRPORT

St. Marys Airport (FAA LID: 4J6) is a public use airport located two miles north of the central business district of St. Marys. It is owned by the St. Mary's Airport Authority. St. Marys Airport covers an area of 286 acres at an elevation of 23 feet above mean sea level. It has two asphalt paved runways: 4/22 is 5,021 by 100 feet and 13/31 is 4,000 by 75 feet.



For the 12-month period ending June 20, 2011, the airport had 4,000 aircraft operations, an average of 10 per day: 99% general aviation and 1% military. At that time there were 29 aircraft based at this airport: 62% single-engine, 3% multi-engine and 35% ultralight. The airport and the local government have faced controversy in recent years regarding the possible relocation of the airport in response to national security concerns.

The airport was closed for three months following the September 11, 2001 terrorist attacks, as a result of its position approximately one mile south of Naval Submarine Base Kings Bay. The Federal Aviation Administration created a Temporary Flight Restriction below 5,000 feet and a radius of five miles from the base, effectively eliminating all traffic. Aircraft based at that field were eventually allowed to leave under special permission of air traffic control, but the existing Fixed Base Operator suffered substantial financial difficulties during this time. The airport was reopened on December 3, 2001, with the creation of a smaller temporary flight restriction located approximately one half mile from the departure end of runway 4. That restriction became permanent on February 16, 2006, with the creation of Prohibited Airspace P-50, an airspace encompassing all airspace below 3,000 feet within a three mile radius of the submarine base's waterfront op-



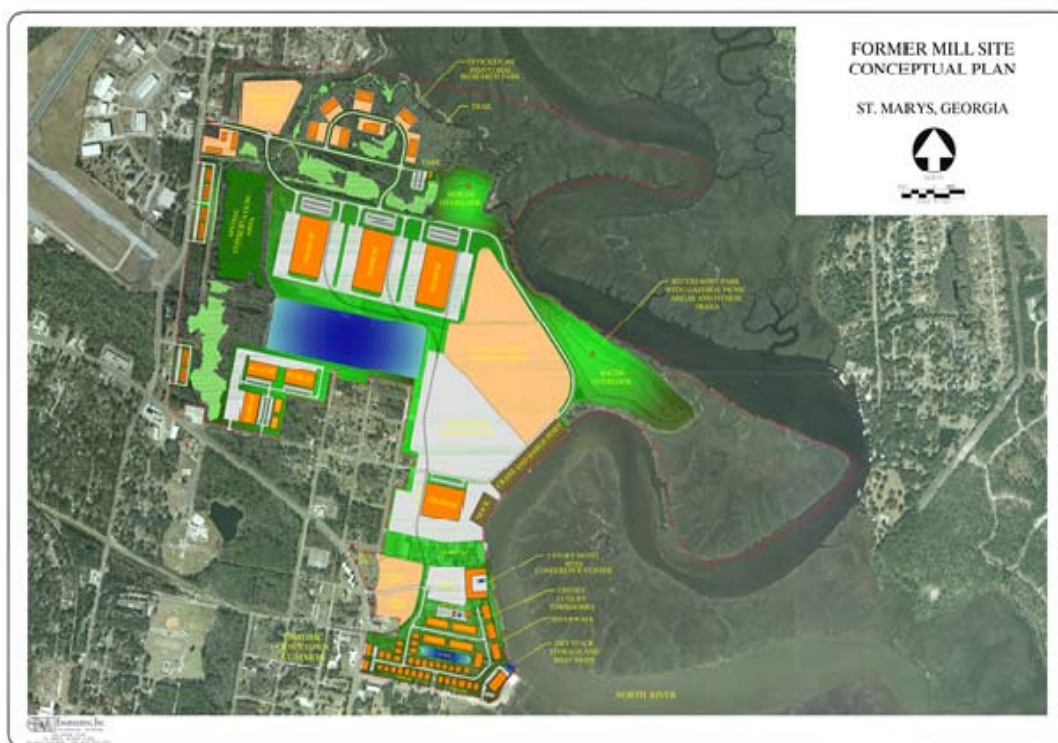
erations. At the time the Navy pressed for a permanent closure of the airport for national security reasons. As a result, in April 2004 the city received a grant of \$236,538 from the Department of Transportation for an airport relocation study. Nine possible sites were studied by Reynolds, Smith and Hills, a contracted consultant, with a final site approved on February 17, 2005. The new airport location will be south of Woodbine, Georgia, on 500 acres of donated land. The anticipated cost is \$29 million, with 90% of the construction costs paid by the Department of Transportation. The approval for the airport was not without controversy. In February 2007, the St. Marys city council and the St. Marys Airport Authority entered disputes over both airport ownership and whether the airport should even be moved. This eventually led to litigation. On October 2, 2008, the court ruled that the city and not the airport authority had legal control over the property, allowing the move to proceed. The current estimated costs are now \$40 million and the controversy continues due to the environmental impacts to over 230 acres of fragile wetland, the effects upon the Rose Basin and the Satilla River and the 100 Year Floodplain. Local and state environmental organizations protest what has been referred to as a potential environmental disaster. Meanwhile the Sea Island Company (the firm "donating" the land known as "Site 1") struggles with on-going financial issues. There had been no written document from the Navy (or any other official governmental body) that requested either the closure or relocation of St. Marys Airport until September 2012. This was due to concerns involving skydivers accidentally landing on Naval Submarine Base Kings Bay. The skydiving company ceased operations at St. Marys Airport. The fate of the airport is still uncertain. Locals believe the airport is an important facility for the city. If the airport was vacated there would be an additional 286 acres to be developed. This redevelopment would also benefit the city.

DURANGO MILL SITE

The mill site property is the only 718 acre parcel in Georgia with deep water frontage, rail, and industrial water usage permits render it suitable for future redevelopment. Located adjacently to historic St. Marys, downtown area, the site has multiple possibilities for development which include residential, industrial, small vessel port and private port. From 1941 the Gilman Paper Co. and the Gilman family were the major influences on the economy. The Mexico-based Durango Paper Co. acquired Gilman Paper Co. in 1999, nearly two years after the former owner, Howard Gilman, died. Durango Paper Co. closed the mill in 2002. It was the town's major employer and its closure, with a loss of 900 jobs, severely impacted its economy and overall employment. In 2006 the property was purchased by Landmar for nearly \$40 million. The land was rezoned for mixed-use development. Landmar's intention was to market the development to residents and business that would take advantage of the deep river access, Cumberland Island, and nearby Naval Sub Base Kings Bay.



However Landmar Group defaulted on its loan in 2009 and St Marys became a victim of the housing crisis. After Landmar won the bid, the company had announced the development would include a marina, hotel, restaurants, shops and an estimated 2,200 multi-family and single-family homes. The zoning variances already approved remains. The following was the conceptual plan for the redevelopment of this site as a real estate project.



St. Marys had planned to build wooden pathways through the marsh on the South side of this property to connect it with the downtown waterfront area. Given the former use of this property, it is also suitable to house a new light or heavy manufacturing plant. The site was the last stop for the St. Marys Railroad which connects to a major railroad service 20 miles East and St. Marys Airport bordered by the North River located across the street from this site. This property has access to approximately seven active wells that allow for the average daily withdrawals of 44.5 million gallons per day. The property features heavy duty electrical, deep water connectivity, public water and sewer, 6" high pressure natural gas line, four lane highway access/frontage, and deep water access.

NAVAL SUBMARINE BASE KINGS BAY - HISTORY AND OVERVIEW



The Naval Submarine Base Kings Bay is the U.S. Atlantic Fleet's home port for U.S. Navy Fleet ballistic missile nuclear submarines armed with Trident missile nuclear weapons. This submarine base covers about 17,777 acres of land, of which 4,000 acres are protected wetlands. It is within a waterfront restricted area. The US Army began to acquire 7,000 acres of land at Kings Bay in 1954 to build a military ocean terminal to ship ammunition in case of a national emergency. Construction began in 1955 and was completed in 1958. A 200' wide channel was dredged to Cumberland Sound, and included two turning basins. The most prominent feature of the terminal was its 2,000-foot-long, 87-foot-wide concrete and steel wharf. It had three parallel railroad tracks, enabling the simultaneous loading of several ammunition ships from rail cars and trucks. Elsewhere on the base, the Army laid 47 miles of railroad tracks. Spurs off the main line ran into temporary storage

areas protected by earthen barricades. These mounds of dirt, still prominent features in many areas of the base, were designed to localize damage in case of explosive accidents. There was no immediate operational need for the installation, so it was placed in an inactive ready status, and Blue Star Shipping Company signed a lease to use the wharf in 1959. Although the Army base was never activated to serve its primary purpose, it was used twice for other missions, in 1964, as a local shelter during Hurricane Dora and during the Cuban Missile Crisis; an Army Transportation Battalion of 1,100 personnel and 70 small boats took up position at Kings Bay. The following is an artist concept drawing of picture of Ohio-class submarine launch of Tomahawk Cruise missiles and the display of submarine-launched missiles on board the base, including the Tomahawk and Trident.



The chain of events that led to today's combination of high-tempo submarine operations at Kings Bay and the complex construction project that reshaped the face of thousands of acres of land began in 1975. At that time, treaty negotiations between Spain and the United States were in progress. A proposed change to the United States naval basing agreement with Spain included the withdrawal of the fleet ballistic-missile submarine squadron, Submarine Squadron 16, from its operational base at Rota, Spain, in the Mediterranean Sea. Anticipating that this would take place, the Chief of Naval Operations ordered studies to select a new refit site on the East Coast. In January 1976, the negotiators initialed a draft treaty between Spain and the United States. It called for withdrawal of the submarine squadron from Rota by July 1979. The U.S. Senate ratified the treaty in June 1976 and Kings Bay was selected in November 1976, shortly after the election of the Georgian Jimmy Carter as the President. Soon afterward, the first Navy personnel arrived in the Kings Bay area and started preparations for the orderly transfer of property from the Army to the Navy. Naval Submarine Support Base Kings Bay was established in a developmental status 1 July 1978. The base—now Naval Submarine Base Kings Bay, not only occupies the former Army terminal land, but several thousand additional acres. Preparations for the arrival of the submarine squadron went forward with haste throughout the remainder of 1978 and into 1979. Submarine tender Simon Lake USS James Monroe arrived at Kings Bay in 1979. Kings Bay



has been an operating submarine base ever since that time. In May 1979, the U.S. Navy selected Kings Bay as its preferred East Coast site for the new Ohio-class Trident submarines. The decision to base the Trident submarines at Kings Bay started the largest peacetime construction program ever undertaken by the U.S. Navy. The program took nine years to complete at a cost of about \$1.3 billion. The building project included the construction of three major commands: Trident Training Facility (TTF), Trident Refit Facility (TRF), and Strategic Weapons Facility, Atlantic (SWFLANT). In 1989, the first Trident submarine, the USS Tennessee, arrived at Kings Bay. She was followed by the USS Pennsylvania later that same year. The new USS West Virginia was commissioned at Kings Bay in October 1990, and she was followed by the Kentucky in July 1991; the Maryland in June 1992; the Nebraska in July 1993; the Rhode Island in July 1994; the Maine in August 1995, and the Wyoming in July 1996. The commissioning of the Louisiana in September 1997 gave Kings Bay its maximum number of ten Trident submarines. The enormous construction and organizational effort put forth by all the commands at Kings Bay reached their first goal in late March 1990, when the Trident II (D-5) missile made its first deterrent patrol on board the USS Tennessee. The end of the Cold War and the reorganization of Naval and Air Force strategic weapons forces during the 1990s had a significant effect on the submarine base at Kings Bay. A high-level nuclear weapons policy review recommended that the U.S. Navy reduce its number of Trident Fleet Ballistic Missile submarines from 18 to 14 by 2005. The decision was made to temporarily decommission the four oldest Ohio-class Trident missile submarines for extensive shipyard work, in order to convert them into guided-missile submarines (SSGNs) carrying large numbers (about 150) conventionally armed Tomahawk cruise missiles. These converted submarines also have accommodations for significant numbers of Navy SEALs or Marines if ever required to do so. Furthermore, several Trident submarines were transferred from the Atlantic Fleet to the Pacific Fleet. The USS Pennsylvania departed on 4 August 2003 and the USS Kentucky departed on 24 August 2003, bound for the Trident submarine base at Bangor, Washington, as part of balancing the Trident fleet. In addition, both the USS Louisiana and the USS Maine were later transferred to the Pacific Fleet. Both the USS Florida and the USS Georgia have completed their conversions into Tomahawk missile-carrying SSGN submarines and now have their home ports at the Kings Bay Submarine Base.

COMMANDS AT KINGS BAY

Submarine Group 10: Submarine Group 10 was commissioned January 1, 1989, and is the senior commander at Kings Bay. Group 10 is a subordinate command to Commander Submarine Force U.S. Atlantic Fleet. It exercises command over various commands and units assigned, including operational and administrative control of the Ohio-class submarines based at Submarine Base Kings Bay. Group 10 is the local coordinating authority for all



matters assigned by the submarine force commander and exercises direct control over the administration and training of submarine off crews at Kings Bay. Specifically included in these responsibilities are the proper integration and coordination of the facilities dedicated to training support of the Trident system.

Submarine Squadron 16: Submarine Squadron 16 provides administrative support for the East Coast-based Ohio-class SSGN submarines. The squadron coordinates planning and executing all SSGN maintenance with Trident Refit Facility and is responsible for all material readiness and fiscal responsibility. In addition Submarine Squadron 16 will provide support for SSBNs during and after major overhaul periods.

Submarine Squadron 20: Submarine Squadron 20 provides the same kind of support services as Submarine Squadron 16, except that it is responsible for the East Coast-based Ohio-class SSBN and the strategic deterrence missions those SSBNs undertake.

Naval Submarine Support Center: The submarine center provides centralized administrative and support services to the submarine squadron assisting them in their responsibilities for material, personnel, training and logistics of assigned and visiting submarines.

Strategic Weapons Facility Atlantic: Strategic Weapons Facility Atlantic (SWFLANT) provides strategic missiles and strategic weapons system support to the ballistic missile fleet. The command is responsible for assembling the D-5 missile and processing missile guidance and launcher subsystem components.

Marine Corps Security Force Battalion: Under the operational control of SWFLANT and commanded by a senior Marine Corps officer, the Security Force Battalion provides security operations as approved by the Chief of Naval Operations, in coordination with the Commandant of the Marine Corps, and performs other functions as directed by the commandant. As of June 27, 2008, MCSFCO was restructured from a company to a battalion. A similar sister company is stationed with the West Coast submarine base in Bangor, Washington. In addition to Marine Corps security forces, they are joined by Navy Master-At-Arms. The Master-At-Arms force is managed by Navy Master-At-Arms limited duty officers.

Trident Refit Facility: The Trident Refit Facility (TRF) is the largest tenant command at Kings Bay and has kept a significant portion of the United States Fleet Ballistic Missile submarines at sea since 1985. TRF provides quality industrial-level and logistics support for the incremental overhaul, modernization, and repair of Trident submarines. It also furnishes global submarine supplies and spare parts support. In addition, TRF provides maintenance and support services to other submarines, regional maintenance customers, and other activities as requested. The Trident Refit Facility



ty possesses the largest covered dry-dock in the world, measuring 700 feet long, 100 feet wide, and 67 feet deep. A state-of-the-art Magnetic Silencing Facility (MSF) provides degaussing services, including ranging and the removal of permanent magnetism for submarines of the U.S. Navy and the British Royal Navy, as well as for steel-hulled surface warships. The MSF is the only facility of its kind on the East Coast, and it is also used for research for development of future magnetic systems. The Defensive Ordinance Support Facility maintains and stores all of the torpedoes carried by the Trident missile submarines for self-defense.

Trident Training Facility: The Trident Training Facility (TTF), with over 520,000 square feet of classroom and office space, trains sailors in the skills necessary to operate and maintain the Trident submarine and its systems. TTF has an essential role in support of the Trident submarines and utilizes equipment trainers (simulators) to simulate, as realistically as possible, the actual equipment on the submarine. Trainers include damage control, fire-fighting, ship control, navigation, and most weapons and engineering subsystems. TTF's mission is to provide basic, advanced, functional, refresher and team training to Trident submarine crew members and submarine support personnel, in order to increase and maintain the knowledge and proficiency in specific skills and to provide specialized training. The training facility has also been known to train foreign navies. The United Kingdom's Vanguard class submarine, through the Polaris Sales Agreement, shares the Trident missile and associated weapon subsystems with the United States and their sailors regularly visit the Kingsbay Naval Base. Additionally, the Colombian Navy trained at TTF because of the lack of high technology trainers in their own country.

The **Submarines with Home Ports at King's Bay** and commencement dates are as follows With Guided Missile-USS Florida, **May 2006** (SSGN-728) and USS Georgia, **March 2008** (SSGN-729); with Ballistic Missile; USS Alaska, **April 2009** (SSBN-732), USS Tennessee, **March 1990** (SSBN-734), USS West Virginia, **September 1991** (SSBN-736), USS Maryland, **May 1993** (SSBN-738), USS Rhode Island, **June 1995** (SSBN-740) and USS Wyoming, **August 1997** (SSBN-742).

NAVAL SUBMARINE BASE TODAY- ECONOMIC IMPACT

The base employs 8,779 personnel, 5,244 active duty, 2,063 civilian employees, and 1,672 contractor employees. Major contractor Lockheed Missiles & Space employs 479; the VT Group and subcontractor employ 705. The annual economic impact through payroll is approximately \$600 million while the economic impact through goods and services at the installation only is \$67.5 million. The economic impact of each boat brings and estimated payroll of \$15 to \$16 million to the community and the annual economic impact through retired annuitants is \$81.4 million. It is the primary



hotel demand generator in the region. The US Submarine Force employs 7% of Navy Personnel, has 25% of its Ships and 10% of its budget. It has 54% of warheads and 100% of survivable warheads. Since 1960 there have been 4,200 SSBN patrols and over 1,000 Trident patrols.

It expenditures with the private sector manufactures and contractors generates significant room night demand in the region. Demand grows most when new commands and programs are being implemented. Much of the demand related to contractors is for upscale product. St Marys should benefit if it had branded hotel inventory with facilities that this segment seeks.

ADDITIONAL COMMANDS, PROGRAMS SOUGHT - CAMDEN PARTNERSHIP

The Navy Base is seeking additional commands that will strengthen them such as the Navy Expeditionary Combat Command (NEECC) with small agile expeditionary capability, to Stand Up an SNN Squadron in Kings Bay with 7 more Virginia Class Submarines in three years, to replace Platforms for SSBN, Special Operations Forces (SOF), which would create operation relationships between Kings Bay and Special Operations (SOF) Community. In addition the Navy Base is seeking to host army and air force joint commands. This involves the single mission concept by investigating missions that may be transferred from other services. The Navy Base and Camden Partnership seek to expand the footprint of military contractors already located in the county. Camden Partnership will also lobby for research and development companies dedicated to unmanned systems.

SEQUESTRATION, THE CAMDEN PARTNERSHIP

The Naval Base's specialty, as part of a smart military, and that is among the most modern does spare it from closure. It is currently challenged by sequestration and spending cuts, already incurred and likely to be increased. The base representative reported it is currently operating with a tightened budget as they acted preemptively to meet budgets. The amount of cutbacks weighed with the possibility the base will benefit from cutbacks elsewhere creates uncertainty and political jockeying. In defense of their budgeting need the Naval Base has reached out to the community with the Camden Partnership taking the lead with a campaign of education the public on the base's benefits and to garnish political support for new commands and programs. The Camden Partnership is promoting the benefits of the Naval Base. Not many are aware that on 9/11 the Coast Guard, which provides enhanced security for Trident submarines, evacuated half a million people that one day, larger than Dunkirk. They also evacuated 33,000 people during Katrina. It is a rigorous campaign to encourage community support and to influence congress. There are comparable campaigns around other bases.



GOLF "OSPREY COVE" COURSE

Osprey Cove is a 1,100 acre private gated golf community on the banks of the St. Marys River. With a spectacular marshland backdrop and a centerpiece 18-hole golf course the golf facility is highly rated. It features 6,791 yards of golf from the longest tees for a par of 72. The course rating is 72.9 and it has a slope rating of 132. Designed by Mark McCumber, ASGCA. The course opened in 2004 and is managed by Hampton Golf Clubs. Osprey Cove offers cub activities that include golf, tennis, and boating with a community boat ramp for Intracoastal Waterway access. It offers upscale homes in the \$400,000 to \$700,000 price range. It does have significant undeveloped lots so there is underutilization at that golf course and there is likely an opportunity to have an agreement on course use by hotel guests for a daily fee, particularly as the subject with have docking privileges.

CUMBERLAND ISLAND

Cumberland Island is one of the Sea Islands of the southeastern United States and is the largest in terms of continuously exposed land. Cumberland Island is a congressionally designated Wilderness. It contains four major historic districts and 87 structures listed on the National Register of Historic Places. It is located on the Atlantic Ocean off the coast of Georgia. The island is 17.5 miles long, with an area of 36,415 acres or 56.25 square miles, including 16,850 acres of marsh, mudflats, and tidal creeks. There is no bridge to the island. St. Marys is the Gateway to Cumberland Island. From the dock of St. Marys' Waterfront, visitors board the Cumberland Lady for the island. The public areas of Cumberland Island are part of a national seashore managed by the National Park Service. NPS restricts access to 300 people on the island at a time, and campers are allowed to stay no more than 7 nights. National Park Service (NPS) staff does not have access or use of the reservation but manage the park strictly. The park is run effectively by a Park Superintendent and there is a team of administrative and facility management staff. There are also park rangers and assistant as well interpretation and education staff.

CUMBERLAND ISLAND ACCESS AND UTILITY RESTRICTED

Visitors make reservations for Cumberland Island and do so directly with the concession operated ferry reservation office. Lang Charters is the concessionary and provides the two ferry services. Lang Charter also manages the reservations for the ferry and the campgrounds. It is a ten year agreement that expires in 2014. The reservation lines are open Monday-Friday from 10:00 a.m. 4:00 p.m. Private boaters up to 6 persons (Six Pack) are permitted but not allowed to profit or charge a fee. Lang Charters will provide boat service with captain for a reasonable rental fee but the demand is reportedly modest.



The reservation office handles reservations for the ferry, camping, and the Lands and Legacies Tour. The service is very professional but understandably influenced by market conditions. The availability of transport is not consistent throughout the year which is a detriment for tourists who don't want to have to schedule around an attraction's availability. For example the early 2:45pm return Wed.-Sat. should be extended to November as the demand is there. October, November are still strong visitation months and the only soft months are really December to February, with February having greater potential. In addition, the ferry doesn't run Tues. & Wed. during the three months from December to February and this also creates confusion. It would be beneficial for Cumberland Island and especially St Marys if the ferry run regularly every day so visitors did not have to procrastinate on whether to include this attraction on their itinerary. Light demand might necessitate a smaller vessel or the use of other contractors to supplement Lang Charter service. There are other providers willing to pick up the unaccommodated demand if permitted...

There is a daily limit of 300 which many believe is too restrictive and severely and unnecessarily underutilizes the park potential and in turn St Marys. The number could be quadrupled without any noticeable impact especially if tour options were varied to break visitors into groups. Indeed, if access was restricted, as it is now to St Marys ferry and boating services, with the



Six Packs (6 person) exception, that alone would limit visitation. With St Marys major employer absent and the community seeking a developer for the Durango Mill site opening up this resource so the community of St Marys would be a boost to its tourism destination aspirations and employment. It would also benefit the State of Georgia over Florida for access to a premier tourism resource. Even if this was done on a trial basis or until such time as the Durango Mill site is redeveloped it would likely be successful for Cumberland Island and St Marys by creating additional revenues for both entities. This process should be commenced now for the benefit of St Marys. The public comment on the internet is that the 300 limit is frustrating with many visitors during the peak months seeking to be on a 'waiting lists' unless reserved well in advance. Also that the ferry does not operate on some days and thus not regular, is also discouraging. The case could be made to remove limits and require daily transport service, this would have a huge impact on employment, direct and indirect on St Marys.

The only other way to reach the island is by private boat. Visitors cannot bring vehicles or bikes on the ferry, and there are no paved roads or trails. Bikes are available for rent at the Sea Camp Dock, on a first-come, first-served basis. Visitors may bring their own bikes to the island via private or charter boat. Visitors walk everywhere they go, but Cumberland Island is less than six miles wide at the widest point. The eastern seashore is 17.5 miles of continuous beach. There is one camping area with running water and bathrooms with cold showers; the other camping sites do not have facilities. All food, ice and supplies must be shipped from the mainland, as there are no stores on the island. The island supports a rich diversity of animals, plants and offers spectacular beautiful views of the Atlantic Ocean and Cumberland Sound. The islands fame spread internationally when, in 1996, JFK, Jr. wed there in the tiny First African Baptist Church.

CUMBERLAND ISLAND ECO SYSTEMS AND THINGS TO DO

Cumberland Island has three major ecosystem regions. Along the western edge of the island there are large areas of **salt marshes**. There visitors see gnarled live oak trees covered with Spanish moss and the palmetto plants at the edge of Cumberland's dense maritime forest. Cumberland Island's most famous ecosystem is its **beach**, which stretches over 17 miles. The island is home to many **native interesting animals, as well as non-native species**. There are white-tailed deer, squirrels, raccoons, nine-banded armadillos, wild boars, American alligators, as well as many marshland inhabitants. It is also famous for its feral horses roaming free on the island. Records show that the area around Cumberland Island contains a large population of sharks. Shark attacks, however, are extremely rare.



Things to see include: Cumberland Island is really two islands—the island proper and Little Cumberland Island—connected by a marsh. Little Cumberland is privately owned and not generally open to the public.

HISTORY OF THE ISLAND

Historically, Cumberland Island was in private hands, but large areas were deeded to the National Parks Foundation by members or heirs of the Carnegie family in 1971. Other lands in private ownership were purchased with funds provided by the Mellon Foundation and Congress, and in 1972 Cumberland Island was designated a national seashore. A small number of people—principally descendants of property owners—still have houses on the western and northern regions of the island, though only a few people actually live year-round on the island. Many, however, have sold their property to the National Park Service (NPS), which in turn leases the property back to the former landowners during their lifetime. Eventually, the property will revert to the Park Service and become part of the national seashore.

Its first inhabitants were indigenous peoples who settled there as early as 4,000 years ago. Later inhabitants were part of the Mocama, a Timucua group who spoke the Mocama dialect. In the 17th century the island and the adjacent coast were controlled by the Tacatacuru chiefdom. The main village, known as Tacatacuru, was located towards the southern end of the island; during the time of European colonization, the Spanish recorded the names of at least six more villages on the island, and eleven more were located on the mainland. During the 16th and 17th centuries, Cumberland Island was part of the Mocama missionary province of Spanish Florida. When the Spanish arrived in 1566, they named the island San Pedro. They



built a garrison and mission, San Pedro de Mocama, near the village of Tacatacuru. The mission operated from 1587 to 1660. It was one of the main mission centers, situated at a major Mocama site. Another Spanish mission on Cumberland was Puturiba, which operated from 1595-1597. An additional mission, San Felipe, was relocated from the North Newport River to the northern end of Cumberland from 1670-1684. Historical records indicate that until 1681, there were approximately 300 natives and several Spanish missionaries living on Cumberland Island. In 1683, French pirates attacked Cumberland Island, looting and burning many of the buildings. Many of the natives and the Spanish missionaries fled the island. An attack in 1684 by the Spanish pirate Thomas Jingle led to the final abandonment of the island. The Tacatacuru relocated closer to St. Augustine, and Cumberland Island was thereafter occupied by the Yamasee. Most of the Mocama had converted to Christianity before the island was abandoned. During the colonial years, many died of newly introduced infectious diseases, to which they had no natural immunity. Survivors retreated to St. Augustine to the south.

English General James Oglethorpe arrived at the Georgia coast in 1733. The name of Cumberland Island was given by the young nephew of Chief Tomochichi who visited England with Oglethorpe, and suggested the island be named for the 13-year old Duke of Cumberland. Oglethorpe established a hunting lodge called Dungeness, named after a headland in Kent, England. A fort was erected at the southern point of the island called Fort William. At the northern end of the island, Oglethorpe built Fort St. Andrews. For a decade the small village of Berrimacke existed near the fort. The forts were built to defend English settlements to the north from the Spanish in Florida. After the English defeated the Spanish in Battle of Bloody Marsh in 1742, the need for the forts ended. They abandoned the forts and eventually the village disappeared. No trace remains today of Fort William and most signs of Fort St. Andrews have been washed away. In the 1760s, the island was divided into royal grants but saw little activity. When naturalist William Bartram visited the island in 1774, the island was mostly uninhabited. Revolutionary War hero Nathaniel Greene purchased land on the island in 1783 to harvest live oaks for ship building. Wood from the island was used to build the USS Constitution, "Old Ironsides." Greene died in 1786. His wife, Catherine, remarried Phineas Miller ten years later, and they built a huge, four-story tabby mansion on top of an Indian shell mound. She named it Dungeness after Oglethorpe's hunting lodge. The mansion was the site of many special social galas, where statesmen and military leaders enjoyed the Millers' hospitality. The Millers became the first major planters on the Island. They cultivated Sea Island cotton. With the end of slavery after the Civil War and a changing economy, the plantation ceased. Dungeness deteriorated and the family moved away. Dungeness burned down in 1866.



In the 1880s Thomas M. Carnegie, brother of steel magnate Andrew Carnegie, and his wife Lucy bought land on Cumberland for a winter retreat. In 1884, they began building a mansion on the site of Dungeness, though Carnegie never lived to see its completion. Lucy and their nine children continued to live on the island, naming their mansion Dungeness after that of Greene. Dungeness was designed as a 59-room Scottish castle. They also built pools, a golf course, and 40 smaller buildings to house the 200 servants who worked at the mansion. The last time Dungeness was used was for the 1929 wedding of a Carnegie daughter. After the Crash and the Great Depression, the family left the island and kept the mansion vacant. It burned in a 1959 fire and today, the ruins of the mansion remain on the southern end of the island.

The Carnegie family owned 90% of the island. Lucy Carnegie had additional estates built on the island for her children. These include: Greyfield, built in 1900, now a private inn. Plum Orchard, donated to the National Park Service in 1972, which maintains it. Stafford Plantation is not currently maintained. The First African Baptist Church, established in The Settlement in 1893, was rebuilt in the 1930s and is one of the few remaining structures. In 1955, with the Carnegie family approval the National Park Service named Cumberland Island as one of the most significant natural areas in the United States and plans got underway to secure it. Simultaneously, the State of Georgia was working on plans to secure the island as a state park. Plans to create a National Seashore were complicated when in 1968; Tom, Henry, and Andrew Carnegie sold three thousand acres of the island to a developer named Charles Fraser, who had developed part of Hilton Head, SC with a commitment to preserving its biodiversity and beauty. Conservationist helped push a bill through the US Congress that established Cumberland Island as a national seashore in 1972. The Carnegie family sold the island to the federal government and Cumberland Island became a national park. It is one of the most undeveloped places in the United States.

BUILDINGS -GREYFIELD INN- CUMBERLAND ISLAND

The Greyfield Inn exudes a turn-of-the-century mansion and has been operated by Carnegie descendants since the 1960s. The Greyfield Inn is a graceful colonial-style hotel once the preserve of the Carnegies. Built in 1900 for Margaret Ricketson, the daughter of Lucy and Thomas Carnegie and niece of Andrew Carnegie, Greyfield was opened to guests by Margaret's daughter and her family in 1962 as a way of ensuring the historic property's preservation. At the Greyfield guests enjoy Victorian furnishings, gourmet dining, natural and cultural history outings, or the quiet retreat of the shaded front porch. Outside, its private compound includes the scenic acres of pristine oceanfront land devoted to visitor's enjoyment that is owned and maintained by the National Park Service.



The undisturbed expanse of Cumberland Island provides ample shelling, fishing, swimming, hiking and sunning. Plum Orchard visits and bird watching are particular favorites. Recognized as one of the 10 Most Romantic Inns in the country. It is also recognized by the American Inn Association and one of America's Top 25 Inns for both food and accommodations by Conde Nast Traveler. The following depicts a living room and bedroom at Greyfield Inn.



Transportation to and from Fernandina Beach, Florida is also provided daily on Greyfield's private ferry. Greyfield Inn water taxi, Lucy R. Ferguson to Fernandina Beach is operated by the Greyfield Inn. In previous years, Greyfield Inn management used St Marys as their "stop" for supplies and services. That changed to Fernandina Beach due to advantages as purchasing was more competitive and supplies abundant. Also the hotel has their reservations office with two support staff in Fernandina Beach and their staff of 20 have preferred the Fernandina Beach link and it is easier from

Jacksonville Airport. Previously St Marys was the preferred connection but that has changed and unlikely to be changed back. We did interview the property management. Their all-inclusive rates range from \$425 to \$635 and there is an additional 18% service charge. Annual average occupancy is 68% and average all inclusive rate is \$500. Weddings are an important part of their business and they do about 8 weddings a year which is close to their self-imposed maximum annual capacity for such large scale events. They do lunch for visitors at \$120 per person and maintain a 6 person cap in line with the National Park Service private boat capacity.

BUILDINGS – DUNGENESS, PLUM ORCHARD

James Oglethorpe first built Dungeness as a hunting lodge. The next Dungeness was designed by Revolutionary War hero Nathanael Greene. His widow built a four-story tabby mansion in 1803. In 1818 Henry Lee III, father of Robert E. Lee, stayed at the house and was buried there for a time. This house was abandoned during the U.S. Civil War and burned in 1866. In the 1880s Thomas M. Carnegie builds a new mansion the 59-room Queen Anne style mansion and grounds completed after his death in 1886. His wife Lucy continued to live at Dungeness and built other estates for her children, including Greyfield for Margaret Carnegie, Plum Orchard for George Lauder Carnegie, and Stafford Plantation. The Dungeness property ruins are closest to the Sea Camp and is shown below.



Toward the center of the island is Plum Orchard, an 1898 Georgian-revival mansion administered by the Park Service. Plum Orchard was another building project of Lucy Carnegie. Named for the plantation that stood

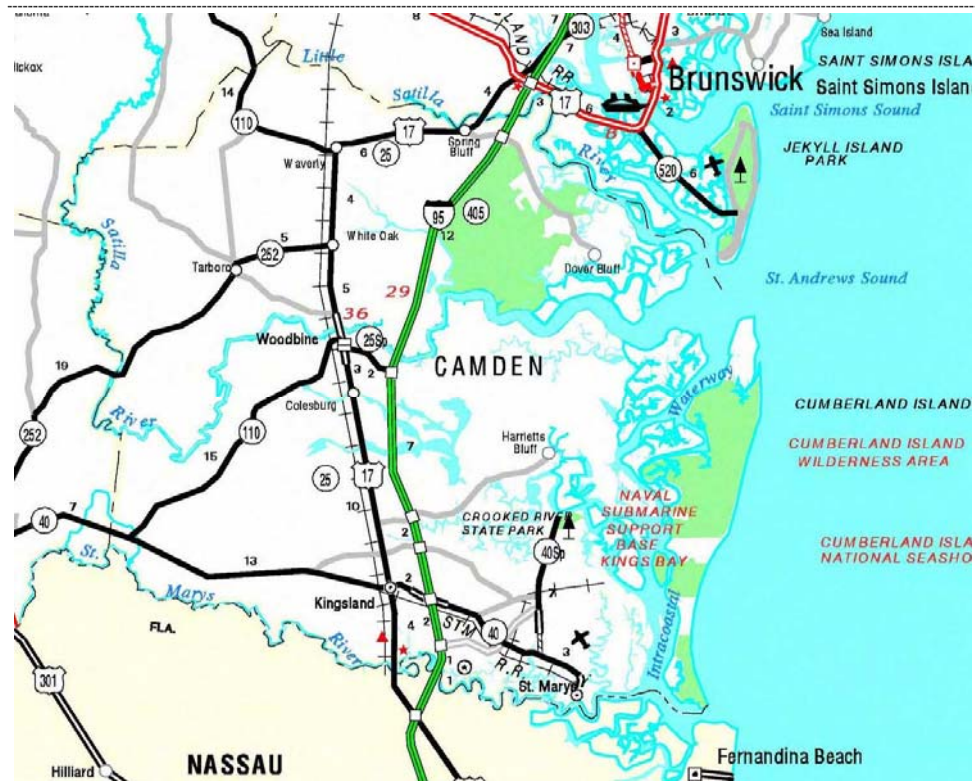
there previously, the 21,000 sq. ft., 20-room mansion was built in 1898, for son George Carnegie and his wife, Margaret. Plum offers an opportunity to glimpse the late 19th and early 20th century lifestyle of one of America's wealthiest and famous families.

At the northern end of the island sits a simple red and white church, First African Baptist Church, a one-room structure built of whitewashed logs with three windows on each side. Eleven handmade pews seat 40 people and were built in 1937, to replace the original building which was built in 1893 and is one of the few remaining structures. This church gained fame in 1996, when it served as the wedding site of John F. Kennedy, Jr. and Carolyn Bessette.



4. GEORGIA/CAMDEN COUNTY OVERVIEW

A market area analysis reviews available economic and demographic data to determine whether a local market will undergo economic growth, stability, or decline. The analysis predicts the direction of the local economy and quantifies the rates of change. Trends are then correlated to reflect variations in lodging demand in order to forecast the amount of growth or decline in transient visitation by an individual market segment.



INTRODUCTION TO GEORGIA

Today, the State of Georgia is ranked as one of the United States' richest state economies. Georgia is the 24th most extensive and the 8th most populous of the 50 United States. From 2007 to 2008, 14 of Georgia's counties ranked among the nation's 100 fastest-growing, second only to Texas. Georgia is known as the Peach State and the Empire State of the South. Atlanta is the state's capital and its most populous city. Georgia is bordered on the south by Florida; on the east by the Atlantic Ocean and South Carolina; on the west by Alabama; and on the north by Tennessee and North Carolina. The northern part of the state is in the Blue Ridge Mountains, a mountain range in the Appalachian Mountains system. The central Piedmont extends from the foothills to the fall line, where the rivers cascade down in elevation to the continental coastal plain of the southern part of the state. The highest point in Georgia is Brasstown Bald, 4,784 feet (1,458 m); the lowest point is the Atlantic Ocean. Georgia is the most extensive state east of the Mississippi River in terms of land area, although it is the fourth most extensive (after Michigan, Florida, and Wisconsin) in total area, including expanses of water that are part of state territory. In



early 1861 Georgia joined the Confederacy and became a major theater of the Civil War. Major battles took place at Chickamauga, Kennesaw Mountain, and Atlanta. In December 1864, a large swath of the state from Atlanta to Savannah was destroyed during General William Tecumseh Sherman's March to the Sea. 18,253 Georgian soldiers died in service, roughly 1 of every 5 who served. In 1870, following reconstruction, Georgia became the last Confederate state restored to the Union. Today tourism is also generated by civil war history enthusiasts. According to deputy commissioner for the tourism division at the Georgia Department of Economic Development said tourists spent \$20 billion in 2009 and 75% were "heritage travelers" or visitor who went to historic attractions or museums. That such a high percentage of tourism is heritage related is very positive for St Marys, which is rich in history.

The United States Census Bureau estimates that the population of Georgia was 9,919,945 on July 1, 2012, a 2.4% increase since the 2010 United States Census. There has been an increase from net migration of 606,673 people into the state. Immigration from outside the United States resulted in a net increase of 228,415 and migration, within the country produced a net increase of 378,258.

GEORGIA CLIMATE

The majority of the state is primarily a humid subtropical climate. Hot and humid summers are typical, except at the highest elevations. The entire state, including the North Georgia Mountains, receives moderate to heavy precipitation, which varies from 45 inches in central Georgia to approximately 75 inches around the northeast part of the state. The degree to which the weather of a certain region of Georgia is subtropical depends on the latitude, its proximity to the Atlantic Ocean or Gulf of Mexico, and the elevation. The latter factor is felt chiefly in the mountainous areas of the northern part of the state, which are farther away from the ocean and can be 4500 feet above sea level. The USDA Plant hardiness zones for Georgia range from zone 6b (no colder than -5°F (-21°C) in the Blue Ridge Mountains to zone 8b (no colder than 15°F (-9°C) Along the Atlantic coast and Florida border. Georgia is one of the leading states in frequency of tornadoes, though they rarely are stronger than F1. With a coastline on the Atlantic Ocean, Georgia is also vulnerable to hurricanes, although direct hurricane strikes were rare during the 20th century. Georgia often is affected by hurricanes that strike the Florida panhandle, weaken over land, and bring strong tropical storm winds and heavy rain to the interior, as well as hurricanes that come close to the Georgia coastline, brushing the coast on their way north.



GEORGIA ECONOMY

Georgia's 2011 total gross state product was \$365.8 billion. Its Per Capita personal income for 2007 puts it 37th the nation at \$33,499. If Georgia were a stand-alone country, it would be the 28th largest economy in the world. There are 15 Fortune 500 companies and 26 Fortune 1000 companies with headquarters in Georgia, including such names as Home Depot, UPS, Coca Cola, Delta Air Lines, Aflac, Southern Company, and SunTrust Banks. Georgia has over 1,700 internationally headquartered facilities representing 43 countries, employing more than 112,000 Georgians with an estimated capital investment of \$22.7 billion.

Atlanta has a very large effect on the state of Georgia and the Southeastern United States. The city is an ever-growing addition to communications, industry, transportation, tourism, and government. Atlanta has been the site of growth in real estate, service, and the communications industries. Tourism makes an important contribution to the economy. In the Atlanta area, Zoo Atlanta and Stone Mountain are important tourist attractions. Stone Mountain receives several million tourists per year. The Savannah Historic District attracts over eleven million tourists each year. The Golden Isles are a string of barrier islands off the Atlantic coast of Georgia near Brunswick that include beaches, golf courses and the Cumberland Island National Seashore.

Georgia's agricultural outputs include poultry and eggs, pecans, peaches, cotton, peanuts, rye, cattle, hogs, dairy products, turfgrass, timber, particularly pine trees, tobacco and vegetables. Widespread farms produce peanuts, corn, and soybeans across middle and South Georgia. The state is the number one producer of pecans in the world. Gainesville in northeast Georgia touts itself as the Poultry Capital of the World. Industry in Georgia is diverse. The textile industry is located around the cities of Rome, Columbus, Augusta, Macon and along the I-75 corridor between Atlanta and Chattanooga, Tennessee, to include the towns of Cartersville, Calhoun, Ringgold and Dalton (the Carpet Capital of the World). In November 2009, Kia started production at the first U.S. Kia Motors plant, Kia Motors Manufacturing Georgia in West Point. Industrial output includes textiles and apparel, transportation equipment, cigarettes, food processing, paper products, chemical products, and electric equipment. Georgia's electricity generation and consumption are among the highest in the United States, with coal being the primary electrical generation of fuel. However, the state also has two nuclear power plants which contribute less than one fourth of Georgia's electricity generation. The statistics are 75% coal, 16% nuclear, 7% oil and natural gas, and 1% hydroelectric/other. The leading area of energy consumption is the industrial sector because



Georgia "is a leader in the energy-intensive wood and paper products industry".

Georgia has one of the strongest military presences in the country. Several United States military installations are located in the state including Naval Submarine Base Kings Bay. Other installations are Fort Stewart, Hunter Army Airfield, Fort Benning, Moody Air Force Base, Robins Air Force Base, Naval Air Station Atlanta, Fort McPherson, Fort Gillem, Fort Gordon, Marine Corps Logistics Base Albany Dobbins Air Reserve Base, Coast Guard Air Station Savannah and Coast Guard Station Brunswick. However, due to the latest round of BRAC cuts, Forts Gillem and McPherson will be closing and NAS Atlanta will be transferred to the Georgia National Guard.

GEORGIA GOVERNMENT AND TAXES

Georgia has a progressive income tax structure with six brackets of state income tax rates that range from 1% to 6%. In 2009, Georgians paid 9.1% of their income in state and local taxes, compared to the US average of 9.8% of income. This ranks Georgia 25th among the states for total state and local tax burden. The state sales tax in Georgia is 6.875%, but there is no sales tax on prescription drugs, certain medical devices, or food items for home consumption.

The state legislature may allow municipalities to institute local sales taxes and special local taxes, such as the 2% SPLOST tax and the 1% sales tax for MARTA serviced counties. Excise taxes are levied on alcohol, tobacco, and motor fuel. Owners of real property in Georgia pay property tax to their county. All taxes are collected by the Georgia Department of Revenue and then properly distributed according to any agreements that each county has with its cities

Georgia consists of 159 counties, second only to Texas, with 254. Georgia had 161 counties until the end of 1931, when Milton and Campbell were merged into Fulton. Some counties have been named for prominent figures in both American and Georgian history, and many bear names of Native American origin. Counties in Georgia have their own elected legislative branch, usually called the Board of Commissioners, which usually also has executive authority in the county. Several counties have a sole Commissioner form of government, with legislative and executive authority vested in a single person. Georgia is the only state with Sole Commissioner Counties. Georgia's Constitution provides all counties and cities with "home rule" authority, and so the county commissions have considerable power to pass legislation within their county, as a municipality would.



Besides the counties, Georgia only defines cities as local units of government. Every incorporated town, no matter how small, is legally a city. Georgia does not provide for townships or independent cities (though there is a movement in the Legislature to provide for townships) [citation needed] but does allow consolidated city-county governments by local referendum. All of Georgia's second-tier cities except Savannah have now formed consolidated city-county governments by referendum: Columbus (in 1970), Athens (1990), Augusta (1995), and Macon (2012). (Augusta and Athens have excluded one or more small, incorporated towns within their consolidated boundaries, while Macon has excluded a small unincorporated area; Columbus eventually absorbed all smaller incorporated entities within its consolidated boundaries.) The small town of Cusseta adopted a consolidated city-county government in 2003.

CAMDEN COUNTY INTRODUCTION

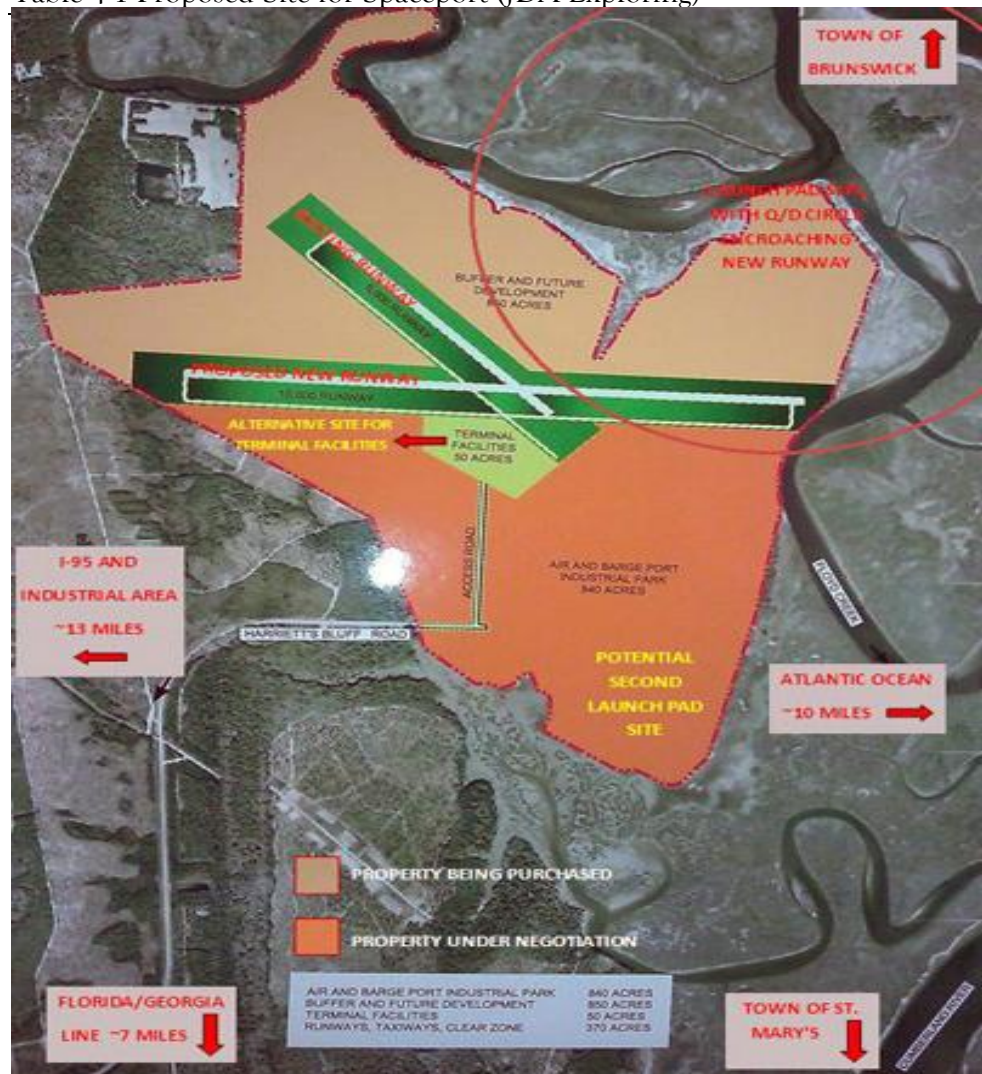
It is one of the original counties of Georgia, created on February 5, 1777. At the time of the 2010 census, the population was 50,513. According to the 2000 census, the county has a total area of 782.52 square miles of which 629.91 square miles (80.50%) is land and 152.61 square miles (19.50%) is water. There are three incorporated cities within Camden County, including Woodbine, Kingsland and St. Marys. The City of Woodbine became the county seat and the historic courthouse was erected in 1923.

PROPOSED SPACEPORT

The Camden County Joint Development Authority voted to explore the development of an “Aero-Spaceport” on land currently owned by Union Carbide Corporation and formerly leased to Bayer CropScience. It has joined the rapidly growing list of potential commercial spaceports sites. In addition to functioning as a spaceport, the project would allow the city of St. Marys to relocate the existing St. Marys Municipal Airport away from Naval Submarine Base Kings Bay, the largest employer in the region. With Bayer CropScience ceasing operations at its more than 4,000-acre Union Carbide site, Camden JDA agreed to begin due diligence. Currently, there are 10 non-federal spaceports in the U.S., including Cecil Field Spaceport at Jacksonville International Airport, according to the Federal Aviation Administration's Office of Commercial Space Transportation. Plans for the facility include vertical and horizontal space activities, according to a JDA press release. Space companies are seeking new launch sites SpaceX, which designs, manufactures and launches rockets and spacecraft, ~ are reportedly looking to southeast Georgia. Several companies have expressed interest and visited the site according to JDA. The vertical launch is captivating the same unique features of the site as the horizontal launch, which is the remote location, the quick access to ocean-based airspace and an

unpopulated area. The Bayer CropScience site is large and can accommodate many activities. It already has a small private airfield and facility for testing rocket engines. In the past, barges brought rockets to the land for testing, according to the JDA's release. The property is also in a rural, sparsely populated area and has infrastructure, including roads, electricity, wells and wastewater treatment. Runways could be longer than other proposed locations for the St. Marys Airport, thus enabling air and space flight, according to the JDA Executive Director David Keating. "Launching off out over marsh and then to ocean-based airspace, that's what's so special about this property, quick access to ocean-based airspace," Keating said. "And because of these unique features, the property has been generating significant attention for amongst aerospace and commercial-space companies." It is important to note that Camden County is one of many potential commercial spaceport sites. We have not considered demand relating to this potential development as it is uncertain but such a development would be very positive for St Marys and hotel visitation.

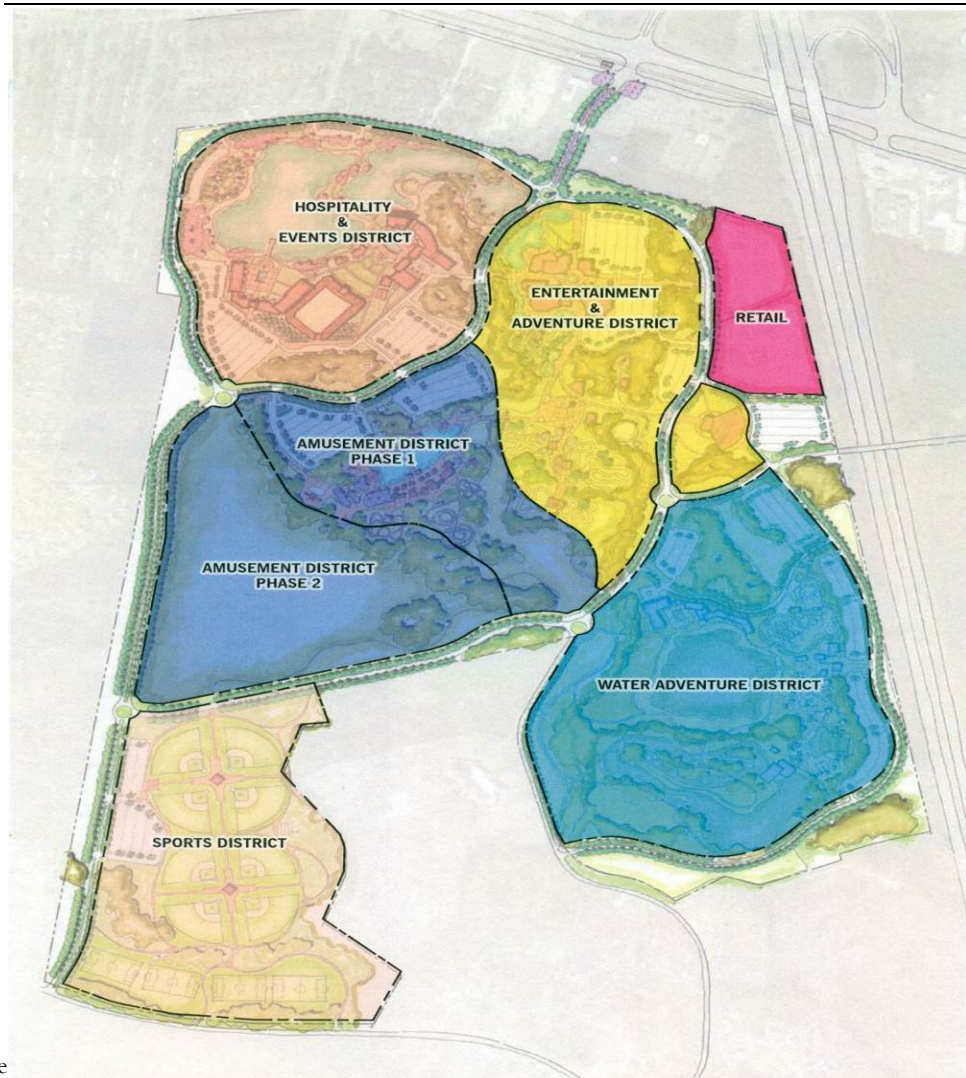
Table 4-1 Proposed Site for Spaceport (JDA Exploring)



PROPOSED EXP ADVENTURE PARK

A \$100+million entertainment and adventure resort is planned off Interstate 95, at Exit 3, a typical I-95 stopping point with about 1,400 hotel rooms. There are about 36 million cars annually traveling north and south along I-95 at this interchange. The 574-acre project, proposed by Minneapolis-based Real Development Corp., could turn the South Georgia town of Kingsland into a tourist destination and create more than 800 jobs. Projected opening is late 2014, according to a filing with the Georgia Department of Community Affairs, a date not attainable. The Kingsland project is Real Development's first theme park project which may mean that its fruition is questionable. We have therefore not included it in our analysis. The SMIG project is not dependent on this development but if it was complete it would be beneficial to St Marys, both directly in terms of demand and indirectly as a park would be a boost for the local economy. Real Development reports it is raising the capital and has the land under contract. We have not considered it in our analysis as it is uncertain.

Table 4-2 Proposed EXP Adventure Park





The **Kingsland Entertainment and Adventure Park** would include four districts – entertainment, hospitality and events, water adventure and sports – and include restaurants, a multiplex and a hotel and conference center. Plans call for an adventure park with 14 venues, including a bowling center, zip line, high ropes and a challenge course. Also, there are plans for an amphitheater and a waterpark. Phase 1 will include an Entertainment and Adventure District (65 acres); an Amusement park (18 acres) a Hospitality and Events District -65 acres, a Water Park (30 acres) and a Tournament Sports Complex (68 acres). The Sports Complex will be a venue for local sports leagues and regional and state tournaments. It will encompass baseball and softball diamonds and multipurpose sports fields. The Georgia Tourism Development Act would be an incentive for this development as well as similar tourism projects.

The site is located along I-95. The promoters expect the resort's entertainment district to attract more than 500,000 visits annually. Visitors are expected from Georgia and Florida, as well as other states traveling the I-95 corridor and staying in the area. The closest large theme parks are Wild Adventures Theme Park in Valdosta, Ga. and the Disney, Universal Studios and SeaWorld theme parks in Orlando. Another theme park was proposed in the same general vicinity in 2004. The project was called Steamboat City and was planned for an I-95 exit just north of Brunswick, Ga., according to the Florida Times-Union. That park, which was to include rides, shows and displays of Coastal Georgia's history and culture, fizzled well before its expected 2006 opening. Should the development occur it would bring more tourists and activity to the area which in turn should benefit St Mary. St Marys should develop its tourism product as a different experience and not mirror the theme at the Adventure Resort. Guests visiting there may wish to stay closer to St Marys for a different more cultural experience with a real waterfront activity program, even if they are touring the region.

CAMDEN COUNTY ECONOMIC AND DEMOGRAPHIC DATA

Camden County has experienced continuing population growth in the decades since the Kings Bay Naval Submarine Base began operation in 1978. The population has tripled since 1980 and the current estimated population is 50,513. Median household income is \$53,009 per year. The average weekly wage is \$767. The county has three universities, a technical college, and an award winning high-school. It has Foreign Trade Zone Status. It has lower property taxes, property insurance and electricity rates than Florida, however Florida does not have an income tax.



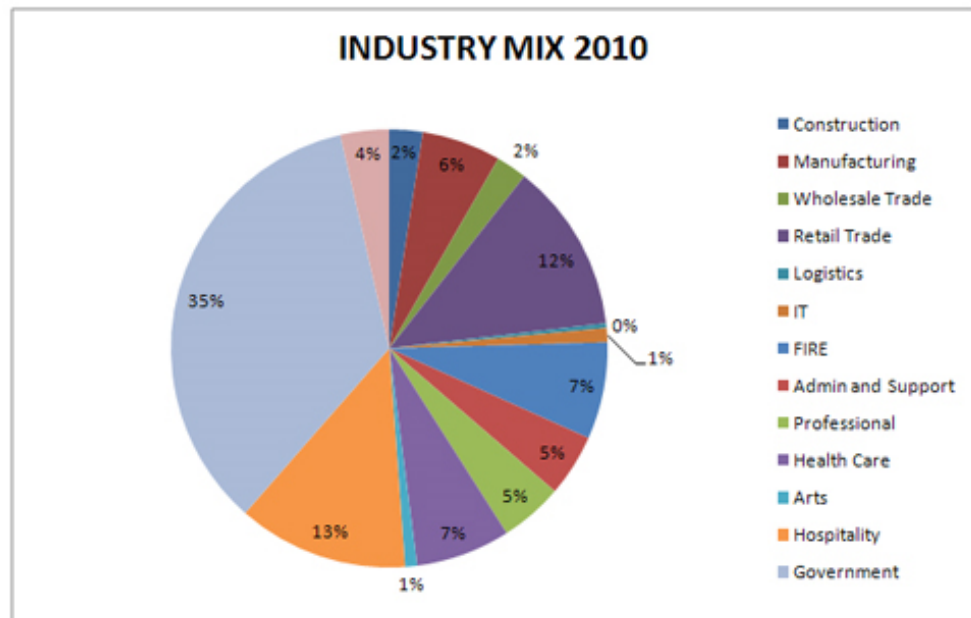
Camden County has an experienced workforce in high-technology, alternative energy, engineering, manufacturing, and research and development. And as home to Kings Bay Naval Submarine Base, Camden County has an influx of specialized and highly skilled workers.

Table 4-3 Major Employers

EMPLOYER	# Employed
Kings Bay Naval Submarine Base:	8,979
Camden County School System:	1,462
Express Scripts:	500
Lockheed Missiles & Space:	479
Camden County Government:	404
Wal-Mart Supercenter:	366
Southeast Georgia Health System - Car	330
Winn Dixie:	107
Publix Super Market:	105

The table that follows illustrates the major employment groups in the county, many of which are major generators of hotel demand for the county.

Table 4-2 Major Industry Segmentation

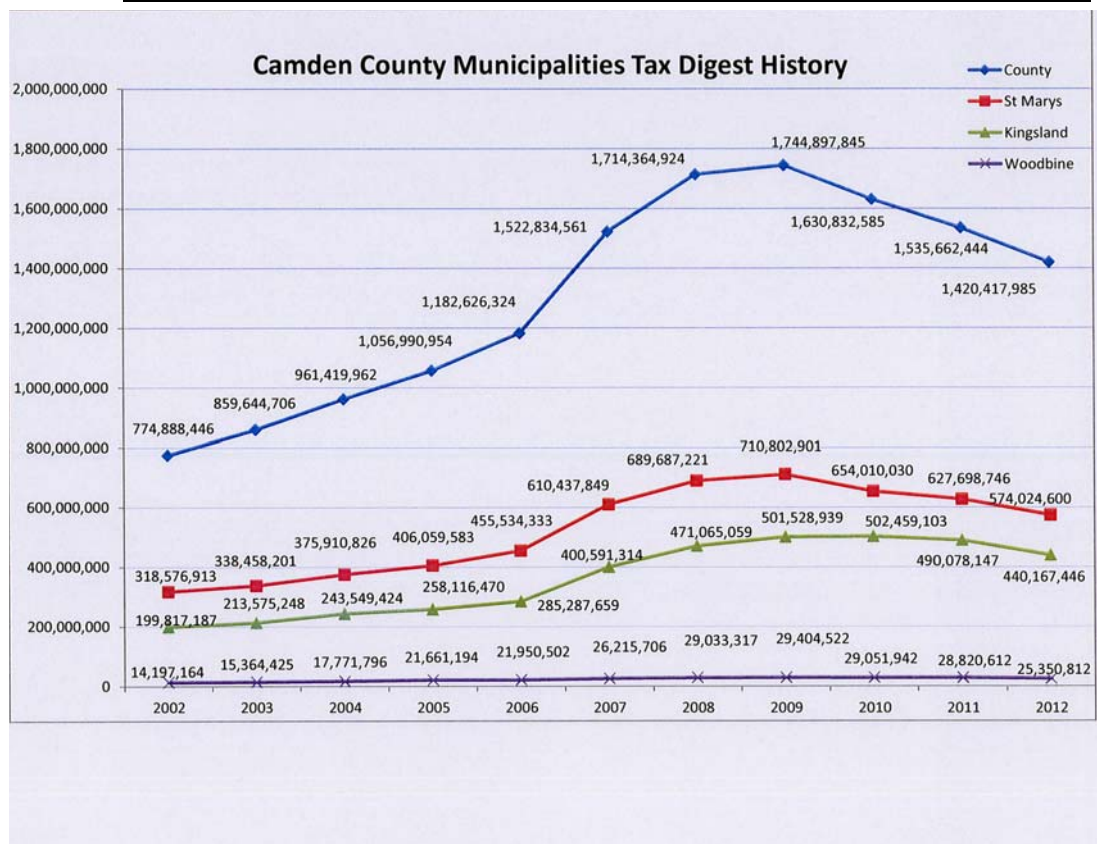


*Military personnel at NSB Kings Bay are included in Government.



As the tables shows the major employers are the Naval Base at Kings Bay and the Camden County School System with 8,979 and 1,462 employed respectively. Hospitality with a 13% share represents a major portion of employment that will benefit from tourism development at the St Marys Intracoastal Gateway Project site. Camden County is a Certified Work Ready Community. Through the Georgia Work Ready (GWR) initiative, job seekers as well as workers currently employed in Georgia can pursue a Work Ready Certificate to better market their skills to current and future employers. The following table illustrates tax collection for the County, St Marys, Kingsland and Woodbine. The county collected \$1,420,417,985 in 2012, off its high of \$1,744,897,845 in 2009, a 23% decline over the three year period. St Marys was the highest tax collection, but also declined over the same period from \$710,802,901 to \$574,024,600 a 19 % decline over the three years. St Marys represents 40% of the tax base of the county, the largest share and is likely very influential in county affairs.

Table 4-3 Tax History Camden County, St Marys, Kingsland, Woodbine





CONCLUSION

The State of Georgia is ranked as one of the United States' richest state economies. Georgia is the 24th most extensive and the 8th most populous of the 50 United States. Georgia often is affected by hurricanes that strike the Florida panhandle, weaken over land, and bring strong tropical storm winds and heavy rain to the interior, as well as hurricanes that come close to the Georgia coastline. St. Marys offers ships shelter as it is protected by Cumberland Island. Georgia has one of the strongest military presences in the country. Several United States military installations are located in the state including Naval Submarine Base Kings Bay. Other installations are Fort Stewart, Hunter Army Airfield, Fort Benning, Moody Air Force Base, Robins Air Force Base, Naval Air Station Atlanta, Fort McPherson, Fort Gillem, Fort Gordon, Marine Corps Logistics Base Albany, Dobbins Air Reserve Base, Coast Guard Air Station Savannah and Coast Guard Station Brunswick. With sequestration and budget cuts this sector is under pressure and further cutbacks are expected. Georgia consists of 159 counties and its constitution provides all counties and cities with "home rule" authority, and so the county commissions have considerable power to pass legislation within their county, as a municipality would. Besides the counties, Georgia only defines cities as local units of government. Woodbine is the seat of Camden County, in the past St. Marys was. St. Marys represents over 40% of the tax base. With its waterfront revival and tourism/hotel project it could represent over 50% of the tax base.

The Camden County Joint Development Authority is exploring the development of an "Aero-Spaceport" on land currently owned by Union Carbide Corporation and formerly leased to Bayer CropScience. It has joined the rapidly growing list of potential commercial spaceports sites. In addition to functioning as a spaceport, the project would allow the city of St. Marys to relocate the existing St. Marys Municipal Airport away from Naval Submarine Base Kings Bay. The airport benefits the city and relocation is not advantageous unless there was an offer of such a facility as "Aero-Spaceport" and/or a new airport to replace it. We have not considered demand relating to this potential development as it is uncertain but such a development would be very positive for St. Marys and hotel visitation. We have also not considered potential demand relating to Kingsland Adventure Park as it remains uncertain and the SMIG project is not dependent on this development, but it would be very positive and would benefit the city indirectly.



5. HOTEL /VISITOR MARKET ANALYSIS

LODGING IN ST MARYS

In our previous chapter we described the hotels and prominent guesthouses in St Marys. We particularly focused on properties in St Marys Historic District as they were not only a support service but a large part of the appeal and attraction of the city. Many had renovated and the style complements the city itself. It is important to note that many business people and tourists are not accustomed to staying in guesthouses or even boutique hotels and frequently are drawn to nationally or internationally known franchised products. If visitors were more aware of the quality of accommodations of the B&Bs and the boutique style hotel and uniqueness, more would lodge there. It may well be on their second night or second visit but they may have sought or been attracted to the international brand product, initially. In addition, some patrons may choose three products, the international brand on their first night stay, Cumberland Island on their second night and the boutique or B&B on their final night (s). More rooms' inventory with international standards should expose the special "B&Bs" and "boutique" offerings to a wider market and likely induce more business. St Marys with earned recognition as a destination, coupled with Cumberland Island, should benefit the city and its various enterprises that provide visitor support services such as lodging facilities, restaurants, bars, retailers, visitors support services, boating and transport services, amenities and attractions. Many guests do require amenities such as swimming pools, fitness gyms, meeting rooms and rooms' service. For example, they may require in-room telephone or internet that is not confined to the lobby. Perhaps they require 24-hour staffing for nighttime security or fire safety. Other patrons are motivated by in award points, earning or using them. Some will seek late night dining and will likely be discouraged if their chosen restaurant has closed early or on certain nights due to the level of demand.

There are no branded hotel products in St Marys while there are many in Kingsland. However Kingsland is an entirely different location, more a convenience due to proximity to I-95, that benefits from St Marys lack of branded product. It is not a destination but Kingsland Adventure Park if it becomes reality, should improve its appeal. Kingsland has also shared the Gateway to Cumberland Island' recognition, due to proximity to the primary access routes (interstate and state routes) and by default as St Marys does not have branded hotel product. A high ranking in the media as a "place to visit", coupled with positive reviews on the subject hotel, the existing hotels, the marina, the Orange Hall or Plum Orchard B Orchard if utilized as venues. But St Marys has the greatest potential to



be a destination. Its potential has not been realized due to the lack of the branded hotel product necessary for greater volume of overnight visitors.

The following is a summary of our overview of hotels in St Marys. The foremost hotel in St Marys is the **Riverview Hotel**. It is the nearest lodging facility to the Cumberland Island Ferry and Visitor Center for Cumberland Island National Seashore. It has been owned and operated effectively as a family hotel. The hotel has 18 upstairs guestrooms, each with its own character and all with private baths. The hotel overlooks the main street and the St. Marys River to Cumberland Island. The Riverview Hotel also houses the Seagle's Cafe & Saloon a lively local eatery and bar facility. Room rates range from \$90 to \$120.

Spencer House Inn is listed on the Select Registry Distinguished Inns of North America. It was built in 1872 as an inn by William Tobias Spencer and his wife, Harriet Louis and except for a short period it has always been a facility that housed guests. It is located just one block from the waterfront and the ferry to Cumberland Island. Each of the 14 guestrooms have central air and heat, ceiling fan, complimentary wireless access, phone and flat screen HDTV with cable, HBO, ESPN and DVD player. The inn has an elevator and verandahs. Trip Advisor gives the property top ranking for Bed and Breakfast in St. Marys and the Tribune and Georgian has recognized it as best B&B in Camden County Best B&B in Camden county for 17 straight years most recently being 2012 – According to the Spencer House Inn website room rates range from \$135 to \$245.

Emma's Bed & Breakfast also ranks high. The nine room B&B is situated on four acres in historic downtown on Conyers Street. In the main house there are four bedrooms, each with a private bath and all looking out over the gardens. The cottage located directly behind the main house has an additional five guest rooms, also with private baths. Each room has cable TV, wireless DSL, hair dryer and ironing board and iron. Its current advertised rate on its website ranges from \$119 to \$189, single or double occupancy with private bath.

Goodbread House Inn is also highly rated by TripAdvisor. Restored in 1980's the Victorian bed and breakfast in the historic district. The six rooms are themed for famous lovers including the Rhett & Scarlett and Gable & Lombard House. It was renovated in the early 1980s, and today retains its original 1870s architecture with high ceilings, pine floors magnolia-shaded verandahs and antiques adding to its ambiance. Its current rates range from \$99 to \$109 on its website.

In addition there are two properties also serving the market in the Midtown Area on the State Route 40 spur the 115 room Cumberland **Kings Bay Lodges** and the 79 room **Cumberland Inn & Suites**.



In our Chapter St Marys and environs we describe Cumberland Island and **Greyfield Inn**. The Greyfield Inn is a graceful colonial-style hotel once the preserve of the Carnegies. Built in 1900 for Margaret Ricketson, the daughter of Lucy and Thomas Carnegie. Greyfield was opened to guests by Margaret's daughter and her family in 1962 as a way of ensuring the historic property's preservation. At the Greyfield guests enjoy Victorian furnishings, gourmet dining, natural and cultural history outings, or the quiet retreat of the shaded front porch. Outside, its private compound includes the scenic acres of pristine oceanfront land devoted to visitor's enjoyment. Recognized as one of the 10 Most Romantic Inns in the country by the American Inn Association and one of America's Top 25 Inns for both food and accommodations by Conde Nast Traveler. Transportation to and from Fernandina Beach, Florida is also provided daily on Greyfield's private ferry. Greyfield Inn water taxi, Lucy R. Ferguson to Fernandina Beach is operated by the Greyfield Inn. Greyfield Inn in the past used St Marys as their resource for supplies and services, however there were advantages to changing to Fernandina Beach as a supplier resource and it was more competitive. Also the hotel has their reservations office with two support staff in Fernandina Beach and their staff of 20 have preferred the Fernandina Beach link and it is easier from Jacksonville Airport. Previously St Marys was the preferred connection but that has changed and it is unlikely to be changed back. We did interview the property management. Their all-inclusive rates range from \$425 to \$635 and there is an additional 18% service charge. Annual average occupancy is 68% and average all inclusive rate is \$500. Weddings are an important part of their business and they do about 8 weddings a year which is close to their maximum annual capacity for such large scale events. They do cater lunch for nonresident guests at \$120 per person and maintain a 6 person cap.

The total room count for St Marys is 241 rooms. None of the properties participate with Smith travel Research and the city does not monitor occupancy and room rates. However there is a bed tax of 6% collected. Bed tax collected in 2009/10 was \$104,238, in 2010/11 was \$115,560, in 2011/12 fell to \$109,377. This calculates rooms' revenue that bed tax is based on, of \$1,737,300, in 2009-/10 to an 11% increase of \$1,926,000 in 2010/11 and a 5% drop in 2011/12 to \$1,822,950 representing RevPAR of \$20.72. This indicates very low occupancy levels in the town and also an opportunity for greater revenue for local hotels along with higher bed tax receipts if St Marys is more successful in capturing more visitors who stay overnight. For comparison purposes visitors registered at the St Marys Welcome Center were 11,732, 14,046 and 17,794 for 2009/10, 2010/11 and 2011/12 equating to a 20% and 27% increase for 2010/11/ and 2011/12 respectively. St Mary's Intracoastal Gateway site presents an opportunity to be part of a destination that has yet to be fully developed. The performance of the existing lodgings are not reflective of

the potential that the St Mary's Intracoastal Gateway site has. The opportunity is to be the anchor hotel in a destination that is in process of revival.

HOTEL MARKET OVERVIEW- BRUNSWICK/KINGSLAND TRACT

A total of 66 properties with 4,878 comprise the tract inventory of hotels in Brunswick/St Marys/Kingsland/Darien and Jekyll Island. We excluded Saint Simon Island and Jekyll Island hotels due to low participation.

Table 5-1-Lodging Facilities Inventory For Tract (St Simons and Jekyll Islands excluded)

Tract: Brunswick/St Marys /Kingsland/Darien, GA								
STR Code	Name of Establishment	City & State	Zip Code	Aff Date	Open Date	Rooms	Chg in Rms	
55352	Riverview Hotel	St Marys, GA	31558	Jun 1916	Jun 1916	18		
20099	Cumberland Isle Inn & Suites	St Marys, GA	31558	Nov 1999	Jun 1985	79	Y	
58235	Fairfield Inn & Suites Kingsland	Kingsland, GA	31548	Sep 2008	Sep 2008	82		
36174	Country Inn & Suites Kingsland	Kingsland, GA	31548	Feb 1998	Feb 1998	64		
21468	Comfort Inn Kingsland	Kingsland, GA	31548	Dec 1987	Dec 1987	131	Y	
59334	Hampton Inn Kingsland	Kingsland, GA	31548	Jun 2009	Jun 2009	78		
57541	La Quinta Inns & Suites Kingsland Kings Bay Naval Base	Kingsland, GA	31548	Aug 2008	Aug 2008	56		
53818	Microtel Inn & Suites by Wyndham Kingsland	Kingsland, GA	31548	Sep 2006	Sep 2006	59		
8107	Travelodge Kingsland	Kingsland, GA	31548	Oct 2012	Jun 1983	70	Y	
37527	Baymont Inn Kingsland	Kingsland, GA	31548	Dec 2012	Jun 1998	41		
37619	Best Western Plus Kingsland	Kingsland, GA	31548	Dec 2010	Nov 1996	54		
54791	Hawthorn Suites by Wyndham Kingsland	Kingsland, GA	31548	Oct 2007	Oct 2007	64		
29353	Comfort Inn Darien	Darien, GA	31305	Jun 1998	Jun 1998	65		
17365	Super 8 Darien I 95	Darien, GA	31305	Dec 1993	Dec 1990	60		
34126	Quality Inn Darien	Darien, GA	31305	Jul 2005	Dec 1996	60		
61011	Days Inn Darien	Darien, GA	31305	Dec 2010	Sep 2008	45		
33755	Hampton Inn Darien I 95	Darien, GA	31305	Nov 1997	Nov 1997	63		
39883	Concorde Suites	Brunswick, GA	31520	Feb 2000	Feb 2000	84		
11565	Brunswick Park Hotel	Brunswick, GA	31520	Dec 2011	Nov 1991	129		
20073	Palms Motel	Brunswick, GA	31520	Jul 1951	Jul 1951	32		
40271	Seabreeze Motel	Brunswick, GA	31520	Jun 1955	Jun 1955	27		
31641	Baymont Inn Brunswick	Brunswick, GA	31520	Dec 2012	Jun 1994	62	Y	
7012	Days Inn Brunswick	Brunswick, GA	31520	Jan 2011	Jun 1970	146	Y	
4295	Red Roof Inn & Suites Brunswick I 95	Brunswick, GA	31520	Aug 1998	Jun 1975	90		
7688	Country Hearth Inn Brunswick	Brunswick, GA	31520	Oct 2003	Jun 1970	99		
24453	La Quinta Inns & Suites Brunswick	Brunswick, GA	31520	Jan 2006	Jun 1990	99		
7689	Howard Johnson Brunswick	Brunswick, GA	31520	Dec 2011	Mar 1971	82	Y	
58133	Ramada Brunswick	Brunswick, GA	31523	May 2008	Jan 2007	52		
33703	Super 8 Brunswick South Exit 29	Brunswick, GA	31523	Feb 1997	Feb 1997	52		
57665	Comfort Suites Brunswick	Brunswick, GA	31523	Jun 2008	Jun 2008	72		
781	Clarion Brunswick	Brunswick, GA	31523	Aug 2009	Mar 1974	126		
50100	Microtel Inn & Suites by Wyndham Brunswick South	Brunswick, GA	31523	Sep 2003	Sep 2003	61		
54521	Econo Lodge Brunswick	Brunswick, GA	31523	Nov 2008	May 2006	47		
23404	Super 8 Brunswick St Simons Island	Brunswick, GA	31523	Jun 1985	Jun 1985	59		
2326	Magnuson Hotel Brunswick Inn	Brunswick, GA	31523	Dec 2010	Jun 1975	144		
16969	Brunswick Hotel	Brunswick, GA	31523	Jan 2011	Jul 1993	93		
4079	Comfort Inn I 95 North	Brunswick, GA	31523	Sep 1988	Jun 1980	118		
53543	Courtyard Brunswick	Brunswick, GA	31525	Aug 2005	Aug 2005	93		
53546	Country Inn & Suites Brunswick I 95	Brunswick, GA	31525	May 2005	May 2005	65		
44691	Microtel Inn & Suites by Wyndham Brunswick	Brunswick, GA	31525	Jul 2002	Jul 2002	62		
53282	Holiday Inn Brunswick I 95 Exit 38	Brunswick, GA	31525	May 2005	May 2005	103		
14441	Embassy Suites Brunswick	Brunswick, GA	31525	Jan 1995	Oct 1988	130		
43758	Hawthorn Suites by Wyndham Brunswick	Brunswick, GA	31525	Jan 2011	Sep 2001	44		
40268	Oglethorpe Plaza Motel	Brunswick, GA	31525	Jun 1995	Jun 1995	32		
40265	Knights Inn Brunswick	Brunswick, GA	31525	Dec 2012	Jun 1999	102		
17420	Quality Inn Brunswick	Brunswick, GA	31525	Apr 2011	Mar 1993	83		
60445	Comfort Suites Golden Isle Gateway Brunswick	Brunswick, GA	31525	Nov 2009	Nov 2009	60		
22787	Econo Lodge Brunswick	Brunswick, GA	31525	Nov 1996	Nov 1996	69		
60051	Best Western Plus Brunswick Inn & Suites	Brunswick, GA	31525	Mar 2011	May 2009	72	Y	
58913	Hampton Inn Suites Brunswick	Brunswick, GA	31525	Mar 2009	Mar 2009	97		
21340	Coastal Inn	Brunswick, GA	31525	Jun 2012	Dec 1985	88	Y	
59106	Sleep Inn & Suites Brunswick	Brunswick, GA	31525	Feb 2009	Feb 2009	72		
34063	Fairfield Inn & Suites Brunswick	Brunswick, GA	31525	Dec 1997	Dec 1997	80	Y	
22710	Americas Best Value Inn Kingsland Kings Bay Naval Base	Kingsland, GA	31548	Jun 2012	Dec 1986	59		
57670	Comfort Suites Kings Bay Naval Base Area Kingsland	Kingsland, GA	31548	Jul 2008	Jul 2008	63		
33851	Econo Lodge Cumberland Kingsland	Kingsland, GA	31548	Sep 1996	Sep 1996	52		
29240	Red Roof Inn Kingsland	Kingsland, GA	31548	Jun 2009	Jun 1993	57		
29230	Days Inn Kingsland	Kingsland, GA	31548	Mar 2011	Mar 1993	64	Y	
28787	Home Towne Suites Kingsland	Kingsland, GA	31548	Jul 1988	Jul 1988	63		
799	Springfield Hotel & Suites	Kingsland, GA	31548	Feb 2009	Nov 1985	136		
18051	Fountain Palms Inn & Suites	Kingsland, GA	31548	Oct 2011	Jun 1986	72	Y	
54735	Sleep Inn & Suites Kings Bay Naval Base Area	Kingsland, GA	31548	May 2006	May 2006	73		
57052	Magnolia Inn	Kingsland, GA	31548	May 2006	May 2006	44		
60899	Clean Stay Inn & Suites Kingsland	Kingsland, GA	31548	Jan 2007	Jan 2007	40		
44164	Cumberland Kings Bay Lodge	St Marys, GA	31558	Jan 1993	Jan 1993	120		
46103	Stardust Lodge	Woodbine, GA	31569	May 1946	May 1946	20		
Total Properties:						66	4878	



In evaluating the area's competitive environment, the following steps were taken:

- Identify all area lodging facilities and determine which are directly and indirectly competitive.
- Determine whether additional hotel rooms (net of attrition) will enter the market in the foreseeable future.
- Quantify the number of existing and proposed hotel rooms available.
- Review the rate structure, occupancy levels, market orientation, facilities, and amenities of competitors.

The selected properties do give an indication only of the demand in Kinglands which does share similar commercial demand generators that a branded hotel would target in St Marys. Much of this demand does not currently use accommodations in St Marys but may be interested in a leisure orientated hotel within a revitalized and active waterfront. We visited many of the hotels in the inventory list, particularly those located in Kingsland as they share commercial demand generators. We naturally excluded properties from our analysis where performance data was unavailable or that did not participate in Smith Travel Research Trends Survey. None of the hotels in St Marys participated in Smith Travel Research Trends Survey. With did interview representatives or owners at all the downtown hotels and discussed overall performance and visited the other properties. We selected 10 properties with 568 rooms that were most representative of branded properties, both upscale select service, such as the Hawthorn Suites and the economy budget franchised properties such as Microtel Inn & Suites. We were primarily interested in the upscale select service and upscale properties but these property types were not well represented in the inventory. In addition many of the resort hotels in destinations did not participate, for a meaningful survey result. Kinglands hotel were all limited service, economy and upscale select service with no quality full service branded property was presented. The hotels are typical for busy highway accommodations and passing motorists. The following table identifies select Kinglands lodging facilities, the number of rooms, their date of opening and the months they contributed operation data to Smith Travel Research (STR) for the competitive set trend report.

Table 5-2 Hotels Selected for STR Trend Survey

Kingsland, GA Selected Properties																					
Job Number: 480910_SADIM Staff: MB Created: March 08, 2013																					
STR Code	Name of Establishment	City & State	Zip Code	Aff Date	Open Date	Class	Rooms	Chg In Rms		2011											
										J	F	M	A	M	J	J	A	S	O	N	D
54791	Hawthorn Suites by Wyndham Kingsland	Kingsland, GA	31548	Oct 2007	Oct 2007	Midscale Class	64			•	•	•	•	•	•	•	•	•	•	•	•
53818	Microtel Inn & Suites by Wyndham Kingsland	Kingsland, GA	31548	Sep 2006	Sep 2006	Economy Class	59			•	•	•	•	•	•	•	•	•	•	•	•
57541	La Quinta Inns & Suites Kingsland Kings Bay Naval	Kingsland, GA	31548	Aug 2008	Aug 2008	Midscale Class	56			•	•	•	•	•	•	•	•	•	•	•	•
59334	Hampton Inn Kingsland	Kingsland, GA	31548	Jun 2009	Jun 2009	Upper Midscale Class	78			•	•	•	•	•	•	•	•	•	•	•	•
53235	Fairfield Inn & Suites Kingsland	Kingsland, GA	31548	Sep 2008	Sep 2008	Upper Midscale Class	82			•	•	•	•	•	•	•	•	•	•	•	•
21468	Closed - Comfort Inn Kingsland	Kingsland, GA	31548	Jan 2013	Dec 1987	Upper Midscale Class	0			•	•	•	•	•	•	•	•	•	•	•	•
8107	Travelodge Kingsland	Kingsland, GA	31548	Oct 2012	Jun 1983	Economy Class	70	Y		•	•	•	•	•	•	•	•	•	•	•	•
36174	Country Inn & Suites Kingsland	Kingsland, GA	31548	Feb 1998	Feb 1998	Upper Midscale Class	64			•	•	•	•	•	•	•	•	•	•	•	•
37619	Best Western Plus Kingsland	Kingsland, GA	31548	Dec 2010	Nov 1996	Upper Midscale Class	54			•	•	•	•	•	•	•	•	•	•	•	•
37527	Baymont Inn Kingsland	Kingsland, GA	31548	Dec 2012	Jun 1998	Midscale Class	41			•	•	•	•	•	•	•	•	•	•	•	•
Total Properties:							10	568													
										• Monthly data received by STR • Monthly and daily data received by STR Blank - No data received by STR Y Chg In Rms-room addition or drop during period											

The table is followed by table 5-3 which demonstrates hotel performance statistics by month since January 2008. The statistics presented include Occupancy%, ADR, RevPAR, Supply, Demand and Rooms Revenue. The table entries are highlighted for peaks and troughs for all. For example rooms' inventory, 12 month trailing, was at its lowest level in January 2008 with 156,792 rooms. And peaked in February 2011 at 257,690 rooms. The rooms inventory have remained flat in large part due to the poor performance of the hotels but also due the recession and aftermath and difficulty in obtaining finance. For the set the occupancy best performing 12 month trailing month was April 2009 at 62.2% with the lowest point reached in June 2009 at 43.9%. The best performing 12



month trailing ADR (\$) was February 2012 at \$69.23 and the lowest January 2008 at \$63.52. The best performing RevPAR was April 2008 and the highest revenue production was \$9,045,885 for 12 month trailing April 2012. The last month reported was January 2012 and the 12 month trailing reached \$8,592,523 rooms revenue for the 10 hotels reporting. This compares favorably with the January 12 month trailing rooms' revenue performance of \$5,994,529, a 43% increase.

Table 5-3 Hotel Set Performance -Competitive Set by Month, By Year Measure 2008-2013

Occupancy (%)												
	January	February	March	April	May	June	July	August	September	October	November	December
2008	60.2	61.0	61.9	62.2	59.8	58.1	56.9	55.8	53.4	52.3	50.7	49.4
2009	48.6	47.3	45.6	45.4	44.1	43.9	44.4	44.7	45.1	45.7	46.1	46.9
2010	46.8	46.1	46.3	46.1	47.1	47.1	46.5	45.9	46.5	46.6	47.1	46.5
2011	46.2	46.3	45.7	44.8	44.2	44.7	45.4	45.9	45.8	46.0	46.0	46.7
2012	48.0	49.0	50.5	50.9	50.6	49.7	49.1	48.7	49.3	49.3	49.6	49.5
2013	49.4											

ADR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2008	63.52	63.94	64.44	64.90	65.65	66.18	66.49	66.79	67.03	67.14	67.29	67.34
2009	67.14	67.01	66.77	66.56	66.05	65.94	65.97	66.08	66.04	66.05	65.92	65.85
2010	65.93	66.02	66.14	66.20	66.39	66.29	66.15	66.02	66.09	66.56	66.95	67.19
2011	67.16	67.38	67.64	67.85	68.15	68.44	68.71	68.98	69.10	68.93	68.87	68.87
2012	69.13	69.23	69.17	69.00	68.91	68.77	68.69	68.50	68.87	68.86	68.84	68.84
2013	68.94											

RevPAR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2008	38.23	39.00	39.91	40.33	39.25	38.46	37.86	37.26	35.78	35.10	34.09	33.24
2009	32.61	31.70	30.44	30.20	29.12	28.95	29.32	29.53	29.76	30.20	30.40	30.88
2010	30.88	30.47	30.65	30.53	31.26	31.24	30.78	30.31	30.76	30.99	31.50	31.21
2011	31.03	31.18	30.88	30.40	30.11	30.60	31.20	31.65	31.63	31.72	31.71	32.18
2012	33.16	33.95	34.94	35.15	34.85	34.14	33.70	33.35	33.96	33.95	34.17	34.09
2013	34.03											

Supply												
	January	February	March	April	May	June	July	August	September	October	November	December
2008	156,792	158,584	160,568	162,488	164,999	167,429	169,940	174,187	180,757	185,562	190,212	195,017
2009	199,822	204,162	208,967	213,617	217,895	224,375	231,071	236,031	238,371	240,789	243,129	245,547
2010	247,965	250,149	252,598	254,968	257,417	257,447	257,478	257,509	257,539	257,570	257,600	257,631
2011	257,662	257,690	257,659	257,629	257,598	257,568	257,537	257,506	257,476	257,445	257,415	257,384
2012	257,353	257,325	257,325	257,325	257,325	257,325	257,325	257,325	257,325	257,139	256,959	256,773
2013	252,526											

Demand												
	January	February	March	April	May	June	July	August	September	October	November	December
2008	94,372	96,731	99,448	100,991	98,658	97,293	96,756	97,176	96,478	97,000	96,373	96,283
2009	97,058	96,599	95,277	96,919	96,077	98,502	102,707	105,470	107,427	110,081	112,106	115,162
2010	116,140	115,443	117,065	117,599	121,202	121,330	119,819	118,233	119,849	119,909	121,210	119,684
2011	119,042	119,245	117,627	115,409	113,812	115,135	116,930	118,147	117,853	118,461	118,529	120,280
2012	123,464	126,199	129,979	131,092	130,134	127,767	126,258	125,272	126,890	126,778	127,555	127,144
2013	124,635											

Revenue (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2008	5,994,529	6,184,616	6,408,727	6,553,846	6,476,933	6,438,960	6,433,642	6,489,905	6,466,751	6,512,781	6,484,486	6,483,253
2009	6,516,594	6,472,857	6,361,569	6,450,637	6,345,505	6,494,881	6,775,204	6,969,649	7,094,903	7,270,766	7,390,562	7,583,455
2010	7,657,375	7,621,654	7,742,652	7,784,928	8,046,752	8,043,128	7,925,883	7,805,166	7,920,793	7,981,255	8,114,846	8,041,445
2011	7,994,627	8,034,697	7,955,712	7,830,743	7,755,727	7,880,313	8,033,989	8,149,925	8,143,672	8,165,822	8,162,934	8,283,621
2012	8,534,731	8,736,592	8,991,247	9,045,885	8,967,418	8,785,900	8,672,706	8,581,295	8,738,982	8,729,487	8,781,292	8,753,122
2013	8,592,523											



The actual peak was April 2012 and since then occupancy rates have declined by 1.5 points while rates have remained flat. Most likely this decline is indicative of the spending reduction or freeze at the Submarine Naval Base at Kings Bay. The trends also demonstrate the performance is not very seasonable with only 2 points difference between the low month of January, February and the marginally high months of May to July. However occupancy levels have just recovered in December 2012 to 2008 levels from 49.4% to 49.5%. ADR (\$) have similarly recovered from \$67.34 to \$68.84. Demand is considerably higher from 96,283 for 12 month trailing December 2008 to 127,144 for 12 month trailing December 2012, a 32% increase. The additional demand has mostly been absorbed by new supply. The statistics that follow further illustrate on a Percent Change basis and verify the growth in occupancy in the marketplace in 2012 at 6%. ADR (\$) which had grown in 2011 by 2.5% was flat in 2012. RevPAR subsequently increase by 65.9% which is very healthy growth for 2012. The table also demonstrates the trends in change for occupancy, rate and RevPAR by month. In January growth was particularly strong with a RevPAR growth of 42.5%.

Table 5-4 Set Performance -Competitive Set by Month, By Percent Change from Previous Year

	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Total Year
Occ	-17.2	13.3	12.3	2.9	-34.4	-28.9	-22.4	-20.4	-42.5	-19.3	-31.2	-25.7	-19.3
ADR	9.6	7.1	7.2	7.7	12.7	9.7	6.4	6.6	6.2	2.5	2.8	1.1	6.8
RevPAR	-9.2	21.3	20.3	10.8	-26.1	-22.0	-17.5	-15.2	-39.0	-17.3	-29.3	-24.9	-13.8
Supply	15.7	15.7	15.7	15.7	19.9	19.9	19.9	33.6	53.7	32.8	32.8	32.8	26.0
Demand	-4.2	31.0	29.9	19.0	-21.4	-14.8	-7.0	6.3	-11.7	7.2	-8.6	-1.4	1.7
Revenue	5.0	40.3	39.2	28.1	-11.4	-6.5	-1.1	13.3	-6.2	9.8	-6.1	-0.3	8.6

	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Total Year
Occ	-17.4	-28.2	-33.2	-11.9	-29.7	-9.2	10.3	7.4	21.9	19.1	16.1	30.4	-5.0
ADR	-3.2	-2.1	-3.1	-3.0	-8.6	-2.6	-0.6	1.2	-0.9	0.2	-2.4	-1.0	-2.2
RevPAR	-20.0	-29.7	-35.2	-14.6	-35.7	-11.6	9.7	8.7	20.8	19.4	13.2	29.1	-7.1
Supply	32.8	32.8	32.8	32.8	28.2	44.2	44.2	29.4	12.4	12.4	12.4	12.4	25.9
Demand	9.8	-4.6	-11.2	17.0	-9.8	30.9	59.0	38.9	37.1	33.9	30.5	46.6	19.6
Revenue	6.3	-6.6	-14.0	13.5	-17.6	27.5	58.1	40.6	35.8	34.2	27.3	45.2	17.0

	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Total Year
Occ	-1.1	-17.6	2.6	-7.0	30.2	1.1	-13.5	-16.2	22.2	0.4	14.9	-16.0	-0.9
ADR	1.6	1.7	1.9	0.9	4.5	-1.7	-2.4	-2.2	1.7	8.1	7.7	4.8	2.0
RevPAR	0.5	-16.2	4.5	-6.2	36.0	-0.7	-15.5	-18.0	24.2	8.6	23.7	-12.0	1.1
Supply	12.4	12.4	12.6	12.6	12.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1	4.9
Demand	11.3	-7.3	15.5	4.7	46.6	1.2	-13.3	-16.1	22.3	0.6	15.0	-15.9	3.9
Revenue	13.1	-5.8	17.7	5.6	53.1	-0.5	-15.4	-17.9	24.4	8.8	23.9	-11.8	6.0

	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Total Year
Occ	-6.8	2.2	-13.2	-18.6	-14.0	12.9	18.5	14.9	-3.2	5.9	0.8	21.8	0.6
ADR	-0.7	4.5	4.1	3.6	4.8	4.7	4.7	5.5	2.3	-2.7	-1.1	0.4	2.5
RevPAR	-7.4	6.7	-9.7	-15.7	-9.8	18.2	24.0	21.1	-0.9	3.1	-0.3	22.3	3.1
Supply	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Demand	-6.6	2.3	-13.4	-18.7	-14.1	12.7	18.3	14.7	-3.3	5.8	0.7	21.6	0.5
Revenue	-7.3	6.9	-9.8	-15.8	-9.9	18.1	23.8	21.0	-1.1	3.0	-0.4	22.1	3.0

	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Total Year
Occ	35.5	30.6	36.0	11.6	-9.8	-20.2	-13.0	-10.4	18.9	-0.2	8.7	-3.4	6.0
ADR	5.2	1.6	-0.7	-3.0	-1.9	-2.6	-1.3	-3.7	6.8	-0.2	-0.2	-0.0	-0.0
RevPAR	42.5	32.6	35.0	8.2	-11.5	-22.3	-14.2	-13.7	27.0	-0.4	8.4	-3.4	5.9
Supply	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.9	-0.9	-0.9	-0.2
Demand	35.3	30.4	36.0	11.6	-9.8	-20.2	-13.0	-10.4	18.9	-1.0	7.7	-4.2	5.7
Revenue	42.3	32.4	35.0	8.2	-11.5	-22.3	-14.2	-13.7	27.0	-1.2	7.5	-4.2	5.7



RevPAR was extraordinarily weak for May (-1.5%), June (-22.3%), July (-13.7%) and August (-13.7%) but rebounded by 27% in September 2012 and 8% for November 2012. For January 2013 STR report that Occupancy grew 6% but ADR was flat with a 5.9% increase for the month in RevPAR. The trends may track the political quagmire in Washington DC and display what is at stake for business and the economy. Overall the statistics indicate low demand levels that are beginning a recovery. This is also reflected in the rate. Positive, however is that the demand is relatively even for each month.

HOTEL PERFORMANCE BY DAY

The table that follows compares occupancy by day for the subject and competitive set for one period for three years. The table indicates that the softest day in terms of occupancy Sunday and the peak days are Wednesday to Friday. ADR (\$) is fairly stable and comparable for each day of the week. While overall occupancy levels are low there is a good mix of demand between government, business and leisure which could support higher annual occupancy levels should demand grow further and new supply remain at a stabilized level. There were no new hotels reported as proposed during our investigation. The chart demonstrates these trends on a daily basis.

Table 5-5 Hotel Performance -by day- Kingsland Set Set-Feb 10 to Jan 13

Three Year Occupancy (%)								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Feb 10 - Jan 11	39.2	43.9	44.9	47.0	47.3	51.8	49.3	46.2
Feb 11 - Jan 12	39.7	46.6	47.9	49.8	50.0	52.5	49.3	48.0
Feb 12 - Jan 13	41.3	45.3	46.6	49.9	51.5	56.5	54.3	49.4
Total 3 Yr	40.1	45.2	46.5	48.9	49.6	53.6	51.0	47.8
Three Year ADR								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Feb 10 - Jan 11	66.36	68.04	68.54	68.24	67.70	65.85	65.55	67.16
Feb 11 - Jan 12	68.70	69.86	70.13	69.96	69.56	67.68	68.06	69.13
Feb 12 - Jan 13	68.23	69.23	69.72	69.35	68.93	68.45	68.71	68.94
Total 3 Yr	67.77	69.05	69.48	69.20	68.75	67.36	67.47	68.43
Three Year RevPAR								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Feb 10 - Jan 11	26.03	29.85	30.80	32.07	31.99	34.12	32.35	31.03
Feb 11 - Jan 12	27.31	32.56	33.57	34.82	34.77	35.54	33.57	33.16
Feb 12 - Jan 13	28.20	31.35	32.50	34.61	35.48	38.68	37.33	34.03
Total 3 Yr	27.17	31.24	32.30	33.83	34.08	36.09	34.39	32.73

CONCLUSION

We particularly focused on properties in St Marys Historic District as they were not only a support service but a large part of the appeal and attraction of the city. Many had renovated and the style complements the city itself. An important source of tourism demand is generated by Cumberland Island while St Marys does not generate significant demand relative to other tourism towns it is primary due to the absence of branded or major hotels. The "B&Bs" and "Boutique" offerings have been successful and are a special niche and some B&Bs" had good



average room rates as high as \$245 and are of good quality and beneficiaries of awards for their excellence. We have noted that many business people and tourists are not accustomed to staying in guesthouses or even boutique hotels and frequently are drawn to nationally or internationally known franchised products. More inventories with international standards should expose the special “B&Bs” and “Boutique” offerings to a wider market and more business. St Marys with earned recognition as a destination, coupled with Cumberland Island, should benefit the city and its various enterprises that benefit from visitation such as lodging facilities, restaurants, bars, retailers, visitors support services, boating and transport services, amenities and attractions.

CUMBERLAND ISLAND DEMAND ANALYZED

An important source of tourism demand is generated by Cumberland Island and we have analyzed the statistics provide by the National Park Service (NPS) illustrated below. The Seashore was authorized by Congress in 1972 and is administered by the National Park Service. The following demonstrates the annual statistics of visitation by year. Total park visitation includes visitors to the Seashore’s St. Marys, mainland facilities, the visitor center and museum, as well as visits to the Island. As the table illustrates for the 28 year period 1978 to 2006 the statistics were relatively stable around 35,000 to 40,000 visitors. In 2007 the numbers increased to 72,449, as the method for calculation was changed and mainland visitor count was included. We have therefore split the table so as not to confuse. Visitation overall peaked at 91,996 and then declined to 74,279 in 2011. For 2012 visitors declined further to 61,776.

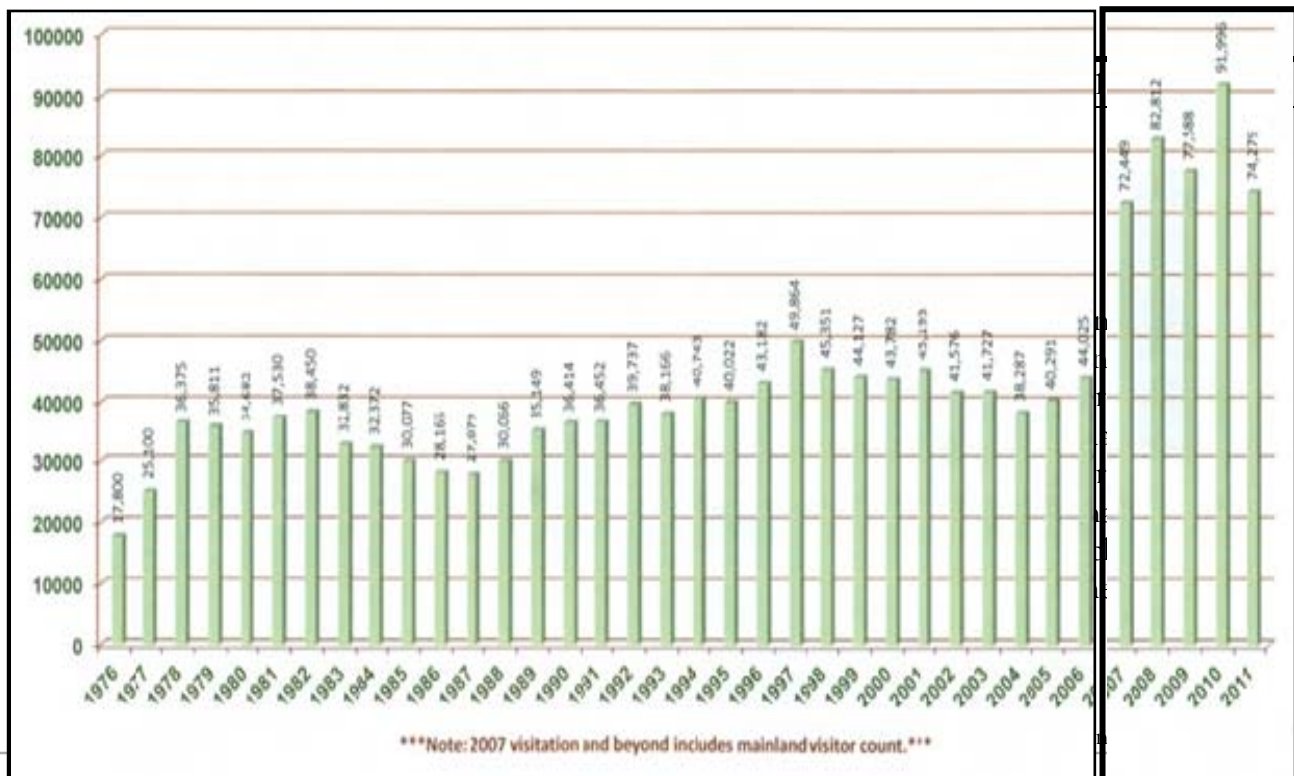
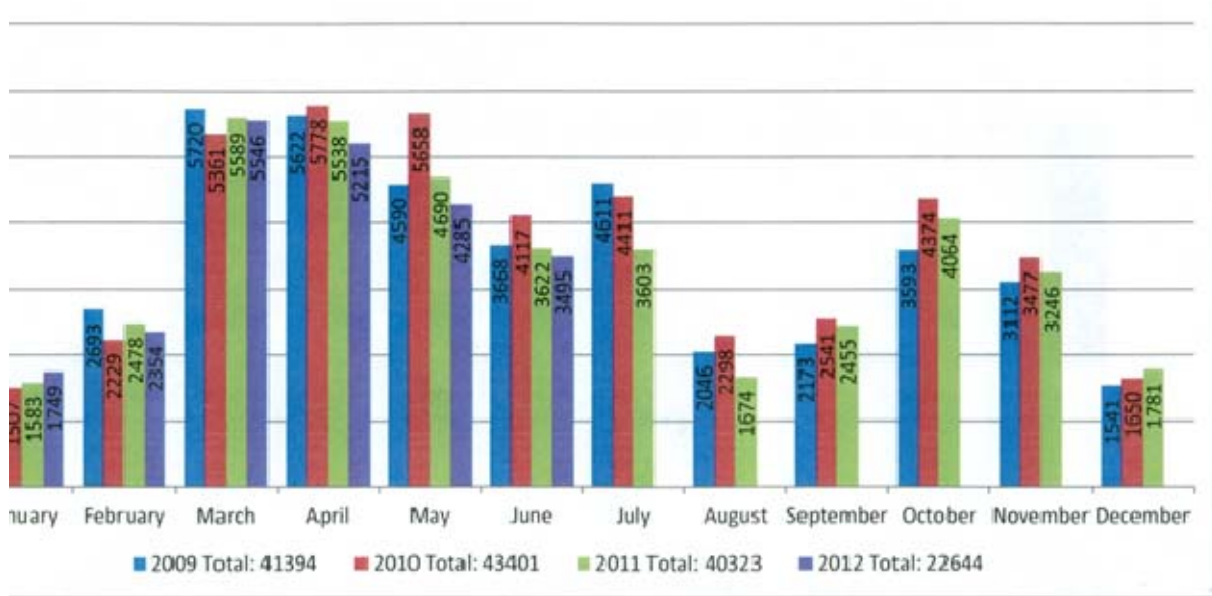


Table 5-7 Cumberland Island National Seashore Monthly Visitation 2009 to 2012

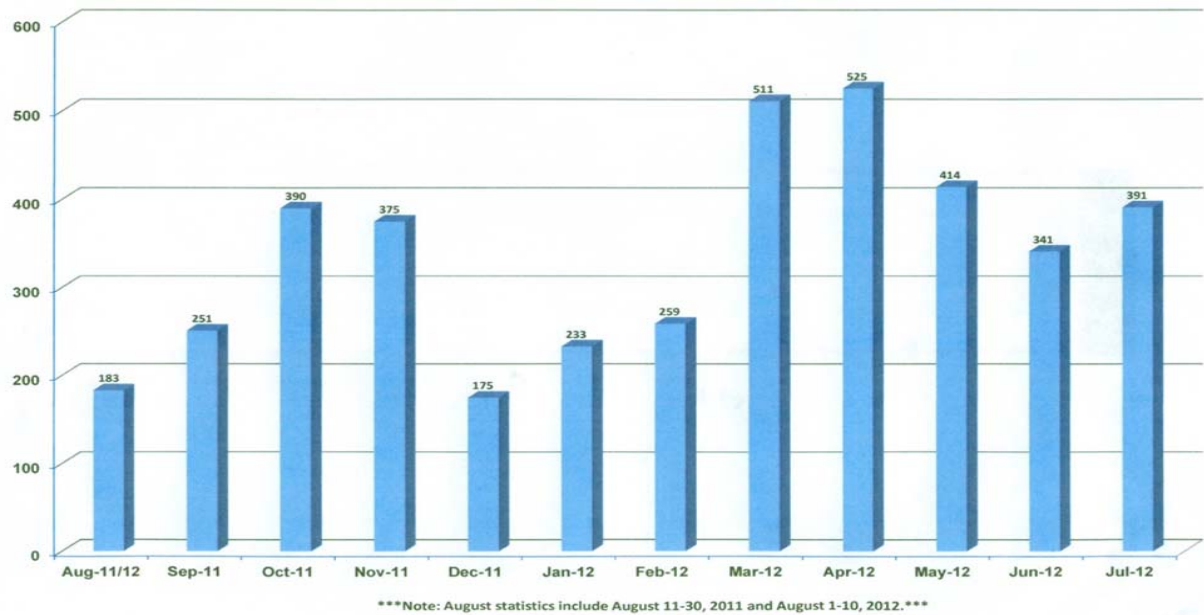


Nearly every visitor to Cumberland Island via the park ferry receives an Island orientation presented by park staff. Also, throughout the year 2012, 672 formal interpretive programs were given to 10,602 visitors. This included the twice daily Footsteps through History talks offered to visitors at the Dungeness Dock, the Dockside Program, and the new Lands and Legacies van tour. In addition, 2,698 visitors toured the 22,000 square foot 1898 Plum Orchard mansion. The National Park Service believes this was a significant accomplishment as the house can be challenging to reach, accessible by foot, bike or the Lands and Legacies tour. The Lands and Legacies tour is a motorized tour to the north end of Cumberland Island. The tour starts at the Sea Camp Ranger station and heads north. Visitors will see both cultural and natural landmarks including the remains of Robert Stafford's plantation and cemetery, Plum Orchard Mansion, Cumberland Wharf, The Settlement and First African Baptist Church and others. It is a day journey; tours that lasts between 5 and 6 hours and travel approximately 30 miles. The adult fee is \$15.00, the child (under 16) and senior (62 and over) fee is \$12.00. Due to strong demand reservations are recommended as seats are limited. The Lands and Legacies tour continues to be popular with the public and particularly with visitors who have travel especially for the park. In 2012, over 4,600 visitors participated in the new van tour which explores both cultural and natural locations on the north end of Cumberland Island including Plum Orchard and the Settlement. In 2012, almost 16,700 visitors chose to include camping in their visit to Cumberland Island. This includes both the improved campground at Sea Camp and the more primitive Wilderness campgrounds scattered throughout the rest of the island. Almost doubled from 2011 is the number of hunters participating in the six managed hunts on the island. In 2012, 350 people participated in the hog and deer managed hunts. The table below illustrates the visitation by



month and that December, January and February are quieter months. However this is partially due to the reduction in ferry service.

Table 5-8 Cumberland Island National Seashore Land & Legacies Visitation 2011 -12



Each year the park visitors are polled about Cumberland Island's visitor services and their overall experience are compiled into an annual visitor survey. In 2012 the national seashore received a 99% visitor satisfaction score. An important note that in the interview survey the Park Superintendent opined that approximately 1/3 of visitor are using local hotels in town or in the area. Atlanta is the major feeder city for the park and out-of-state domestic and international tourists are frequent visitors.



6. LODGING INDUSTRY OVERVIEW

THE STATE OF THE INDUSTRY - INDUSTRY PERFORMANCE

The statistics from Smith Travel Research (STR) presented in this chapter are an indication of the overall state of the hotel industry. While the financial crisis impacted hotel valuations due to changes in financing availability and terms, it was not until 2009 that the severe recession also began to greatly impact the performance of hotels and further eroded hotel values. The RevPAR (Revenue per Available Room) was down -1.8% in 2008 and further dropped by -17.7% in 2009. However, RevPAR was up 5.8% in 2010, again at 8.2% in 2011 and 6.8% in 2012. That signaled a recovery was underway that continues today. While occupancy has recovered ADRs have been falling short. A positive aspect is that typically prices (ADR's) follows demand. ADR growth has been slow to follow this time- due to uncertainty and economic fears much of it generated by our political leaders. However, more recently there is more a sense of stability and ADR's are also recovering. The most impacted sector, the upscale properties have achieved the greatest RevPAR gains in this recovery. The impact on hotel profitability had been severe with \$9.9 billion drop in profits for 2009, over its prior year to \$16.2 billion, similar to profit levels of 2001 and 2002. Profitability levels for 2010 were \$16.7 billion and even higher in 2011 at \$33 billion profitability, a 15.7% increase. The dire predictions fortunately, did not materialize and the profit improvements demonstrate the industry resilience. Profits are expected to increase further in 2013 as higher average rates take effect. Gains in average rate drop entirely to the net operating income line. While to date, the strongest ever occupancy gains, have been achieved, the average rates have been slow to follow. Currently the major factors negatively and positively affecting the lodging market are listed as follows:

Table -6-1 Negative Positive Factors Impacting Lodging Industry

Negative Factors	Positive Factors
<ul style="list-style-type: none">■ Slow Economic Recovery- Unpredictable■ Impact of unemployment■ Impact of State and Federal Deficits and Cutbacks■ The 'Cliffs' a recurring problems - Fiscal, Debt, Budget.■ Consumer Confidence remains Low■ Higher Oil Prices impacting recovery and travel■ Worldwide Economic Crisis- recurring double dips■ Wealth Factor - loss of wealth-during recession■ Airline Industry flights, reductions, consolidations, fares up■ Competition from hotels with restructured debt■ Debt Crisis -lack of hotel financing /favorable terms■ Competition from hotels with restructured debt■ Hotel Maturing Loans/Delinquencies/Foreclosures■ Room Rate Compression -market still price sensitive■ Property Operation and Maintenance costs high■ Food cost/other Increases difficult to pass on to guests■ Utility Costs, Insurance Costs, Property Taxes high	<ul style="list-style-type: none">■ Slower Room, Supply Growth- continues■ US Destination more affordable due to \$, low inflation.■ Recovery underway-stock market indices close to record levels■ Federal Reserve fueling the economy and taming inflation■ Political will to comprise not take the hit for a crisis■ US Wars appear over , War on terrorist continues '■ Banking stabilizing, less fear of financial crisis■ Hotel occupancies are recovering -adr still difficult■ Hotel industry profit recovery continues■ Staffing more stable, attrition cost lower, but costs higher■ Companies have remained profitable■ Quality of hotel product higher but maintenance an issue■ Bargain retail encourage leisuress travel #1 attraction for many■ Hotel industry profit recovery underway■ The Power of the internet gives power to the individual hotel■ Growth in other economies may increase tourism-diplomacy■ Less fear of terrorism- after Egypt- soft revolution



The leading indicators with correlation to hotel revenue are typically total employment, GDP and total personal income, both national and local. In this economy corporate profits have also played a role while employment is surprisingly less a leading indicator. New hotel inventory has fueled occupancy growth. The hotel industry has proved to be very nimble, creative, and cost conscious, while labor intensive management still controls the business. In contrast to the airline sector it is a model industry of discipline. Hotel industry recovery began during the second half of 2010 and more meaningful recovery had taken hold in 2011. Forecasts of recovery and growth continue to 2013. The luxury sector and their resort markets had been impacted the hardest by the economic malaise and the discouraging operating environment. This sector has boasted the greater revenue gains, once the recovery was positively underway. The luxury stigma and the pesky new “frugality” had discouraged demand in this sector. In addition a real lack of business and group demand had also impacted the upscale hotels. With the recovery of business profits for American companies, this demand has returned, although group demand remains a challenge.

HISTORIC KEY PERFORMANCE INDICATORS

Market performance had been impacted by the extended slowdown in the US economy and recession. As illustrated in the following table the trending downwards had continued to a RevPAR of \$63 in 2011 while supply of new hotels begins to stabilize. In 2010 the cycle moved to recovery in both demand and occupancy but ADR growth rate remained relatively flat. The ADR did grow in 2011. The subsequent RevPAR growth to \$63 in 2011 and 65% in 2012 was mostly occupancy driven as rates had been flat in 2009 and 2010, while stronger in 2011 and 2012. The industry seeks a more robust ADR growth in order to regain its peak performance record. The table that follows shows the significant occupancy gain in 2012 to 61.4%, albeit still below 2007 levels. The current RevPAR of \$65 remains below the \$67 level achieved both in 2007 and 2008, but the industry is almost there, at complete recovery, due to its greater performance gains. Room demand and rooms revenues are at historic all-time highs, while rooms supply also has this distinction and thus is accountable for the shortfall from the record high. ADR has not met its prior record and has had no inflation gain since 2008 as illustrated in table 6-3.

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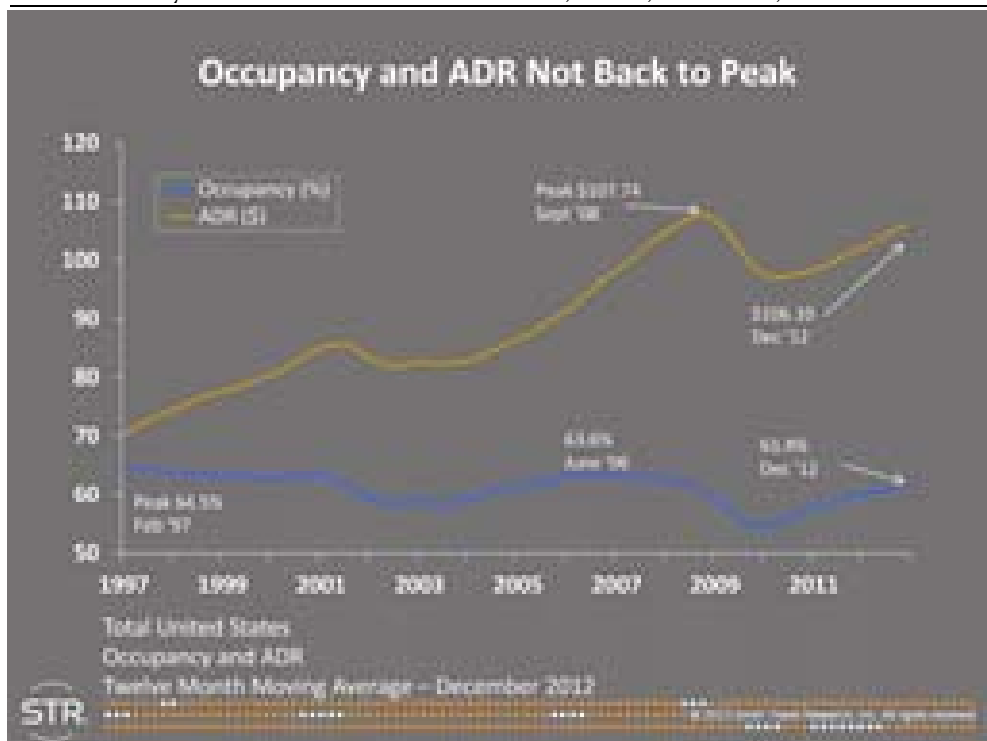
Table-6-2 Key Performance Indicators-OCC, ADR, RevPAR, Other US

Demand Growth Strong. RevPAR Driven by ADR.			
		<u>% Change</u>	<u>ALIS'12</u>
• Room Supply*	1.8 bn	0.5%	
• Room Demand*	1.1 bn	3.0%	
• Occupancy	61.4%	2.5%	0.5%
• A.D.R.	\$106	4.2%	3.8%
• RevPAR	\$65	6.8%	4.3%
• Room Revenue*	\$115 bn	7.3%	

Full year 2012, Total US Results
* All Time High

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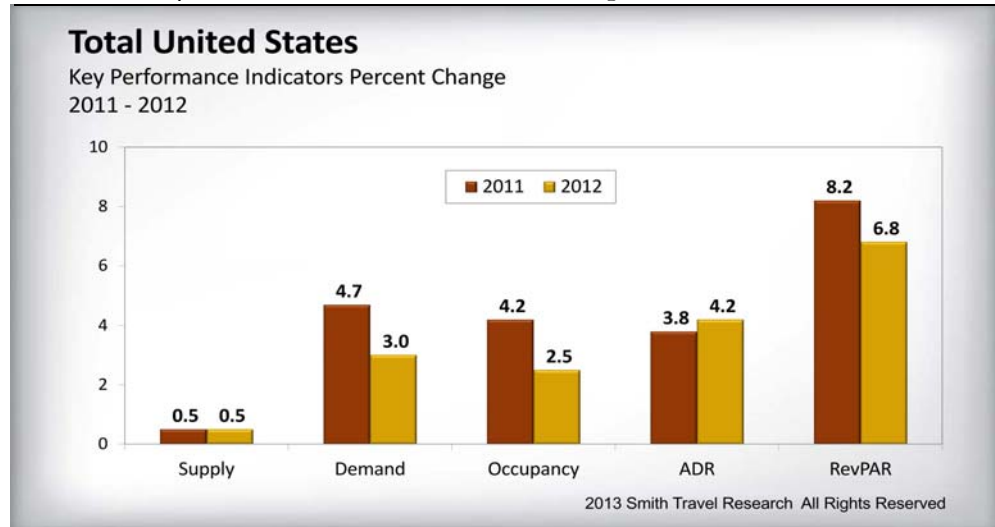
Table-6-3 Key Performance Indicators-OCC, ADR, RevPAR, Other US



The following table illustrates the 2011 occupancy gain of 4.6%, ADR of 3.6% and RevPAR gain of 8.2% compared to the gains for 2012 of 0.5%, 4.2% and 6.8% respectively. Demand growth was higher in 2011 at 4.7% but

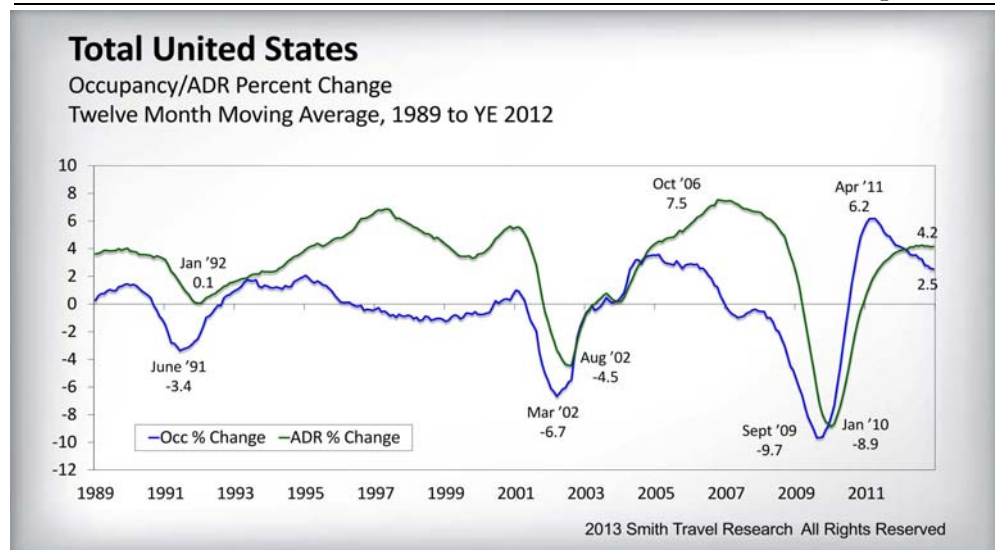
positive at 3% for 2012 considering the year end political headwinds. Supply growth for the year 2011 and 2012 was flat at 0.5%. Demand was absorbed by new supply and impacted occupancy levels by 0.5% both years. Average rate growth which declined from a -0.6% drop in 2010, started to increase by 3.8% and 4.2% 2012. Correspondingly RevPAR grew 8.2% in 2011 but less at 6.8% in 2012. These ADR results are very positive for the industry as a low inflation rate environment helps to contain costs.

Table-6-4 Key Performance Indicators % Change United States



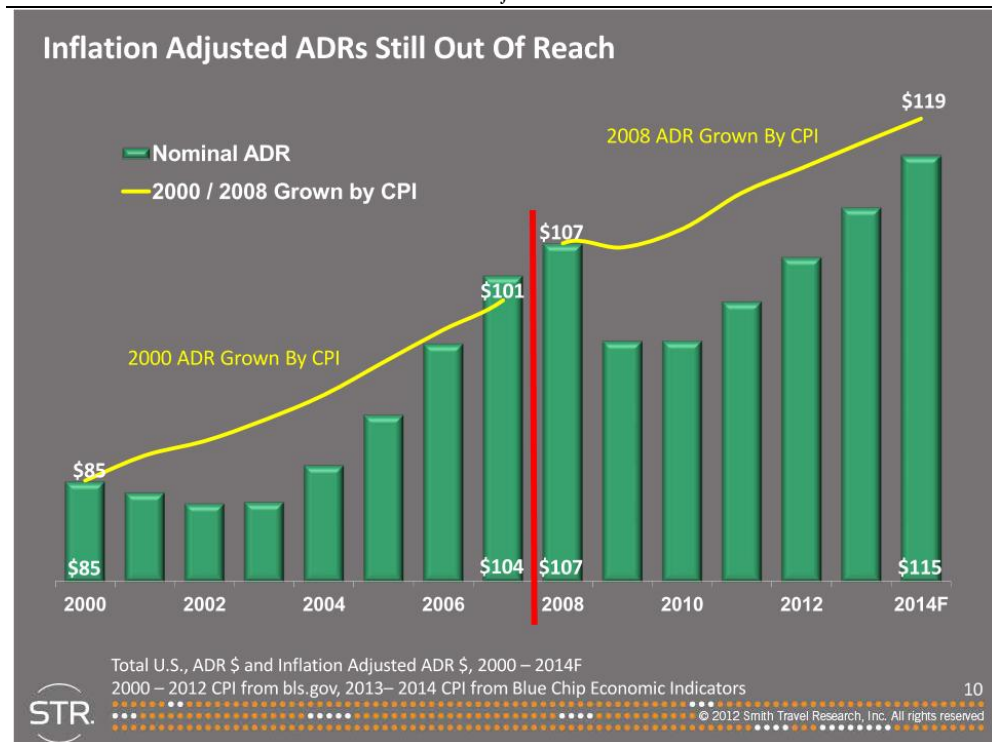
The following table shows the 12 month moving average from 1989 to December 2012. It illustrates the two recent recessions, the longevity of the recent decline and the similarity in recovery. It was the worst recession in modern history. While demand has rebounded ADRs had been stubbornly lower but began to break out in 2011 and continues to 2012.

Table-6-5 Performance Indicators United States Occ./ADR % Change



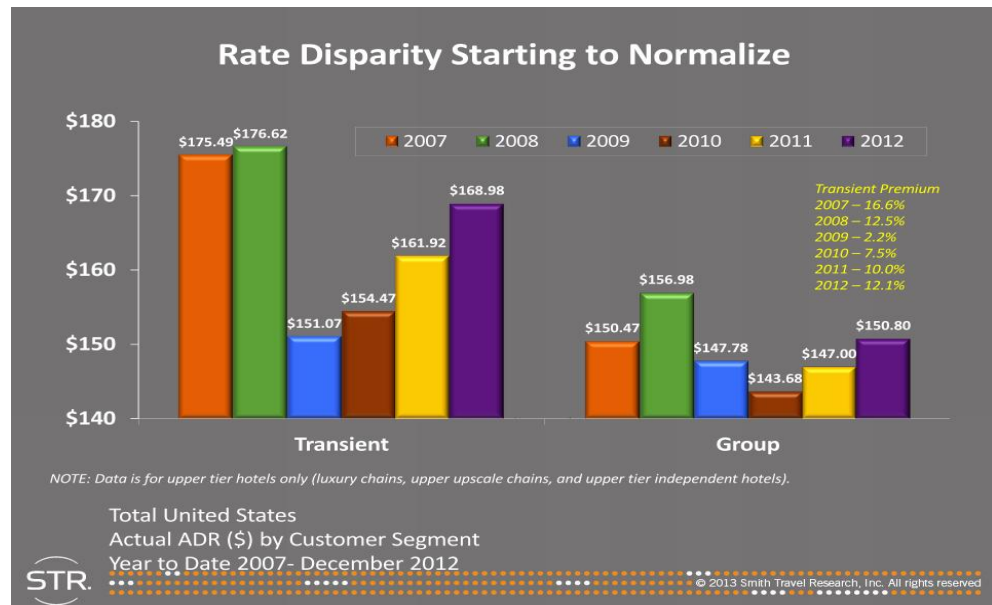
The impact on profitability during the recession was mostly the free fall in average room rates when rate integrity was frequently abandoned. This panic was a significant failure of the hotel industry leaders. Had the ADR kept pace with the CPI index, 2012 ADR would have been \$119, about \pm \$8 above the actual 2012 ADR of \$101. This is lost revenue that has not been recoverable and is likely to remain so, until economic recovery is complete. This impact of the \pm \$8 dollars ADR per room on profitability is a significant burden, but has been mitigated by the industry's tighter cost controls. Once average rate recovers, it will positively impact profitability and will likely be coupled with better industry margins, although cost of labor, goods and service will likely also rise in a healthier environment. The absolute ADR and nominal ADR gap has further narrowed by \$0.50 in 2012. A full recovery is thought by many to be within reach.

Table-6-6 Nominal ADR versus CPI adjusted 2000 ADR USA



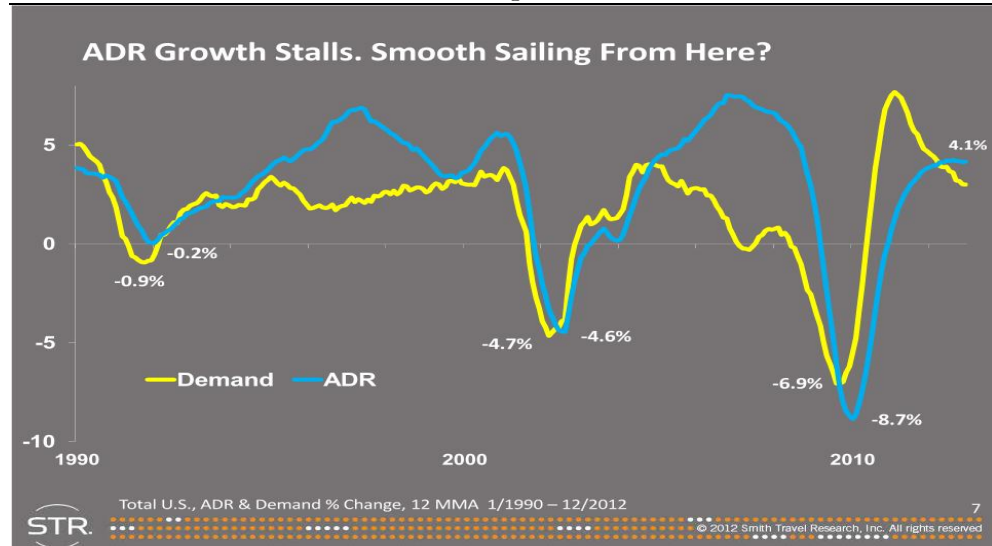
The ADR disparity had been greater in 2009, 2010 and 2011 and in 2012 the gap narrowed significantly in both the transient and group segments. The transient ADR has grown from \$151.07 in 2009 to 168.98 in 2012 while the group ADR has grown from \$143.68 in 2010 to \$150.80 in 2012. The disparity between the two segments was abnormally low in 2009 at 2.2% to 10% in 2011 and 12.1% in 2012. The chart showed that the group segment was slower to fall off during recession but also was slower to recover. That group bookings are made well in advance contributed to this anomaly. Other factors contribution to the group fall off, including “event” fatigue and the rise of technology in serving groups, video conference etc...

Table-6-7 Nominal ADR versus CPI adjusted 2000 ADR USA



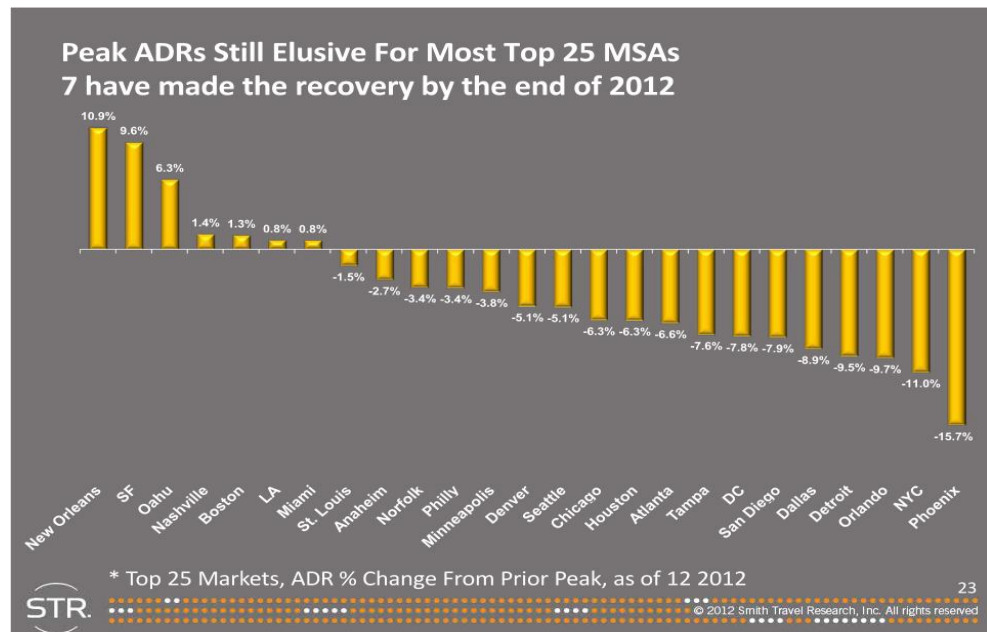
As the following table illustrates, the ADR declines do behave more erratic during periods of downturn. The recovery rate is as rapid as the rate of decline but mostly parallels demand growth. In the recent year the ADR has lagged demand. We attribute this to the uncertainty generated by the cliffs, “fiscal, debt, and budget”. This year there had been a better working relationship between the two political parties, now that a position of consensus and absence of drama is demanded by voters. As the table suggests if the economy recovers and trends move positively, the impact on room rate, in a higher occupancy environment, will be significant.

Table-6-8 Total ADR & Demand Change



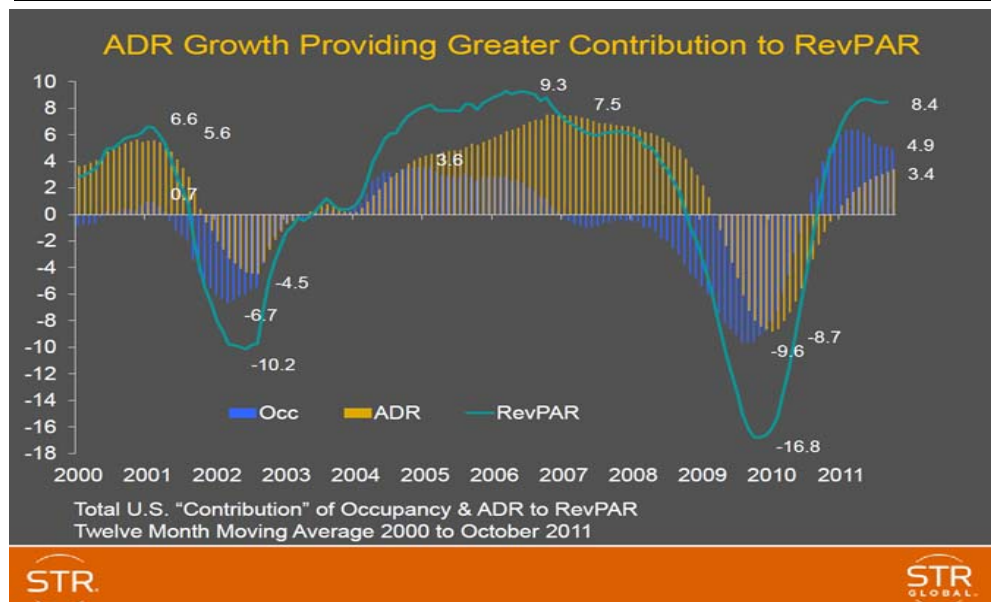
The following table illustrates the percentage from the peak of the 25 top MSA hotel markets. New Orleans and San Francisco lead while Miami ranks favorably at number seven and is only -1.5% off its peak.

Table-6-9 US Contribution of Occupancy & ADR to RevPAR



As illustrated, demand growth is leveling off in 2011, **but ADR is finally turning positive.** The following table shows that for 2011 both occupancy and rate are contributing to RevPAR gains for the first time in a decade. This trend continued in 2012.

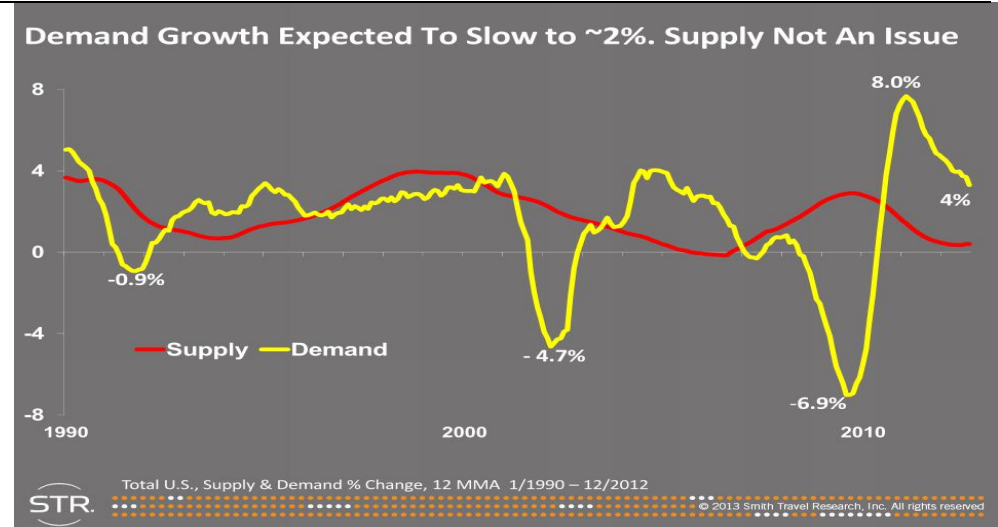
Table-6-10 US Contribution of Occupancy & ADR to RevPAR



SUPPLY /DEMAND

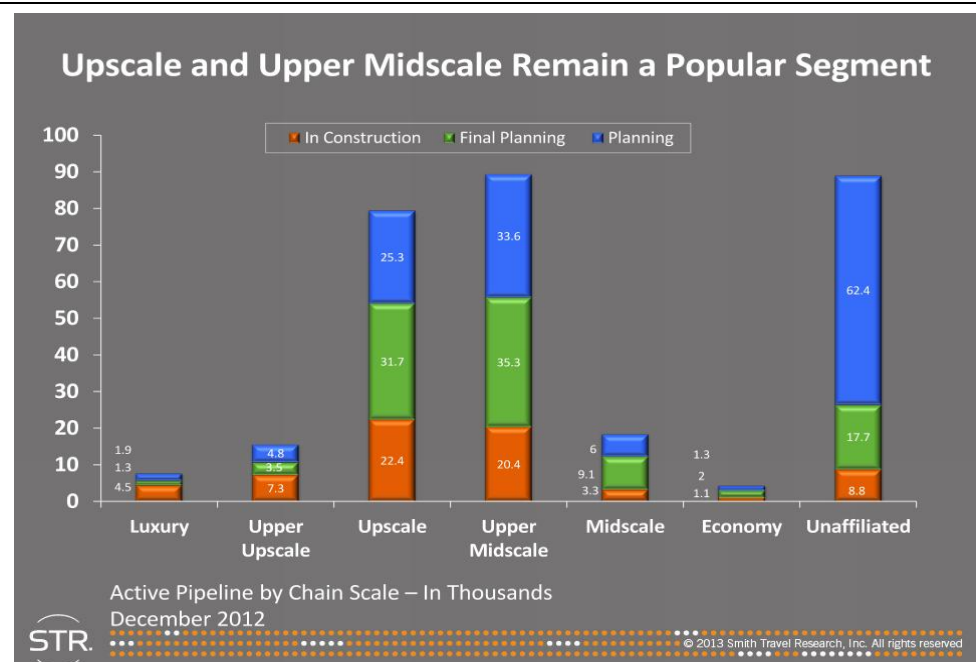
The rebound has been characterized by Smith Travel Research analysts as the strongest demand rebound ever. The greatest number of rooms ever sold occurred in the third quarter of 2011. Occupancies will further strengthen as the supply line growth level remains flat. This strengthening will stimulate average room rates to further gains.

Table-6-11 US Demand Rebound - Most Rooms ever sold in 3rd Quarter 2011



The following table illustrates the active pipeline for new hotels that is primarily in the upscale and upper midscale product which is primarily the select service and extended stay property types.

Table-6-12 Active Pipeline by Chain Scale 2012





As the table demonstrates, nationwide luxury product developments have slowed greatly. With the slowdown in new luxury inventory the luxury sector has begun to grow and the upper end hotels are leading the recovery. The independent unaffiliated hotel category has grown the most; by 8.8% in construction, 7.7% in final planning and 62.4% in planning phase.

Table 6-13 Supply and Demand Percent Changes 2012 and forecast to 2014

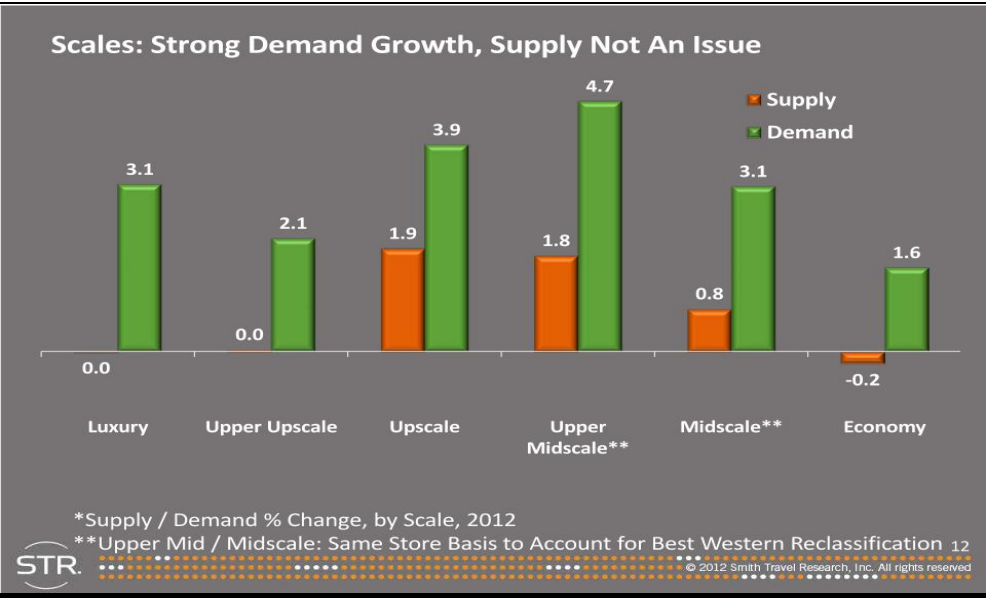
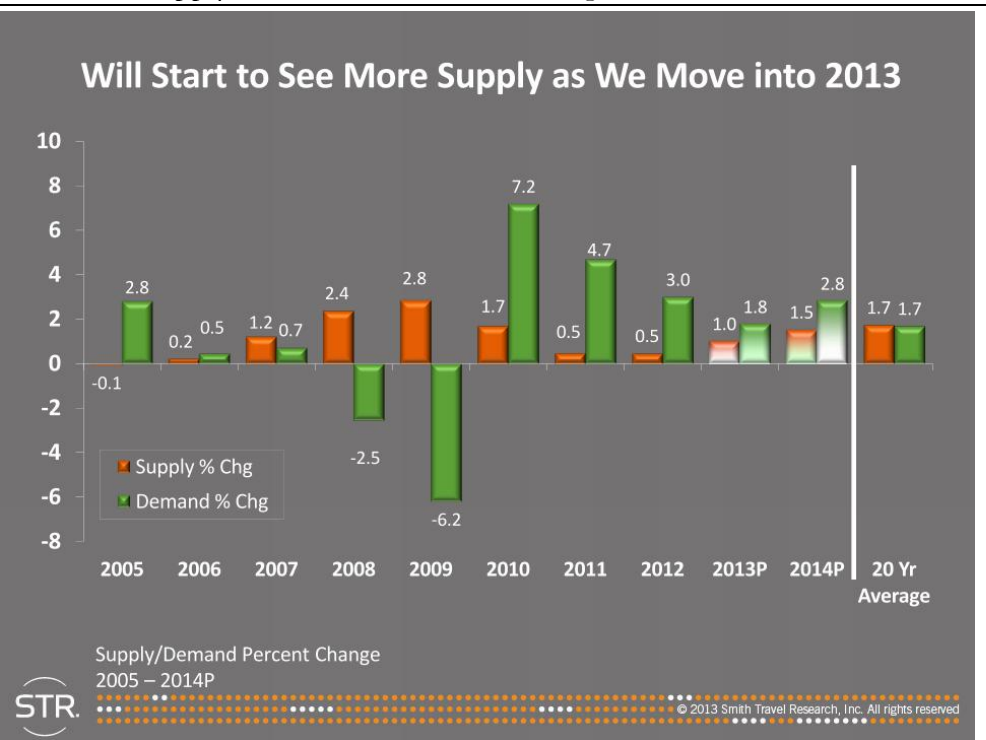


Table 6-14 Supply and Demand Percent Changes 2012 and forecast to 2014





The prior two tables illustrate the strong demand environment coupled with increased supply. Supply change is at a lower growth level than demand. For 2013 and 2014 supply growth is estimated by Smith Travel Research 1% and 1.5% respectively this is below the anticipated demand rate of growth and below the 20 year average of 1.7%. The average for 20 years is equal to the average growth in demand, also at 1.7%. There are a number of factors that will continue to create barriers for new hotel development but real estate cycles change and industry profits will fuel further hotel building. In the short term, the slowdown in construction benefits the sector and increase occupancy levels.

The following table represents the active hotel national pipeline for year end 2012 and compares with the 2012 construction pipeline. The number of projects in construction is up significantly by 25.5%, while the active pipeline is only 1-2% while those in planning are down significantly as illustrated, by -9.1% in final planning. The active pipeline is down 1.2%, while total pipeline including those in construction is off by -3.1%. This decline will help stimulate room price increases in line with the fundamentals of supply and demand. Many projects had been delayed but are now in construction. The pipeline statistics for 2011 and 2012 are presented below and illustrate this downward trend pattern in new development, with a short spike expected due to the increase in in construction.

Table 6-15 Hotel Rooms under Construction

US Pipeline: Construction Accelerates			
Phase	YE 2012	YE 2011	% Change
In Construction	68	54	25.5%
Final Planning	101	111	-9.1%
Planning	135	143	-5.2%
Active Pipeline	304	308	-1.2%
Pre-Planning	89	98	-9.2%
Total	393	406	-3.1%
*Total US Pipeline, by Phase, '000s Rooms, 2012 and 2011			
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New inventory is still lower than that of the prior year due to rising costs and difficulty in attracting debt capital to new developments. Acquisitions of existing hotels at a discount are the more favored investment. The rates at which hotels are trading are discussed in the Comparable Hotel Sales section of this report.

THE OUTLOOK

The outlook for 2013 is for continued growth in occupancy and average room rate and in step with the overall economy, but at a more robust rate of growth. The industry capitulated rapidly, in ADR, when the economy was in free fall. The hotel industry is now recovering at a greater rate than the overall economy. This is very positive for the hotel industry and in particular the luxury class which has improved more rapidly than other hotel classes. The following charts present the trend in occupancy, ADR and RevPAR for 2013 and 2014. The table demonstrates that for the Total United States, Occupancy is estimated to grow 0.8%, ADR 4.9% and RevPAR at 5.7% in 2013. In 2014 the Total United State Occupancy is estimated to grow 1.3%, ADR 4.4% and RevPAR at 4% in 2013. In our view the 2014 is very difficult to gauge and is entirely dependent on the success of the economy that is being molded by the predictable Federal Reserve and the less predictable US government and international economies.

Table-6-16 US Performance Forecast Occupancy, ADR, RevPAR -2013P

Total United States

Key Performance Indicator Outlook (% Change vs. Prior Year)

2013

2013 Year End Outlook			
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	2.3%	6.6%	9.0%
Upper Upscale	-0.1%	4.5%	4.3%
Upscale	1.4%	5.5%	7.0%
Upper Midscale	0.5%	4.8%	5.3%
Midscale	0.7%	2.4%	3.2%
Economy	1.1%	3.3%	4.4%
Independent	0.5%	4.8%	5.2%
Total United States	0.8%	4.9%	5.7%

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Table-6-17 2014 Year End Occupancy, ADR, RevPAR 2014

Breaking down the segments in 2014
Chain Scale Key Performance Indicator Outlook
2014F by Chain Scale

2014 Year End Outlook			
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	0.2%	5.7%	5.9%
Upper Upscale	0.5%	4.8%	5.3%
Upscale	0.8%	4.9%	5.7%
Upper Midscale	1.4%	3.1%	4.6%
Midscale	2.0%	3.9%	5.9%
Economy	2.2%	4.5%	6.8%
Independent	0.7%	4.7%	5.5%
Total United States	1.3%	4.6%	6.0%

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The impact of GDP, Corporate Profits and Disposable Income hotel performance is significant. Unemployment is not directly correlated but there is a stronger influence on the unemployment rate due to the government and Federal Reserve stimulus.

Table-6-18 2014 Year End Occupancy, ADR, RevPAR 2014

Unemployment Decreasing but Still Affects Travel

	2012	2013F	2014F
Real GDP	+2.2%	+2.0%	+2.6%
CPI	+2.1%	+1.9%	+2.1%
Corporate Profits	+6.5%	+4.7%	+5.7%
Disp. Personal Income	+1.3%	+1.1%	+2.2%
Unemployment Rate	8.1%	7.7%	7.3%

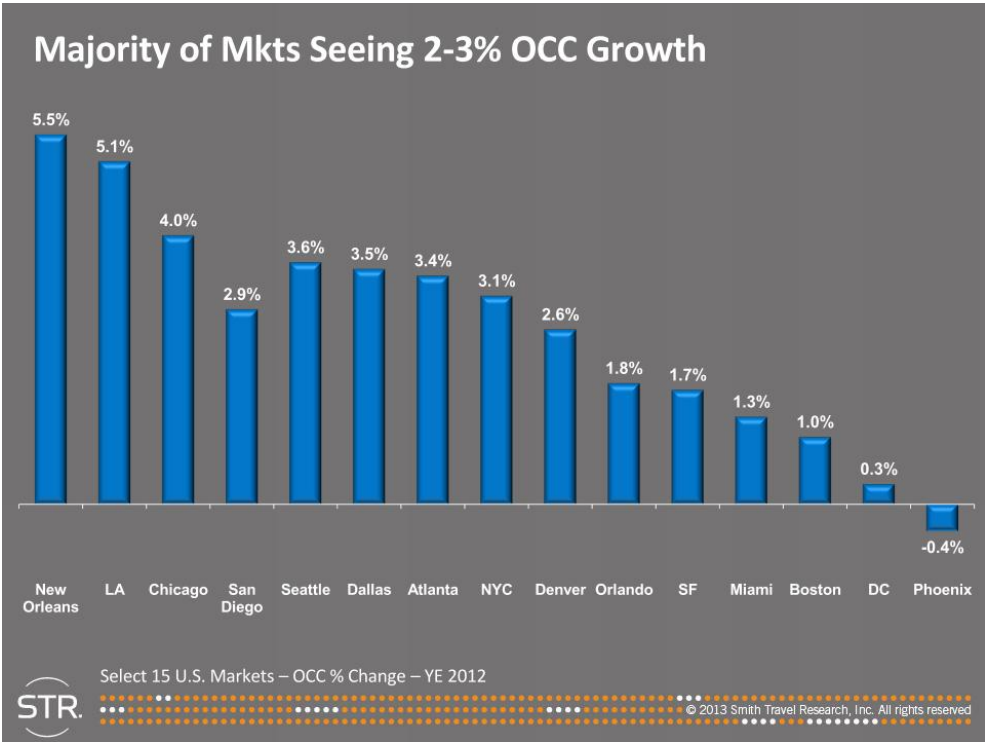
U.S. Economic Outlook
Blue Chip Economic Indicators – January 2013
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KEY MARKET PERFORMANCE INDICATORS

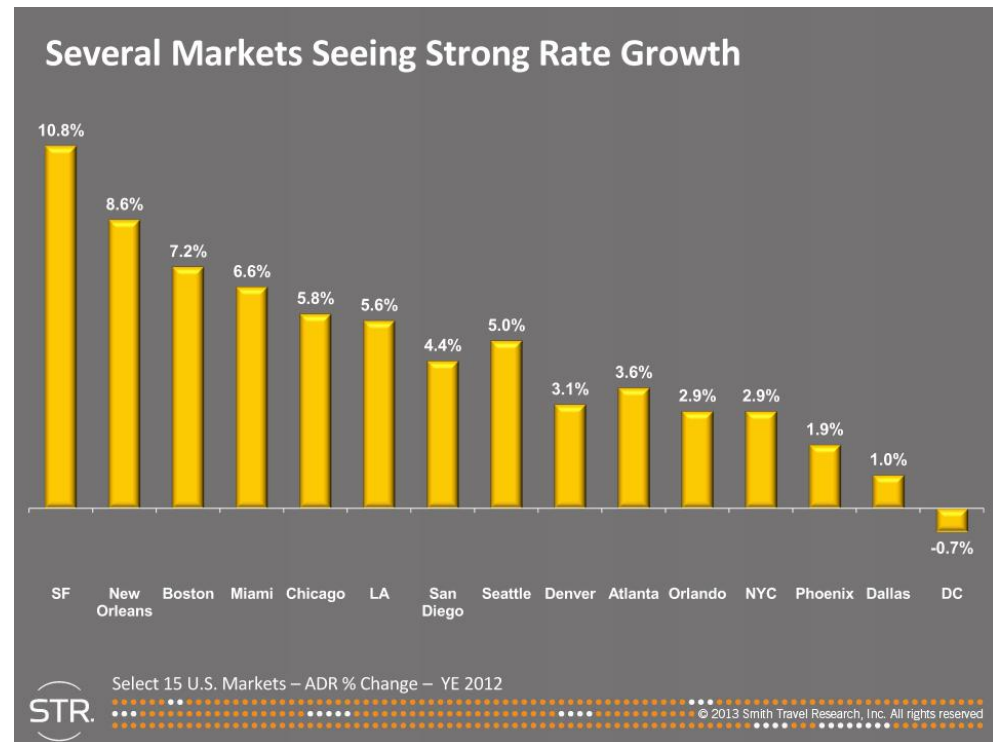
The following chart shows the growth levels in major MSA’s during 2012. New Orleans leads with 5.5% growth while Miami, Florida is 1.3%, the lower end of the scale presented with 15 top markets. Phoenix is expected to decline in its occupancy rate.

Table-6-19 Occupancy Performance Growth Top U.S Markets-Percent Ch.



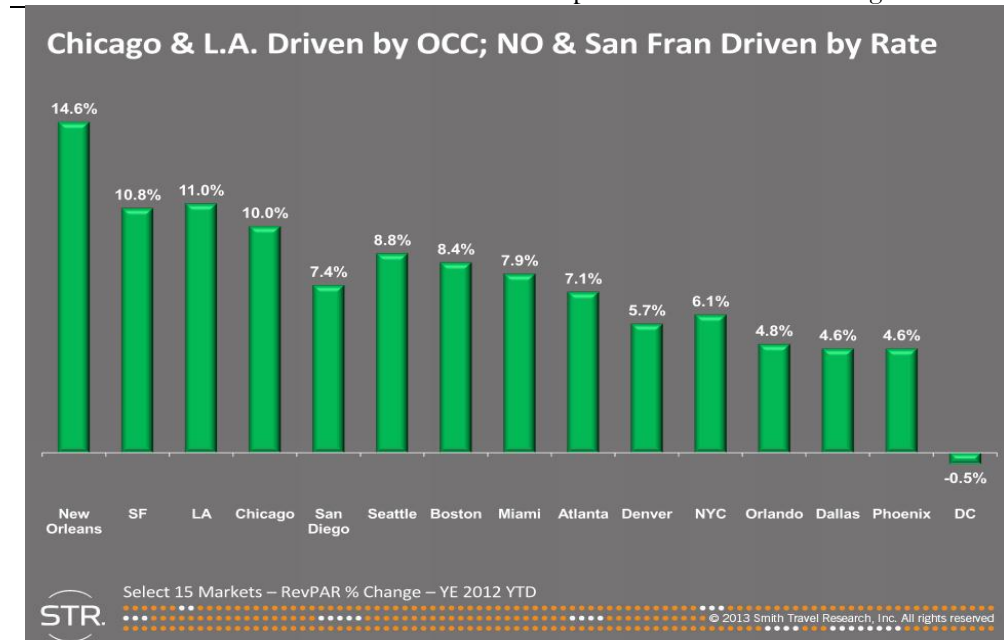
The following chart shows the ADR growth levels for the top US Hotel Markets for the same period in 2012. In the case of average rate, Miami rated a respectable 4th place with an actual growth rate of 6.6% for the year.

Table 6-20 ADR Performance Growth Top U.S Markets-Percentage Change



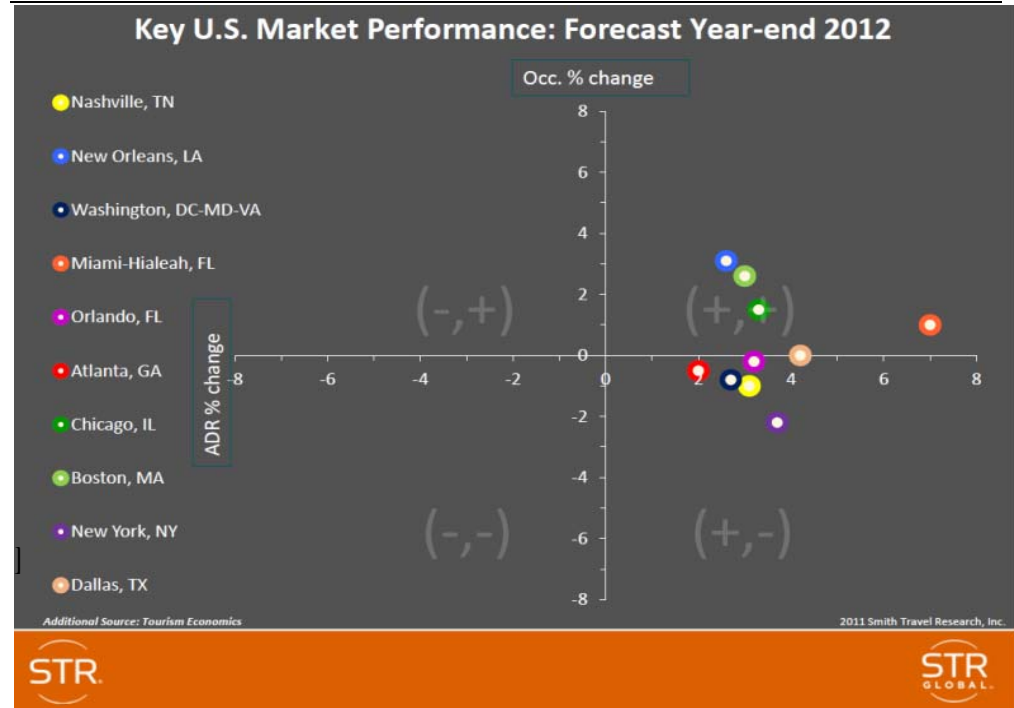
In terms of RevPAR Miami ranked eight and marked a 7.9% increase in RevPAR. This premium will reflect in lodging industry profits when they are reported for year-end 2012.

Table 6-21 RevPAR Performance Growth Top U.S Markets-Percentage Ch.



The table that follows shows Smith Travel Research forecasts for key markets in 2012. Miami was forecasted with the best ADR performance in 2012 compared to a 7% gain that had been anticipated. Actual performance was close 6.6% with a fourth place ranking. Atlanta also placed within the top performers.

Table- 6-22 Key Market performance - Forecast Year-end 2012.

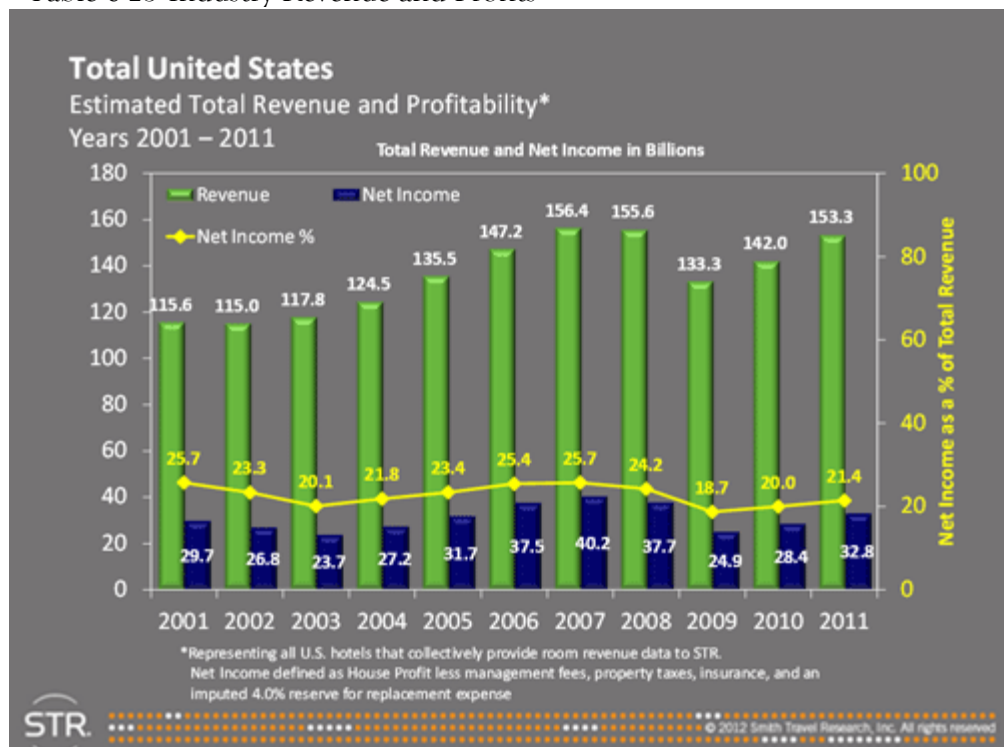


LODGING INDUSTRY PROFITS

Despite 2001-2002 and 2008/09 difficulties in the U.S. hotel operating environment, the industry has been profitable for the last 19 years. Prior to 1993 the industry had sustained annual losses for a decade. After two years of declining industry revenue and profitability, in 2004 a profit bounce to \$16.7 billion, confirmed that the recovery was underway. Profit growth declined in 2003 due primarily to rising costs of energy, insurance and related labor costs. Salaries increased 2% while employee benefits increased 7%. Employee benefits include payroll taxes, payroll insurance, employee insurances and retirement plans. Some benefits are government mandated and beyond management control. Energy costs increased about 6% in 2003, due to high oil prices, even though the utility companies have been deregulated. Since 2003 profitability had increased each year until a record was set for 2007 at \$40.2 billion. This was followed by declines to \$24.9 billion in 2009 and a slow recovery to \$32.8 billion to 2011, a significant shortfall of over \$7 billion from the record high. With the 2012 RevPAR gains already achieved, the profitability should go higher and then be tempered somewhat by to costs and rules of the New Affordable Healthcare

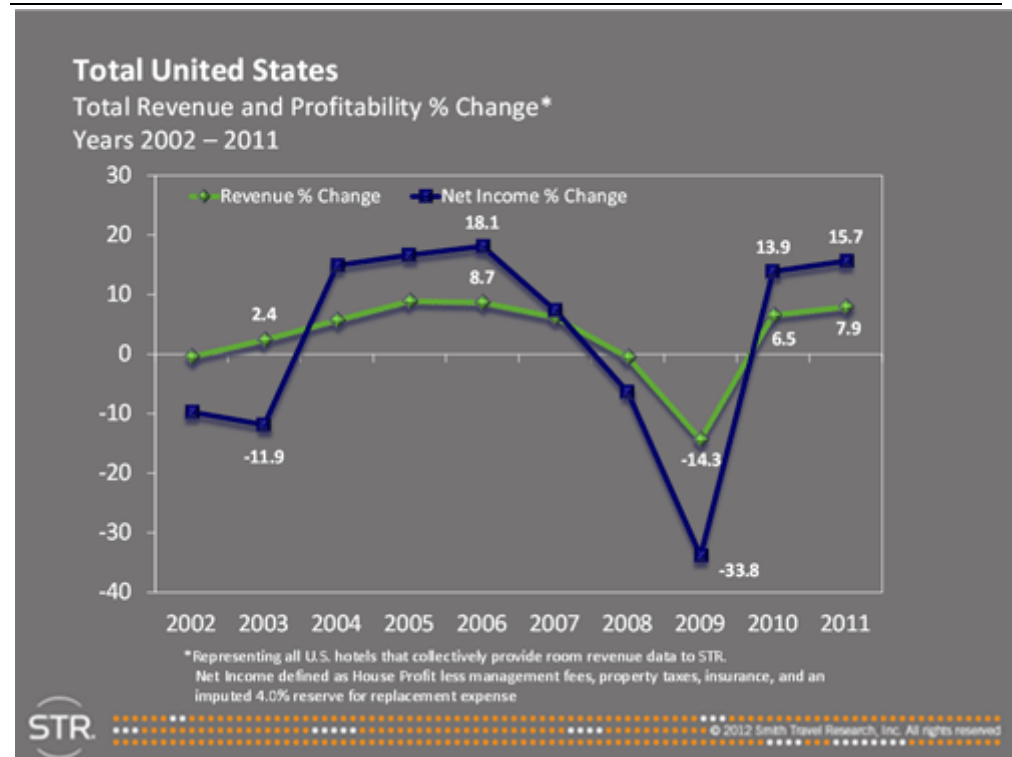
Act, and other expenses that may be mandated on the industry. As in past recessions and in particularly the 2001-2002 recession which was coupled with the 9/11 attacks and Gulf wars, the self-imposed “Cliffs” overhang, the industry has proven its ability to adapt and to cut expenses when necessary. Unlike other industries, such as the airline industry, management takes on additional burden and responsibilities. Hotel workers are typically not unionized and are more willing to be flexible and do likewise. However, in Florida, utilities costs continued to grow. In addition property tax increases hit record levels. Property and general liability insurance also hit peaks during the natural disasters of Hurricanes Katrina and Wilma, fires in California and flooding in major parts of the USA. With each year topping the profit record the industry was better poised to absorb the higher costs of operating a hotel. However despite this additional cost, the year 2007 was a record year for profit. In 2007 hotel revenue peaked at \$156.4 billion and profit peaked to \$402 billion. In 3008 revenue decline marginally to \$155.6 but profits dropped to \$37.7 billion. This was followed by a further revenue drop to \$133.3 billion in 2009 and a profit correction to \$24.8 billion. In 2010 revenue increase significantly to \$142 billion and a profit of \$28.4 billion. The year 2011 year increased even greater to revenue of \$153.3 billion with profitably rising to \$32.8 billion. Our own estimate for 2012 is that revenues will reach a new record but profitability will still be short of the 2007 record five years later. As the table demonstrates profitability level peaked at 25.7% and in 2011 was at 21.4% considerably lower. We believe that the profitability index record will take several years to be reached. The following chart that shows revenues, profitability and Gross Operating Profits margins.

Table 6-23 Industry Revenue and Profits-



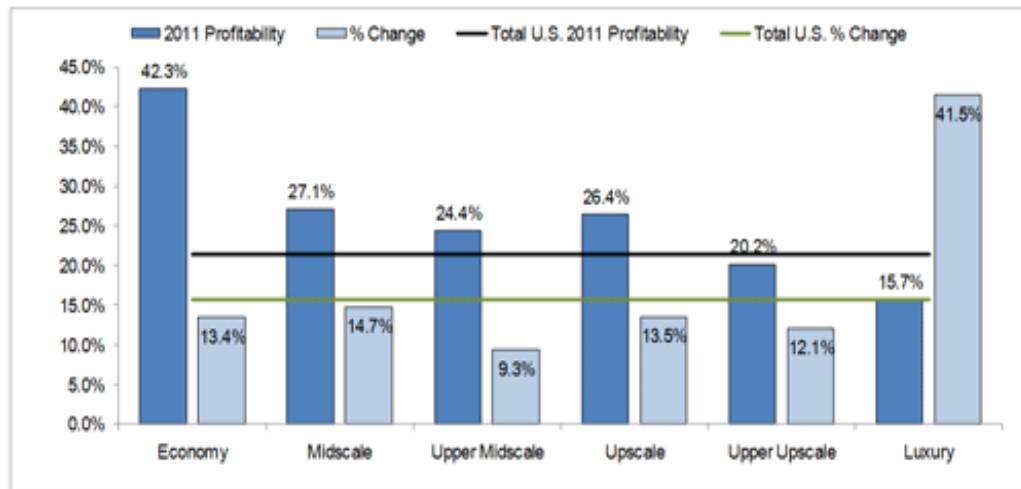
The anticipated revenues record for 2012 give a boost to industry confidence and the stock values of hotel companies, although the margin will also be reviewed carefully. This data extrapolates only on scale with the total amount of properties reporting room revenue to STR. This explains the constant revisions to actual data as STR accumulates a larger database of operating statistics. Also, house profit is defined as profit before deductions for fixed charges and management fees, while net income includes those deductions. Overlaying industry profit levels and profit percentage (as a percent of total revenues), we can see industry profit has consistently hovered between 20% and 26% of total revenue, as detailed in chart. The following chart details U.S. hotel-industry profitability changes from 2002 through 2011. The impact on revenues and profitability illustrates how vulnerable the lodging industry is to economic cycles and crises.

Table 6-24 Industry Revenue, Profits Trends -



Hotel class makes a difference for profit levels. Profitability increases during 2011 ranged from 9.3% to 41.5% among the various classes of hotels. This range can be explained by evaluating the performance of the individual classes. The chart below visually depicts each class' 2011 profitability (net income as a percent of total revenues) and percent change from the previous year. The total U.S. profitability and percent change creates a benchmark.

Table 6-25 Industry Revenue, Profits Trends -



Profitability increases in 2011 ranged from 9.3% to 41.5% among the chain-scale segments. The Economy class profitability of 42.3% for 2011 bodes well for the largest class (in terms of number of hotels and total rooms), a 13.4% increase from the previous year. The 2011 profitability percentage weighs in just above the economy class' 10-year average of 40.1%. The greatest decline in profitability was in 2009 when the class experienced a 32% decline. For 2011, net income showed approximately an 86% recovery to the 2008 year total. Midscale was the second most profitable class, posting 27.1% profitability for 2011, which is a 14.7% increase from the previous year. The class experienced slight growth among average daily rate, occupancy, and revenue per available room, with the greatest increase in RevPAR of 7.1%. The upper-midscale class posted 24.4% profitability for 2011, which is a 9.3% increase from the previous year. Upper-midscale is the closest competitor with 1.9% RevPAR compound annual growth rate for the same period. The upscale class has seen solid performance numbers. Profitability has been consistent with the 2011 performance of 26.4%, bringing net income back to 93% of the 2008 total. Upper-upscale are one of two classes with profitability below the total U.S. average. The class did experience an 8.5% increase in total revenue, which translated into a 7.3% increase in RevPAR. The luxury class shows the lowest profitability and highest growth among all the classes. With a low profitability percentage such as 15.7%, a small increase in profit can inflate the percentage increase from the previous year.

Among the top 25 U.S. markets, only Atlanta and Norfolk, Virginia, recorded negative profitability during 2011. Dallas, Detroit, San Francisco and Miami are showing the largest increases in profitability. But whereas the first two cities are simply clawing back from such significant declines during the downturn, Dallas and Miami are significant achievements. The following

table attributed to Smith Travel Research illustrates the increases for the top markets.

Table 6-26 Industry Profits Trends by MSA -



HOTEL DELINQUENCIES

The CMBS delinquencies stabilized in September 2012, according to two reports prepared by Trepp LLC and Fitch Ratings. . Trepp LLC reported that the rate inched up 4 basis points while Fitch Ratings reported that the delinquency rate fell 5 basis points. After a leap in July and a dip in August, CMBS delinquencies were flat in September and the delinquency rate for U.S. commercial real estate loans in CMBS inched up 4 basis points to 9.56%. The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO or non-performing balloons) was 8.95%, up 16 basis points for the month of September. On the basis of property types, the delinquency rates for all major property types were up slightly, except for that of hotels. The hotel rate was down 46 basis points to 13.30%. Office delinquencies raised 12 basis points to 8.29%, industrial delinquencies climbed 14 basis points to 11.38%, the multifamily rate jumped 52 basis points to 16.96% and the retail rate was up 24 basis points to 7.62%~the best of all property types.

Fitch Ratings reported that the CMBS delinquency rate U.S. CMBS delinquencies closed out 2012 with seven straight months of declines, while late-pays on office and retail loans bear close watch this year, according to the latest index results from Fitch Ratings. CMBS delinquencies fell 18 basis points (bps) last month to 7.99% in December from 8.17% a month earlier. In December, resolutions of \$1.7 billion outpaced additions to the index of \$1 billion. In addition, \$4 billion in new Fitch-rated deals closed in December. No loans over \$100 million transferred into the index last month, the second straight month this has occurred. Multifamily, hotel, and industrial delinquency rates improved last year. Multifamily delinquencies



dropped the most of any major property type, beginning the year at 14.42% and falling 430 bps to close out 2012 at 10.12%. The second most-improved sector in 2012 was hotels, which began the year with delinquencies of 12.02% and finished 315 bps lower at 8.87%. Conversely, office loans were the poorest performers last year and remain a cause for concern heading into 2013. Office delinquencies began 2012 at 6.84% but rose 157 bps to close out the year at 8.41%. Retail also ended 2012 in worse shape than it started but overall has remained the most stable property type. Current and previous delinquency rates are as follows:

- ❑ Multifamily: 10.12% (from November's 9.92% and 14.42% 2011 YE.
- ❑ Hotel: 8.87% (from 9.83% and 12.02%)
- ❑ Industrial: 8.61% (from 8.88% and 10.25%)
- ❑ Office: 8.41% (from 8.63% and 6.84%)
- ❑ Retail: 7.14% (from 7.28% and 6.89%)

CONCLUSIONS

The industry overview illustrates the impact of recessions and the similarities in recoveries. It was the worst recession in modern history and has been called the *Great Recession* for good cause. While technically over there remains a fear of revisiting and continued economic stress. However, the hotel industry has proved to be "a survivor", very resilient, nimble and willing to adapt. The industry has mostly recovered its occupancy level as demand has returned. A very positive trend is that hotel industry participants reengineered operations throughout the crisis and have provided a more cost effective operation.

7. UNITED STATES ECONOMIC OVERVIEW

The economy of the United States is the world's largest national economy and the world's second largest overall economy, the GDP of the EU being approximately \$2 trillion larger. Its nominal GDP was estimated to be \$15.8 trillion in 2012, approximately a quarter of nominal global GDP. The U.S. is one of the world's wealthiest nations, with abundant natural resources, a well-developed infrastructure, and high productivity. It has the world's sixth-highest per capita GDP. The U.S. is the world's third-largest producer of oil and second-largest producer of natural gas. It is the largest trading nation in the world. Its four largest export trading partners are currently Canada, China, Mexico and Japan. It has been the world's largest national economy since at least the 1890s. As of 2010, the country remains the world's largest manufacturer, representing a fifth of the global manufacturing output. The U.S. is one of the top-performing economies in studies such as the Ease of Doing Business Index, the Global Competitiveness Report, and others. The United States is ranked first globally in the IT industry competitiveness index. About 60% of the global currency reserves have been invested in the United States dollar, while 24% have been invested in the euro. The country is one of the world's largest and most influential financial markets. The New York Stock Exchange (formally known as NYSE Euronext) is the world's largest stock exchange by market capitalization. Foreign investments made in the United States total almost \$2.4 trillion, which is more than twice that of any other country. American investments in foreign countries total over \$3.3 trillion, which is also almost twice that of any other country. Total public and private debt was \$50.2 trillion at the end of the first quarter of 2010, or 3.5 times GDP. In October 2012, the proportion of public debt was about 1.0043 times the GDP. Domestic financial assets totaled \$131 trillion and domestic financial liabilities totaled \$106 trillion. As of 2010, the European Union as a whole was the largest trading partner of the U.S., whereas Canada, China, and Mexico were the largest individual trading nations. The United States' economy remains embroiled in the economic downturn which followed the Financial Crisis of 2007–2008, with output still below potential according to the CBO and unemployment still above historic trends as of late 2012.



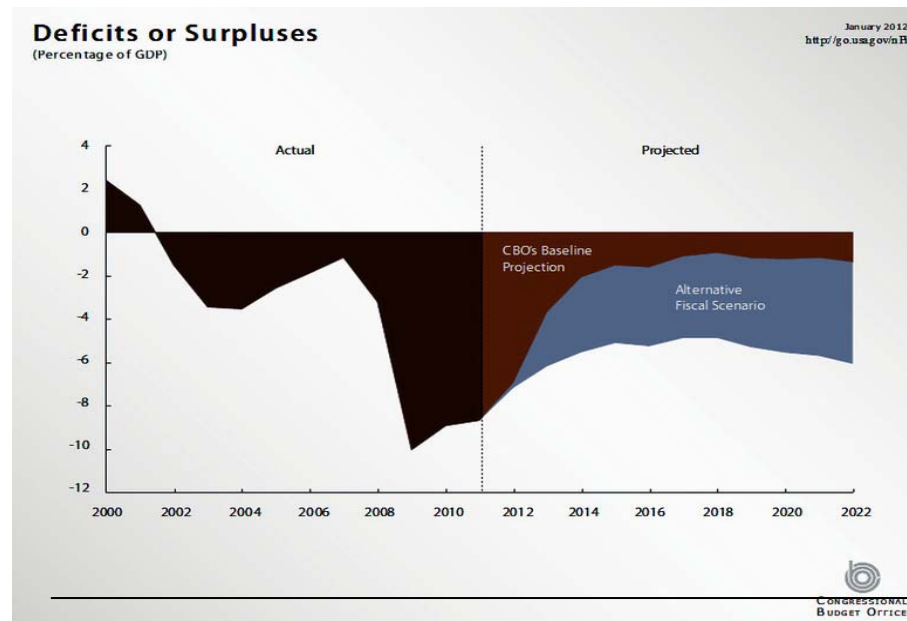
FISCAL CRISIS OF 2012

For much of the second half of 2012 the nation was absorbed by acrimonious elections. That was immediately followed by the fiscal cliff that was resolved in the 12th hour. The uncertainty and loss of confidence in our government took its toll on the nation and its economy. The New Year, however, turned a new leaf and compromise and a movement to the center seems to have lifted up the nation's spirit. The debt ceiling cliff was pushed further out as the Republican establishment regained control of their party and appeared to be willing to focus on the budget and not get trapped in a crisis that the country would fault them with. With the stock market reaching the highest level in years there is possibly more sustained growth, without the cliffs. The fiscal cliff was the sharp decline in the budget deficit that could have occurred beginning in 2013 due to increased taxes and reduced spending as required by previously enacted laws. The Congressional Budget Office (CBO) had estimated that the fiscal cliff would have likely led to a mild recession with higher unemployment in 2013, followed by strengthening in the labor market with increased economic growth. Instead, the American Taxpayer Relief Act of 2012 largely eliminated the fiscal cliff with a higher deficit and a smaller revenue increase compared to the previously enacted laws. Adjustments to spending are expected to be resolved in early 2013. Intense debate and media coverage about the fiscal cliff drew widespread public attention during the end of 2012 because of its projected short-term fiscal and economic impact. The previously enacted laws leading to the fiscal cliff had been projected to result in a 19.63% increase in revenue and 0.25% reduction in spending from fiscal years 2012 to 2013. Those laws included the expiration of the 2010 Tax Relief Act and planned spending cuts under the Budget Control Act of 2011. The American Taxpayer Relief Act of 2012 was signed into law by President Barack Obama on January 2, 2013 and eliminated much of the tax side of the fiscal cliff, with the CBO projecting an 8.13% increase in revenue and 1.15% increase in spending for fiscal year 2013. The Act resulted in a projected \$157 billion decline in the 2013 deficit relative to 2012, rather than the sharp \$487 billion decrease projected under the fiscal cliff. The increase in revenue came from increased marginal income and capital gains tax rates relative to their 2012 levels for annual income over \$400,000 (\$450,000 for couples); a phase-out of certain tax deductions and credits for those with incomes over \$250,000 (\$300,000 for couples); an increase in estate taxes relative to 2012 levels on estates over \$5 million; and expiration of payroll tax cuts (a 2% increase for most taxpayers earning under approximately \$110,000). These changes would all be made permanent. A reduction in spending due to budget sequestration was delayed for two months

under the act and the debt ceiling was not changed, leading to further debate during early 2013.] The CBO projections of the sources of deficit reduction in the FY2013 budget, and the amount and percentage of cutback were presented as follows:

- ❑ Expiration of tax cuts and the subsequent growth in the AMT: \$221B (36.41%)
- ❑ Expiration of 2% FICA payroll tax cut: \$95B (15.65%)
- ❑ Other expiring tax provisions: \$65B (10.71%)
- ❑ Affordable Care Act taxes: \$18B (3.97%)
- ❑ Spending cuts ("sequestration") under the Budget Control Act of 2011: \$65B (10.71%)
- ❑ Expiration of federal emergency unemployment insurance: \$26B (4.28%) Reduction in Medicare payment rates for doctors: \$11B (1.81%)
- ❑ Other changes (mostly revenue, primarily reflecting economic growth): \$105B (17.30%)

Table 7-1 Deficits or Surpluses % GDP



The House passed the bill without amendments by a margin of 257-167 around 11 pm EST on January 1, 2013, and President Barack Obama signed it the next day.]

DEBT CEILING CRISIS OF 2013

The sequestration fight was then expected to occur during negotiations over a debt limit increase that was expected to be needed sometime in February. However, on January 23rd, 2013, the Republican-led House passed a bill suspending the debt ceiling until



May 18th, 2013. The bill did not include any offsetting budget cuts, as Republicans had previously stated as a precondition for raising the debt limit. The move was seen as an attempt to delay a showdown on the debt limit given their experience with the 2011 debt-ceiling crisis, as well as the recent Democratic gains in the 2012 elections. The May 18th deadline is after the March 1st deadline for the sequestration, and the March 27th expiration of the continuing resolution funding the federal government. The bill also included a provision that would delay the salaries of Congressmen of any house that had not passed a resolution on the FY2013 budget by April 15, 2013.

THE BUDGET DEFICIT CRISIS OF 2013

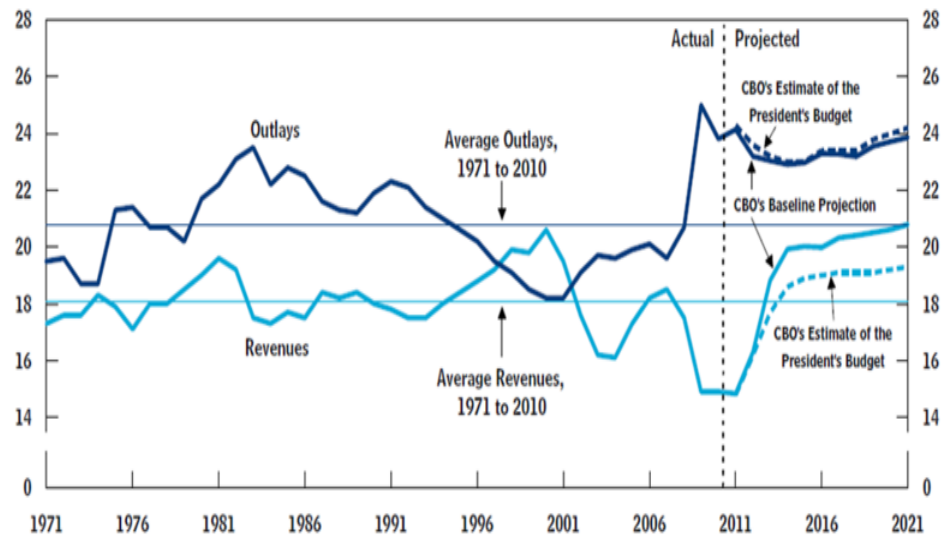
As state the May 18th deadline is after the March 1st deadline for the sequestration, and the March 27th expiration of the continuing resolution funding the federal government. The deficit—the amount by which government spending exceeds its revenue—was projected to be reduced by roughly half in 2013. The previously enacted laws leading to the fiscal cliff had been projected to result in a 19.63% increase in revenue and 0.25% reduction in spending from fiscal years 2012 to 2013. Under the fiscal cliff scenario, some major programs like Social Security, Medicaid, federal pay (including military pay and pensions), and veterans' benefits, would have been exempted from the spending cuts. Discretionary spending for federal agencies and cabinet departments would have been reduced through broad cuts referred to as budget sequestration.

The spending reduction elements of the fiscal cliff are primarily contained within the Budget Control Act of 2011, which directed that both defense and non-defense discretionary spending be reduced by "sequestration" if Congress was unable to agree on other spending cuts of similar size. The scope of the law excludes major mandatory programs such as Social Security and Medicare. As of January 2013, Congress was unable to reach agreement on spending cuts and the sequestration was delayed until March 2013 as part of the American Taxpayer Relief Act of 2012.

The effect on discretionary spending will be significant if the sequestration is not avoided. Cuts totaling \$110 billion per year will be applied from 2013 to 2022, split evenly (\$55 billion each) between defense and non-defense discretionary spending. For scale, discretionary funding for 2011 totaled \$1,278 billion: budget authority of \$712 billion for defense and funding totaling \$566 billion for non-defense activities.

During 2013, discretionary spending would be maintained around 2012 levels due to the sequester. However, the spending begins to rise thereafter, but not at the pace projected prior to the sequester. In other words, the trajectory of spending increases is reduced, but spending is not frozen at 2012 levels. Increases in discretionary spending from 2013–2021 would be about 1.5% annually, significantly below the prior decade. For example, according to the CBO Historical Tables, defense spending (including overseas contingency operations for the wars in Iraq and Afghanistan) grew from \$295 billion in 2000 to \$700 billion in 2011, an annual growth rate of 8.2%. Non-defense discretionary spending grew at a 6.6% annual rate during that time, from \$320 billion to \$646 billion. The austerity represented by the sequester is not unprecedented; from 1990–1999, defense spending actually declined by about 1% annually, from \$300 billion to \$276 billion, although non-defense discretionary spending grew by 4.5% annually, rising from \$200 to \$297 billion. The following table illustrates the CBO estimate of revenues and outlays as a percentage of GDP.

Table 7-2 CBO-Revenues and Outlays % GDP



THE ECONOMY OF 2013

The following are the highlights of the more recent economy.

- ❑ Real U.S. GDP is on track to grow around 2% in 2013, its average pace since the recovery began.
- ❑ Job creation is picking up across the economy, with only government now shedding positions



- ❑ Federal spending cuts and higher taxes will slow GDP growth by just over a percentage point this year.
- ❑ The Fed's balance sheet, now triple its normal size, will grow further as the central bank supports growth.
- ❑ Risks remain considerable, but appear less ominous than at any time since the Great Recession hit.

Beneath the recent data's temporary ups and downs, the U.S. economy continues to grow at a modest pace. Since the recovery began 3½ years ago, real GDP has expanded at just more than a 2% annualized rate. It is on track to maintain that pace in the first quarter of 2013. Most encouraging, the job market is holding firm. The underlying trend averages close to 175,000 net new jobs per month, with only government now shedding positions. Even long-struggling construction is adding jobs at an increasing pace. At the current rate of job growth, the unemployment rate should move gradually lower.

On a technical note, the Bureau of Labor Statistics' annual benchmark revisions leave the payroll numbers somewhat out of sync with GDP data. GDP appears to be growing unusually slowly relative to employment. This means that either labor productivity growth is atypically weak, or GDP growth will eventually be revised higher, or some combination of the two. We will get a better sense of this when comprehensive revisions to the GDP accounts are released this summer.

Measurement issues aside, the economy's resilience is comforting given the mounting weight on growth from fiscal austerity. This was obvious when defense spending fell sharply in the fourth quarter of 2012, cutting 1.3 percentage points from GDP growth. The Department of Defense had been preparing for sequestration—the \$1.1 trillion in across-the-board cuts over 10-years.. Half the sequestration was from the defense budget.

If the full sequester takes effect as ordered in current law, the hit to real GDP this year will be about 0.5 percentage points. This estimate accounts for the lag between changes in budget authority and outlays (the sequester cuts authority), and the multiplier impact on the rest of the economy of lower government spending. While policymakers may still avoid the sequester's haphazard budget slicing, any agreement will likely include about the same amount of deficit reduction.

The economy is also digesting the tax increases agreed to in the fiscal cliff deal that Congress reached at the start of this year. These tax hikes will shave 0.8 percentage point from GDP growth in 2013: 0.6

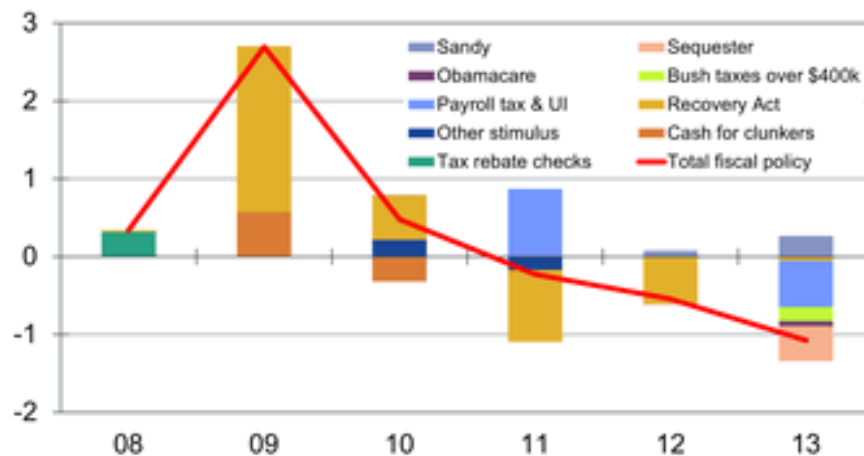
percentage points from the expiration of the payroll tax holiday, and the rest from higher tax rates on higher-income households. Judging by the recent slide in consumer confidence, households were surprised by their smaller paychecks. Retailers are sure to feel the fallout soon.

Altogether, lower federal government spending and higher taxes are expected to reduce 2013 real GDP growth by just more than a percentage point. (This also accounts for federal aid for rebuilding after Hurricane Sandy, which should add almost 0.25 percentage point to growth). With such a heavy fiscal weight on the economy, it is hard to see how growth could accelerate, at least in the first half of 2013.

STIMULUS 2013

The economy has had unprecedented support from government and the Federal Reserve with quantitative easing (QE). The Fiscal Stimulus Contribution was estimated by Moody's Analytics and presented as follows.

Table 7-3 Fiscal Stimulus Contribution to GDP Growth % to 2013

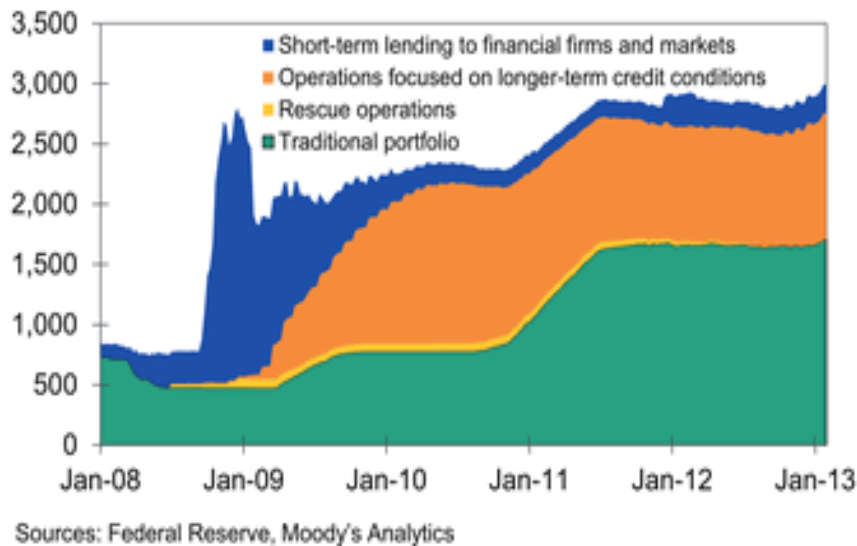


Source: Moody's Analytics

But barring an external shock, the economy should be able to hold its own until the weight begins to lift later this year. It is important to note that the fiscal drag from federal, state and local government in 2012 was just under a percentage point, and the economy still grew about 2%. (State and local government policies will have no meaningful impact on growth this year.) This is our baseline growth rate for 2013.

With fiscal austerity approaching its most intensive point, the Federal Reserve Board continues to apply a massive monetary stimulus. The Fed's open-ended quantitative easing (QE) policy, under which it purchases \$85 billion in Treasury and mortgage securities per month, is in full swing. The Fed's asset holdings, which in normal times would be close to \$1 trillion, is now near \$3 trillion and is set to rise rapidly in coming months.

Table 7-4 Federal Reserve Balance Sheet Composition \$billions

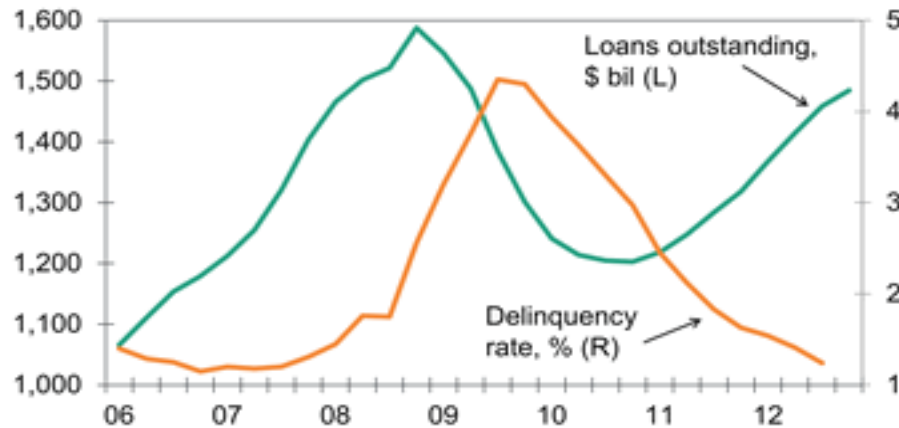


The Federal Reserve's Balance Sheet is set to expand further. Policymakers have explicitly said what might end their open-ended QE policy; it would take an unemployment rate closing in on 6.5%. Since unemployment is still closer to 8%, such a change isn't likely even under the best of circumstances before this time next year. By then, the Fed will have close to \$4 trillion in securities on its balance sheet. Quantitative easing has boosted the economy meaningfully via lower long-term interest rates. The 10-year Treasury yield is near 2% and fixed mortgage rates are near a record-low 3.5%. The stock and housing markets have been big beneficiaries. Stock prices are close to all-time highs, and home sales, housing construction and house prices are rising strongly. Refinancing is also vigorous, even among underwater homeowners, thanks to government programs promoting such activity.

Lower interest rates and rising asset prices are helping improve credit quality. Delinquencies on bank loans to businesses and consumers for credit cards and autos are about as low as they have ever been.

Even early stage delinquencies (those 30 to 60 days late) on first mortgage loans couldn't be better. Banks and other creditors are easing standards and credit is flowing more freely. Commercial and industrial lending in particular has taken off, and loans outstanding are fast approaching their previous record highs.

Table 7-5 Commercial and Industrial Loans (\$billions)



Sources: Federal Reserve, Moody's Analytics

The Fed's aggressive actions continue to generate sharp criticism, and even some dissent within the Federal Open Market Committee. Critics argue that open-ended QE could fuel runaway inflation and asset bubbles, or will result in a global currency war, and that prudent savers who put their cash into CDs are suffering inappropriately because of near-zero interest rates. Some even worry that the Fed will lose money on its asset holdings when interest rates finally begin to rise. These worries can't be dismissed, but they seem overdone, at least at this point. Inflation and inflation expectations both remain contained and stock and house prices have a long way to go before a bubble becomes a legitimate concern. The dollar's value on a broad trade-weighted basis hasn't changed since the recession hit five years ago. Anyone holding cash or short-term securities is receiving a paltry return, but that is by design: The Fed appropriately wants more risk-taking. And the Fed could conceivably see a paper loss on its asset holdings, but this would mean little since the central bank can hold risk-free Treasury and mortgage securities to maturity.

Fiscal austerity ensures the economy will struggle in coming months, but monetary stimulus ensures that it will continue to grow. The economy is expected to continue muddling along with growth near 2% through mid-2013. As the weight from fiscal austerity lifts later in the year, so should the economy. Growth will accelerate to near 3%



during the second half and approach 4% in 2014-15. Stronger growth will mean more jobs and lower unemployment. The economy should return to full employment, meaning a jobless rate below 6%, by summer 2016.

Risks to this relatively sanguine outlook seem less ominous than at any time since the Great Recession hit, but they remain considerable. Most immediately worrisome is the possibility that Washington will misstep again. Threats to shut down the government or not pay its bills have not worked politically and are thus less likely to be used in coming budget negotiations, but such tactics can't be ruled out. Less likely but more dangerous is the chance lawmakers would actually carry out such threats, even briefly.

Politics could also undo an uneasy respite in the European debt crisis. The weakest big links in the euro zone, Spain and Italy, appear especially vulnerable to a political misfire. Spain's Prime Minister Mariano Rajoy is embroiled in a financial scandal, and Italy's respected Prime Minister Mario Monti will leave after the coming election. German Chancellor Angela Merkel also faces voters later this year, and her loss could put a fragile consensus among European policymakers at risk.

Efforts to pressure Iran to curtail its nuclear weapons program may also go astray. The embargo is undermining the Iranian economy, but so far not its leaders' nuclear ambitions. Pressure from Israel on the U.S. to act militarily if Iran doesn't bend will surely intensify. Oil prices, already edging higher because of a better global economy, could quickly spike if there is conflict with Iran.

The next six months will determine the economy's prospects through the middle of this decade. The economy will grow slowly as it absorbs higher taxes and government spending cuts, and it will be vulnerable to anything that goes wrong. But if nothing major does, the U.S. is set to enjoy much stronger growth by this time next year as the fiscal drag fades and the improving health of the private economy shines through. There are still serious threats to economic growth, including ongoing house price declines, deep state and local government budget cuts and tax increases, and the European debt crisis. For the lodging industry the major concerns are the availability, the cost of debt capital and uncertainty that does influence consumer travel. In addition the high cost of gasoline affects tourism as it has in the past. However if energy costs can be contained the hotel industry should benefit from a continued recovery. Economists are not predicting a double dip recession but that the recovery momentum has been tempered by these conditions. The economy has being held hostage



to political divisions and international crisis. This is tempered by US corporations who continue to generate stability by performing beyond expectations.

Durable goods are expected to grow 1% in 2013 with auto consumption at a healthy 3.23%. Investment is also expected to rise sharply at 6.2%. Moody's recently forecast that housing would grow 21.71% as the industry recovers. Farm inventories are expected to rise 17%. Net Exports are also expected to rise by 9%. Industrial Production is forecasted by Moody's at 1.2%. Total employment is expected to grow marginally and decline to an average 7.7% unemployment level in 2013. The consumer price index is expected to remain at 2.1% in 2013. Moody's expect oil to remain stable in 2013 at an average of \$95.7 per barrel Inflation is a concern that has been discounted by Moody's data and the Federal Reserve. President Obama's job creation proposal has received no serious consideration, but pieces of it could still garner bipartisan support. The following table summarized recent key data prepared by Moody's.



Table 7-6 US Macro Outlook 2011 to 2013

U.S. Macro Outlook												
	Units	12Q1	12Q2	12Q3	12Q4	13Q1F	13Q2F	13Q3F	2011	2012E	2013F	
Composition of Economic Activity, SAAR												
Gross Domestic Product	bow\$	13,506.40	13,548.50	13,652.50	13,710.80	13,753.00	13,821.30	13,926.00	13,299.10	13,604.60	13,888.90	
Change	%AR	2	1.3	3.1	1.7	1.2	2	3.1	1.8	2.3	2.1	
Personal Expenditures												
Consumption	bow\$	9,546.80	9,582.50	9,620.10	9,665.30	9,696.50	9,740.90	9,813.60	9,428.80	9,603.70	9,788.50	
Change	%AR	2.4	1.5	1.6	1.9	1.3	1.8	3	2.5	1.9	1.9	
Durables	bow\$	1,336.10	1,335.30	1,364.00	1,386.90	1,373.70	1,365.00	1,365.70	1,262.60	1,355.60	1,369.60	
Change	%AR	11.5	-0.2	8.9	6.9	-3.8	-2.5	0.2	7.2	7.4	1	
Motor Vehicles	bow\$	371.2	361.8	370.5	384.1	380.7	379.5	382.5	347.5	371.9	383.6	
Change	%AR	12.9	-9.8	10	15.6	-3.6	-1.2	3.2	5.5	7	3.2	
Nondurables	bow\$	2,088.90	2,092.00	2,098.20	2,102.20	2,113.70	2,127.30	2,146.10	2,075.20	2,095.30	2,138.10	
Change	%AR	1.6	0.6	1.2	0.8	2.2	2.6	3.6	2.3	1	2	
Services	bow\$	6,145.90	6,178.20	6,186.70	6,205.00	6,237.90	6,277.40	6,330.60	6,101.50	6,179.00	6,309.60	
Change	%AR	1.3	2.1	0.6	1.2	2.1	2.6	3.4	1.9	1.3	2.1	
Investment												
Fixed Investment	bow\$	1,820.60	1,840.60	1,844.80	1,866.20	1,893.40	1,930.50	1,975.90	1,704.50	1,843.00	1,957.90	
Change	%AR	9.8	4.5	0.9	4.7	6	8.1	9.7	6.6	8.1	6.2	
Nonresidential	bow\$	1,470.00	1,482.90	1,476.10	1,480.00	1,484.90	1,499.20	1,518.70	1,378.20	1,477.20	1,512.50	
Change	%AR	7.5	3.6	-1.8	1	1.3	3.9	5.3	8.6	7.2	2.4	
Structures	bow\$	349.7	350.2	350.2	353	354.4	358	362.7	319.2	350.8	360.8	
Change	%AR	12.8	0.6	0	3.3	1.5	4.2	5.3	2.8	9.9	2.9	
Equipment	bow\$	1,129.60	1,142.80	1,135.40	1,136.40	1,140.00	1,150.70	1,165.50	1,070.00	1,136.10	1,161.20	
Change	%AR	5.4	4.8	-2.6	0.4	1.3	3.8	5.2	11	6.2	2.2	
Residential	bow\$	352.1	359.3	370.9	388.4	410.7	433.5	459.5	327.6	367.7	447.6	
Change	%AR	20.6	8.4	13.6	20.3	25	24.1	26.2	-1.4	12.2	21.7	
Single Family	bow\$	118.5	123.4	131.5	141.3	152.4	161.9	174.7	109.3	128.7	170.5	
Change	%AR	26.7	17.6	29	33.2	35.5	27.3	35.6	-4.6	17.7	32.5	
Multifamily	bow\$	14.2	16.6	17.9	19.9	21.3	23.2	25.4	12.2	17.1	24.2	
Change	%AR	61.3	66.8	35.2	52	33.1	39.4	43.8	2.7	41.1	41.1	
Other	bow\$	211.3	211	213.1	218.8	228.4	239.7	250.6	198.3	213.5	244.2	
Change	%AR	15.8	-0.6	4	11.1	18.7	21.5	19.4	-0.2	7.7	14.3	
Inventory Change	bow\$	56.9	41.4	60.3	34.4	32.4	26.4	24.6	31	48.2	26.7	
NonFarm	bow\$	62	53.2	88.2	52.1	38.2	23.3	21.3	36.5	63.9	25.7	
Farm	bow\$	-2.6	-7.9	-19.2	-17.7	-5.8	3.1	3.3	-3.8	-11.9	1	
Trade												
Net Exports	bow\$	-415.5	-407.4	-395.2	-394.4	-399.6	-405.5	-416.9	-408	-403.1	-414.8	
Exports	bow\$	1,818.70	1,842.10	1,850.90	1,887.30	1,930.70	1,986.90	2,043.80	1,776.90	1,849.80	2,015.80	
Change	%AR	4.4	5.2	1.9	8.1	9.5	12.2	11.9	6.7	4.1	9	
Merchandise	bow\$	1,286.30	1,308.30	1,311.70	1,339.10	1,369.80	1,412.50	1,456.20	1,247.70	1,311.40	1,434.90	
Change	%AR	4	7	1.1	8.6	9.5	13.1	13	7.2	5.1	9.4	
Services	bow\$	533	534.3	539.6	548.7	561.4	574.9	588	529.8	538.9	581.4	
Change	%AR	5.2	1.1	4	6.9	9.6	9.9	9.5	5.6	1.7	7.9	
Imports	bow\$	2,234.20	2,249.60	2,246.10	2,281.80	2,330.30	2,392.40	2,460.70	2,184.90	2,252.90	2,430.60	
Change	%AR	3.1	2.8	-0.6	6.5	8.8	11.1	11.9	4.8	3.1	7.9	
Merchandise	bow\$	1,855.70	1,868.90	1,863.10	1,896.90	1,944.00	2,003.70	2,068.40	1,820.10	1,871.20	2,039.30	
Change	%AR	2	2.9	-1.2	7.5	10.3	12.9	13.6	5.2	2.8	9	
Services	bow\$	380.4	382.6	385.1	386.9	388.4	390.7	394.3	366.6	383.7	393.3	
Change	%AR	9	2.4	2.6	1.9	1.5	2.4	3.7	2.8	4.7	2.5	
Government												
Expenditures and Investment	Units	12Q1	12Q2	12Q3	12Q4	13Q1F	13Q2F	13Q3F	2011	2012	2013	
Change	bow\$	2,483.70	2,479.40	2,503.10	2,496.20	2,487.20	2,485.80	2,485.70	2,523.90	2,490.60	2,487.40	
Federal Defense	bow\$	677.6	677.3	698.1	693	691.5	690.4	688.7	699.1	686.5	689.4	
Change	%AR	-7.1	-0.2	12.9	-2.9	-0.9	-0.7	-1	-2.6	-1.8	0.4	
Federal Nondefense	bow\$	345.6	345.3	347.8	347.2	346	344.8	344.2	347.9	346.5	344.6	
Change	%AR	1.8	-0.4	2.9	-0.6	-1.4	-1.4	-0.8	-3.1	-0.4	-0.5	
Government Balance												
NIPA Basis	bil \$	-1,058.70	-1,115.40	-1,089.30	-1,094.90	-895.6	-855.4	-804.6	-1,237.40	-1,089.60	-834	
Unified Budget	bil \$ FY	-300.6	-279.8	-262.8	-246.1	-227.8	-220.1	-214.8	-1,296.80	-1,089.40	-871.5	
Consumers												
Personal Saving Rate	%AR	3.6	3.8	3.6	3.4	1.9	1.9	1.8	4.3	3.6	1.8	
Retail Sales & Food Services	bil \$, AR	4,845.80	4,833.60	4,896.00	4,951.00	4,959.30	4,997.60	5,056.40	4,652.00	4,881.60	5,031.90	
Change	%AR	6.6	-1	5.3	4.6	0.7	3.1	4.8	8	4.9	3.1	
Vehicle Sales	mil, AR	14.1	14.1	14.5	14.9	14.8	15	15.6	12.7	14.4	15.4	
Housing Starts	mil, AR	0.7	0.7	0.8	0.9	1	1.1	1.2	0.6	0.8	1.2	
Producers												
Industrial Production	1992=100	96.7	97.3	97.3	97.7	97.9	98.1	98.5	93.7	97.3	98.4	
Change	%AR	5.9	2.4	0.3	1.6	0.6	0.9	1.8	4.1	3.7	1.2	
Manufacturing Capacity Utilization	%	78.2	78.1	77.6	77.6	77.4	77.2	77.3	75.5	77.9	77.3	
Labor Markets												
Total Employment	mil	132.7	133	133.4	133.9	134.3	134.8	135.2	131.4	133.2	135	
Change	%AR	2.1	1	1.2	1.3	1.4	1.3	1.3	1.2	1.4	1.3	
Unemployment Rate	%	8.3	8.2	8	7.8	7.7	7.7	7.7	8.9	8.1	7.7	
Prices												
Consumer Price Index	1982=100	228.3	228.8	230.1	231.1	232.4	233.7	235.2	224.9	229.6	234.5	
Change	%AR	2.5	0.8	2.3	1.9	2.1	2.3	2.6	3.1	2.1	2.1	
Producer Price Index	1982=100	202.2	201.8	202.4	202.9	203.3	205.8	208	201	202.3	206.6	
Change	%AR	2.8	-0.7	1.2	1	0.8	5	4.5	8.8	0.6	2.1	
West Texas Intermediate	\$/bbl	102.9	93.5	92.3	88.2	88.7	93.9	99.3	95.1	94.2	95.7	
Financial Markets												
Federal Funds	%	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Prime Rate	%	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	
10-Year Treasury	%	2	1.8	1.6	1.9	1.9	2.2	2.5	2.8	1.8	2.3	
FRB Broad Index	Jan 97=100	98.9	100.6	100.6	99.2	98	97.6	97.5	97.1	99.8	97.7	
Change	%AR	-2.9	7.3	-0.2	-5.5	-4.6	-1.7	-0.4	-4.6	2.8	-2.2	
Contribution to Real GDP												
	Units	12Q1	12Q2	12Q3	12Q4	13Q1F	13Q2F	13Q3F				
Personal Consumption Expenditure	%AR	1.73	1.06	1.13	1.34	0.91	1.31	2.13				
Gross Private Domestic Investment	%AR	1.26	0.6	0.13	0.63	0.8	1.09	1.34				
Inventories	%AR	-0.41	-0.46	0.57	-0.77	-0.06	-0.18	-0.05				
Net Exports	%AR	0.08	0.24	0.37	0.02	-0.15	-0.17	-0.34				
Exports	%AR	0.58	0.7	0.27	1.08	1.27	1.65	1.67				
Imports	%AR	0.51	0.46	-0.11	1.06	1.42	1.82	2.01				
Government	%AR	-0.57	-0.13	0.71	-0.2	-0.27	-0.04	0				
Total	%AR	1.96	1.25	3.11	1.72	1.24	2	3.06				

Source : Moodys



8. HIGHEST AND BEST USE

The concept of highest and best use is the premise upon which value is based and is a product of competitive forces in the marketplace. The principle of balance holds that real property value is created and sustained when contrasting, opposing, or interacting elements are in a state of equilibrium.

It is important to recognize that the highest and best use of the land (as though vacant) may differ from the highest and best use of the property (as improved). This may occur when a site has existing improvements, and the highest and best use of the land differs from the current use. Nonetheless, the current property use will continue until the value of the land under its highest and best use exceeds the value of the property in its current use plus the cost to remove the existing improvements.

The concept of highest and best use recognized by the Appraisal Institute distinguishes between the highest and best use of the land (as though *vacant*) and the highest and best use of the property (as improved). The objective of this study is restated as follows:

- ❑ To perform a Highest and Best Use on the property so as to identify the appropriate development that is compatible with the SMIG mission statement. The SMIG vision identifies a citizen and visitor destination use, development that ensures public access, environmental enhancement, and economic development which is fully compatible with Historic Downtown St. Marys.
- ❑ Our study considers all appropriate uses, commercial, recreational and residential. We did not conduct financial analysis on all potential or permissible uses. We reviewed tourist uses and in particular hotel use as our initial investigation concluded that hotel resort use with ancillary support services such as restaurant, small scale marina and retail together represented a maximally productive use that complemented the SMIG committee objectives.
- ❑ Our Highest and Best Uses considers those uses and development configuration that are maximally productive and ensure reasonable profits required by investors.
- ❑ Our Highest and Best Use also considers use(s) that ensures economic development. Our interpretation of guaranteeing economic development are uses that create further developments and enhancements in St. Marys. The project should serve as a catalyst that fuels further business development and promotes the future of St. Marys as a tourism destination and business location.
- ❑ Our Highest and Best Use considers hotel product types and services and amenities that are compatible with the the stated objectives and sound economics.
- ❑ In our analysis we will examine the project with hypothetical conditions that incorporate development incentives that may be necessary to both solicit and attract reliable developers to successfully compete for the project.

Highest and Best Use is defined as:

The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.¹

¹*The Appraisal of Real Estate 8th Edition*, Appraisal Institute, Chicago, IL, 1992, p. 45.



As if Vacant. Land Value is derived from potential use rather than actual use. The highest and best use is that which generates the greatest return to the land. An analysis as the highest and best use of the land should be made first and may be influenced by many factors. In estimating the highest and best use there are four stages of the analysis.

1. *Legally permissible* uses in terms of zoning regulations, deed restrictions, lease encumbrances, or any other legally binding code. The property is zoned “**Zone C-1 (Central Business District)**” In general, the C-1 zone permits downtown businesses similar to that already existing, and permits existing single family to remain, plus permits floors above the main floor commercial to be used for residential purposes. Hotel, restaurant and related uses are expressly permitted in the C-1 Central Business District zoning classification.
2. This zoning designation requires adherence to construction codes. The C-1 zone has zero feet front, side and rear setbacks, and 45 feet maximum height above the base flood elevation. Parking requirements are as per the ordinance, however, and the area required for parking and storm water mitigation needs to be addressed as part of the site plan. Maximum coverage is 100%. A buffer is required between any commercial zone and any residential zone. The Site is half in Zone AE (EL 11) and half in Zone VE (EL 11). On this site, the VE designation is expected to govern. This requires the bottom of the structural members of any occupied portion of the structure be constructed 12” above Elevation 11.
3. *The physical adaptability* of the land. The topography of the land comprising ±2.8 acre parcel is crowned and graded to drain to the adjacent marsh and river. The property is accessed from Ready Street near the intersection with Stable Alley. The tract is superior waterfront land that offers superior views of the harbor, salt-marsh and Cumberland Island and is at the eastern edge of city’s historic downtown area. It possesses unrestricted public access to the St. Marys River. It enjoys a deep water harbor and its advantages.
4. *Financial feasibility* considers the market influences of supply and demand forces and the economics of increasing and decreasing returns. The following uses were considered:
 - ❑ Tourism resort use is an appropriate use and one that is significantly underserved in St Marys. In our Hotel Market Analysis we calculated based on the bed tax that rooms’ revenue for the city was less than \$2 million. The city has good quality rooms’ inventory, an attractive boutique style hotel, award distinguished B&B’s but many travelers are seeking branded hotels and are staying instead in the Kingsland or other areas on route. Although St Marys is well positioned with marketing material and a billboard at the Georgia Welcome Center, many visitors do not have advance knowledge of hotel options and thus choose recognizable hotels in other areas along the route



such as Kingsland and hotel hospitality hubs close to the interstate. The demand that exists in the market in unaccommodated demand for St Marys. We have examined closely the tourism facilities, amenities, attractions and support services for St Marys. We have considered that St Marys is the Gateway to Cumberland Island. The SMIG project, if conceived well, should encourage visitation and has the opportunity to be a destination and a suitable base for touring the region. While St Marys has many attractions, tourists tend to be interested primarily in Cumberland Island. Because of the ferry schedule and the time required to cross the river, visitors tend to be on their way once the ferry returns.

There is also demand generated by the city, business visitors and the Naval Submarine Base at Kings Bay. In addition there is demand generated by residents' relatives, wedding and social gatherings. As there is little overnight visitors, restaurants and other support services typically close early once demand has dropped. This situation is primarily dictated by the current demand. While St Marys has much to offer, it is not obvious to the visitor and there are no brand hotels that are typically required to induce demand. The lack of overnight visitors is reflected in the low rooms revenues that we estimated from the bed tax collected. Kingsland area hotels also underperform which is indicative of a soft market regionally. Hotel use is the best use to create the economic impact sought by the SMIG commission. It will generate revenues for St Marys restaurants, shops and visitor support services. No other use will generate significant overnight visitation for St Marys due to the current limited inventory of 241 rooms.

- ❑ Residential use is also an appropriate use and was a former use proposed for the site. Due to current residential market conditions, which remain depressed, condominium, apartment or residential use would not produce the highest use and does not represent a feasible use at this time. However, it is a future use and the site could be held for future speculation. In addition it does not comply with the guiding principles of the SMIG committee and is a use that will not provide minimum community access. In addition, the site is not large enough to incorporate a residential component into a mixed use project.
- ❑ We also considered stand-alone commercial uses such as retail or a stand-alone restaurant. These uses are already provided locally and these eateries are in need of additional demand not competition. These stand alone uses, would likely capture little new business, but draw primarily from existing businesses in the city. They would also be handicapped initially by the



dilapidated condition of the immediate neighborhood at East Marys Street. They would of course benefit from attractive waterfront. However, these uses should be part of a tourism product that is primarily a hotel or resort. Such ancillary uses would create synergies with the waterfront and the Howard Gilman Memorial.

- ❑ We also considered a stand-alone marina. There is approval for a 16-slip marina with 8 slips and a dock currently in place.
- ❑ We also considered unaffiliated Spa, Spa Hotel, Wedding Hotel or Conference Center uses. These uses would require significant guest accommodation and may not be suitable for much of the current demand at Cumberland Island, the Submarine Naval Base and other visitors to the area.
- ❑ We also considered boutique hotel use and believe that use is well provided for by the Riverview Hotel and is complemented by the B&B's. A small boutique hotel may be a viable use particularly if land was provided as an incentive. In our opinion it would not be the maximally productive use of the site and may not generate significant new demand as the lack of identity will be a marketing challenge.
- ❑ We also considered Theme Park, Waterpark, Visitor Exhibit Attractions, Museums and similar. These uses may be desirable but are very speculative and there are other larger sites that could be utilized for these uses. The handicap of a major brand hotel being absent would remain. Museums and exhibits do not need to occupy a prime waterfront parcel and there are many other sites that would be suitable.

5. *Maximally productive* use is the most appropriate use of the land in terms of net return. The maximally productive use of the subject land without incentives or concession is to hold for future speculative development with resort, residential or related uses. With incentives and concessions applied as stated in the analysis, there is profitability to an investor who completes a hotel/resort development.

The other uses that were reviewed are: retail, residential, spa and full service marina. Independent restaurant as a standalone use were either not financially viable or incompatible with SMIG's mission. Some commercial uses are viable as smaller components of a large scale resort. Our analysis concludes with the maximum incentives and concession should be available to an investor if necessary. They include the land, the Ready Street Parking, the Boat Dock with 16 slips, flexibility with the height restrictions, landscaping, and revitalization in the



neighborhood. With these benefits the resort viability and the return to an investor becomes more attractive.

Other concessions, not considered in our analysis, that would be mutually beneficial, include an operation agreement (or lease) for the Orange Hall as an upscale corporate civic conference venue. Plum Orchard perhaps could be an off-site event venue, if there was consensus. An agreement with Cumberland Island or its concessionaire for “fast” boat service access or “on demand” service would benefit the project. An operation agreement for luxury “eco-camps” for example ten units, would create a strong ecological theme for marketing and increase potential rooms’ revenues. Such agreements would also create synergies and strengthen the properties ties with the waterfront, the Historic District and Cumberland Island. These additional concessions should be investigated further and considered as they enhance the project and create greater financial viability. Further concessions have not been included in our analysis but are recommendations that would increase viability and lead to a greater development result for the city.

In Chapter 9 we examine three development options. The three hotel options were a Full Service Hotel and two upscale select service hotels- Aloft and Hyatt Place. The hotels are affiliated with two of the USA’s major hotel companies - Aloft by Starwood Hotels & Resorts, and the Hyatt Place by Hyatt Hotels & Resorts. We also considered full service hotels such as Marriott, Hyatt, Westin, InterContinental and Hilton or other full service brands that would complement the subject. The cost both in terms of development costs and operations are high and do impact viability. We also considered a boutique or independent hotel. Without a successful franchise brand it would be more difficult to compete in the marketplace. The two select service hotels are superior hotel products that typically are not labor intensive, but do provide full service hotel amenities such as food, beverage, fitness center, meeting and banqueting rooms. Most of the other brands are already represented in the Kingsland area a nearby locations. Providing a similar offering in St Marys may fail to induce that demand from Kingsland that is near their route. The select service hotels’ development costs are significantly less per room than upscale full services hotels, which contributes to viability. A brand hotel is necessary for a superior reservation system network and guest loyalty programs. In other locations hotel architect have designed exteriors that complement neighborhood environments such as in historic districts. To be cost effective a developer will consider a single



building only hotel but the ancillary facilities such as small retail, spa and additional food and beverage (if required) could be separated for example as part of the marine dock. In addition a developer will likely seek concession on the height of the building so as to reduce costs and for more optimum use of the land.

- ❑ We have also considered the number of rooms and facilities for this location. We consider a minimum 120 room count as appropriate and necessary to attract a credible developer and investment. There are also restrictions because of the size of the lot and a smaller hotel will likely not interest investors.
- ❑ Meeting and banqueting space is required and is complemented by the waterfront and the new park. This space should encompass 3-4 rooms with approximately 3,500 square feet with one large room of about 2,000 square feet suitable for 150 patrons. This level of meeting and banqueting is generally desired by the community and the Submarine Navy Base. Should an Orange Hall concession be included it would create synergies that would be more attractive to an investor. Permission to use Plum Orchard as a venue for special events would also be beneficial.
- ❑ We have considered the incentives and concessions that are presented in the first section of this study. Incentives included in the analysis are the Georgia Tourism Development Act. Sales tax refund up to 25 percent of the project costs over a ten year period. Also included is the Military Zone Tax Credit of \$3,500 per employee. There also Loan programs and other incentives, such as the Employment Incentive Program that we have considered in our selection of a suitable discount rate for our discounted cash flow analysis. We have also considered concessions that would contribute to project viability. These concessions include the land contributed (or at favorable ground lease terms), the marina with 16 permits and parking privileges at Ready Street. In addition, an Orange Hall operation concession would support the project's viability and would be mutually beneficial. In addition an arrangement with the National Park Service or Lang Charters for fast access to Cumberland Island and upscale camping privileges would further support viability and be mutually beneficial.

As if Improved. An analysis as the highest and best of the existing improvements should also be undertaken and may be influenced by many factors. Similarly there are four stages to this highest and best use analysis. The improvements we are examining are the existing dock and 8 slips and approval for 16 slips.



1. *Legally permissible* the subject's zoning designations legally permits resort use. The property is zoned "The property is zoned **"Zone C-1 (Central Business District)"**". That permits its current use a dock with permits for 16 slips.
2. *The physical adaptability* of the site for particular uses. The subject's layout and conditions do not present limitation to this current use.
3. *Financial feasibility* considers the economics of increasing and decreasing returns. While the land is physically adaptable for a large scale marina; this use is already well served along the waterfront and full scale marina would not represent a financially feasible use as the competition is already well established and has lower cost basis. It is also not within the SMIG Committee mission statement for the project.
4. *Maximally productive* use is the most appropriate use of the existing improvements in terms of net return. It is the consultant's opinion that the maximally productive use of the dock and slips improvements is its current use, but expanded to 16 slips. This use is feasible in conjunction with a significant resort project where the boat dock and marina are an amenity. The advantage of this facility is that it could create a stronger link with the Cumberland Island. A faster "on call" boat service to Cumberland could be provided in conjunction with Lang Charters or similar provider if agreed by the National Park Services.

HIGHEST AND BEST USE CONCLUSION

In developing our conclusions, we considered the highest and best use for the subject property. The maximally productive use is the most appropriate use of the land in terms of net return. The maximally productive use of the ±2.8 acre land site as vacant and absent incentives and concessions is to hold for future speculative development for resort hotel use. The other uses that were reviewed, retail, residential, spa, full service marina, independent restaurant were not financially viable as standalone development. The commercial uses were viable as smaller components of a resort hotel. Our analysis concludes with the maximum incentives and concession including the land, the Ready Street Parking, the Boat Dock with 16 slips, flexibility with the height restrictions, landscaping, revitalization in the neighborhood the resort viability is improved and feasibility is achieved.

Other concessions, not considered in our analysis, that would be mutually beneficial, include an operation agreement (or lease) for the Orange Hall as an upscale corporate civic conference venue. Plum Orchard perhaps could be an off-site event venue, if there was consensus. An agreement with Cumberland Island or its concessionaire for "fast" boat service access or "on demand" service would benefit the project. An operation agreement for



luxury “eco-camps” for example ten units, would create a strong ecological theme for marketing and increase potential rooms’ revenues. Such agreements would also create synergies and strengthen the properties ties with the waterfront, the Historic District and Cumberland Island. These additional concessions should be investigated further and considered as they enhance the project and create greater financial viability. Further concessions have not been included in our analysis but are recommendations that would increase viability and lead to a greater development result for the city.

Our study reviews other stand-alone uses were considered including retail, residential, spa, independent restaurant but were not deemed financially viable as stand-alone developments. Full service marina use was considered already well provided for in St Marys. The commercial uses such as marina, spa retail were beneficial and contribute value, as smaller components of a resort development. The other stand-alone uses that were reviewed, retail, residential, spa, independent restaurant were not financially viable on their own. Full service marinas are already well provided for and would not benefit the city as much as a hotel would.

Our analysis and study recommends the maximum incentives and concession be considered. They include the Georgia Tourism Development Act incentive, the Military Zone Tax Credit and a 25% Property Tax Abatement for a limited period. Concessions from the city include the land, the parking on Ready Street and the boat dock with 16 slips. Flexibility with the building heights would reduce building costs and be better utility of the land. Other benefits should include landscaping and revitalization in the immediate neighborhood waterside. . Other incentives were reviewed but were not quantifiable. We recommended that these other incentives referenced be further investigated. All incentives and concessions granted should bolster revenues and improve profitability for the investor subject resort and for St Marys businesses overall.

The SMIG committee should foremost consolidate consensus on the full range of concessions and incentives to be provided. In an RFP (Requests for Proposals) an investor should be invited to structure an appropriate long term ground lease based on all the benefits (concessions and incentives) provided or confirmed to the city. The more favorable the benefits the higher the terms offered to the city and the results would therefore be market driven. An upscale hotel is an essential component in the revival of the waterfront and its impact will greatly impact the economy of St. Marys and directly influence future development and overall economy of St Marys.



9. PROPOSED HOTEL OPTIONS

Our engagement agreement was captioned **Proposal for Market/Feasibility /Highest and Best Analysis of Aloft, Hyatt Place or Similar**. In our ‘Hotel Market Analysis’ chapter we particularly focused on properties in St Marys Historic District as they were not only a support service but a large part of the appeal and attraction of the city. The total room count for St Marys is 241 rooms. No properties participated with Smith Travel Research Surveys and the city does not monitor occupancy and room rates. The bed tax indicates that revenues are small for the city. An important source of tourism demand is generated by Cumberland Island while St Marys does not generate significant demand relative to other tourism towns it is primary due to the absence of branded or major hotels. The “B&Bs” and “Boutique” offerings have been successful and are a special niche products and some B&Bs” had good average room rates as high as \$245. They are of good quality and are beneficiaries of awards for their excellence. We have noted that many business people and tourists are not accustomed to staying in guest-houses or even boutique hotels and frequently are drawn to nationally or internationally known franchised products. More downtown inventory with international standards should expose the special “B&BS” and “Boutique” offerings to a wider market and greater business.

As reported in a prior chapter, we also visited and interviewed the operator of Greyfield Inn on Cumberland Island. Greyfield Inn is a very unique hotel that performs exceptionally well with a 2012 occupancy of 68% and an average daily rate of around \$500. However this is a very unique property not only in the region but in the USA. There are no branded hotel products in St Marys, which visitors generally seek, and there are many in Kingsland. However Kingsland is an entirely different location, more a convenience, due to proximity to I-95, that actually benefits from St Marys lack of branded product. It has also shared the Gateway to Cumberland Island’ status, due to proximity to the primary access routes (interstate and state routes) and by default as St Marys does not have recognizable hotel product. It is also well positioned with branded hotel products and therefore will be the first choice, being convenient, for many visitors both leisure and commercial. But St Marys has the greater potential to be a destination that is well located close to primary demand generators. If its potential is developed aggressively and appropriately it will likely become a destination. With this recognition, St Marys and its various tourism related enterprises such as lodging, restaurants, bars, retailers, visitor support services, boating and transport services and other amenities and attractions. Demand in the market is mostly accommodated elsewhere and therefore difficult to measure. What St Mary has however is very valuable location of superior tourism



resources and an historic city that is in the early stages of revitalization. St Marys, for leisure demand is proximate to Cumberland Inland. The commercial/government demand generators such as the Naval Submarine Base are also nearby.

Based on market study and on an in-depth study of St Marys and environs, we have reported the following conclusions. As the market is untested and the economy is yet to recover, a small scale hotel around 120 rooms is recommended as appropriate and considers the risk. The hotel should be upscale so as to differentiate itself from other hotels in the greater area and to complement a revitalized waterfront and Historic St Marys. It should also fully utilize its water frontage, boat dock and slips and positioning relative to Historic St Marys and the nearby Howard Gilman Memorial Park. We did not consider an unaffiliated boutique hotel as this property type is already well represented in the market. Unaffiliated boutique hotels typically underperform the market and there would remain the issue of product recognition.

The reader should review the *Highest and Best Use* Chapter 8 for an understanding of our conclusions and recommendations. We evaluated three hotel types in the scenarios and concluded with the profit after development costs for each. The three hotel options were a *Full Service Hotel* and two upscale select service hotels- *Aloft* and *Hyatt Place*. The *maximally productive use* of the subject land without incentives or concession is to hold for future speculative development with resort, residential or related uses. With incentives and concessions applied as stated in the analysis, there is profitability to an investor who completes a hotel/resort development.

Other concessions, not considered in our analysis, that would be mutually beneficial, include an operation agreement (or lease) for the Orange Hall as an upscale corporate civic conference venue. Plum Orchard perhaps could be an off-site event venue, if there was consensus. An agreement with Cumberland Island or its concessionaire for “fast” boat service access or “on demand” service would benefit the project. An operation agreement for luxury “eco-camps” for example ten units, would create a strong ecological theme for marketing and increase potential rooms’ revenues. Such agreements would also create synergies and strengthen the properties ties with the waterfront, the Historic District and Cumberland Island. These additional concessions should be investigated further and considered as they enhance the project and create greater financial viability. Further concessions have not been included in our analysis but are recommendations that would increase viability and lead to a greater development result for the city.



In our Highest and Best Use, we concluded that with major incentives and concessions a resort hotel with food and beverage, meeting and banqueting spaces represents an optimal use. We also recommend that the dock and 16 slips with small retail also be incorporated into the project.

The following is a synopsis of our recommendations.

- ❑ The hotel should be a superior upscale product with international franchise affiliation so as to participate in effective reservation system and product recognition.
- ❑ The hotel product should have full service facilities and amenities.
- ❑ The room count should be small reflecting the size of the market for room nights. We considered a minimum 120 room count as appropriate and necessary to attract a credible developer and investment. There are also restrictions because of the size of the lot and a smaller hotel will likely not interest investors. An expansion could be considered in a later phase or if the investor opts to take further risk. Our study considers financial viability and limiting risk while an investor may opt for a larger project if incentives and concessions are forthcoming.
- ❑ The hotel should have food and beverage services and outdoor dining that take advantage of the dock side location and water views.
- ❑ The hotel should feature meeting and banqueting facilities at a minimum of 3,500 square feet and be suitable for weddings conferences and banquets.
- ❑ Its configuration should be cost effective in terms of the development costs and operational costs and thus should not be a labor intensive operation.
- ❑ Activates such as small retail, fitness center, a pool as an option, and the dock and slips usage should be maximized for the benefit of the hotel guest.
- ❑ We also concluded that the Highest and Best Use of **Orange Hall** is likely as a small **center for conferences, corporate** events and training courses with a selection of reception rooms and boardroom suites.
- ❑ Design themes should consider the history of St Marys and/or the ecosystem of Cumberland Island.



PROPOSED HOTEL OPTION ONE- FRANCHISED FULL SERVICE HOTEL

This upscale full service hotel option is similar to the other two options of upscale select service hotels but feature more guest facilitates and amenities that are typical. In this option we have considered an upscale full service hotel, a minimum of 120 rooms with restaurant, bar, $\pm 3,500$ square feet of meeting space and full linkage with marina boat dock and slips. It is a small hotel but for St Marys it would be a major hotel. It should have an affiliation with the leading hotel brands that have the strongest reservations systems. In addition, opportunities to incorporate a lease or operation agreement on Orange Hall or Cumberland Island would provide for mutual synergies and contribute to greater viability.



HOTEL OPTION TWO -ALOFT BY STARWOOD HOTELS AND RESORTS

The Aloft was conceived in 2005 by Starwood Hotels & Resorts. The hotel chain already had a large selection of brands, including Sheraton, Westin, and W Hotels, but sought to expand into a market of more contemporary hotels, as their boutique hotel brand. To reflect its relationship with Starwood Hotels, the Aloft is dubbed as "A Vision of W Hotels". Starwood collaborated with David Rockwell and his architectural firm, Rockwell Group to develop the design and concept. The efforts to create a more modern option of hotel influenced many hotel chains, as well as Starwood. The InterContinental Hotels Group and Global Hyatt Corporation created comparable concepts, Hotel Indigo and Hyatt Place, around the same time that Aloft Hotels were being developed. Hotel Indigo was the first of these boutique hotel brands, with a 2004 opening in Atlanta. The first Hyatt Place was in Lombard, Illinois following Global Hyatt Corporation's acquisition of the AmeriSuites hotel chain. More than 120 additional Hyatt

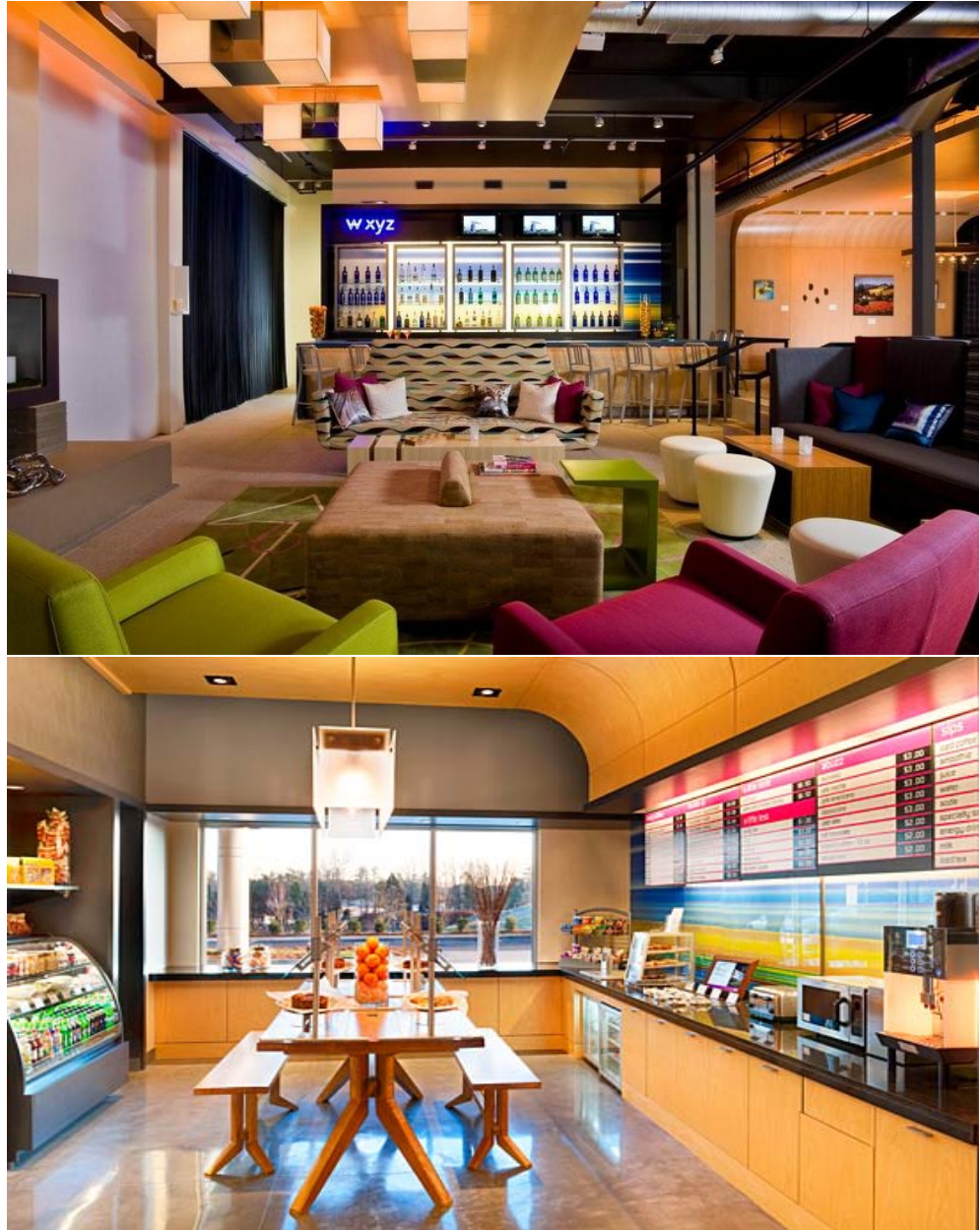
Place hotels came on line in 2006 and 2007 as many AmeriSuites properties were renovated and repositioned under Hyatt's newest brand.

The defining attribute of the Aloft Hotel brand is its unique style, breaking from the traditional design of other Starwood Hotels brands. Starwood also promoted the hotel chain as a new "lifestyle brand," emphasizing a modern and fresh look. Aloft Hotels were designed in the spirit of W Hotels to promote a social atmosphere, encouraging its guests to spend time in the lobby and meet other people. The main purpose of the new hotel brand, however, was to provide a "sleek and modern" option for travelers looking for a contemporary choice in hotels. Aloft offers a new approach within the select service hotel segment with superior accommodations and maximizing revenue potential by reinventing the reception, lobby and restaurant service areas. The hotels, notable for their style, offer an urban design, with many unique technical aspects, as well as a social atmosphere. A further characteristic of the hotel is the names it applies to hotel amenities. Starwood describes the hotel more refreshing than boring, an oasis rising above its uninspired competitors infused with the DNA of W. Aloft facilities, amenities and features are described as follows.



The Re:mix Lounge is the lobby of the Aloft Hotel that is the arrival center. It features contemporary comfortable furniture, with modern shapes and colors to emphasize the fresh appearance of the hotel. The hotel offers an array of board games as well as a pool table, which are older concepts used in a new way to encourage guests to spend time in the lobby. Some of the hotels feature indoor as well as outdoor fireplaces. In addition to these features, the Re: mix Lounge also offers LCD TV's, Wi-Fi access, and a tick-

er of news and sports scores. The **xyz bar**- One of the key features of the Re:mix Lounge is the w xyz bar. The bar has contemporary seating and neon lights, offering bar food and drinks. Live music is often available at the bar. "**Re: fuel** is an Aloft 24 hour shop concept that replaces the traditional shop in the hotel lobby.



The shop has an "easy breezy atmosphere" since it opens to the full lobby. **Re: fuel** offers sandwiches, salads and snacks, coffee and similar fare. Charges are automatically made to the guest by use of his/her credit card. "**Aloha!**" is the official greeting to the guest from staff at the Aloha Desk. It is a four-sided free standing desk that gives the lobby a more open feeling,

and staff appear more accessible. Included is an optional automatic check-in where a guest with a credit card may be assigned a room and a room key. “**Lifts**”- Aloft refers to their elevators as "lifts". They feature floor tiles which are filed with blue gel, a contemporary touch that leaves foot imprints. The subject Aloft should feature four function/meeting rooms with a total of 3,500 square feet of space. One of the function rooms should comprise 2,000 square feet of space for 150 patrons.



The **guestrooms** in the Aloft Hotel reflect a contemporary style, with nine foot ceilings and unique colors and geometries incorporated into the decor. A typical room layout has two beds along a padded wall, facing towards a wall with two windows and an LCD television hung between them. Rooms also feature technological aspects besides the TV, including a "Jack Pack" station which can be used to charge phones, laptops, or other devices that a customer may have. Bathrooms are uniquely designed with a contemporary sink, as well as a "spa-style" shower. Common aspects of modern hotel rooms are also offered at Aloft, including internet access, linens, towels, and bathroom amenities. The hotel room design was kept simple, to en-

courage guests to spend time in the Re:mix Lounge. The rooms are smaller than those at the Hilton Garden Inn or Marriott Courtyard, however this is not a noticeable difference due to the high ceilings design configuration.

“Splash”- Aloft broke from the traditional pool concept by using a fresh new term "Splash". **Re:charge Gym**. Aloft offers a swipe-access gym, which though is similar to gyms offered at most hotels. It is branded with the name re: charge to represent renewed energy. **Camp Aloft** aims to create an adventure for children with games, toys and gifts. **Arf**, is a dog care program that offers a dog-bed as well as treats and toys. **Park & Rinse** is the hotel's car park self-service car wash for hotel guests.

Another aspect of Aloft Hotels is its emphasis on the local community. Aloft Hotels attempt to make local connections, such as highlighting local musicians. Aloft books local artists to perform in their hotels (at the w xyz bar), and also by holding a Facebook contest to identify the top local musicians. The brand also attempts to be "green" with the usual common initiatives such as soap dispensers in the shower and the option to keep towels for multiple uses. Another concept used by Aloft is to have parking spots designated specifically for hybrid vehicles, presenting guests with environmentally responsible choices.

J.D. Powers and Associates ranked Aloft Hotels towards the top of the list of hotels in customer satisfaction, ahead of many traditional hotel brands in July 2010. The hotel brand's popularity not only grew from the desire of customers to find a cost-effective option when traveling, but also from the reflection the hotel has on other aspects of the 2000s. The trademark modernistic culture of Aloft Hotels has also drawn some criticism. As with any other style, the contemporary theme of Aloft Hotels is not appreciated by everyone. Despite efforts to reflect the local community, some critics still feel the Aloft Hotels have too much of a national brand "cookie cutter" hotel. Also its targeted demographics may discourage patronage outside these groups. The Aloft exterior design and highlighted contemporary look may present challenges in a downtown or historic setting.

Improvements –SWOT Analysis

The following is a SWOT Analysis on the subject as an Aloft.

Strengths

- ❑ An innovative new select service hotel that has the advantage of a contemporary style that breaks from the traditional design of 'commodity' lodging.
- ❑ The Aloft is dubbed as "A Vision of W Hotels" which was successfully launched by Starwood. The association with the W, an estab-

lished and highly reputable brand with a successful brand launch, is positive marketing advantage.

- ❑ The Aloft provides an available product for the market where all the leading brands are already represented. It is particularly suited to a successful submarket that has an abundance of upscale select service hotels.
- ❑ In addition to the W affiliation the product benefits from Starwood Centralized Reservation System, Starwood Preferred Guest, Starwood Global Sales Force and Global Brand Marketing.
- ❑ The Aloft provides more amenities than its select service competitors.
- ❑ The concept of the **Re:mix Lounge**, The xyz bar, the Re: fuel and the lingo encourages guests to spend time in the lobby and socialize. This leads to more centralized service and also generates revenue.
- ❑ Its efficient cross-utilized staffing model elevates guest experience and enhances profitability.
- ❑ Starwood Hotels are flexible with the exterior façade design in historic districts and will permit greater than the prototype public spaces and meeting/banqueting rooms.

Weaknesses

- ❑ The contemporary “hip” theme of Aloft may not appeal to more conservative patrons. This could be addressed by a “softer approach” for these patrons.
- ❑ The targeting of a specific demographic group may discourage patronage from other demographic groups. This could be addressed in Starwood’s marketing by targeting an attitude profile rather than age demographics.
- ❑ There is a weakness in being too fashion conscious as fashion does go out of style.
- ❑ There are only 46 hotels operating in North America, and 60 hotels open worldwide. An additional 39 hotels are proposed or under development; this is a small hotel base that limits synergies. Starwood’s original plans were to have 500 locations eventually. Typically for success new brands require that the hotel company develop multiple properties until a critical mass in excess of 100 is reached. However, Starwood Hotels and Resorts successfully launched W with a low hotel count.

Opportunities

- ❑ The greater market has a large base of budget select service hotel, an Aloft at a waterfront location would be the premier hotel along the Coast and off I-95 at an exit where 36 million motorists pass annually.

- ❑ 78.2% of the developed space is revenue producing. As the guest is focused on the lobby and public areas there are more revenue opportunities.
- ❑ The Aloft prototype features smaller amounts of meeting space. In this location, we recommended 3,500 square feet meeting space so as to include a large function/banqueting room, with capacity for 150 patrons.
- ❑ The food offerings are limited and could be more expansive on the concept of tapas appetizers. Alternatively a daily special could enhance the menu offering. The hotel will promote other restaurants in the City. The hotel should coordinate with Starwood Hotels & Resorts menu enhancements to appeal to the local market.

Threats

- ❑ A major risk is the uniqueness of the concept and that it is demographic specific. If the brand failed, conversion to another upscale brand would be complicated by smaller rooms. It could however become an independent boutique hotel if it lost its franchise.
- ❑ If the brand does not grow significantly will Starwood Hotels & Resort continue to support it? Other hotels brands have failed and their properties were rebranded. A more standard product is easier to convert to another brand.
- ❑ The subject Aloft should feature four function/meeting rooms with a total of 3,500 square feet of space. One of the function rooms should comprise 2,000 square feet of space for 150 patrons.
- ❑ While this expansive space has the advantage of further positioning the subject as a full services hotel, it may be lost to some guests who do not expect the Aloft to have extensive meeting space. This challenge can be overcome by promoting these facilities extensively to the local businesses and community.

Overall there are risks associated with a groundbreaking product but also rewards. We have considered both in our analysis.



HOTEL OPTION TWO –HYATT PLACE BY HYATT

Hyatt Hotels and Resorts conducted significant research with developers and consumers to develop a new hotel brand with a cost-per-key that is competitive with other major brands in the upscale Select Service category. The subject as a Hyatt Place is not atypical and deviates from the prototype in terms of exterior architecture, and 3,500 conference/meeting and banqueting space.

The prototype's central greeting area features registration kiosk, café and den spaces. The guestrooms are spacious with approximately 370 square feet and up to 20% more area than traditional hotel rooms. They feature a 42" high-definition flat panel television, signature Hyatt Grand Bed, a corner oversized sofa sleeper that is separated from the sleeping area, and complimentary high-speed Wi-Fi internet access throughout the hotel. The check-in central gathering area is known as the Gallery. It features a

self-registration kiosk, a reception area, a coffee and wine café, a TV den and an e-room with free access to a public computer and printer. Free continental breakfast is provided and guests may also purchase freshly prepared menu items 24 hours a day. It has the benefit of a Global Central Reservation System, the Hyatt name and 120 properties already set to be transformed within 24 months.

GLOBAL HYATT CORPORATION

There are 217 Hyatt branded hotels and resorts (over 90,000 rooms) in 44 countries around the world, operating under the Hyatt, Hyatt Regency, Grand Hyatt and Park Hyatt brands. Currently, there are an additional 32 Hyatt hotels and resorts under development, including 11 new hotels in China. Hyatt Corporation (domestic U.S., Canada and Caribbean hotels) and Hyatt International Corporation (international properties) are subsidiaries of Chicago-based Global Hyatt Corporation. Global Hyatt Corporation is also the owner of Hyatt Vacation Ownership, Inc. operators of the Hyatt Vacation Club (timeshare and fractional residential product), Hyatt Equities, L.L.C. (hotel ownership), Select Hotel Group L.L.C. (which owns, operates and franchises AmeriSuites hotels, *Hyatt Place* and Summerfield Suites hotels) and U.S. Franchise Systems, Inc. (which franchises Hawthorn Suites, and Microtel Inns and Suites).

HYATT PLACE CONCEPT

The Hyatt Place is a new concept positioned as an upscale, select (limited) service lodging facility at the upper-end of the mid-market lodging segment. As an upscale, select service lodging facility, the Hyatt Place provides guestrooms with many of the amenities of a traditional first class hotel, but reduces operation costs by having a cross-functional training system which allows for fewer personnel, scaled back food service, oversized room sizes, a state-of-the-art computer system to enhance the efficiency of operations and leading edge technology in guest room and public area amenities. Hyatt Place properties benefit from the Hyatt name, the Hyatt Global Sales Force, Hyatt Central Reservation System and Hyatt Gold Passport Program. With an emphasis on stylish design, innovative services and high end amenities, *Hyatt Place* offers a new approach within the select service hotel segment with leading edge, luxury accommodations and maximizing revenue potential by reinventing the reception, lobby and restaurant service areas. The first Hyatt Place was in Lombard, Illinois following Global Hyatt Corporation's acquisition of the AmeriSuites hotel chain. More than 120 additional *Hyatt Place* hotels were scheduled to open in 2007 as many Amerisuites properties continue to undergo renovation and repositioning under Hyatt's newest brand. This consultant visited the Hyatt Place Scottsdale, Arizona and toured the property. He also visited and toured the Hyatt Place in Sarasota .

HYATT PROGRAMS, SUPPORT AND ASSOCIATED FEES

Hyatt Place offers the strength of a brand name that is ranked as one of the most powerful hotel brands in the world that many guests will recognize. Hyatt Place also benefits from the large networks of technology and support that are already in place. This brand enjoys the services of the Hyatt support center, which provides services such as revenue maximization programs, and marketing program administration. With such a recognized brand name comes the marketing power that has brought the Hyatt name to such wide recognition. Marketing programs such as Hyatt Gold Passport and Hyatt Global Sales Force and reservation services add strength to the brand and provide a marketing network that reaches many potential guests already loyal to the Hyatt brand. Fees for these select services are typically 5% (3% and 4% year 1&2) of gross room revenue as a royalty fee, and 3.5% of gross room revenues as a fund contribution fee. Additionally, a reservation service fee \$3.25 to \$5.25 per reservation and Hyatt Gold Passport fee of 5% of member stay revenues. Application fees are estimated at \$60,000 to \$90,000. A liquor license is required.

HYATT PLACE PROTOTYPE

Hyatt Place has flexible design features that allow for versatility in terms of sites Hyatt that can be chosen for development. Developmental sites can be as small as two acres in size. The typical Hyatt Place's central greeting area features registration kiosk, café and den spaces. The guestrooms are spacious with approximately 370 square feet and up to 20% more area than traditional hotel rooms. They feature a 42" high-definition flat panel television, signature Hyatt Grand Bed, a corner oversized sofa sleeper that is separated from the sleeping area, and complimentary high-speed Wi-Fi internet access throughout the hotel. The check-in central gathering area is known as the Gallery. It features a self-registration kiosk, a reception area, a coffee and wine café, a TV den and an e-room with free access to a public computer and printer. Free continental breakfast is provided and guests may also purchase freshly prepared menu items 24 hours a day. It has the benefit of a Global Central Reservation System, the Hyatt name and 120 properties already set to be transformed within 24 months. Following are descriptions of the key areas within the subject property.

GUESTROOMS

The interior design of the guestrooms feature attractive furnishings, drapes, carpets, bedspreads and pictures to provide a residential atmosphere in an oversized guestroom. The guestrooms are spacious with approximately 370 square feet and up to 20% more area than traditional ho-

tel rooms. They feature a 42" high-definition flat panel television, signature Hyatt Grand Bed, a corner oversized sofa sleeper that is separated from the sleeping area, and complimentary in room high-speed Wi-Fi internet access. The guestrooms feature easy access, desk level power outlets with state of the art media and work center that includes a video and music entertainment system. The room also features a wet bar with refrigerator and coffee maker. The bathroom vanity upgrades include granite countertops, plush towels and signature bath amenities. The following photograph depicts furnishings of the guestroom.



THE GALLERY

The *lobby area* of the Hyatt Place is called the Gallery, is the focal point of the hotel and in addition to the registration area, contains food and beverage seating area and guest kitchen. The pavilion area contains approximately $\pm 6,838$ square feet of public space. The main entrance to the hotel is situated beneath a porte-cochere. Guests entering the hotel are greeted with an open central gathering area. This area features registration kiosk and wine and café and dining area. The host or hostess may assist the guest at the kiosk check in or may perform the traditional check-in at the desk. He she may also offer the guest food and beverage from the counter area. There are ample seating areas and dens for the guest. Wi-fi is available throughout. The following picture depicts the check in and food/beverage service area with counter seating.



The kitchen is an important feature of the Hyatt Place. The kiosk provides an unprecedented approach to food service that includes a cashless food center with touch screen ordering. A guest swipes his room keycard for convenient payment. Food to order is available 24 hours per day. Signature items such as Texas style Roadhouse Chile and BBQ short Rib sandwich or traditional items such as Grilled Chicken Caesar Salad and Pepperoni Pizza are available. Continental breakfast is complimentary. A business center with computer and printing capabilities forms part of the gallery.



STAFFING LEVELS AT 70% OCCUPANCY

According to Global Hyatt Staffing levels are higher at front of house over that typical at Courtyard by Marriott and Hilton Garden Inn. However because of a cross-utilized staffing model the overall efficiency is improved and the net result is staffing levels similar to the Courtyard by Marriott and Hilton Garden Inn. In our view the greater concentration of staff to guest experience and service is a positive attribute of the brand, in addition to other features previously described.

OTHER BRANDS

The primary hotels in the select service category, the Hilton Garden Inn, the Residence Inn, the Courtyard by Marriott, the Homewood Suites, and Springhill Suites are already represented in the market. Other hotel products that are available for the market are Summerfield Suites, Staybridge Suites and Wyndham Garden Inn. These may be considered as alternative brands to consider however we rank the Hyatt Place as the most suitable for this site. These alternative brands are already established at lower rankings than the top tier Hilton Garden Inn, the Residence Inn, the Courtyard by Marriott, the Homewood Suites and Springhill Suites. It would be a challenge for the alternative brands to outperform these leaders, while the Hyatt Place concept has a good opportunity to be a top performer as it is radically different but yet has the security of the Hyatt affiliation.

PROPOSED IMPROVEMENTS –SWOT ANALYSIS

The following is a SWOT Analysis on the subject as a Hyatt Place.

Strengths

- ❑ An innovative new select service hotel that has the advantage of an established and highly reputable brand.
- ❑ A cutting edge product that has the potential to outperform other hotels in its category.
- ❑ In addition to the Hyatt name, the product benefits from Hyatt Central Reservation System, Hyatt Global sales Force and Global Branding and Marketing.
- ❑ Due to AmeriSuites conversions by Hyatt. The brand is well represented in many south east USA hotel markets, , which will generate synergies.
- ❑ Its efficient cross-utilized staffing model will elevate guest experience and enhance profitability.
- ❑ It will feature the most interesting new design features; the Hyatt Grand Bed, the 42 inch flat screen, the state of the art bathroom with

granite counter top, the wet bar the Wi-Fi throughout, the Gallery Kitchen, 24/7 food and beverage service will draw from its competitors.

Weaknesses

- ❑ The AmeriSuites is a lower quality level product and its exterior is below that for the new prototype. Therefore Hyatt's own portfolio of hotels may be below the quality of the new buildings which may impact the subject.
- ❑ While the cost of development is among the highest in the select service hotel sector, this is primarily due to its all-suite configuration.
- ❑ Hyatt typically is not very flexible with additional spaces requirements. Their flexibility will be dependent on their opinion on the location and the strength of its hotel market.
- ❑ The subject is atypical, in that it's not the standard Hyatt Place. The market does not always recognize premium features in terms of significant average rate gains. This will however assist the hotel in competing for demand with full service hotels in Kingsland.

Opportunities

- ❑ Developer should seek a protection area to ward off competition from other Hyatt Place hotels.
- ❑ Opportunity of profit in the public area because of Gallery Cafe.
- ❑ The 3,500 square feet of meeting/conference space will generate additional revenues. Profitability with meeting banqueting space would be low unless an Orange Hall concession is included for synergies.
- ❑ Opportunity to attract other hotel guests, especially Courtyard by Marriott, Residence Inn with the new concept Gallery Café and unique rooftop deck.

Threats

- ❑ A new product with inherent risks. Major risk if Hyatt Global does not fully embrace or fails to convert its own 120 AmeriSuites Hotels.



10. SALES COMPARISON APPROACH

The reliability of analyzing hotel sales is based on these factors.

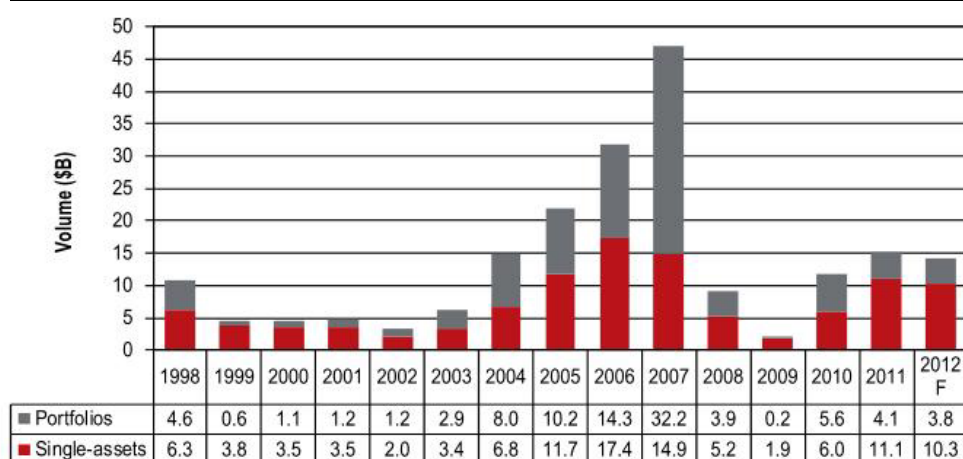
1. The availability of suitable hotel sales- similar type, location and timing.
2. The reliability of the data and the motivation of the buyer or seller.
3. The extent that they are comparable and the technique of adjusting for differences; room count, location, physical attributes, brand affiliation and other.

One method for estimating the market value of the subject property is the sales comparison approach. The sales comparison approach is based on the assumption that an informed purchaser will not pay more for a property than the cost of acquiring an existing property with equal utility. This approach estimates market value by considering the sales prices indicated by recent transactions involving properties that are similar to the property being appraised. Therefore, in order to establish a selling price, asking price or an opinion of value for a hotel, it is essential to evaluate the sales price of comparable hotels. An assumption is that a prudent buyer will pay no more for a hotel than the cost of acquiring a similar hotel. Therefore, in addition to a discounted cash flow analysis, an examination of the sales price of similar hotels is important due diligence. This involves analyzing the amounts paid for comparable properties. Adjustments may be required for differences. A prudent purchaser should also consider the cost of developing a similar hotel or acquiring and repositioning an existing property. This analysis requires both extensive comparable sales data and expertise. Without this analysis it is difficult to ascertain a listing price and appropriate sale price or to fully understand the value of the asset. Buyers and sellers are not always informed or prudent. They may lack the expertise to adequately evaluate “the price point” where both sides may agree. Other motivations may also be a factor; buyer may only be interested in acquiring well below market value or the seller will sell only if there is a windfall and achieves above market value. Typically, such transactions require that at least one of the parties is not well informed. Other influences may be that the buyer needs the transaction to be consummated as their agenda is to acquire the hotel; or the seller may need to sell within because he needs the capital. The due diligence is a timely and expensive process only justified if a transaction occurs. Sellers may also be encouraged to sell to the highest bidder by other debt or equity partners or by timing considerations.

TRANSACTION OVERVIEW

According to Jones Lang LaSalle U.S. hotel transaction volume increased over 30% in 2011 to \$15.2 billion a four year high. Single-asset sales were \$11.1 billion and portfolio sales were \$4.1 billion. Preliminary estimates show a marginal decline in single-asset sales in 2012, to \$14.1 billion, with single asset sales at \$10.3 billion and portfolio sales at 3.8 billion. The year 2006 and 2007 represented peaks with \$47.1 billion sales in 2007 and \$31.7 billion sales in 2006. In 2009 sales dropped to record low levels with a total of \$2.1 billion in sales, almost nonexistent in portfolio sales at \$0.2 billion and \$1.9 billion for single asset sales.

Table 10-1 Total Transactions Volume 1998 -2012P



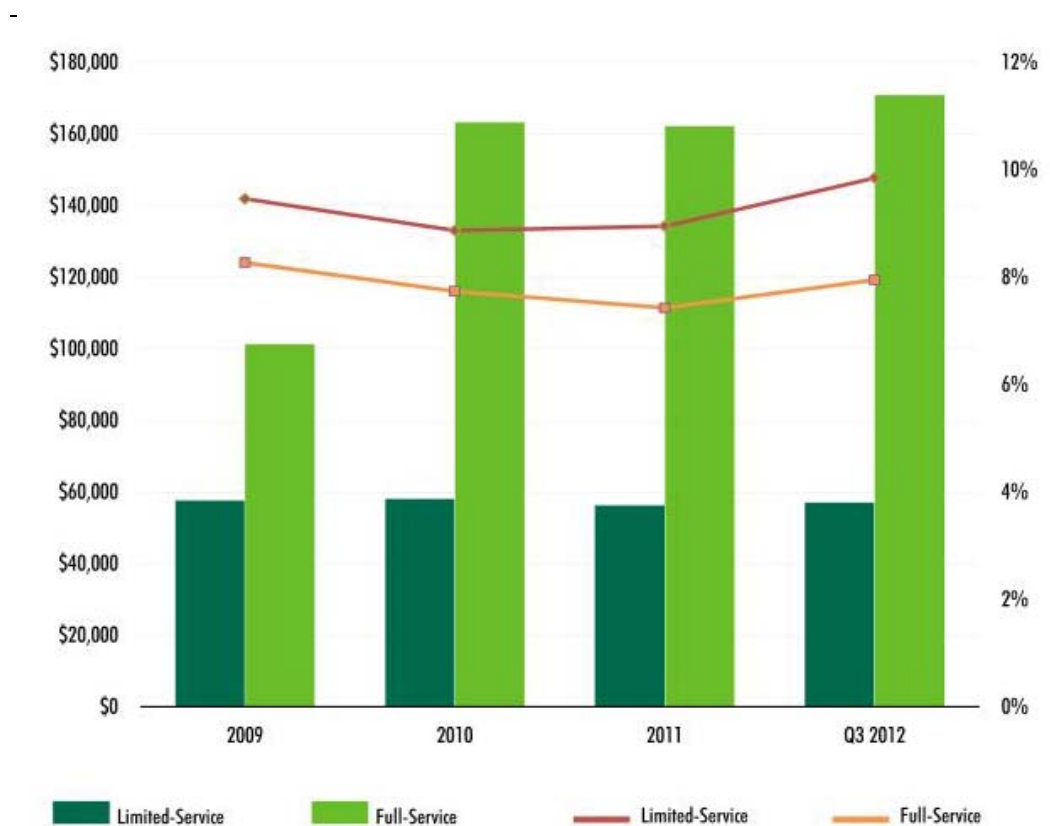
CBRE a competitor to JLL also tracks historical hotel sale data, covering U.S. transactions from 2009 through 3rd Quarter (Q3) 2012. The results represent select completed sale transactions with reported prices and rates-of-return indications (overall capitalization rates), and exhibits the aggregation of actual deal points. The following are the key highlights to their study which they provided to us.

- The Overall (Capitalization) Rate averaged 7.95%. Between 2009 and 2011, overall rates for full-service hotels moved from 8.27% to 7.43% a net change of 84 basis points. Through 2012 YTD (Year to Date) the overall rates averaged 7.95%, a marginal change from year-end 2011, and a very small shift upward for the YTD average compared to the previous quarter YTD result.
- Overall rates for limited-service hotels/resorts moved from 9.46% in 2009 to 8.95% in 2011, a net change of 51 basis points. Through Q3 2012 YTD, overall rates averaged 9.85 percent—again, a moderate change from year-end 2011, and an increase from the previous quarter YTD result. One reason for the increase in Q3 YTD 2012 overall rates for the data set was an increase in activity of limited-service sales in secondary locations compared to more core locations seen in 2011.
- Room Revenue Multipliers. Between 2009 and 2011, room revenue multipliers for full-service hotels increased fairly dramatically from 3.42 to 4.46, and the multipliers continued to increase through Q3 2012 to 4.51. The recent quarter YTD result represents a shift down in the YTD average, and is a function of both market conditions as well as the impact of some transactions in Q1 and Q2 that had very high multipliers, thereby pulling up the averages in the first half of the year.
- Room revenue multipliers for limited-service hotels stayed relatively flat between 2009 and 2011, edging down from 3.36 to 3.30. For Q3 YTD, the room revenue multiplier increased slightly to 3.05.
- Average Sales Price per Room was \$170,937. Between 2009 and 2011, the average sales price per room for full-service hotels moved from \$101,359 to \$162,181. In Q3 2012 YTD, the average price per room

was \$170,937, up over year-end 2011. Between 2009 and 2011, the average sales price per room for limited-service hotels moved from \$57,686 to \$56,404. 2012. For Q3 2012 YTD, the average price per room increased from year-end 2011 to \$57,111

The overall rates in the full-service market for Q3 2012 trended upward, albeit by a small amount, over the previous quarter. Additionally, there was a decrease in the room revenue multiplier compared to the first half of 2012. The limited-service sector experienced an upward shift in the overall rates, partially due to a larger sampling of transactions in less-core markets and a decrease in the room revenue multiplier. Again, this data set was somewhat impacted by the nature of the sales that occurred (softer markets/troubled assets), as well as seemingly strong investor appetite for smaller and more affordable limited-service product.

■ Sales Price per Room and Overall (Capitalization) Rate 2009-2011 | Q3 2012



Source: CBRE Table 11-2

A higher proportion of hotels were of institutional-quality and sizes and were skewed with a concentration of luxury, upper upscale and select-service hotels in the Top 25 Markets, in CBD's, key suburban locations, and in destination resorts.. A number also sold at or exceeded their estimated cost of replacement. Among the hotel brands in such high demand included: Residence Inn, Courtyard by Marriott, Springhill Suites, Hilton Garden Inn, Homewood Suites, and Hampton Inn & Suites.

The rapid recovery of investment banking contributed to the strong rebound in selling prices. New REITs were formed and were able to access both equity and debt. Older REITs, publicly traded hotel companies and private equity groups were also able to secure corporate debt at record low interest rates. With so many well-funded investor groups chasing too few investment opportunities, prices were bid higher than usual, as these investors were highly motivated to enter the market as early as possible in the new cycle. In 2010, total industry investment volume reached an estimated \$13.5 billion, the highest since pre-recession 2007. Of that total, \$7.2 billion was from the 477 hotels that reported a selling price, a 270% increase from \$2.7 billion in 2009. An estimated \$2.1 billion was for all other fee simple transactions, while \$4.2 billion was attributed to two mergers.

According to Smith Travel Research in YTD 2012 private equity investors dominated purchase with REIT's in second place. Private equity represented 37% of sales volume while REITs accounted for 18% of total investment dollars down from prior year levels. Hotel owner/operators accounted for a small share of buyers. The REITS, publicly traded entities, mainly targeted high-quality individual assets, and often were able to pay premium prices because their equity return requirements are generally lower than privately held companies. Private equity funds required a higher equity yield than REITs, equity funds often purchased distressed mezzanine debt on hotel portfolios at a deep discount. As such, many cash-rich equity groups were in an ideal situation to negotiate an ownership position for a multiple number of properties when the senior debt came due. With capital flowing, all investor sectors, both publicly traded and privately held companies, accelerated disposition activity since 2010. It was opportune to dispose of hotels that could not be sold previously, because the capital markets were seized up. Assets that no longer fit their long-term objectives, particularly distressed hotels, were first to be disposed of and removed from their portfolios. Originating lenders were frequently involved in a 3-way transactions as new capital from new investor groups was highly coveted and created the opportunity for all parties to seek resolution.

One of the re-emerging sources of capital in 2011 will be the outflow of capital from the Middle East. Having faced dislocation at home over the past few year, Middle Eastern investors are expected to again vie for prime acquisition opportunities in East Coast markets. Asian high net worth investors, which accounted for eight percent of purchases by volume in the United States in 2010, are expected to continue to feature in 2013, targeting prime assets in major markets, primarily in the western U.S. Transactions in the United States will continue to be the driving force of deal activity across the Americas region, with some sales activity in Canada. Mexico, the Caribbean, and Central and South America will continue to be more tightly held investment markets, with new hotel development opportunities emerging as the primary opportunities for investors.

INDIVIDUAL SALE TRANSACTIONS ANALYSIS

Based on a review of **HCI**'s Hotel Sales Database (HSD) and Costar and Opencomps Comparable Sales databases, which both have data on most sales in the U.S. since January 2005, we summarized 28 sales for comparison. All are select service hotels and are presented in the table that follows. Aloft Lexington with 136 room sold on 1/13/2013 for \$18,900,000 or \$138,971 per unit. Three Hyatt Place hotels sold one with 127 units in Germantown, Tennessee for \$11,300,000 or \$88,976 per suite. Two hotels transacted in Texas with 127 rooms and 128 rooms for \$83,795 and \$100,546 respectively. The Courtyard by Marriott Valdosta, Georgia transacted at \$11,500,000 or \$136,904 per room for the 84 room property. The 156 room Courtyard Savannah located in the Historic District traded on 3/10/2011 for \$24,648,000 or \$158,000 per room. The Hilton Garden Inn Savannah Airport sold in 2008, a weaker market period, for \$12,500,000 or \$119,048 per unit for the 105 units. On 1/25/2011 the Hilton Garden Inn Duluth sold for \$114,754 or \$14 million for the 122 room hotel. On 1/25/2008 the Hilton Garden Inn Tallahassee sold for \$13,200,000 or \$155,294 per room. In 6/2/2011 the 104 room Hilton Garden Inn Gainesville for \$12,500,000 or \$120,192 per room. The Aloft Lexington is a good comparison for an upscale select service and provides an average sale price for a Aloft or Hyatt Place as proposed with additional amenities and facilities. The latter warrant an upward adjustment. However less favorable market conditions for the proposed subject also triggers and warrants an adjustment. We believe the sales presented support a value indication range of \$120,000 to \$140,000 per room as an upscale select service hotel. Based on a review of our in house data base the range for a full service branded hotel is \$100,000 to \$200,000.

Table 10-4-Comparable Hotel Sales

Date	Property Name	Street Address	City	State	Zip	Rms	Sale Price	Price RM	Cap Rate	Buyer	Seller
1/31/2013	aloft Lexington	727 Marrett Rd - A	Lexington	Mass	2421	136	\$18,900,000	\$138,971		Rockwood Capital	Starwood Hotels & Resorts
2/19/2013	Hyatt Place Germantown	9161 Winchester Road	Germantown	Tennessee	38138	127	\$11,300,000	\$88,976		Moody National REIT I Inc.	Silver Cos.
9/26/2012	Hyatt Place Arlington	2380 East Road To Six Flags Str.	Arlington	Texas	76011	127	\$10,642,000	\$83,795		Summit Hotel Properties, Inc.	Hyatt Hotels Corporation
7/11/2011	Hyatt Place Fort Worth/Cityview	5900 Cityview Blvd	Fort Worth	Texas	76132	128	\$12,870,000	\$100,546		Hyatt/Noble JV	Hyatt Hotels Corporation
11/30/2012	Courtyard by Marriott Valdosta	1564 Baytree Road	Valdosta	Georgia	31602	84	\$11,500,000	\$136,904	6.80%	Blackstone Group LP	Apple REIT Six, Inc.
3/10/2011	Courtyard Savannah	Historic District	Savannah	Georgia	31401	156	\$24,648,000	\$158,000	6.10%	Ashford Hospitality Trust, Inc.	Highland Hospitality Co.
8/4/2008	Hilton Garden Inn Savannah Airport	8 Clyde East Martin Drive	Savannah	Georgia	31408	105	\$12,500,000	\$119,048		Apple REIT	Crossroads Hospitality
6/2/2011	Hilton Garden Inn	4075 SW 33rd Place	Gainesville	Florida	32608	104	\$12,500,000	\$120,192		Apple REIT Ten, Inc.	McKibbin Hotel Group Inc.
5/11/2011	Hilton Garden Inn Atlanta NE/	2040 Sugarloaf Circle	Duluth	Georgia	30097	122	\$14,000,000	\$114,754		Summit Hotel Properties, Inc.	
1/25/2008	Hilton Garden Inn		Tallahassee	Florida		85	\$13,200,000	\$155,294		Apple REIT Eight, Inc.	Carlton Hospitality
8/15/2005	Hilton Garden Inn		Sarasota	Florida		115	\$14,000,000	\$121,739		8% Thayer Lodging Group	Allen Investments
3/12/2009	Hampton Inn Panama City Beach	2909 Thomas Dr	Panama City Beach	Florida	32408	95	\$11,600,000	\$122,105		Apple REIT	ADH LLC
8/12/2011	Hampton Inn Jacksonville Downtown I-95	1331 Prudential Dr	Jacksonville	Florida	32207	118	\$10,000,000	\$84,746		Blueshore Investments & Mgt LLC	Ashford Hospitality Trust
11/30/2012	Hilton Garden Inn Tallahassee	3333 Thomasville Road	Tallahassee	Florida	32308	99	\$15,070,000	\$152,222	6.80%	Blackstone Group LP	Apple REIT Six, Inc.
10/15/2007	Embassy Suites Brunswick	500 Mall Blvd.	Brunswick	Georgia	31525	130	\$10,557,129	\$81,209		RockBridge Capital	FelCor Lodging Trust
10/17/2006	Homewood Suites Savannah	5820 White Bluff Road	Savannah	Georgia	31405	106	\$10,265,888	\$96,848		Apple REIT Seven, Inc.	Dimension Development Co
10/17/2006	Homewood Suites Jacksonville	8737 Baymeadows Road	Jacksonville	Florida	32256	116	\$11,234,252	\$96,847		Apple REIT Seven, Inc.	Dimension Development Co
10/17/2006	Homewood Suites Jacksonville	8737 Baymeadows Road	Jacksonville	Florida	32256	116	\$11,234,252	\$96,847		Apple REIT Seven, Inc.	Dimension Development Co
10/17/2006	Homewood Suites Savannah	5820 White Bluff Road	Savannah	Georgia	31405	106	\$10,265,888	\$96,848		Apple REIT Seven, Inc.	Dimension Development Co
7/14/2011	Hotel Sierra Charlotte Center City	435 E Trade St	Charlotte	N. Caroli	28202	163	\$37,064,000	\$227,387		Hyatt Hotels Corporation	LodgeWorks, L.P.
7/14/2011	Hotel Sierra Raleigh Durham Airport	10962 Chapel Hill Road	Morrisville	N. Caroli	27560	141	\$32,062,000	\$227,390		Hyatt Hotels Corporation	LodgeWorks, L.P.
5/31/2012	Hampton Inn & Suites		St. Augustine/ Vilano	Florida		94	\$12,500,000	\$132,979			Jalaram Hotels
12/27/2012	Hampton Inn & Suites	1301 East 7th Avenue	Tampa	Florida	33605	138	\$20,800,000	\$150,725		Summit Hotel Properties, Inc.	OTO Development
12/27/2012	Hampton Inn Tampa / Ybor City/Downtown	1301 East 7th Avenue	Tampa	Florida	33605	138	\$20,800,000	\$150,725	8.50%	Summit Hotel Properties, Inc.	OTO Development
7/21/2005	Hampton Inn & Suites Pensacola-U Mall	7050 Plantation Road	Pensacola	Florida	32504	85	\$9,279,000	\$109,164		Apple REIT Six, Inc.	
11/30/2012	Courtyard by Marriott Lake Mary North	135 International Parkway	Lake Mary	Florida	32746	86	\$8,330,000	\$96,860	6.80%	Blackstone Group LP	Apple REIT Six, Inc.
11/30/2012	Hampton Inn & Suites Pensacola-U Mall	7050 Plantation Road	Pensacola	Florida	32504	85	\$12,890,000	\$151,647	6.80%	Blackstone Group LP	Apple REIT Six, Inc.
11/30/2012	Courtyard by Marriott Panama City	905 East 23rd Place	Panama City	Florida	32405	84	\$12,840,000	\$152,857	6.80%	Blackstone Group LP	Apple REIT Six, Inc.

11. COST COMPARISON APPROACH

DEVELOPMENT COST

The cost analysis is founded on the principle of substitution, which implies that no prudent person will pay more for a property than the amount for which he or she can acquire a site and construct a building of equal desirability and utility without undue delay.

Our engagement agreement was captioned **Proposal for Market/Feasibility /Highest and Best Analysis of Aloft, Hyatt Place or Similar.** We have reviewed the prototypical plans for both Aloft and Hyatt Place. Additionally we have also considered an upscale full service branded hotel. Both Aloft and Hyatt Place concepts have been well received in the marketplace and the utility of the interior public spaces has been maximized. As stated previously Starwood Hotels & Resorts estimate 78.2% of the total gross square feet is revenue generating. We have not had estimates for Hyatt Place but believe that it is lower. For both concepts, this is a significant departure for the select service where the lobby, public areas and restaurant were severely underutilized in terms of revenue generation. In the earlier stages of Courtyard by Marriott and Wyndham Garden development there was substantially more a food and beverage focus and larger staffing levels. This was gradually scaled back. Much later when Hilton Garden Inn was developed, they followed Marriott's initial prototype and scaled back also. The new products such as Aloft, Hyatt Place but also Indigo have reinvented the public space and that may well be the formula for their success. A development budget is normally arrived at through a joint effort between the design and development team. We have reviewed in house use data for both product types and prepared an estimate. We also received on March 27th the most recent construction data on Aloft we had performed service on. As the chart that follows the total project cost before Developer/Entrepreneurial Profit is \$109,734 per room based on latest cost estimates and excluding any land cost. The Hyatt Place is approximately 18% higher in cost per unit at \$130,034 per suite before profit and the Full Service with international brand affiliation is estimated at \$152,679 per room. The Hyatt is estimated at 18% higher cost and the Full Service is about 39% higher than the Aloft. The added cost of the Hyatt Place is due to larger units, furnishings and more expensive design requirements. The greater cost of the Full Service is the absence of design and construction efficiencies that are the benefits of select service hotel product. Full Service typically have larger public and back of house spaces, and greater service requirements and significantly higher staffing levels. Other incentives may apply such, particularly if there was an agreement on Orange Hall, Plum Orchard or other such as the Façade Grant Program, Program for Rehabilitation and Maintenance that may assist in underwriting the cost of elements of the development. A project is of such important to St Marys that every avenue of incentive and concession should be considered for the SMIG project.

Table 11-1 Aloft, Hyatt Place, Full Service Cost 120 Unit Hotel.

	Aloft Estimate	Cost Per Room	Hyatt Place Estimate	Cost Per Room	Full Estimate	Cost Per Room
Site Works						
Site Work	420,000	3,500	420,000	3,500	420,000	3,500
Total Site Works	420,000	3,500	420,000	3,500	420,000	3,500
Hard Costs						
Building Construction (incl Kitchen Equipment)	9,360,000	78,000	11,400,000	95,000	13,200,000	110,000
Furniture, Fixtures & Equipment	1,020,000	8,500	1,080,000	9,000	1,440,000	12,000
Technology	288,000	2,400	312,000	2,600	360,000	3,000
Laundry Equipment	81,000	675	81,000	675	105,000	875
Operating Supplies & Equipment	48,000	400	72,000	600	96,000	800
Total Hard Costs	10,797,000	89,975	12,945,000	107,875	15,201,000	126,675
Subtotal Site & Hard Costs	11,217,000	93,475.00	13,365,000	111,375.00	15,621,000	130,175.00
Soft Costs						
Professional Fees	240,000	2,000	264,000	2,200	300,000	2,500
Permitting, Legal & Insurance	180,000	1,500	180,000	1,500	216,000	1,800
Project Management	144,000	1,200	156,000	1,300	180,000	1,500
Financing, Real Estate Taxes, Working Capital	360,000	3,000	396,000	3,300	432,000	3,600
PreOpening	400,000	3,333	500,000	4,167	700,000	5,833
Contingency 5%	627,050	5,225	743,050	6,192	872,450	7,270
Total Soft Costs	1,951,050	16,259	2,239,050	18,659	2,700,450	22,504
Total Project Cost	13,168,050	109,734	15,604,050	130,034	18,321,450	152,679
Developer/Entrepreneurial Profit @18%	2,370,249	19,752	2,808,729	23,406	3,297,861	27,482
Total Cost with Developer Profit	15,538,299	120,707	18,412,779	143,037	21,619,311	167,947
Source HCI						

12. FORECAST OF INCOME & EXPENSE

Table 12-1 Custom HOST Report Composite of Upscale Select Service Hotels 2011

STR #	PROPERTY NAME	ADDRESS	CITY	ST	ZIP	ROOMS	APR (\$)	PRICE	CHAIN SCALE	YEAR OPEN	LOCATION
60466	aloft Hotel Chapel Hill	1001 S Hamilton Rd	Chapel Hill	NC	27517	130	144	Upscale	Upscale	201004	Suburban
58080	aloft Hotel Jacksonville Airport	751 Skymarks Dr	Jacksonville	FL	32218	136	119	Economy	Upscale	200908	Airport
31633	Courtyard Asheville	1 Buckstone Pl	Asheville	NC	28805	78	114	Upscale	Upscale	199608	Small Metr
33227	Hyatt Place Atlanta Duluth Gwinnett	3530 Venture Pkwy	Duluth	GA	30096	123	136	Midprice	Upscale	199607	Suburban
36585	Hyatt Place Charlotte City Park	4119 S Stream Blvd	Charlotte	NC	28217	122	136	Upscale	Upscale	199807	Suburban
59410	Hyatt Place Fort Myers @ The Forum	2600 Champion Ring Rd	Fort Myers	FL	33905	148	99	Economy	Upscale	200910	Suburban
32343	Hyatt Place Greensboro	1619 Stanley Rd	Greensboro	NC	27407	124	136	Upscale	Upscale	199510	Suburban
34418	Hyatt Place Tampa Busch Gardens	11408 N 30th St	Tampa	FL	33612	126	126	Midprice	Upscale	199701	Suburban
48668	Courtyard Carolina Beach	100 Charlotte Ave	Carolina Beach	NC	28428	144	134	Upscale	Upscale	200307	Suburban
37701	Courtyard Charleston North Coliseum	2415 Mall Dr	North Charleston	SC	29406	123	129	Midprice	Upscale	199904	Airport
41654	Courtyard Cocoa Beach Cape Canavera	3435 N Atlantic Ave	Cocoa Beach	FL	32931	155	120	Upscale	Upscale	200101	Resort
47993	Courtyard Daytona Beach Airport	1605 Richard Petty Blvd	Daytona Beach	FL	32114	122	119	Upscale	Upscale	200304	Airport
33260	Courtyard Jacksonville Butler Boule	4670 Lenoir Ave S	Jacksonville	FL	32216	137	99	Midprice	Upscale	199704	Suburban
37927	Courtyard Myrtle Beach Broadway	1351 21st Ave N	Myrtle Beach	SC	29577	135	109	Midprice	Upscale	199903	Resort
30529	Courtyard Sarasota Bradenton	850 University Pkwy	Sarasota	FL	34234	81	99	Midprice	Upscale	199602	Airport
9641	Courtyard Savannah Midtown	6703 Abercorn St	Savannah	GA	31405	144	129	Midprice	Upscale	198512	Suburban
59554	Courtyard St Augustine I 95	2075 State Rd 16	St Augustine	FL	32084	98	119	Upscale	Upscale	200906	Suburban
27284	Courtyard St Petersburg Clearwater	3131 Executive Dr	Clearwater	FL	33762	149	94	Midprice	Upscale	198910	Airport
60276	Hampton Inn & Suites Jekyll Island	200 S Beachview Dr	Jekyll Island	GA	31527	138	139	Upscale	Upper Mid	201001	Resort
54889	Hilton Garden Inn Beaumont	3755 IH 10 S	Beaumont	TX	77705	100	124	Upscale	Upscale	200707	Suburban
39633	Hilton Garden Inn Charlotte Pinevil	425 Towne Centre Blvd	Pineville	NC	28134	112	114	Upscale	Upscale	200003	Suburban
57328	Hilton Garden Inn Roanoke Rapids	111 Carolina Xrds Pkwy	Roanoke Rapids	NC	27870	147	109	Midprice	Upscale	200802	Small Metr
59692	Hotel Indigo Asheville Downtown	151 Haywood St	Asheville	NC	28801	100	184	Upscale	Upscale	200911	Small Metr
Total Rooms -# hotels-						2872/23					

Job #:	73739	Occupancy:	65.4%
Props:	23	ADR:	\$95.82
Rooms:	2,872	RevPAR:	\$62.66

	Ratio to Sales ¹	Amount Per Available Room	Amount Per Occupied Room Night
REVENUE	%	\$	\$
Rooms	90.5 %	\$22,839	\$95.82
Food	5.1	1,291	\$5.42
Beverage	2.1	526	\$2.21
Other Food & Beverage	1.2	309	\$1.30
Telecommunications	0.1	21	\$0.09
Other Operated Departments	0.5	135	\$0.57
Rentals & Other Income	0.4	106	\$0.45
Cancellation Fee	0.0	6	\$0.02
TOTAL REVENUE	100.0 %	\$25,233	\$105.88
DEPARTMENTAL EXPENSES			
Rooms	27.4 %	\$6,253	\$26.24
Food & Beverage	102.4	2,179	\$9.13
Telecommunications	920.1	197	\$0.83
Other Operated Depts & Rentals	0.5	146	\$0.61
TOTAL DEPARTMENTAL EXPENSES	34.8 %	\$8,775	\$36.81
DEPARTMENTAL PROFITS			
Rooms	72.6 %	\$16,586	\$69.58
Food & Beverage	-2.4	-53	-\$0.20
Telecommunications	-820.0	-176	-\$0.74
Other Operated Depts & Rentals	99.5	101	\$0.43
TOTAL DEPARTMENTAL PROFITS	65.2 %	\$16,458	\$69.07
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	10.6 %	\$2,683	\$11.25
Marketing	8.3	2,102	\$8.82
Utility Costs	5.2	1,319	\$5.53
Property Operation & Maintenance	5.9	1,497	\$6.28
TOTAL UNDISTRIBUTED OPERATING EXPENSES	30.1 %	\$7,601	\$31.88
GROSS OPERATING PROFIT	35.1 %	\$8,857	\$37.19
Franchise Fees (Royalty)	2.6	646	\$2.71
Management Fees	3.7	943	\$3.96
INCOME BEFORE FIXED CHARGES	28.8 %	\$7,268	\$30.52
SELECTED FIXED CHARGES			
Property Taxes	2.9 %	\$743	\$3.12
Insurance	1.3	324	\$1.36
Reserve For Capital Replacement	3.3	841	\$3.53
AMOUNT AVAILABLE FOR DEBT SERVICE & OTHER FIXED CHARGES ²	21.3 %	\$5,360	\$22.51
SUPPLEMENTAL PAYROLL ANALYSIS ³			
Rooms	16.6 %	\$3,799	\$15.92
Total Food and Beverage	43.7	931	\$3.90
Telecommunications			
Other Operated Departments			
Administrative & General	4.6	1,171	\$4.91
Marketing	2.4	614	\$2.54
Property Operations & Maintenance	2.5	638	\$2.68
TOTAL PAYROLL & RELATED EXPENSES	28.1 %	\$7,099	\$29.75
SUPPLEMENTAL FOOD & BEVERAGE INFORMATION ³			
Cost of Food Sales	55.0 %	\$711	\$2.98
Cost of Beverage Sales	31.7	173	\$0.72
Total Cost of F&B Sales	41.3	878	\$3.68
Food & Beverage Payroll	43.7	931	\$3.90
Food & Beverage Other Expenses	18.6	390	\$1.62

¹ Rooms, F&B, and Telecommunications expense ratios to sales for departmental expenses and profits are based on their respective departmental revenues. All other expenses are based on total revenue.

² Other Fixed Charges include Depreciation and Amortization, Interest, Rent, and Equipment Leases

³ Payroll and Costs of Sales are included in expenses. Amounts shown here are for additional detail only.

Not all HOST participants provide detailed data on payroll and F&B costs; therefore, the following supplemental analyses provide the ratios for only these hotels in the samples that reported detailed information. Consequently, the amounts may not tie to the departmental figures provided.

The 23 hotels, selected and available in STRs HOST database, boast an occupancy level of 65.4% and a \$62.66 ADR for 2011. Included are two Aloft Hotels, a 130 room Aloft in Chapel Hill, NC and the 136 Aloft Hotel Jacksonville Airport, Florida. The composite also includes five Hyatt Place Hotels that are also located in North Carolina and Florida and ten Courtyard by Marriott, three Hilton Garden Inns and a Hotel Indigo Asheville in North Carolina. The composites total revenues is \$25,233 per room of which 90.5% or \$22,839 represented rooms' revenue. We anticipate that the subject property, as a select service or full service will have greater income attributable to other departments as it has more full services facilities and amenities. It also has an boat dock and proposed 16 slip (now 8) operation that will generate income. Total department expenses for the set were 34.8% for a total department profit of 65.2%. Gross Operating profit after undistributed operating income was 35.1% or \$8,857 per available room. The amount available for debt services amounted to 21.3% of revenue.

INCOME ANALYSIS AND FEASIBILITY

As a proposed hotel we relied mostly upscale select service comparable income and expense statements within our in house data-base of operating statements as well as the composite for select service. In addition, I interviewed Ambridge Hospitality senior management as well as the Vice President Development for Starwood Hotels and Resorts. Aimbridge shared with me confidential income and expense items for most of the nine Aloft's they manage. This company is a leader in managing select service hotels and is the most knowledgeable team on the Aloft concept and its marketing and operations. I adjusted property insurance estimates to take account of the higher cost of insuring an individual property over a portfolio. I also evaluated a proposed Aloft for another client and interviewed the management company and more recently obtained up to date construction information on Aloft. The Vice President Development for Starwood Hotels and Resorts was interviewed and he shared on a confidential basis statistics on Aloft revenues, staffing levels and some other operating data. Separately we considered other statements full service hotels that were useful in gauging likely income and expense.

A property's fixed and variable components are individually determined by numerous operating and management decisions. Furthermore, these components fluctuate significantly over various ranges of business volume and over different components of change. For example, Administrative and General expenses will fluctuate less dramatically, on a relative basis, over a small increase in occupancy when compared with a large increase. Where applicable, we have adjusted the fixed and variable components of each department to reflect the operating characteristics of a hotel like the subject property.

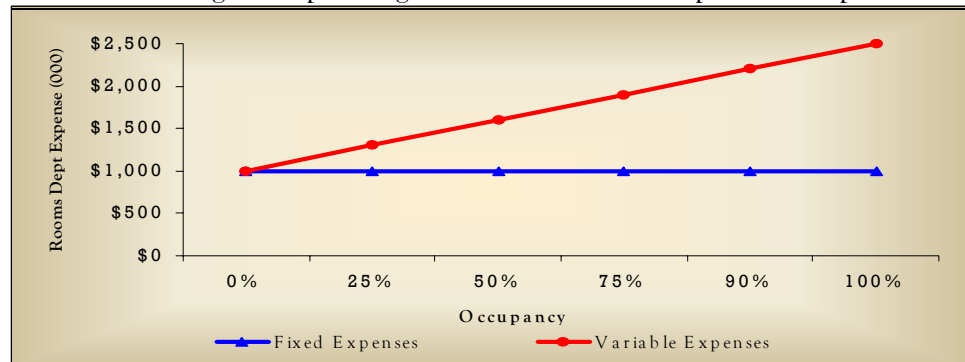
In forecasting revenues and expenses for a lodging facility, HCI uses a fixed and variable component model. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating the fixed and variable component. The fixed component remains constant while the variable component is adjusted for the percent change between the projected occupancy and facility usage that produced the known level of revenue or expense. The process of forecasting revenues and expenses via

the fixed and variable model is accomplished through a series of seven steps outlined as follows.

1. The fixed and variable percentages of each income and expense item are estimated based on historical operating trends, marketing campaigns, and comparable operating statements.
2. The index of variability refers to the factor that controls the movement of the variable component. The variable component of undistributed operating expenses and fixed expenses is correlated to total projected revenue.
3. Each individual line item is projected separately. The fixed component is calculated by multiplying the appropriate fixed percentage by the inflated base year revenue or expense for the corresponding projected year.
4. The variable components are assumed to be in accordance with the index of variability. The amount of change is quantified by dividing the appropriate projected index of variability by the index of variability for the base year.
5. The unadjusted variable component is calculated by multiplying the appropriate base revenue or expense category for the projection year by the variable percentage.
6. The unadjusted variable component is adjusted for variability resulting as the adjusted variable component.
7. The forecasted revenue or expense is the total of the fixed component and the adjusted variable component.

The following chart represents the relationship between fixed and variable expenses for a hotel. The horizontal line at \$1,000 represents the fixed expenses, which remains constant at every level of occupancy. The variable expenses, depicted as the red slope in Chart 12-2 represent changing levels in expense as directly correlated with occupancy levels.

Chart 12-2 Range of Operating Performance for Comparable Properties



The forecast of income and expense is expressed in current dollars for each year. Income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand. As well as any non-recurring conditions that may result in unusual revenues or expenses. For each scenario we have used a **ten year discounted cash flow analysis** in which the annual net income before debt service and the reversionary proceeds following a sale at the end of the tenth year are discounted back to the date of the investment valuation at an overall discount rate, and then totaled to produce an indication of the present worth of future benefits. Table 12-3 represents our ten year projections of income and expense for the subject property as of September 1st 2015, our estimated date of opening. The opening estimate and all revenues, expenses valuation parameters have been independently developed by Thomas O'Neill. The primary sources have been our own inhouse data and expertise. We also had the benefit of actual market and financial data derived from interviews with Starwood Hotels & Resorts, Ambridge Hospitality, other hotel owners/managers and hotel real estate participants. The subject may be operational up to six months in advance of the date of value without a change to our conclusion. All projections are expressed in inflated dollars, and the value estimate represents dollars as of the date of valuation. We have factored into our analysis the operation of dock and 16 slips. We have also considered a more vibrant waterfront and using Waterfront and Howard Gilman Memorial Park.

The property tax rate tax rates are as follows- The State of Georgia (0.25 Millage Rate), St. Marys (5.351 Millage Rate), Camden County (11.70 Millage Rate), Board of Education (15.50 Millage Rate). We have credited the property tax rate with a hypothetical tax rebate of 25% for nine years. The property tax burden at \$157,000 in the fifth and stabilized year remains high in a weak market. We have used a higher tax rate for the full service property.

The development cost of the hotel is presented in the Chapter 11 for each scenario. With Cost Comparison Approach for each scenario an Aloft, Hyatt Place and an Upscale Full Service at \$13,168,050, \$15,604,050 and \$18,321,450 respectively without land and profit, the maximum benefit at the 25% ceiling is \$3,292,013, \$3,901,013 and \$4,580,363 respectively. Thus under the Georgia Tourism Development Act and with Georgia State Sales Tax is 4% in the Aloft Scenario the benefit represents \$129,000 in year 1, \$150,000 in year 2, \$166,000 in year 3, \$181,000 in year four as high as and to \$210,000 in year 10 and does not meet the \$3,271,270 threshold. It does not meet the threshold in any scenario. Should the hotel perform better than we have forecast there will be additional savings There

are other revenues from other facilities that should benefit from this tax credit also.

The project, once operational, will employ at least 38 staff and will benefit from the Military Zone Tax Credit. The employment levels will increase over 30% if the concessions stated below are included. We will use 40 employees in our analysis and the credit amounts to \$140,000 for each year, we have however used a higher staff level of 50 in the full service hotel and credited \$175,000. We assume as long as the base is in St Marys the credit will continue. There are other incentives also but they do not apply to the income and expense statement. . We have been conservative and have not included for instance the Employment Incentive Program (EIP) that may benefit the project.

A similar analysis was performed on the hotel as an Aloft and a Hyatt Place. The line items selected were specific to the Aloft and Hyatt Place concept and we relied on the STR Host Report within this report in addition to our in-house database of select service hotel that included the Aloft and Hyatt Place brand. We have evaluated both these brands before. We did consider that the Hyatt Place units are all-suites and typically command higher rooms rates albeit their room expense are little higher than Aloft. We also considered higher revenues particularly in food and beverage and meeting, banqueting for the full service hotel along with higher expenses. The following is our ten year forecast for the subject hotel under three scenarios- as an upscale full service hotel, and Aloft and a Hyatt Place.

Table 12-3 Forecast – Income and Expense Hotel Option One Proposed Upscale Full Service St Marys

Fiscal Year:	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/05	
No. of Rooms:	120		120		120		120		120		120		120		120		120		120	
No. of Occupied Rooms:	21,900		23,652		24,090		26,280		26,280		26,280		26,280		26,280		26,280		26,280	
Occupancy:	50%		54%		55%		60%		60%		60%		60%		60%		60%		60%	
Average Rate:	\$133.95	% of	\$155.22	% of	\$168.75	% of	\$182.96	% of	\$188.45	% of	\$194.11	% of	\$199.93	% of	\$205.93	% of	\$212.11	% of	\$218.47	% of
RevPAR:	\$66.98	Gross	\$83.82	Gross	\$92.81	Gross	\$109.78	Gross	\$113.07	Gross	\$116.46	Gross	\$119.96	Gross	\$123.56	Gross	\$127.26	Gross	\$131.08	Gross
REVENUE																				
Rooms	\$2,934	63.5 %	\$3,671	68.5 %	\$4,065	69.3 %	\$4,808	72.2 %	\$4,953	72.2 %	\$5,101	72.2 %	\$5,254	72.2 %	\$5,412	72.2 %	\$5,574	72.2 %	\$5,741	72.2 %
Food	993	21.5	972	18.1	1,053	18.0	1,085	16.3	1,118	16.3	1,151	16.3	1,186	16.3	1,221	16.3	1,258	16.3	1,296	16.3
Beverage	322	7.0	334	6.2	344	5.9	357	5.4	368	5.4	379	5.4	391	5.4	402	5.4	414	5.4	427	5.4
Telephone Revenue	38	0.8	42	0.8	44	0.8	49	0.7	50	0.7	51	0.7	53	0.7	55	0.7	56	0.7	58	0.7
Other Income	331	7.2	341	6.4	351	6.0	362	5.4	373	5.4	384	5.4	396	5.4	407	5.4	420	5.4	432	5.4
Total	4,618	100.0 %	5,360	100.0 %	5,857	100.0 %	6,661	100.0 %	6,862	100.0 %	7,066	100.0 %	7,280	100.0 %	7,497	100.0 %	7,722	100.0 %	7,954	100.0 %
DEPARTMENTAL EXPENSES*																				
Rooms	1,092	37.2 %	1,044	28.4 %	1,081	26.6 %	1,144	23.8 %	1,179	23.8 %	1,214	23.8 %	1,251	23.8 %	1,288	23.8 %	1,327	23.8 %	1,366	23.8 %
Food & Beverage	921	70.0	901	69.0	950	68.0	1,123	77.9	1,157	77.9	1,192	77.9	1,227	77.8	1,264	77.9	1,302	77.9	1,341	77.8
Telecommunication	63	165.8	66	157.1	69	156.8	72	146.9	75	150.0	77	151.0	79	149.1	81	147.3	84	150.0	86	148.3
Other Income	66	19.9	68	19.9	70	19.9	72	19.9	75	20.1	77	20.0	79	20.0	81	19.9	84	20.0	86	19.9
Total	2,142	46.4 %	2,079	38.8 %	2,170	37.0 %	2,411	36.2 %	2,486	36.2 %	2,560	36.2 %	2,636	36.2 %	2,714	36.2 %	2,797	36.2 %	2,879	36.2 %
DEPARTMENTAL INCOME	2,477	53.6 %	3,281	61.2 %	3,687	63.0 %	4,250	63.8 %	4,376	63.8 %	4,506	63.8 %	4,644	63.8 %	4,783	63.8 %	4,925	63.8 %	5,075	63.8 %
OPERATING EXPENSES																				
Administrative & General	645	14.0 %	688	12.8 %	721	12.3 %	767	11.5 %	790	11.5 %	814	11.5 %	838	11.5 %	864	11.5 %	889	11.5 %	916	11.5 %
Management Fee	162	3.5	188	3.5	205	3.5	233	3.5	240	3.5	247	3.5	255	3.5	262	3.5	270	3.5	278	3.5
Marketing	387	8.4	413	7.7	433	7.4	460	6.9	474	6.9	488	6.9	503	6.9	518	6.9	534	6.9	550	6.9
Franchise Fees	88	1.9	184	3.4	203	3.5	240	3.6	272	4.0	281	4.0	269	3.7	277	3.7	285	3.7	294	3.7
Property Oper. & Maint.	323	7.0	344	6.4	361	6.2	384	5.8	395	5.8	407	5.8	419	5.8	432	5.8	445	5.8	458	5.8
Utility Cost	231	5.0	240	4.5	249	4.3	260	3.9	267	3.9	275	3.9	284	3.9	292	3.9	301	3.9	310	3.9
Total	1,836	39.8 %	2,056	38.3 %	2,172	37.2 %	2,344	35.2 %	2,438	35.6 %	2,512	35.6 %	2,568	35.3 %	2,645	35.3 %	2,724	35.3 %	2,806	35.3 %
HOUSE PROFIT	640	13.8 %	1,224	22.9 %	1,515	25.8 %	1,906	28.6 %	1,938	28.2 %	1,994	28.2 %	2,076	28.5 %	2,138	28.5 %	2,201	28.5 %	2,269	28.5 %
FIXED EXPENSES																				
Property Taxes	159	3.4 %	180	3.4 %	185	3.2 %	191	2.9 %	197	2.9 %	203	2.9 %	209	2.9 %	215	2.9 %	221	2.9 %	285	3.6 %
Insurance	93	2.0	96	1.8	99	1.7	102	1.5	105	1.5	108	1.5	111	1.5	115	1.5	118	1.5	122	1.5
Reserve for Replacement	162	3.5	188	3.5	205	3.5	233	3.5	240	3.5	247	3.5	255	3.5	262	3.5	270	3.5	278	3.5
GA Tourism Dev Act	(185)	0	(214)	0	(234)	0	(266)	0	(274)	0	(283)	0	(291)	0	(300)	0	(309)	0	(318)	0
Military Zone Tax Credit	(175)	(4)	(175)	(3)	(175)	(3)	(175)	(3)	(175)	(3)	(175)	(3)	(175)	(2)	(175)	(2)	(175)	(2)	(175)	(2)
Total	54	5.1 %	74	5.4 %	80	5.4 %	85	5.3 %	92	5.3 %	100	5.4 %	109	5.5 %	117	5.6 %	126	5.6 %	192	6.4 %
NET INCOME	\$587	12.7 %	\$1,150	21.5 %	\$1,435	24.5 %	\$1,821	27.3 %	\$1,846	26.9 %	\$1,894	26.8 %	\$1,967	27.0 %	\$2,021	27.0 %	\$2,075	26.9 %	\$2,077	26.1 %
*Departmental expense ratios are expressed as a percentage of departmental revenues																				

Table 12-4 Forecast – Income and Expense, Proposed Aloft St Marys

Fiscal Year:	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/05	
No. of Rooms:	120		120		120		120		120		120		120		120		120		120	
No. of Occupied Rooms:	22,776		24,528		25,404		26,280		26,280		26,280		26,280		26,280		26,280		26,280	
Occupancy:	52%		56%		58%		60%		60%		60%		60%		60%		60%		60%	
Average Rate:	\$92.38	% of	\$107.05	% of	\$116.38	% of	\$126.18	% of	\$129.97	% of	\$133.87	% of	\$137.88	% of	\$142.02	% of	\$146.28	% of	\$150.67	% of
RevPAR:	\$48.04	Gross	\$59.95	Gross	\$67.50	Gross	\$75.71	Gross	\$77.98	Gross	\$80.32	Gross	\$82.73	Gross	\$85.21	Gross	\$87.77	Gross	\$90.40	Gross
REVENUE																				
Rooms	\$2,104	65.6 %	\$2,626	70.0 %	\$2,957	71.4 %	\$3,316	73.0 %	\$3,416	73.0 %	\$3,518	73.0 %	\$3,624	73.0 %	\$3,732	73.0 %	\$3,844	73.0 %	\$3,960	73.0 %
Food	496	15.4	485	13.0	527	12.7	543	12.0	559	12.0	576	12.0	593	12.0	611	12.0	629	12.0	648	12.0
Beverage	323	10.0	335	8.9	346	8.4	357	7.9	368	7.9	379	7.9	391	7.9	402	7.9	414	7.9	427	7.9
Telephone Revenue	26	0.8	29	0.8	30	0.7	32	0.7	33	0.7	34	0.7	35	0.7	36	0.7	37	0.7	39	0.7
Other Income	265	8.2	273	7.3	281	6.8	289	6.4	298	6.4	307	6.4	316	6.4	325	6.4	335	6.4	345	6.4
Total	3,214	100.0 %	3,748	100.0 %	4,141	100.0 %	4,537	100.0 %	4,674	100.0 %	4,814	100.0 %	4,959	100.0 %	5,106	100.0 %	5,259	100.0 %	5,419	100.0 %
DEPARTMENTAL EXPENSES*																				
Rooms	860	40.9 %	832	31.7 %	866	29.3 %	902	27.2 %	929	27.2 %	957	27.2 %	985	27.2 %	1,015	27.2 %	1,045	27.2 %	1,077	27.2 %
Food & Beverage	573	70.0	566	69.0	594	68.0	614	68.2	633	68.3	652	68.3	671	68.2	691	68.2	712	68.3	734	68.3
Telecommunication	42	161.5	45	155.2	46	153.3	48	150.0	50	151.5	51	150.0	53	151.4	54	150.0	56	151.4	58	148.7
Other Income	53	20.0	55	20.1	56	19.9	58	20.1	60	20.2	61	19.9	63	19.9	65	20.0	67	20.0	69	20.0
Total	1,528	47.6 %	1,498	40.0 %	1,562	37.7 %	1,622	35.8 %	1,672	35.8 %	1,721	35.8 %	1,772	35.7 %	1,825	35.7 %	1,880	35.7 %	1,938	35.8 %
DEPARTMENTAL INCOME	1,686	52.4 %	2,250	60.0 %	2,579	62.3 %	2,915	64.2 %	3,002	64.2 %	3,093	64.2 %	3,187	64.3 %	3,281	64.3 %	3,379	64.3 %	3,481	64.2 %
OPERATING EXPENSES																				
Administrative & General	340	10.6 %	360	9.6 %	378	9.1 %	396	8.7 %	408	8.7 %	420	8.7 %	433	8.7 %	446	8.7 %	459	8.7 %	473	8.7 %
Management Fee	112	3.5	131	3.5	145	3.5	159	3.5	164	3.5	168	3.5	174	3.5	179	3.5	184	3.5	190	3.5
Marketing	255	7.9	270	7.2	284	6.9	297	6.5	306	6.5	315	6.5	325	6.6	334	6.5	344	6.5	355	6.6
Franchise Fees	63	2.0	131	3.5	148	3.6	166	3.7	188	4.0	193	4.0	206	4.2	212	4.2	218	4.1	225	4.2
Property Oper. & Maint.	182	5.7	193	5.2	203	4.9	212	4.7	219	4.7	225	4.7	232	4.7	239	4.7	246	4.7	253	4.7
Utility Cost	181	5.6	188	5.0	195	4.7	202	4.5	208	4.5	214	4.4	221	4.5	227	4.4	234	4.4	241	4.4
Total	1,133	35.3 %	1,273	34.0 %	1,353	32.7 %	1,432	31.6 %	1,493	31.9 %	1,535	31.8 %	1,591	32.2 %	1,637	32.0 %	1,685	31.9 %	1,737	32.1 %
HOUSE PROFIT	553	17.1 %	977	26.0 %	1,227	29.6 %	1,483	32.6 %	1,509	32.3 %	1,558	32.4 %	1,596	32.1 %	1,644	32.3 %	1,694	32.4 %	1,744	32.1 %
FIXED EXPENSES																				
Property Taxes	127	4.0 %	144	3.8 %	148	3.6 %	153	3.4 %	157	3.4 %	162	3.4 %	167	3.4 %	172	3.4 %	177	3.4 %	228	4.2 %
Insurance	53	1.6	55	1.5	57	1.4	58	1.3	60	1.3	62	1.3	64	1.3	66	1.3	68	1.3	70	1.3
Reserve for Replacement	112	3.5	131	3.5	145	3.5	159	3.5	164	3.5	168	3.5	174	3.5	179	3.5	184	3.5	190	3.5
GA Tourism Dev Act	(129)	0	(150)	0	(166)	0	(181)	0	(187)	0	(193)	0	(198)	0	(204)	0	(210)	0	(217)	0
Military Zone Tax Credit	(140)	(4)	(140)	(4)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)
Total	24	4.7 %	40	5.1 %	45	5.1 %	48	5.1 %	54	5.2 %	60	5.3 %	67	5.4 %	73	5.5 %	79	5.5 %	131	6.4 %
NET INCOME	\$528	16.4 %	\$937	25.0 %	\$1,182	28.5 %	\$1,435	31.6 %	\$1,454	31.1 %	\$1,498	31.1 %	\$1,529	30.8 %	\$1,572	30.8 %	\$1,615	30.7 %	\$1,613	29.8 %
*Departmental expense ratios are expressed as a percentage of departmental revenues																				

Table 12-5 Forecast – Income and Expense, Proposed Hyatt Place St Marys

Fiscal Year:	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/05	
No. of Rooms:	120		120		120		120		120		120		120		120		120		120	
No. of Occupied Rooms:	21,900		24,090		24,528		26,280		26,280		26,280		26,280		26,280		26,280		26,280	
Occupancy:	50%		55%		56%		60%		60%		60%		60%		60%		60%		60%	
Average Rate:	\$110.86	% of	\$128.45	% of	\$139.66	% of	\$151.42	% of	\$155.96	% of	\$160.64	% of	\$165.46	% of	\$170.42	% of	\$175.54	% of	\$180.80	% of
RevPAR:	\$55.43	Gross	\$70.65	Gross	\$78.21	Gross	\$90.85	Gross	\$93.58	Gross	\$96.38	Gross	\$99.28	Gross	\$102.25	Gross	\$105.32	Gross	\$108.48	Gross
REVENUE																				
Rooms	\$2,428	77.3 %	\$3,094	81.1 %	\$3,426	81.8 %	\$3,979	83.4 %	\$4,099	83.4 %	\$4,222	83.4 %	\$4,348	83.4 %	\$4,479	83.4 %	\$4,613	83.4 %	\$4,751	83.4 %
Food	331	10.5	324	8.5	351	8.4	362	7.6	373	7.6	384	7.6	395	7.6	407	7.6	419	7.6	432	7.6
Beverage	258	8.2	268	7.0	276	6.6	286	6.0	295	6.0	303	6.0	312	6.0	322	6.0	331	6.0	341	6.0
Telephone Revenue	25	0.8	28	0.7	30	0.7	32	0.7	33	0.7	34	0.7	35	0.7	36	0.7	37	0.7	39	0.7
Other Income	99	3.2	102	2.7	105	2.5	109	2.3	112	2.3	116	2.3	119	2.3	123	2.3	126	2.3	130	2.3
Total	3,141	100.0 %	3,816	100.0 %	4,188	100.0 %	4,768	100.0 %	4,912	100.0 %	5,059	100.0 %	5,209	100.0 %	5,367	100.0 %	5,526	100.0 %	5,693	100.0 %
DEPARTMENTAL EXPENSES*																				
Rooms	960	39.5 %	923	29.8 %	955	27.9 %	1,006	25.3 %	1,036	25.3 %	1,067	25.3 %	1,099	25.3 %	1,132	25.3 %	1,166	25.3 %	1,201	25.3 %
Food & Beverage	412	70.0	408	69.0	426	68.0	505	77.9	521	78.0	536	78.0	552	78.1	569	78.1	586	78.1	604	78.1
Telecommunication	42	168.0	44	157.1	46	153.3	48	150.0	50	151.5	51	150.0	53	151.4	54	150.0	56	151.4	58	148.7
Other Income	20	20.2	20	19.6	21	20.0	22	20.2	22	19.6	23	19.9	24	20.1	24	19.6	25	19.8	26	20.0
Total	1,434	45.7 %	1,395	36.6 %	1,448	34.6 %	1,581	33.2 %	1,629	33.2 %	1,677	33.2 %	1,728	33.2 %	1,779	33.1 %	1,833	33.2 %	1,889	33.2 %
DEPARTMENTAL INCOME	1,707	54.3 %	2,421	63.4 %	2,740	65.4 %	3,187	66.8 %	3,283	66.8 %	3,382	66.8 %	3,481	66.8 %	3,588	66.9 %	3,693	66.8 %	3,804	66.8 %
OPERATING EXPENSES																				
Administrative & General	370	11.8 %	397	10.4 %	417	10.0 %	442	9.3 %	455	9.3 %	469	9.3 %	483	9.3 %	498	9.3 %	513	9.3 %	528	9.3 %
Management Fee	110	3.5	134	3.5	147	3.5	167	3.5	172	3.5	177	3.5	182	3.5	188	3.5	193	3.5	199	3.5
Marketing	308	9.8	331	8.7	347	8.3	368	7.7	380	7.7	391	7.7	403	7.7	415	7.7	427	7.7	440	7.7
Franchise Fees	73	2.3	155	4.1	171	4.1	199	4.2	225	4.6	232	4.6	237	4.5	244	4.5	251	4.5	259	4.5
Property Oper. & Maint.	222	7.1	238	6.2	250	6.0	265	5.6	273	5.6	281	5.6	290	5.6	299	5.6	308	5.6	317	5.6
Utility Cost	195	6.2	204	5.3	211	5.0	219	4.6	226	4.6	233	4.6	240	4.6	247	4.6	254	4.6	262	4.6
Total	1,278	40.7 %	1,459	38.2 %	1,543	36.9 %	1,660	34.9 %	1,731	35.3 %	1,783	35.3 %	1,835	35.2 %	1,891	35.2 %	1,946	35.2 %	2,005	35.2 %
HOUSE PROFIT	429	13.6 %	961	25.2 %	1,196	28.5 %	1,527	31.9 %	1,552	31.5 %	1,599	31.5 %	1,646	31.6 %	1,697	31.7 %	1,747	31.6 %	1,799	31.6 %
FIXED EXPENSES																				
Property Taxes	127	4.0 %	144	3.8 %	148	3.5 %	153	3.2 %	157	3.2 %	162	3.2 %	167	3.2 %	172	3.2 %	177	3.2 %	228	4.0 %
Insurance	67	2.1	69	1.8	71	1.7	73	1.5	75	1.5	77	1.5	80	1.5	82	1.5	84	1.5	87	1.5
Reserve for Replacement	110	3.5	134	3.5	147	3.5	167	3.5	172	3.5	177	3.5	182	3.5	188	3.5	193	3.5	199	3.5
GA Tourism Dev Act	(126)	0	(153)	0	(168)	0	(191)	0	(196)	0	(202)	0	(208)	0	(215)	0	(221)	0	(228)	0
Military Zone Tax Credit	(140)	(5)	(140)	(4)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)	(140)	(3)
Total	38	5.1 %	54	5.4 %	58	5.4 %	62	5.3 %	68	5.3 %	74	5.4 %	81	5.5 %	87	5.6 %	93	5.7 %	146	6.5 %
NET INCOME	\$390	12.4 %	\$907	23.8 %	\$1,138	27.2 %	\$1,465	30.7 %	\$1,484	30.2 %	\$1,525	30.1 %	\$1,565	30.0 %	\$1,609	30.0 %	\$1,654	29.9 %	\$1,653	29.0 %
*Departmental expense ratios are expressed as a percentage of departmental revenues																				

INCOME VALUATION INDICATION: DISCOUNTED CASH FLOW METHOD

In the Sales Comparison Approach section of this report, we examine the conclusion of a study conducted by CBRE who tracked historical sales data covering U.S. transactions from 2009 through 3rd Quarter (Q3) 2012. The results represent select completed sale transactions with reported prices and rates-of-return indications (overall capitalization rates). They concluded with an Overall Capitalization Rate average of 7.95%. According to CBRE between 2009 and 2011, overall rates for full-service hotels moved from 8.27% to 7.43% a net change of 84 basis points. Overall rates for limited-service hotels/resorts moved from 9.46% in 2009 to 8.95% in 2011, a net change of 51 basis points. Through Q3 2012 YTD, overall rates averaged 9.85 percent—again, a moderate change from year-end 2011, and an increase from the previous quarter YTD result. One reason for the increase in Q3 YTD 2012 overall rates for the data set was an increase in activity of limited-service sales in secondary locations compared to more core locations seen in 2011. Our analysis assumes a hypothetical sale of the subject at the end of the 10th year. We believe that the subject should trade at overall capitalization rates of 10% to 11%, at the terminal year which is ten years from the forecast commencement date. For full service hotels the range has been 7.43% to 8.27%. We have utilized a terminal cap rate of 11% at the end of the 10th year to reflect the expiration of the incentives on the property, the history of the local market and the expectations for the economy in the longer term. For the terminal year we have also used Brokers/Legal Fees of 3%. Moreover we have used 12.5% as our Equity Yield rate for valuing the cash flows to the equity position over the ten year forecast period. We have used a 7.5% interest rate and 65% loan to value and the blended discount rate. The blended discount rate in our analysis calculates at 12.5% over the projection period.

DCF ANALYSIS AS A FULL SERVICE HOTEL 120 ROOMS

Thus, the following tables presents our discounted cash flow analysis sand value indication conclusion for the subject property as a full eservice utilizing these rates for year commencing September 1 2015, the assumed completion date. We have used valuation parameters as presented previously.

Table 12-6 Discounted Cash Flow Analysis Full Service Hotel 120 Rooms

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/05
Net Income (+000)	\$587	\$1,150	\$1,435	\$1,821	\$1,846	\$1,894	\$1,967	\$2,021	\$2,075	\$38,276
Discount Factor at 12.50%	0.888888889	0.7901235	0.702332	0.6242951	0.554929	0.4932702	0.4384624	0.3897443	0.3464394	0.3079461
Discounted Cash Flow (+000)	\$522	\$909	\$1,008	\$1,137	\$1,024	\$934	\$862	\$788	\$719	\$11,787
Present Value of Future Benefits								11th-Year Net Income (+000)	\$2,137	
Value "As Improved	\$19,689,760							Capitalization Rate	11.0%	
(Rounded)	\$19,690,000							Total Sales Proceeds (+000)		\$19,430
Less Capital Program	\$0							Less: Brokerage & Legal Fees at 3.0% (+000)		\$583
Value Indication via Income	\$19,690,000							Net Sales Proceeds (+000)		\$18,847
(Rounded)	\$19,700,000							10th-Year Net Income (+000)		\$19,430
								10th-Year Cash Flows (+000)		\$38,276
*Tenth-year net income of (+000)	\$2,077	is sales proceeds of (+000)		\$18,847						

DCF ANALYSIS AS AN HYATT PLACE 120 ROOMS

Finally we conducted a similar DCF analysis for the subject as a Hyatt Place and the following table presents our discounted cash flow analysis and income valuation indication for the subject property as a Hyatt Place . We utilized the same valuation parameters as we did for the other two scenarios Utilizing these rates for year commencing September 1, 2015, the following is our analysis.

Table 12-8 Discounted Cash Flow Analysis Hyatt Place 120 Rooms

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/05	
Net Income (+000)	\$390	\$907	\$1,138	\$1,465	\$1,484	\$1,525	\$1,565	\$1,609	\$1,654	\$30,510	
Discount Factor at 12.50%	0.88888889	0.7901235	0.702332	0.6242951	0.554929	0.4932702	0.4384624	0.3897443	0.3464394	0.3079461	
Discounted Cash Flow (+000)	\$347	\$717	\$799	\$915	\$824	\$752	\$686	\$627	\$573	\$9,396	
Present Value of Future Benefits							11th-Year Net Income (+000)				\$1,704
Value "As Improved	\$15,634,734						Capitalization Rate				11.0%
(Rounded)	\$15,635,000						Total Sales Proceeds (+000)				\$15,487
Less Capital Program	\$0						Less: Brokerage & Legal Fees at 3.0% (+000)				\$465
Value Indication via Income	\$15,635,000						Net Sales Proceeds (+000)				\$15,023
(Rounded)	\$15,600,000						10th-Year Net Income (+000)				\$15,487
						10th-Year Cash Flows (+000)				\$30,510	
*Tenth-year net income of (+000)	\$1,653 is sales proceeds of (+000)			\$15,023							

13. RECONCILIATION OF VALUE INDICATIONS AND CONCLUSIONS

The reconciliation, which is the last step in the feasibility process, involves summarizing and correlating the data and procedures employed throughout the analysis. The final conclusion of feasibility is arrived at after reviewing the estimates indicated by the cost, sales comparison, and income capitalization approaches. The relative significance, applicability, and defensibility of each indicated value are considered, and the greatest weight is given to that approach deemed most appropriate for the property being evaluated. Our analysis involves a careful study of the property itself and the economic, demographic, political, physical, and environmental factors that influence real estate. We included a detailed study of St Marys and presented our conclusion of the city as a potential destination. We also considered the investor /developer incentives and concessions and have commented how they have been factored into the analysis. We have not included all incentives and concessions only those stated and verifiable.

INVESTOR/DEVELOPER INCENTIVES

The following are the incentives and a comment is entered on action taken:

Property Tax Assessment Program/Abatement

Typically applies to historic buildings. The subject property is not an historic building but is an integral part of the restoration of the section of the historic district that needs restoration- the waterfront to Ready Street.

Comment/Action; *The property tax rates are as follows- The State of Georgia (0.25 Millage Rate), St. Marys (5.351 Millage Rate), Camden County (11.70 Millage Rate), Board of Education (15.50 Millage Rate). The combined mill rate is 32.801 per \$1,000 in value. We have reduced the assessment by 25% for 9 years as abatement. The property tax burden does impact the feasibility of the project. The rebate included in the analysis is only 25% and increasing this will provide greater feasibility for the project. For example perhaps Camden County could be included in the abatement.*

HB 0234 - Georgia Tourism Development Act:

This bill creates the Georgia Tourism Development Act to promote the development of new tourism attractions or expansions of existing tourism attractions that are supported by at least 25 percent from out of state visitors. It authorizes the incremental increase in state and county/city sales tax generated from the project to be applied toward a tax refund up to 25% of the project costs over a ten year period. To qualify the project must have a cost in excess of \$1 million, be approved by the local governing authority, the Governor and enter into an agreement with the Department of

Community Affairs. Tourism projects include cultural or historic sites, recreation or entertainment venues, and convention and hotel conference centers.

Comment/Action; *The development cost of the hotel is presented in the Chapter 11 for each scenario. With Cost Comparison Approach for each scenario an Aloft, Hyatt Place and an Upscale Full Service at \$13,168,050, \$15,604,050 and \$18,321,450 respectively without land and profit, the maximum benefit at the 25% ceiling is \$3,292,013, \$3,901,013 and \$4,580,363 respectively. Thus under the Georgia Tourism Development Act and with Georgia State Sales Tax is 4% in the Aloft Scenario the benefit represents \$129,000 in year 1, \$150,000 in year 2, \$166,000 in year 3, \$181,000 in year four as high as and to \$210,000 in year 10 and does not meet the \$3,271,270 threshold. It does not meet the threshold in any scenario. Should the hotel perform better than we have forecasted there will be additional savings. There are other revenues from other facilities that should benefit from this tax credit also.*

Military Zone Tax Credit: Businesses locating within the Military Zone and creating at least two full-time jobs can take advantage of a tax credit of \$3500 per job claimed against their Georgia Income Tax liability.

Comment/Action; *The project, once operational will employ at least 40 staff for the upscale select service and 50 for the full service hotel. The employment levels will increase over 30% if the concessions stated below are included. We will use 40/50 employees in our analysis and the credit amounts to \$140,000 and \$175,000 for each year. We assume as long as the naval base is in St Marys, the credit will continue.*

Employment Incentive Program (E.I.P.): The EIP is a financing program that may be used in conjunction with traditional private financing to carry out economic development projects which will result in employment of low and moderate income persons. Many types of projects can be financed with EIP funding. However, projects creating opportunities for low and moderate income persons to advance themselves by obtaining employment, greater job security, better working conditions, job training, enhancement of workplace skills and advancement opportunities receive the greatest consideration.

Comment/Action; *the project may meet the criteria specified. This program has not been factored into our analysis. No action taken.*

Redevelopment Fund: Redevelopment projects can be the most challenging economic and community development projects a local government undertakes. The Redevelopment Fund gives local governments' access to flexible financial assistance to help them implement projects that cannot be undertaken with the usual public sector grant and loan programs. The Redevelopment Fund finances locally initiated public/private partnerships to leverage investments in commercial, downtown and

industrial redevelopment and revitalization projects that wouldn't proceed otherwise.

***Comment/Action;** The city likely taps such funding for revitalization projects. The revitalization of East Mary Street near the project would be a suitable project. This program has not been factored into our analysis. No action taken.*

State Historic Preservation Tax Incentives: The **Georgia State Income Tax Credit Program for Rehabilitated Historic Property** allows eligible participants to apply for a state income tax credit equaling 25% of qualifying rehabilitation expenses capped at \$100,000 for personal, residential properties, and \$300,000 for income-producing properties. The credit is a dollar for dollar reduction in taxes owed to the State of Georgia and is meant to serve as an incentive to those who own historic properties and wish to complete rehabilitation.

***Comment/Action;** No building exists so not a historic building but is in historic downtown area and compatibility is an objective. No action taken but it should be further investigated further by the SMIG committee as an additional incentive.*

The **Georgia Preferential Property Tax Assessment Program for Rehabilitated Historic Property** allows eligible participants to apply for an 8-year property tax assessment freeze. This incentive program is designed to encourage rehabilitation of both residential and commercial historic buildings by freezing property tax assessments for eight and one-half years.

***Comment/Action;** This program has not been factored into our analysis. No action taken.*

Facade Grant Program: Businesses located within the Downtown Development Authority boundaries are eligible to apply for a facade grant. Exterior improvements to buildings can be made with facade grant funds. Eligible improvements include exterior signage and lighting, facade painting, roof and building code repair, landscape improvements, and etc. Architectural design assistance is also available.

***Comment/Action;** This program has not been factored into our analysis. No action taken.*

Main Street Community: As part of the DDA Downtown District, St. Marys has been designated as a Main Street Community, with design services made available through partnerships with The Department of Community Affairs, Georgia Trust for Historic Preservation and the University Of Georgia School Of Environmental Design. Technical assistance may include:• Facade rehabilitation drawings and specifications• Paint colors and signage recommendations• Review and assistance in drafting of landscape, parking, and sign ordinances•

Schematic streetscape design • In-town and historic neighborhood in-fill design assistance • corridor management and traffic planning assistance • landscape horticultural assistance for public and community buildings • Park, recreation, and trail system planning and design.
***Comment/Action;** the project may meet the criteria specified. This program has not been factored into our analysis. No action taken.*

GA Cities Foundation Revolving Loan Fund (GCFRLF): Applications are evaluated based on leadership, accountability, long-term sustainability, and potential for private investment. Projects should encourage spin-off development, add jobs, promote downtown housing, or add to the cultural enrichment of the community. Each application must also undergo credit underwriting. Eligible Projects include real estate acquisition, building rehabilitation, new construction, green space and parks. Ineligible uses of funds are operating expenses and administration, local revolving loan funds, public infrastructure projects, streetscapes, and facade projects.

***Comment/Action;** The project once operational will employ at least 40/50 staff. This program has not been factored into our analysis. No action taken.*

Local Revolving Loan Funds (RLF): Local Revolving Loan Funds (RLF) is potential sources of funding for new or expanding businesses in select areas throughout Georgia. The goal of each RLF is the creation of job opportunities, primarily for low- and moderate-income persons. Funds for each RLF are capitalized with a Community Development Block Grant (CDBG) Employment Incentive Program (EIP) grant that is loaned to a private business or a Redevelopment Fund (RDF) loan(s). As loan repayments are made, the RLF is capitalized by the local government that was the recipient of the initial CDBG EIP or RDF award. RLF loan applications are received and reviewed by the local RLF committee and government that operate the RLF.

***Comment/Action;** the project may meet the criteria specified. This program has not been factored into our analysis. No action taken.*

DCA Downtown Development Revolving Loan (DDRRLF): The purpose of the Downtown Development Revolving Loan Fund (DDRRLF) is to assist cities, counties and development authorities in their efforts to revitalize and enhance downtown areas by providing below-market rate financing to fund capital projects in core historic downtown areas and adjacent historic ne

***Comment/Action;** **Comment/Action;** This program has not been factored into our analysis. No action taken.*

Equity Fund (One GA): The purpose of the Equity Fund is to provide a program of financial assistance that includes grants, loans and any other

forms of assistance authorized by (O.C.G.A.50-34-1 et seq.) to finance activities that will assist applicants in promoting the health, welfare, safety, and economic security of the citizens of the state through the development and retention of employment opportunities in areas of greater need as defined by the Georgia Business Expansion and Support Act of 1994, as amended (O.C.G.A.48-7-40).

Comment/Action; *The project may meet the criteria. This program has not been factored into our analysis. No action taken.*

INVESTOR/DEVELOPER CONCESSIONS

The following are concessions and the comments are entered on action taken. The more concession the greater the viability of the project.

The Site The site was purchased by the city of St Marys for \$1,300,000 at auction on June 17th 2010 as a tourism asset. The land will be used for developing a tourism project that will serve as a catalyst for economic growing. The site will be integral part of the project.

Comment/Action; *The project will be the catalyst for further waterfront development. Our analysis assumes the land will be contributed to the project that there will be a lease arrangement. That the lease terms will be market driven.*

The Marsh Walk 0.43 acres Land id number S41 11 001 of 0.43 acres at 0 East Bryant Street valued by the County Assessor at \$6,450. It is unbuildable but available for a marsh walk. This property should likely be folded into the subject land so as to protect the marsh and provide a walk as an amenity to the hotel

Comment/Action; *The March Walk could also be a unique amenity for guests. This amenity has not been factored into our analysis. No action taken.*

Parking on Ready Street: The site is small for a significant hotel development. The south section of Ready Street between East Stable Alley and East St Marys Street should be contributed the project.

Comment/Action; *The project will be the catalyst for the waterfront redevelopment. Our analysis assumes the land will be contributed to the project for parking and that there will be adequate parking provided for the development.*

Boat Dock with 16 Slips: extension of the Dock permit for the existing eight slips + the additional eight slips has been approved by DNR. Extension is to March, 2016. This permit does not cover any future “mooring field” endeavor. This should be done – if appropriate – by the private sector or the SMIG investor. The dock and slip are part of the project and due to the size of the land are not easily separately from the project.

Comment/Action; *The dock and slips are integral parts of the tourism project and are understood to be incorporated into the project. Our analysis assumes these rights are included.*

The Buildable rights – A minimum of four is likely necessary due to the size of the site. Separate buildings as suggested by the Historic Preservation Society would handicap the property, would not be accepted by many of the hotel franchise companies because of operational efficiencies. Additional restaurant, retail, small spa or meeting space could be incorporated into separate building as proposed by HPS.

Comment/Action; *Our analysis assumes one building. It would be prohibitively expensive to operate a small hotel in several buildings, particularly in a competitive market. Climate conditions would also be a negative factor for guest and staff.*

Orange Hall – The Highest and Best Use of Orange Hall is likely as a location for conferences, corporate events and training courses with reception rooms and boardroom suites. Such operations are usually unprofitable on a small scale but if operated in conjunction with an upscale hotel that also had significant meeting and conference space and the specialized management necessary, the synergies would likely result in economic benefits. The incorporation of a lease on Orange Hall to a capable operator that has professional meeting staff to operate such an upscale facility on corporation with hotel meeting space would benefit the city as both the hotel and the Orange Hall would be more successful with these synergies. It would strengthen the link between the hotel and the historic city.

Comment/Action; *Linking this facility with the upscale hotel would create synergies beneficial for both. The hotel could operate an upscale retreat conference center house and the city would be secure with a qualified operator. To be able to serve events in Plum Orchard would also be synergistic and create greater links with Cumberland. .*

Waterfront and Howard Gilman Memorial Park The hotel could also provide services such as catering for the Waterfront and Howard Gilman Memorial Park. With the expansion of the boardwalk to the subject site the synergies would be even greater.

Comment/Action; *This program has been factored into our analysis.*

Cumberland Island: While under the domain of the National Park Service greater synergies between an upscale hotel and could be generated by providing the National Park Service and Cumberland Island with upscale services that would complement the Greyfield Inn endeavors. The hotel project operation would benefit from a concession of a luxury eco- camp (+10 units) on the island similar to such offerings in exotic location such as Africa and the Middle East. It would create a greater link with the mainland and St Marys and provide additional support as a revenue generator to the

subject tourism project. It would also benefit the NPS with additional revenues and a very high end camping product for visitors who are not comfortable with rugged camping.

***Comment/Action:** This has been factored into our analysis. No action taken. It would expand the room count and create links and synergies with the island. It would also provide additional support of small boat service as this high end market would be less price sensitive.*

The Marsh Walk Extension: The city previously envisaged expansion of the Marsh Walk. The lot Parcel id number S41 11 001 of 0.43 acres at 0 East Bryant Street valued by the County Assessor at \$6,450. It is unbuildable but available for a marsh walk. This property should likely be folded into the project so as to protect the marsh and provide a walk as an amenity to the hotel.

***Comment/Action:** This has been factored into our analysis. No action taken.*

Transportation System -The Toonerville With a major tourism project the city should recreate the **Toonerville Trolley** as a tribute to cartoonist Roy Crane. The quaint little car that played a major role in Crane's story line be functional as well as a unique tourist attraction in itself.

***Comment/Action:** This has been factored into our analysis. No action taken.*

Landscaping Revitalization at east end of St Marys Street should be a priority in order not to damage the hotel project. Landscaping and decorating could be a neighborhood project of Main Street Community and the technical assistance would be beneficial

***Comment/Action:** This has been factored into our analysis. No action taken.*

Based on the data set forth in this report, the following value indications were developed for the developed subject property under three scenarios; as an upscale full service hotel ,an Aloft and a Hyatt Place.

Table 13- 1 Reconciliation of Value Indicators /Conclusions

Approach	Full Service Hotel	Aloft	Hyatt Place
Total Cost (excludes Land) Before Profit	18.321 ml	13.168 ml	15.604 ml
Total Cost (excludes Land) after 18% Profit	21.619 ml	15.538 ml	18.413 ml
Sales Comparison Indication	\$12 ml to \$24 ml	\$14.4 ml to 16.8 ml	\$14.4 ml to 16.8 ml
Income Capitalization 9/1/2015 Indication	\$19,690,000	\$15,498,000	\$15,635,000
Reconciled Indications 1/15/2009	\$19,700,000	\$15,500,000	\$15,600,000

Our nationwide experience indicates that the procedures used in estimating market value by the income capitalization approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we believe that the income capitalization approach produces the most supportable value estimate, and it is given the greatest weight in our final estimate of the subject property's market value. The income

capitalization approach indicates a prospective value of approximately \$19,700,000 as a Full Service Hotel, 15,500,000 for the proposed subject as an Aloft and \$15,600,000 as a Hyatt Place.

SALES COMPARISON APPROACH

The sales comparison approach uses actual sales of similar properties to provide an indication of the subject property's value. The strength of this approach lies in its ability to measure value based on the investment decisions made by actual buyers and sellers. Although we have investigated a number of sales in an attempt to develop a range of value indications, several adjustments are necessary to render these sales prices applicable to the subject property. These adjustments are considered highly subjective and misleading, preventing a more conclusive estimate of value via this approach. A total of 28 sales were identified and considered. *The most pertinent properties were analyzed and supported a range of \$14.4 million to 16.8 million for the 120 room subject property a Select Service Hotel and \$12 million to 24 million as a Full Services Hotel.*

COST APPROACH

The cost approach may provide a reliable estimate of value in the case of new properties; however, as buildings and other improvements grow older and begin to deteriorate, the resultant loss in value becomes increasingly difficult to quantify accurately. We find that knowledgeable hotel buyers base their purchase decisions on economic factors such as projected net income and return on investment. Because the cost approach does not reflect these income-related considerations and requires a number of highly subjective depreciation estimates, this approach is given minimal weight in the hotel valuation process. *Based on our in-house database of hotel costs we established a Cost Estimate for the subject excluding land but excluding profit, of \$13.168 million for the Aloft, \$15.604 million for the Hyatt Place and \$18.321 million for the full service hotel. However profit is also a legitimate expense in rendering feasibility. With and developer/Entrepreneurial profit of 18% the cost is \$15.538 million for the Aloft, \$18.413 million for the Hyatt Place and \$21.619 million for the full service hotel.*

CONCLUSION

Careful consideration has been given to the strengths and weaknesses of the three approaches to value discussed above. In arriving at our valuation conclusions, we considered the highest and best use for the subject property. In the Highest and Best Use (HBU) section of this report we opine as to the highest and best use for the land. In this section we present for HBU in consideration several possibilities.

In Chapter 1, *Nature of the Assignment*, we have summarized incentives and concessions available or under consideration; in Chapter 13, *Reconciliation of Valuation Indications and Conclusions*, we have commented on subsequent action taken in our analysis. Also in Chapter 13, we presented recommendations that should further motivate an investor. In Chapter 2, *Description of the Land* we concluded that the site is premier waterfront land that offers excellent views of the harbor, the salt-marsh and Cumberland Island. It also has a deep water harbor with boat docking privileges for 18 slips. The river represents an amenity to the SMIG project as well as an important access point for boating tourists as potential guests. St Marys is tied to the sea via its once vibrant waterfront. Previously it was a main port city when 200 to 300 ships lay in the river and shipbuilding and related industries were St Marys economic engine.

We have conducted a *Highest and Best Use Analysis*, summarized in Chapter 8. In our analysis we considered all uses that were within the guidelines established for the St. Marys Intracoastal Gateway Project by its committee. Also in the final Chapter 13, *Reconciliation of Valuation Indications and Conclusions* we presented a reconciliation of value indications and overall conclusions. The *maximally productive use* of the subject land without incentives or concession is to hold for future speculative development with resort, residential or related uses. With incentives and concessions applied as stated in the analysis, there is profitability to an investor who completes a hotel/resort development.

Our analysis includes the Georgia Tourism Development Act incentive, the Military Zone Tax Credit and a 25% Property Tax Abatement for a limited period. Concessions from the city include the land, the parking on Ready Street and the boat dock with 16 slips. We also considered that there would be less restrictions on building height for site efficiency and in consideration of development costs and overall feasibility. Other incentives were reviewed but were unquantifiable and are commented on in Chapter 13. We recommended that these other incentives referenced be further investigated.

Other concessions, not considered in our analysis, that would be mutually beneficial, include an operation agreement (or lease) for the Orange Hall as an upscale corporate civic conference venue. Plum Orchard perhaps could be an off-site event venue, if there was consensus. An agreement with Cumberland Island or its concessionaire for “fast” boat service access or “on demand” service would benefit the project. An operation agreement for luxury “eco-camps” for example ten units, would create a strong ecological theme for marketing and increase potential rooms’ revenues. Such agreements would also create synergies and strengthen the properties ties with the waterfront, the Historic District and Cumberland Island. These additional concessions should be investigated further and considered as they enhance the project and create greater financial viability. Further concessions have not been included in our analysis but are recommendations that would increase viability and lead to a greater development result for the city.

In Chapter 12, *Forecast of Income and Expense*, we presented three scenarios and concluded with value indications by using a Discounted Cash Flow (DCF) Analysis. We also examined *Comparable Hotel Sales* in Chapter 10 and a *Development Cost Analysis* in Chapter 11, and concluded with our opinion of profitability applicable for each scenario. We evaluated three hotel types in the scenarios and concluded with the profit after development costs for each. The three hotel options were a *Full Service Hotel* and two upscale select service hotels- *Aloft* and *Hyatt Place*. The full service hotel provided the least entrepreneurial profit but the highest valuation, while the Aloft provided the highest profit but the least value. Aloft was the most financially viable and feasible of the three. Should the full service hotel be modeled on the Aloft in terms of efficiency then it may be viable with an adequate return but it would depend on the franchise affiliation. There are other upscale brands that are suitable that should also serve the potential demand. The key considerations are style, whether their development costs can be financially supported, and the risk parameters and motivation of the investor.

The SMIG site does present a good opportunity to an investor to be the catalyst in creating a new destination, in a market that is secretly rich in tourism resources and that has special access to Cumberland Island and links with the waterfront and Historic District. The location is the premier site, in a city that once revitalized, should bolster revenues and improve profitability for the subject resort and for St Marys businesses overall

In Chapter 8, *Highest & Best Use Analysis* other stand-alone uses were considered including retail, residential, spa, independent restaurant but were not deemed financially viable as stand-alone developments. Full service marina use was considered already well provided for in St Marys. The

commercial uses such as marina, spa retail were beneficial and contribute value, as smaller components of a resort development.

Finally, we recommend that the next steps for the SMIG committee as follows. The SMIG committee should foremost consolidate consensus on the full range of concessions and incentives to be provided. In an RFP (Requests for Proposals) an investor should be invited to structure an appropriate long term ground lease based on all the benefits (concessions and incentives) provided or confirmed to the city. The more favorable the benefits the higher the terms offered to the city and the results would therefore be market driven. An upscale hotel is an essential component in the revival of the waterfront and its impact will greatly impact the economy of St. Marys and directly influence future development and overall economy of St Marys.

Yours truly,

Hotel Consulting International
Division of O & R Valuations, Inc.



Thomas F. O'Neill, CRE, MAI, ISHC, CHA
Managing Director

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

1. Title to the subject is assumed to be marketable. The property is assumed to be free and clear of all liens and encumbrances, except as other wise described.
2. No liability is assumed for matters of a legal nature, nor is any opinion of title rendered. The property is valued as though free and clear unless otherwise stated.
3. Ownership and management are assumed to be in competitive and responsible hands. We have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results will depend.
4. No architectural or engineering study, property survey, soil study or environmental investigation has been made and no liability is assumed in connection with such matters.
5. The described physical condition of the improvements is based on our visual inspection only. No responsibility is assumed for the accuracy of our description of physical materials and conditions pertaining to the property. Nor is any responsibility assumed for the accuracy of any deficiencies reported such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements.
6. All improvements area assumed to be within lot lines and in accordance with local zoning an building ordinances as well as all applicable federal, state, and local laws and regulations, except as noted. Any plans, diagrams or drawings provided are intended solely to facilitate understanding and are for reference only. They are not intended as a survey. The legal descriptions furnished are assumed to be complete and accurate. They should be verified with the aid of legal counsel.
7. All direct and indirect information supplied by the client or representatives of the client, such as financial operating statements of the subject is assumed to be true and accurate. No responsibility is assumed for information supplied by others although any such information cited is believed to be reliable and correct.


8. Any leases, agreements, or other written representations and/or communications received by our representatives have been relied on in good faith, but have not been analyzed for their legal implications. We urge the user of this report to obtain legal counsel to verify and analyze the legal implications of any such representatives and/or communications.
9. Unless otherwise stated in this report, we assumed the absence of hazardous substances, including, but not limited to, asbestos, polychlorinated biphenyls, petroleum leakage, agricultural chemicals, lead paint, or other environmental conditions, on, in or near the subject. We further assumed the absence of any other environmental conditions, which were not called to our attention, and did not become aware of during our inspection. We are not qualified to test for such substances or conditions. No responsibility is assumed for any such conditions, nor for the expertise or engineering knowledge necessary to detect or analyze them. We urge the user of this report to retain an expert in this field.
10. We have no reason to believe, unless so stated in the report, that the site or any nearby property is designated a "Critical Area", "Endangered Species Habitat", "Wetlands", "Archaeological Site", "Hazardous Materials Site" or similarly restricted area. Any such designation would have an immediate impact upon the highest and best use, possibly affecting value and the valuation premise. If there is any question involving these matters, an expert should be consulted and an appropriate investigation performed.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We are not qualified to make a special compliance survey of the subject to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this non-compliance could have a negative effect on the value of the property. Because we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the ADA.
12. 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.

13. 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.
14. 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.
15. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. The appraiser/consultant 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.
16. This report is to be used in whole, and not in part. Any separate valuation for the land and improvements shall not be issued in conjunction with any other appraisal and is invalid if so used. Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any purpose, by anyone but the client without the previous consent of the HCI.
17. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute and the applicable Real Estate Commissions. Possession of this report, or copy thereof, or any part thereof, does not carry with it the right of publication, nor may it be used by anyone but the party for whom it has been prepared without the prior written consent and approval of HCI.
18. Where the property being considered is part of a larger parcel or tract, any values reported relate only to the portion being considered and should not be construed to apply with equal validity to another portion of the larger parcel.
19. None of the contents of this report (especially any conclusions to value, the identity of the appraisers, or the firm with which they are connected, or any references to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, new medium, or any other public means of communication without the prior written consent and approval of HCI.
20. The conclusions reached are based upon our current interpretation of the subject market and competitive area. Any projections of income, expenses, prospective values or future sale prices are not predictions of the future. Rather they are our interpretation of current market trends. No warranty of representation is made that these projections will occur.

21. The client or user of this report agrees to notify our representatives of any error, omission, or inaccurate data in this report within a reasonable period of time, and return the report, including all copies, to us for correction, prior to any use.
22. The acceptance of this report, and its subsequent use by the client or any other party in any manner whatsoever, or for any purpose, is acknowledgment by the user that the report has been read in its entirety, and that the user specifically agrees that the data and analysis are correct and acceptable.
23. 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 attendance.
24. This report may not be used in whole or in part in connection with the sale of condominium units.
25. This report was prepared by HCI Hotel Consulting International, a division of O & R Valuation Services, Inc. All opinions, recommendations and conclusions expressed during this assignment have been rendered by the staff of O & R Valuation Services, Inc. acting solely as employees of the company and not as individuals.
26. We have used third party data and confidential information that requires the report is limited to its intended user. Investors in the project should conduct independent analysis and conclude based on their own due diligence.

CERTIFICATION

- ❑ To the best of our knowledge and belief, the statements of fact contained in this report, upon which the analysis, opinions, and conclusions expressed herein are based, are true and correct.
- ❑ The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and our personal, unbiased professional analyses, opinions and conclusions.
- ❑ We have no present interest in the property that is the subject of this report, and we have no personal interest bias with respect to the parties involved. During the assignment the client presented the appraiser with and invitation to participate with him in a joint venture to acquire the interests in the property. This does not present a conflict of interest or a bias in presenting our conclusions.
- ❑ Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- ❑ We certify that, to the best of our knowledge and belief the reported analyses, opinions and conclusions were developed and prepared in conformity with our interpretation of the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics of the Appraisal Institute.
- ❑ We certify that use of the report is subject to the requirements of the Appraisal Institute and Florida Real Estate Commission relating to review by its duly authorized representatives.
- ❑ The Appraisal Institute conducts a voluntary program of continuing education for its members. The members who meet the minimum standards of this program are awarded periodic educational certification. As of this date Thomas O'Neill holds the designation of MAI, and is a State-Certified General Appraiser, RZ # 0000666 in the State of Florida. He has completed the continuing education requirements of the Appraisal Institute and the State of Florida.
- ❑ The subject site was inspected by Thomas F. O'Neill as certified in the report. No one has provided significant professional assistance to the person(s) signing this report.
- ❑ This appraisal is not based on a requested minimum value, a specific valuation, or the approval of a loan.



Thomas F. O'Neill, CRE, MAI, ISHC, CHA
Certified General Appraiser
Florida RZ # 0000666



HIS

THOMAS F. O'NEILL, CRE, FRICS, MAI, ISHC, CHA



Thomas O'Neill FRICS, CRE, ISHC MAI is President of Hotel Consulting International (HCI). He has provided skilled research; valuation and strategic advice on over 1,000 and has evaluated \$8 billion worth of hotels since 2000. His client base is debt and equity investors. He is also President of sister company Hotel Investor Services, Inc. (HIS). The firm engages in hotel transactions, asset disposition and acquisition, consulting, valuation, franchise negotiations, development strategy, turnaround asset mgt (TAM), optimal value strategies and expert testimonies. He has performed valuation assignments throughout the USA as well as Latin America, Caribbean, Europe and Asia. His credibility is supported by his frequent appearances in US Bankruptcy court as an Expert Witness on Valuation and hotel franchise affiliation matters. He has been a Senior Advisor to European Bank for Reconstruction and Development, turnaround asset mgt (TAM) program as well as Advisor to OPIC (Overseas Private Investment Corp).

EXPERTISE

Acquisition and Disposition Consulting. • Investment Services • Hotel/Resort Appraisals, Market & Feasibility Studies and Valuations • Highest & Best Use/Optimal Use Analysis • Repositioning Analysis • Optimal Brand Analysis • Asset Management • Turnaround Management Expertise (TAM) • Hotel Franchise/ Management Company Selection/Negotiations • Litigation Support, Expert Testimony • Arbitration Support Expertise Hotel Transactions • Brokerage • Privatization • Hotel Transaction Research • Site Selection & Development Consulting • Hotel Mixed Use Analysis • Over 1,000 hotels evaluated worldwide.

PAST EXPERIENCE

Managing Director Hotel Consulting International (HCI), (Div. of O & R Valuation Services, Inc.), Miami, FL (1998-) Managing Director/Owner, HVS International (Miami), (Div. of O & R Valuation Services, Inc.), Miami, FL (1992-1997). Sr. Vice President, Hospitality Valuation Services, (Div. of Hotel Appraisals, Inc.), Mineola, NY (1986-1992). Managing Director, Rose Hill Hotel, Ltd., Kilkenny City, Ireland (Hotel Owner, Developer and Operator) (1975-1985)

EDUCATION

Master of Science Degree, New York University- Real Estate Development and Investment.
New York University, School of Continuing Education, Real Estate Division - Department of Graduate Studies
BS Equivalent-Shannon International College of Hotel Mgt.
Hotel Mgt Training Program Honors Certificate Switzerland.
Scholarship student to U.S.A

PROFESSIONAL AFFILIATIONS

Counselors of Real Estate (CRE)
Royal Institution of Chartered Surveyors-Fellow (FRICS)
Appraisal Institute - Member (MAI)
International Society of Hospitality Consultants (ISHC)
American Hotel & Motel Association -
Certified Hotel Administrator (CHA)
Licensed Real Estate Appraiser - Florida (current)
Licensed Real Estate Broker - Florida (current)

CONFERENCES & LECTURES

COTELCO (Asociación Hotelera de Colombia), Hotel Industry Conference, San Andreas, Colombia, Speaker, 1994.
U.S./Latin American Resort Development Conference, Costa Rica, 1995, Feasibility of Resort Development.
Preferred® Hotels & Resorts Worldwide Meeting, Orlando, FL 1996.
Speaker on the State of the Hotel Industry, Hotel Development & Valuation, (OPIC), Washington, D.C. 1996.
Annual Symposium on Financing, Developing & Operating Condo Hotels and Branded Residences Miami FL May 2006.
Florida Symposium on Financing, Developing & Operating Condo Hotels Orlando, April 2007. 'Evaluating the Caribbean & Latin American Markets'
4th Mixed Use-Hospitality, Hotel Residences & Condo Hotels Symposium, Miami, FL 4/2008. "Getting Mixed Use Projects off the ground". Small Boutique Hotels Owners Roundtable".
Condo Hotel & Branded Residences Symposium Dec 2007. MGM Grand, Las Vegas Planning & Developing the Upscale Boutique Hotel.
5th Congress of Tourism, Tegucigalpa Honduras, 5/08. "Tourism & Real Estate".
Distressed Real Estate Investing Conference, June 2008, Las Vegas, Nevada "Condo Hotels, Other Hotel Residences & Mixed Use Hospitality Project".
Distressed Hotels Symposium, May 2009, Westin Diplomat, Hollywood, FL "Exit & Valuation Strategies in the current realty."
International Hotel Conference, Venice, Italy, October 2009
"Selecting the Right Franchise for Your Hotel"
"Asset Evaluation to Increase the Worth of Your Hotel Portfolio"
International Hotel Conference, Venice, Italy, October 2010
"Repositioning Strategies", "Turnaround Asset Management"

LITIGATION SUPPORT

• Balhalla Hotel, Toledo, Ohio • Lord Baltimore, Baltimore, Maryland • Radisson on the Lake, Ypsilanti, Michigan Maryland • 2011 Riverside Hotel, Detroit, Michigan, **FLORIDA**: • Proposed Hotel, Ft. Myers • Lake Park Inn, Lake Park • Hyatt Regency, Miami • Days Inn, Miami • La Concha Hotel, Key West • Embassy Suites, Orlando • Sheraton Four Points, Orlando, • Ritz Carlton, Puerto Rico • Sovereign Hotel Miami Beach. •

APPEARANCES AN EXPERT WITNESS

U.S. Bankruptcy Court, Eastern District of Michigan, Southern Division 1993 • U.S. Bankruptcy Court, Southern District of Florida, 1993 - 1994 • U.S. Bankruptcy Court, Southern District of Florida, 1996 • U.S. Bankruptcy Court for the Middle District of Florida, Orlando Division, 1996, U.S. Bankruptcy Court for the Middle District of Florida, Orlando Division, 2000, U.S. Bankruptcy Court, Southern District of Florida 2002. Southern District of Florida, 2003-2004, 2011 included *Ritz Carlton, Hyatt Regency and Embassy Suites and Shubh Hotels Detroit. Currently providing litigation support and scheduled for 2012 expert testimony on three cases.*

INVESTMENT SERVICES/FINANCIAL SERVICES

OPIC (Overseas Private Investment Corporation) • Information Memorandum • Equity Solicitation • Restructuring Services • Review /Evaluate • Development /Investment Consulting. • Solicit Restructuring Services Solicit. **EAR TAM Funded Advisory Contract -Team Sr. Advisor- hotels Montenegro included Sveti Stefan. EAR Mixed Use Project -Montenegro**
• Current Gatekeeper, Lead Financial Advisor on \$120 million Five Star Rotana Hotel, Baghdad, Iraq.