



May 6, 2016

Ms. Gayle Cook  
City of Seabrook  
City Manager  
1700 First Street  
Seabrook, Texas 77586

**Re: Full-Service Hotel with Conference Center - Seabrook, Texas**

Mr. Chavez:

At your request, we are pleased to present this engagement letter to assist you in evaluating the market justification of developing a Full-Service Hotel in Seabrook, Texas. At this point in your deliberations, you require an independent study to analyze the future hotel supply and demand situation in the competitive market and to project future trends. Based on the market information we gather, you need us to estimate the likely operating performance of the hotel market and the performance of a hotel. The objectives of our study will be to:

- Evaluate the proposed site(s) and their surrounding area to determine their impact on the market performance of the proposed hotel.
- Determine anticipated market conditions for the proposed hotel within the context of supply, demand, site, and facility factors.
- Estimate the future competitive position of a hotel and prepare projections of occupancy, average room rate and cash flow from operations available for debt service and equity distribution.
- Provide a written letter report summarizing our findings and conclusions.

**Scope of Work**

To accomplish these objectives, we have prepared the following scope of our work that will include, but not necessarily be limited to, the following:

### **Fieldwork and Analysis**

- Meet with you and/or your associates in order to obtain input from you that confirms or amends our understanding of the details of the project and provides additional pertinent information such as master plans, appraisals, detailed construction budgets, and other material you may have on the project.
- Inspect the subject site(s) and their surrounding areas in order to determine their impact on the proposed hotel. Such determinations will not include any engineering or environmental considerations, but will encompass an evaluation of the property's accessibility, visibility, proximity to lodging demand generators, and physical characteristics that might affect the marketability of a hotel.
- Evaluate existing and proposed transportation patterns in the area to determine their impact on the marketability of the proposed hotel.
- Assemble, review and analyze economic, demographic and real estate data pertaining to the local market. In particular, evaluate the present economic climate and estimate future growth potential, particularly as it relates to lodging demand.
- Interview key representatives of area commerce and industry to identify and quantify specific sources of lodging demand.
- Develop a census of competitive lodging facilities for the proposed hotel. This census will include the following factors:
  - Name / Age / Recent PIP
  - Location
  - Occupancy and Rate (in the aggregate to protect confidentiality)
  - Distance of competitors
  - Type and size of food, beverage, and meeting facilities and amenities
  - Parking: Structure vs Surface, Costs to Guest
- To the extent the information is available; identify other proposed lodging developments to assess their probability of completion and the degree to which they will compete with your project.
- Determine the current overall market demand for rooms in the market area and the share of market demand that is generated by commercial travelers, leisure travelers, group meetings, and any other identifiable sources of demand.
- Study the timing and amount of lodging supply as well as actual occupancy and room rate patterns to determine the number of additional transient lodging rooms supportable in the market.

- Make recommendations as to the appropriate brand or brands, mix of room types, number of food and beverage outlets, amount of meeting space, and description of amenities that best suits the project.
- Estimate the average annual occupancies and attainable room rates that could be achieved by the proposed hotel on the subject site over a five-year period.
- Prepare estimates of annual revenue and expenses to the point of cash flow from operations available for debt service and equity distribution for the first ten full years of operation for the proposed hotel. Our prospective financial analysis will be presented in inflated dollars and will have sufficient detail to reflect the major revenue and expense categories. Bases for the prospective financial analysis and key assumptions underlying inflation estimates will be made explicit in the report.
- Prepare an estimate of the potential return on investment based on a summary estimate of the costs to build and open the hotel, an assumed loan amount, our projected cash flow after debt service, and an assumed sale. This analysis will express the potential return as an internal rate of return (IRR). The results of this analysis may highlight the potential need for public-sector incentives. If so, we will assist the City in determining the amount to contribute and from which sources.
- Prepare a table-oriented memo that summarizes our findings and conclusions to be reviewed by you with the following standard exhibits:
  - A five-year historical analysis of hotel supply and demand that notes supply additions, Market occupancy and rate, RevPAR index, Relevant Sales, and presence of Unionized Labor.
  - A five-year projection of anticipated market occupancies and rates.
  - Estimates of occupancies and average daily rate for the proposed hotel through stabilization and for ten years of operation.
  - A ten-year projection of anticipated net operating incomes
  - A calculation of potential return on investment (IRR)
  - A presentation of potential public incentives
- Meet with you and/or your associates to present our findings, conclusions and recommendations.

### **Narrative Report**

Prepare a narrative report that can be submitted to franchisors and lenders. This report will contain a description of the project and will cover all the analysis of the summary memorandum in sufficient detail so that the reader will have confidence in the analysis.

### **Qualifications**

DP Consulting is a hospitality, tourism, and real estate oriented consulting and brokerage firm. We have developed a particular expertise that includes limited-service hotels, extended-stay hotels, full-service hotels, and resorts.

The principal of DP Consulting, David Parker, has over 30 years experience in the hotel industry, to include operations, consulting and development. Prior to forming DP Consulting, Mr. Parker was employed by PKF Consulting for nearly a decade, where he developed numerous methodologies for collecting market information on hotels and meeting facilities, and developed multiple modeling techniques for projecting utilization, income and expense.

In conjunction with hotel research, Mr. Parker developed the system through which occupancy data was collected from individual hotels and reported in aggregate on a monthly basis, known as *Trends in the Hotel Industry*. In addition, Mr. Parker developed a database based on Hotel Occupancy Tax receipts collected by the State of Texas in order to develop a census of hotel performance for various market areas. Mr. Parker directed numerous and varied projects, a summary of which are listed in the Addendum.

### **Limiting Conditions**

Our reports will not ascertain the legal and regulatory requirements applicable to this project, including state and local government regulations, permits and licenses. Further, no effort will be made to determine the possible effect on this project of present or future federal, state, or local legislation including environmental or ecological matters or interpretations thereof.

The prospective financial analyses included in our reports will be based on estimates, assumptions and other information developed from our research of the market, knowledge of the industry and meetings with you and your representatives during which we will be provided with certain information. The sources of information and bases of the estimates and assumptions will be stated in the reports.

Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore actual results achieved during the period under study will vary from our estimates and the variations may be material. Our reports will contain a statement to that effect. The reports will be dated to coincide with our last day of fieldwork. The terms of this engagement are such that we have no obligation to update our estimates to reflect events or conditions that occur subsequent to the last day of our fieldwork. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the project.

Our reports and the estimates included therein will be intended for your internal use, for submission to a financial institution for the purpose of financing the venture,

and for submission to a hotel franchise or management company. Otherwise, neither the reports nor their contents may be referred to or quoted in any registration statement, prospectus, loan or other agreement or document without our prior written consent. Consent will be given only upon meeting certain conditions.

### **Fees and Timing**

Real estate advisory services are invoiced based on the actual amount of time spent in the performance of the study. We have capped our fee for this engagement at \$19,500 plus data, but inclusive of out-of-pocket travel expenses. Data from Smith Travel Research will cost \$475. A retainer is due at the commencement of our study in the amount of \$13,500. All invoices are payable upon presentation. We reserve the right to withhold delivery of any report, oral or written, if payments are in arrears.

Our current work schedule allows us to commence our fieldwork upon receiving the retainer and your notice to proceed. We anticipate spending two days in the field conducting interviews and collecting data on the market. The discussion memo should be ready within two to three weeks of completing our fieldwork. The narrative report should be ready within two to three weeks of completing the analysis.

Our fee estimate includes two trips to the market, the first being the kick-off meeting and any meetings related to the fieldwork. The second trip will include a presentation of our findings and conclusions. We would be delighted to make additional trips to discuss our findings and conclusions or to conduct a workshop, but you will be billed at our standard government hourly rate of \$300 per hour.

**Acceptance**

As your confirmation that the terms set forth in this proposal are acceptable to you, please sign the enclosed copy of this letter and return it to us together with your retainer as your authorization to us to undertake this assignment. If you have any questions regarding this proposal, please contact us.

Very truly yours,



David Parker  
DP Consulting

ACCEPTED BY:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name Printed

\_\_\_\_\_  
Title

\_\_\_\_\_  
Company or Venture

\_\_\_\_\_  
Date



## **Projects Completed by David Parker**

### **Market Studies of Limited-Service Hotels:**

#### **Dallas Area:**

- Market Study of Proposed Best Western Premier – Denton, Texas (Open 2009)
- Market Study of Proposed Fairfield Inn – Decatur, Texas
- Market Study and Valuation of Proposed Comfort Suites – Grapevine, Texas (Open 2005)
- Market Study of a Hampton Inn and Suites – Alliance Airport, Fort Worth Texas (Open 1999)
- Due Diligence Analysis of five hotels (Holiday Inn Expresses and Quality Suites) – Dallas, Texas
- Market Study of Proposed Hampton Inn and Suites – Hurst, Texas (Open 2004)
- Due Diligence Analysis Wyndham Garden Hotel Los Colinas – Irving, Texas
- Due Diligence Analysis Wyndham Garden Hotel Market Center – Dallas, Texas

#### **Houston Area:**

- Market Study of Proposed Hampton Inn & Suites – Bush Intercontinental Airport – Houston, Texas (Open 2015)
- Market Study of Proposed Comfort Suites (Westchase) – Houston, Texas (Open 2013)
- Market Study of Proposed Hampton Inn & Suites – Missouri City, Texas (Open 2013)
- Market Study of Proposed Courtyard & TownePlace Suites – Galveston, Texas (Open 2013)
- Market Study of Proposed SpringHill Suites – Houston, Texas
- Market Study of Proposed Sleep Inn – Clute/Lack Jackson, Texas
- Market Study of Proposed Microtel Inn & Suites – Port Arthur, Texas
- Market Study of Proposed SpringHill Suites – Seabrook, Texas
- Market Study of Proposed La Quinta – West Chase - Houston, TX (Open 2007)
- Market Study of Proposed Best Western Mini Suites – Texas City, Texas (Open 2005)
- Market Study of Proposed Bed & Breakfast – Kemah, Texas (Open 2004)
- Market Study of a Proposed TownePlace Suite – College Station, Texas (Open 1999)
- Market Study of a Proposed TownePlace Suite – Clear Lake, Texas (Open 1999)
- Market Evaluations of four Baymont Inns – Houston, Texas
- Market Study of Proposed Hampton Inn & Suites – League City, Texas (Open 2010)

#### **Central Texas:**

- Market Study of Proposed Homewood Suites – (Parmer Lane) Austin, Texas (Open 2015)
- Market Study of Proposed Home2 Suites – Round Rock, Texas (Open 2015)
- Market Study of Proposed Bed and Breakfast Cabins – Fredericksburg, Texas (Open 2013)
- Market Study of Proposed Hampton Inn & Suites – Downtown Austin, Texas (Open 2012)
- Market Study of Proposed Homewood Suites – Round Rock, Texas (Open 2010)
- Market Study of Proposed Sleep Inn & Suites – Manor, Texas (Open 2012)
- Market Study of Proposed Limited-Service Hotel – Marble Falls, Texas
- Market Study of Proposed Microtel Inn & Suites – Austin, Texas (Airport) (Open 2010)
- Market Study of Proposed Staybridge Suites – San Antonio, Texas (Open 2008)
- Market Study of Proposed La Quinta - Medical Center - San Antonio, Texas (Open 2007)

#### **South Texas:**

- Market Study of Proposed Microtel – Gonzales, Texas (Open 2013)
- Market Study of Proposed Home2 Suites – Mission, Texas
- Market Study of Proposed Holiday Inn Express – South Padre Island, Texas (Open 2005)



# DP Consulting

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## **North Texas:**

- Market Study of Proposed Hampton Inn – Vernon, Texas (Open 2011)
- Market Study of Proposed Holiday Inn Express – Vernon, Texas (Open 2006)

## **West Texas:**

- Market Study of Proposed Microtel – San Angelo, Texas (Open 2010)
- Market Study of Proposed Hawthorn Suites – Lubbock, Texas (Open 2008)
- Market Study of Proposed Best Western – Hamilton, Texas (Open 2007)
- Market Study of Proposed La Quinta – Lubbock, Texas (Open 2006)

## **East Texas:**

- Market Study of Proposed Microtel Inn & Suites – Texarkana, Texas
- Market Study of Proposed Hampton Inn – Sulphur Springs, Texas (Open 2010)
- Market Study of Proposed Best Western – Mt. Vernon, Texas

## **Outside of Texas:**

- Market Study of Proposed Home2 Suites – Tallahassee, Florida (Open 2016)
- Market Study of Proposed Home2 Suites – Stillwater, Oklahoma (Open 2016)
- Market Study of Proposed Home2 Suites – Tuscaloosa, Alabama (Open 2015)
- Market Study of Proposed Home2 Suites – Lexington, Kentucky (Open 2015)
- Market Study of Proposed Hilton Garden Inn & Homewood Suites – Oklahoma City, Oklahoma (Open 2014)
- Market Study of Proposed Hampton Inn & Suites - Mulvane, Kansas (Open 2012)
- Market Study of Proposed Hampton Inn & Suites – Dodge City, Kansas (Open 2012)
- Market Study of Proposed Homewood Suites – Nashville, Tennessee (Open 2013)
- Market Study of Proposed Fairfield Inn – Maize, KS (Open 2011)
- Market Study of Proposed La Quinta Inn & Suites – Olathe, Kansas (Open 2008)
- Market Study of Proposed Holiday Inn Express & Suites – Bloomington, Indiana (Open 2006)
- Market Study of Converting historic buildings into Residence Inn and Courtyard by Marriott – Omaha, NE (Open 1999)
- Market Study of Proposed Sleep Inn Limited-Service hotel – Thornton, Colorado (Open 1998)
- Market Study and Valuation of Proposed All-Suite Hotel at Isle of Capri Casino – Lake Charles, Louisiana (Open 1998)
- Market Study and Valuation of Proposed Limited-Service Hotel at Isle of Capri Casino – Lake Charles, Louisiana (Open 1997)

## **Market Studies Select and Full-Service Hotels:**

### **Dallas Area:**

- Market Study of Proposed Hilton Garden Inn – Hurst, Texas (Open 2016)
- Market Study of Proposed Hilton Dallas/Plano Granite Park – Plano, TX (Open 2014)
- Market Study of Proposed Cambria Suites – Plano, Texas (Open 2014)
- Market Study of Proposed Courtyard Hotel & Conference Center – Carrollton, Texas
- Market Study of Renovating the Historic Blackstone Hotel into a Courtyard by Marriott – Fort Worth, Texas (Open 1999)
- Market Study of Proposed Embassy Suites Galleria – Dallas, Texas (Open 1998)
- Evaluation of Converting the Employers Life Insurance Building into a Headquarters Hotel – Dallas, Texas



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Market Study of Proposed Holiday Inn – McKinney, Texas (Open 2008)

Market Study of Proposed Resort Hotel and Water Park – Frisco, Texas

Impact Assessment of Converting Ramada Plaza into Holiday Inn Select (Presently The Sheraton) – Fort Worth, Texas

## **Houston Area:**

Market Study of Proposed Courtyard & TownePlace Suites – Galveston, Texas (Open 2013)

Market Study of Proposed Courtyard by Marriott – Galveston, TX (Open 2013)

Market Study of Proposed Embassy Suites & Water Park – Beaumont, Texas

Market Study of Proposed Embassy Suites – Texas Medical Center – Houston, TX

Market Study of Proposed Holiday Inn – Shenandoah, Texas

Market Study of Proposed Hilton Garden Inn Galleria – Houston, Texas (Open 2005)

Market Study and Economic Impact Assessment of 1,200-Room Hilton Americas  
– Downtown Houston, Texas (Open 2004)

Market Study of Converting the Medical Towers into the Marriott Medical Center Expansion – Houston, Texas

Market Study of Converting Historic Texas State Hotel into Sheraton Suites – Downtown Houston, Texas

Market Study and Valuation of Omni Galleria – Houston, Texas

Market Study and Valuation of Red Lion Hotel Galleria – Houston, Texas

## **Central Texas:**

Market Study of Proposed SoCo Hotel – (South Congress) Austin, Texas (Open 2015)

Economic Impact Study of Proposed Hilton Garden Inn – Live Oak, Texas

Market Study of Proposed Select-Service Hotel & Conference Center – Boerne, Texas

Market Study of Proposed Four Points (Now Wyndham Garden Inn Near La Cantera) – San Antonio, Texas  
(Open 2009)

Market Study of Proposed Boutique Hotel – Fredericksburg, Texas

Market Study of Proposed Cambria Suites – Medical Center – San Antonio, Texas

Market Study of Proposed Westin Riverwalk – San Antonio, Texas (Open 1999)

Market Study of Proposed Full-Service Hotel – New Braunfels, Texas

Market Study and Valuation of St. Anthony Hotel – San Antonio, Texas

## **South Texas:**

Market Study of Proposed Hotel & Conference Center – Port Aransas, Texas

Market Study of Proposed Full-Service Hotel Adjacent to McAllen Convention Center – McAllen, Texas

Market Study of Proposed All-Suite Hotel and Resort on North Padre Island – Corpus Christi, Texas

Market Study, Economic Impact Study, and Financing Recommendations of Proposed Full-Service Hotel  
– South Padre Island, Texas

Market Study of Proposed Executive Conference Center – North Padre Island, Corpus Christi, Texas

## **North Texas:**

Market Study of Proposed Hotel Conversion to a Full-Service Wyndham Hotel – Wichita Falls, Texas

## **West Texas:**

Market Study of Proposed Full-Service Hotel & Conference Center – Odessa, Texas

## **Outside of Texas:**

Market Study of Proposed Full-Service Resort with Golf – Franklin, Tennessee

Market Study of Proposed Hilton Garden Inn & Homewood Suites – Oklahoma City, Oklahoma (Open 2014)

Market Study of Proposed Conversion of the Fulton Hotel to a Holiday Inn – Alexandria, Louisiana

Market Study of Proposed Office Building Conversion into Hilton Garden Inn –  
Airport - Phoenix, Arizona (Open 2009)  
Market Study of Proposed Hilton Garden Inn (Converted Office Building) – Phoenix, AZ at Airport (Open 2008)  
Market Study of Proposed Full-Service Hotel – Colorado Springs, Colorado  
Performance Review of Operating Standards – Radisson Fort McDowell Resort & Casino – Scottsdale, Arizona  
Market Study of Proposed Holiday Inn – Colorado Springs, Colorado  
Market Study and Valuation of Cypress Bend Golf Resort and Conference Center – Sabine Parish, Louisiana

Market Study of Converting historic buildings into Residence Inn and Courtyard by Marriott  
– Omaha, NE (Open 1999)  
Market Study of Proposed Full-Service Hotel – Sandy City, Utah  
Market Study of Proposed Full-Service Hotel adjacent to Jazz Land Theme Park – New Orleans, LA  
Market Study and Valuation of 780-room Regal Riverfront – St. Louis, Missouri

### **Public Assembly Facility Studies:**

#### **Dallas Area:**

Market Study of Proposed Dallas County School District Meeting Facility – Dallas, Texas  
Market Study of Proposed 500,000-Square foot Exhibition Center – Grapevine, Texas  
Market Study of Proposed Conference Center – Hurst, Texas (Open 2007)  
Management RFP of Proposed Conference Center – Hurst, Texas

#### **Houston Area:**

Market Study of Proposed Convention Center – Stafford, Texas (Open 2003)  
Market Study of Proposed Performing Arts Theater – Stafford, Texas (Open 2003)  
Market Study and Economic Impact of Proposed Waterway Convention Center –  
The Woodlands, Texas (Open 2002)  
Citywide occupancy tax collection forecast for City of Houston, used in securing \$700 million in bonds for the  
purpose of expanding the George R. Brown Convention Center, constructing the 1,200-room Hilton  
Hotel, parking garage, and NBA basketball arena – Houston, Texas  
Market Study and Economic Impact Study of Expanding the George R. Brown Convention Center  
– Downtown Houston, Texas  
Market Study of Proposed Convention Center, Mall Conversion – Baytown, Texas  
Market Study of Proposed Natatorium – Stafford, Texas  
Market Study of Repositioning a portion of Greenspoint Mall into a Convention Center – Houston, Texas  
Market Study of Proposed Civic Center – Kemah, Texas  
Market Study of Proposed Civic Center – Freeport, Texas

#### **Central Texas:**

Market Study of Proposed Convention Center – New Braunfels, Texas  
Market Study of Proposed Civic Center & Exhibit Hall – Gonzales, Texas

#### **South Texas:**

Market Study of Expanding the Bayfront Convention Center – Corpus Christi, Texas (Completed 1999)

#### **East Texas:**

Market Study of Proposed Convention Center – Lufkin, Texas

**Outside of Texas:**

- Market Study and Economic Impact Study of Proposed 453,000-square foot Exhibition Center – Sandy City, Utah
- Market Study of Proposed Ballroom Addition to the Welk Resort – Branson, Missouri
- Market Study of Proposed Convention Center, Mall Conversion – Tupelo, Mississippi

**Other Projects:**

- Houston's First Baptist Church – Hunt Retreat – Lodge/Conference Facility – Fulshear, Texas (Open 2013)
- Market Study of Proposed Baseball Facility – The Zone – Kingwood, Texas (Open 2012)
- Market Study of Proposed Water Park – Beaumont, Texas
- Market Study of Proposed Time Share – Lake Havasu, Arizona
- Lakeview Methodist Conference Center – Lodge/Conference Facility – Palestine, Texas
- Market Study for Three Proposed Buffalo Wild Wings locations – Greater New Orleans, Louisiana
- Market Study for Proposed Apartments – Jackson, Tennessee
- Developer of five high-end town homes near Texas Medical Center
- Developer of three-unit loft project east of Mid-Town - Houston, Texas
- Due Diligence of new construction 400-unit Self Storage in southwest Houston
- Due Diligence of new construction 400-unit Self Storage in Baytown, Texas