

COST REVIEW

**Thousand Oaks Hotel
152 49th Avenue
Santa Clara, CA**

We have reviewed the above referenced project at your request to confirm its budgetary feasibility. The subject property is located at 152 49th Avenue, Santa Clara, CA. The final project will be renovation of the existing four story hotel.

GENERAL PROJECT ASSESSMENT

In order to assess the feasibility of this project, we relied on documents and information provided to us including a renovation budget with a loan amount totaling \$4,000,000 titled "Renovation budget estimate MAY 2019" (the "Renovation Budget") and a line item break down of the Furniture, Fixtures and Equipment ("FF&E"). We also received information regarding the scope of the project in an email from Adam Brown dated July 15, 2015 (the "Scope of Work").

According to the Scope of Work provided, the subject property is a four story hotel with 60 guest rooms. According to the public record it has 40,929 square feet of floor area on a 40,232 square foot lot and was built in 1985. We did not perform an inspection of the property at the request of the client.

The Scope of Work for this project calls for renovations that primarily consist of replacement of FF&E along with other miscellaneous items for 60 guest rooms, a 50 seat dining area, lobby work station and sundries counter. The FF&E breakdown also includes an optional line item of \$230,000 for window replacement. It does not include any structural repairs or modifications, nor does it include renovations of bar/lounge, restaurant kitchen, ballroom, fitness rooms/spa, swimming pools or any exterior work.

COST OF RENOVATION

To determine the cost of completing this project, we referred to standard industry estimating guidelines. The "Cost per Key" for complete guest room renovations in higher end hotels can range from below \$30,000 per room to above \$60,000 per room (exclusive of common areas). We did not receive information regarding the level and quality of the FF&E or other finish work desired. However, considering the line item costs in the Renovation Budget, we infer that this renovation project assumes upscale

to luxury class renovations. These costs may vary considerably depending on a variety of factors including, but not limited to: quality and type of FF&E, dimensions of guest rooms and common areas, and extent of repair work necessary.

We calculated the cost of completing this project in accordance with line items of the Renovation Budget and the Scope of Work. For its geographical area and class of FF&E, we estimate that the cost to complete this project should be between \$2,400,000 and \$4,100,000. We would recommend adding a contingency of at least 5% in case of unforeseen expenses. This would require an estimated construction budget of between \$2,520,000 and \$4,305,000. The level and quality of FF&E and finishes will significantly impact the total cost of the project.

Estimated cost to complete project: \$2,400,000 to \$4,100,000

Recommendation to complete project: \$2,520,000 to \$4,305,000

The Renovation Budget of \$4,000,000 falls within our recommendation which relies on the limited information provided.

In conclusion, we believe that the Renovation Budget of \$4,000,000 properly managed is sufficient to substantially complete this project provided that the line items in the FF&E breakdown are strictly adhered to.

The preliminary opinions and conclusions presented in this report are made in accordance with generally accepted real estate development principles and practices. No other warranties, either expressed or implied, are made. Please note that we have developed this feasibility analysis for your informational purposes only; third parties should not rely on this information as their sole or primary basis for embarking on this project. BuildZig encourages all parties to perform their own due diligence and reach their own conclusions, independently of this report. This report is based on information provided by you and/or the Owner of the project. This report should not be used to determine loan amounts or any other terms of loans made on this project. Market conditions vary, and as such, this report is time sensitive. Cost of construction materials and labor vary, this report is based on standard market rates available in this area. This report is issued with the understanding that it is the responsibility of the owner or owner's representative that the information contained in this report is called to the attention of all concerned parties and incorporated into the plans and that necessary steps are taken to see that the contractor or subcontractor carry out such recommendations in the field.