

The Truax Hotel & Parking Garage

Loan request \$108M and Financial Highlights

4/1/2021

Construction began on the 185 room, four-star, Truax Hotel and Parking Garage in Old Town Temecula. This landmark hotel is part of the Marriott Autograph Collection, the number one Marriott brand in the world. Designed to the strict standards that Marriott requires, the Truax spans six stories and 450 lineal feet, connecting Old Town Front Street with Mercedes Street, a half city block. Rooms that start at 335 square feet, executive suites, numerous shops, restaurants, patios, wedding and banquet facilities plus a fully automated garage, drive an exceptional revenue stream. Construction started in 2020 and halted due to the default by the construction lender, Altos Group.

Below are key financial indicators, including details as to calculation of NOI, major capital events and the overall cash flow. Accompanying this summary is the construction budget and the capital stack.

For more information, please contact David Fogg, CFO at 951-764-7813 (cell/text). Email: david.fogg@truaxmgt.com.

Capital Stack			Milestones		Stabilization/Perm Loan		terminal event -sale of property		
Sources of Funds:			Total	%	Construction restart	7.1.21	NOI	\$ 11,869,636	
New const. loan	8%	\$ 108,000,000	74.92%	Foundation complete	11.1.21	Cap rate	7%	NOI year 10	\$ 14,762,435
Existing capital		\$ 36,153,788	25.08%	Framing start/complete	2.1.22-3.1.23	Stabilized value	\$ 169,566,226	bldg value 7 cap	\$ 210,891,933
Total project cost		\$ 144,153,788	100%	Order ff&e/os&e/install	3.1.22/12.1.22	Permanent loan at 75% LTV	\$ 127,000,000	selling costs 2%	\$ (4,217,839)
Use of Funds			%	Leasing/TI	3.1.23	Construction loan	\$ 108,000,000	net proceeds	\$ 206,674,094
Land		\$ 5,623,319	3.90%	Certificate of occupancy	6.30.23	Cash out	\$ 19,000,000	principal bal.	\$ 101,713,582
Hard Costs		\$ 101,074,638	70.12%			Interest rate on perm	4.50%	Net cash	\$ 104,960,512
Soft Costs		\$ 18,793,290	13.04%	Investment Summary		Annual debt service with 30 yr amort.	\$ 7,721,884		
Finance		\$ 18,662,542	12.95%	Existing capital	\$ 36,153,788	DSCR	1.54		
Total Budget		\$ 144,153,788	100%	Return on investment	\$ 69,988,102	Debt yield	9.35%		
				Preferred return	5%				
				IRR	19.68%				

Fiscal period -July 1 to June 30	Construction period - 7.1.21 to 6.30.23							Perm loan	SALE
	2024	2025	2026	2027	2028	2029	2030		
Average Daily Rate-Evolution Feb 2021	\$246.92	\$309.12	\$318.39	\$327.94	\$337.78	\$347.91	\$358.35	\$369.10	
Occupancy	73.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	
NOI EVOLUTION FEB 2021 COMP SET 2	5,836,711	9,537,276	10,098,200	10,092,086	10,429,388	10,745,527	11,077,852	11,416,944	
Profit from garage - public spaces	411,275	475,023	548,651	633,692	731,915	845,361	976,392	1,127,733	
Profit from retail space in garage	138,240	142,387	146,659	151,059	155,590	160,258	165,066	170,018	
Profit from weddings	1,665,000	1,714,950	1,766,399	1,819,390	1,873,972	1,930,191	1,988,097	2,047,740	
Net operating income	8,051,226	11,869,636	12,559,908	12,696,227	13,190,865	13,681,337	14,207,407	14,762,435	
Debt service - 2024 interest only-4.5%	(4,860,000)	(7,721,884)	(7,721,884)	(7,721,884)	(7,721,884)	(7,721,884)	(7,721,884)	(7,721,884)	
Existing capital	\$ (36,153,788)								
Refinance/sale of property		19,000,000							104,960,512
Key money Marriott/Evolution		1,800,000							
City of Temecula city tax reimb.		1,875,000							
Developer administration fee (\$25k per mo)	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ (300,000)	\$ (300,000)	
Total cash received and distributed	\$ 167,341,365	\$ 2,891,226	\$ 26,522,752	\$ 4,538,024	\$ 4,674,343	\$ 5,168,981	\$ 5,659,453	\$ 6,185,523	\$ 111,701,063

The Truax Hotel & Parking Garage PROJECT BUDGET SUMMARY 4/1/2021

Section/Category	Costs as of 12.31.20			Costs to Complete			Grand Total Project Costs		
	Hotel	Garage	Total	Hotel	Garage	Total	Hotel	Garage	Total
Land:	\$ 4,538,927	\$ 1,084,392	\$ 5,623,319				\$ 4,538,927	\$ 1,084,392	\$ 5,623,319
Hard Costs:									
Total Hard Costs	\$ 1,888,822	\$ 240,000	\$ 2,128,822	\$ 77,474,899	\$ 21,470,917	\$ 98,945,816	\$ 79,363,721	\$ 21,710,917	\$ 101,074,638
Soft Costs:									
Total soft costs	\$ 6,494,434	\$ 2,430,237	\$ 8,924,671	\$ 9,192,067	\$ 676,552	\$ 9,868,618	\$ 15,686,501	\$ 3,106,789	\$ 18,793,290
Financing Costs:									
Total finance	\$ 4,137,542	\$ 5,000	\$ 4,142,542	\$ 11,616,000	\$ 2,904,000	\$ 14,520,000	\$ 15,753,542	\$ 2,909,000	\$ 18,662,542
Total Project Costs	\$ 17,059,724	\$ 3,759,629	\$ 20,819,353	\$ 98,282,966	\$ 25,051,469	\$ 123,334,435	\$ 115,342,690	\$ 28,811,098	\$ 144,153,788

cost per key \$ 623,474

CAPITAL STACK:

Construction loan at 75% loan to cost
Equity

	\$ 108,000,000
	\$ 36,153,788
	\$ 144,153,788

The Truax Hotel & Parking Garage PROJECT BUDGET 4/1/2021

Section/Category	Costs as of 12.31.20			Costs to Complete			Grand Total Project Costs		
	Hotel	Garage	Total	Hotel	Garage	Total	Hotel	Garage	Total
Land:	\$ 4,538,927	\$ 1,084,392	\$ 5,623,319				\$ 4,538,927	\$ 1,084,392	\$ 5,623,319
Hard Costs:									
Consultant Fees -Construction Admin	\$ -		\$ -	\$ 533,982	\$ 109,937	\$ 643,919	\$ 533,982	\$ 109,937	\$ 643,919
Inspections & Monitoring			\$ -	\$ 369,358		\$ 369,358	\$ 369,358	\$ -	\$ 369,358
So Ca Edison Work -offsite	\$ -		\$ -	\$ 500,000	\$ 75,000	\$ 575,000	\$ 500,000	\$ 75,000	\$ 575,000
On/Off Site Improvements	\$ 365,613		\$ 365,613	\$ 331,878	\$ 522,750	\$ 854,628	\$ 697,491	\$ 522,750	\$ 1,220,241
Building Hotel	\$ 8,125		\$ 8,125	\$ 59,180,896		\$ 59,180,896	\$ 59,189,021	\$ -	\$ 59,189,021
Parking Garage			\$ -		\$ 19,267,320	\$ 19,267,320	\$ -	\$ 19,267,320	\$ 19,267,320
Hotel FF&E / OS&E	\$ 35,084		\$ 35,084	\$ 10,869,961		\$ 10,869,961	\$ 10,905,045	\$ -	\$ 10,905,045
Tenant Improvements/model rooms	\$ -		\$ -	\$ 669,490	\$ 122,085	\$ 791,575	\$ 669,490	\$ 122,085	\$ 791,575
Contingency 3% of hard costs			\$ -	\$ 2,173,667	\$ 602,913	\$ 2,776,580	\$ 2,173,667	\$ 602,913	\$ 2,776,580
Project admin services	\$ 1,480,000	\$ 240,000	\$ 1,720,000	\$ 672,000	\$ 168,000	\$ 840,000	\$ 2,152,000	\$ 408,000	\$ 2,560,000
Construction management services -3% x const. costs			\$ -	\$ 2,173,667	\$ 602,913	\$ 2,776,580	\$ 2,173,667	\$ 602,913	\$ 2,776,580
Total Hard Costs	\$ 1,888,822	\$ 240,000	\$ 2,128,822	\$ 77,474,899	\$ 21,470,917	\$ 98,945,816	\$ 79,363,721	\$ 21,710,917	\$ 101,074,638
Soft Costs:									
Due Diligence	\$ 1,125,178	\$ 395,333	\$ 1,520,511			\$ -	\$ 1,125,178	\$ 395,333	\$ 1,520,511
Design Review Committee	\$ 952,355	\$ 244,826	\$ 1,197,181			\$ -	\$ 952,355	\$ 244,826	\$ 1,197,181
Consultants/Construction Documents	\$ 2,626,062	\$ 1,357,552	\$ 3,983,614	\$ 759,813	\$ 25,308	\$ 785,122	\$ 3,385,875	\$ 1,382,861	\$ 4,768,736
Permits & Fees	\$ 381,283	\$ 297,526	\$ 678,809	\$ 4,120,350	\$ 308,461	\$ 4,428,810	\$ 4,501,632	\$ 605,987	\$ 5,107,619
TMG admin fee	\$ 540,000	\$ 135,000	\$ 675,000	\$ 288,000	\$ 72,000	\$ 360,000	\$ 828,000	\$ 207,000	\$ 1,035,000
Leasing Commissions			\$ -	\$ 125,847		\$ 125,847	\$ 125,847	\$ -	\$ 125,847
Rental Lease			\$ -	\$ 320,736		\$ 320,736	\$ 320,736	\$ -	\$ 320,736
Hotel Startup/franchise fee	\$ 132,125		\$ 132,125	\$ 1,518,249		\$ 1,518,249	\$ 1,650,374	\$ -	\$ 1,650,374
Hotel Tech Service Fees			\$ -	\$ 96,000		\$ 96,000	\$ 96,000	\$ -	\$ 96,000
Legal/Title Costs			\$ -	\$ 112,320	\$ 28,080	\$ 140,400	\$ 112,320	\$ 28,080	\$ 140,400
Property Taxes	\$ 305,317		\$ 305,317	\$ 138,429	\$ 37,372	\$ 175,801	\$ 443,745	\$ 37,372	\$ 481,118
Marketing/branding	\$ 209,010		\$ 209,010	\$ 72,802	\$ 19,062	\$ 91,864	\$ 281,812	\$ 19,062	\$ 300,874
Performance Bonds			\$ -	\$ 485,843		\$ 485,843	\$ 485,843	\$ -	\$ 485,843
Commercial Insurance	\$ 163,168		\$ 163,168	\$ 879,711	\$ 166,563	\$ 1,046,274	\$ 1,042,879	\$ 166,563	\$ 1,209,442
Miscellaneous Costs	\$ 59,937		\$ 59,937	\$ 6,237		\$ 6,237	\$ 66,174	\$ -	\$ 66,174
Contingency - Soft (3%)			\$ -	\$ 267,730	\$ 19,705	\$ 287,435	\$ 267,730	\$ 19,705	\$ 287,435
Total soft costs	\$ 6,494,434	\$ 2,430,237	\$ 8,924,671	\$ 9,192,067	\$ 676,552	\$ 9,868,618	\$ 15,686,501	\$ 3,106,789	\$ 18,793,290
Financing Costs:									
Loan Fees			\$ -	\$ 1,944,000	\$ 486,000	\$ 2,430,000	\$ 1,944,000	\$ 486,000	\$ 2,430,000
Interest reserve			\$ -	\$ 6,912,000	\$ 1,728,000	\$ 8,640,000	\$ 6,912,000	\$ 1,728,000	\$ 8,640,000
Legal/closing costs	\$ 540,665	\$ 5,000	\$ 545,665	\$ 200,000	\$ 50,000	\$ 250,000	\$ 740,665	\$ 55,000	\$ 795,665
Pace cost - negotiated			\$ -	\$ 2,560,000	\$ 640,000	\$ 3,200,000	\$ 2,560,000	\$ 640,000	\$ 3,200,000
Bridge & Partners Loan	\$ 338,567		\$ 338,567			\$ -	\$ 338,567	\$ -	\$ 338,567
Bridge Loan Fees	\$ 123,980		\$ 123,980			\$ -	\$ 123,980	\$ -	\$ 123,980
Capitalized interest to 12.31.20	\$ 3,134,330		\$ 3,134,330			\$ -	\$ 3,134,330	\$ -	\$ 3,134,330
Total finance	\$ 4,137,542	\$ 5,000	\$ 4,142,542	\$ 11,616,000	\$ 2,904,000	\$ 14,520,000	\$ 15,753,542	\$ 2,909,000	\$ 18,662,542
Total Project Costs	\$ 17,059,724	\$ 3,759,629	\$ 20,819,353	\$ 98,282,966	\$ 25,051,469	\$ 123,334,435	\$ 115,342,690	\$ 28,811,098	\$ 144,153,788

cost per key \$ 623,474

CAPITAL STACK:

Construction loan at 75% loan to cost	\$ 108,000,000
Equity	<u>\$ 36,153,788</u>
	<u>\$ 144,153,788</u>

EVOLUTION MANAGEMENT 2.12.21, COMP SET 2

Revenue %	3.0%
Expense %	3.0%

	Projected 2024		Projected 2025		Projected 2026		Projected 2027		Projected 2028		Projected 2029		Projected 2030		Projected 2031	
Occupancy %	73.0%		76.0%		76.0%		76.0%		76.0%		76.0%		76.0%		76.0%	
Average Daily Rate	\$309.12		\$318.39		\$327.94		\$337.78		\$347.91		\$358.35		\$369.10		\$380.17	
RevPAR	\$225.53		\$241.89		\$249.14		\$256.62		\$264.32		\$272.25		\$280.41		\$288.83	
Total RmNts Sold	49,400		51,300		51,300		51,300		51,441		51,300		51,300		51,300	
Total RmNts Available	67,710		67,525		67,525		67,525		67,710		67,525		67,525		67,525	
DEPARTMENTAL REVENUE																
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Rooms	\$15,270,528	56.6%	\$16,333,407	56.4%	\$16,823,322	56.5%	\$17,328,114	56.4%	\$17,896,856	56.5%	\$18,383,396	56.4%	\$18,934,898	56.4%	\$19,502,945	56.4%
Food & Beverage	9,879,600	36.6%	10,596,534	36.6%	10,914,430	36.7%	11,241,863	36.6%	11,579,119	36.6%	11,926,493	36.6%	12,284,288	36.6%	12,652,816	36.6%
Restaurants & Room Service	7,164,600	26.5%	7,471,534	25.8%	7,695,680	25.9%	7,926,551	25.8%	8,164,347	25.8%	8,409,278	25.8%	8,661,556	25.8%	8,921,403	25.8%
Banquets & Catering	2,715,000	10.1%	3,125,000	10.8%	3,218,750	10.8%	3,315,313	10.8%	3,414,772	10.8%	3,517,215	10.8%	3,622,731	10.8%	3,731,413	10.8%
Retail Shops	514,169	1.9%	529,594	1.8%	545,482	1.8%	561,846	1.8%	578,701	1.8%	596,062	1.8%	613,944	1.8%	632,363	1.8%
Resort Fees	1,185,600	4.4%	1,313,280	4.5%	1,313,280	4.4%	1,395,360	4.5%	1,437,221	4.5%	1,480,337	4.5%	1,524,748	4.5%	1,570,490	4.5%
Other Operated Income	76,323	0.3%	81,636	0.3%	84,085	0.3%	86,608	0.3%	89,206	0.3%	91,882	0.3%	94,639	0.3%	97,478	0.3%
Misc Other Income	76,323	0.3%	81,636	0.3%	84,085	0.3%	86,608	0.3%	89,206	0.3%	91,882	0.3%	94,639	0.3%	97,478	0.3%
Parking	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Departmental Revenue	\$27,002,543	100.0%	\$28,936,088	100.0%	\$29,764,685	100.0%	\$30,700,399	100.0%	\$31,670,310	100.0%	\$32,570,054	100.0%	\$33,547,155	100.0%	\$34,553,570	100.0%
DEPARTMENTAL EXPENSES																
Rooms	\$2,297,100	15.0%	\$2,397,377	14.7%	\$2,469,299	14.7%	\$2,543,378	14.7%	\$2,626,856	14.7%	\$2,698,269	14.7%	\$2,779,217	14.7%	\$2,862,594	14.7%
Food & Beverage	7,158,723	72.5%	7,566,099	71.4%	7,793,082	71.4%	8,026,875	71.4%	8,290,332	71.6%	8,515,711	71.4%	8,771,183	71.4%	9,034,318	71.4%
Retail Shops	69,132	13.4%	71,206	13.4%	73,342	13.4%	75,542	13.4%	78,021	13.5%	\$80,143	13.4%	\$82,547	13.4%	\$85,023	13.4%
Resort Fees	391,248	33.0%	433,382	33.0%	433,382	33.0%	460,469	33.0%	\$475,582	33.1%	\$488,511	33.0%	\$503,167	33.0%	\$518,262	33.0%
Other Operated Income	30,529	40.0%	32,655	40.0%	33,634	40.0%	34,643	40.0%	\$35,780	40.1%	\$36,753	40.0%	\$37,856	40.0%	\$38,991	40.0%
Misc Other Income	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Parking	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Departmental Expenses	\$9,946,732	36.8%	\$10,500,719	36.3%	\$10,802,739	36.3%	\$11,140,906	36.3%	\$11,506,572	36.3%	\$11,819,387	36.3%	\$12,173,969	36.3%	\$12,539,188	36.3%
DEPARTMENTAL PROFIT																
Rooms	\$12,973,428	85.0%	\$13,936,030	85.3%	\$14,354,023	85.3%	\$14,784,736	85.3%	\$15,270,000	85.3%	\$15,685,127	85.3%	\$16,155,681	85.3%	\$16,640,351	85.3%
Food & Beverage	2,720,877	27.5%	3,030,435	28.6%	3,121,348	28.6%	3,214,989	28.6%	3,288,787	28.4%	3,410,781	28.6%	3,513,105	28.6%	3,618,498	28.6%
Retail Shops	445,037	86.6%	458,388	86.6%	472,140	86.6%	486,304	86.6%	500,680	86.5%	515,920	86.6%	531,398	86.6%	547,339	86.6%
Resort Fees	794,352	67.0%	879,898	67.0%	879,898	67.0%	934,891	67.0%	961,639	66.9%	991,826	67.0%	1,021,581	67.0%	1,052,228	67.0%
Other Operated Income	45,794	60.0%	48,982	60.0%	50,451	60.0%	51,965	60.0%	53,426	59.9%	55,129	60.0%	56,783	60.0%	58,487	60.0%
Misc Other Income	76,323	100.0%	81,636	100.0%	84,085	100.0%	86,608	100.0%	89,206	100.0%	91,882	100.0%	94,639	100.0%	97,478	100.0%
Parking	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Departmental Profit	\$17,055,811	63.2%	\$18,435,368	63.7%	\$18,961,946	63.7%	\$19,559,493	63.7%	\$20,163,738	63.7%	\$20,750,666	63.7%	\$21,373,186	63.7%	\$22,014,382	63.7%
OTHER OPERATING EXPENSES																
Administrative & General	\$1,524,416	5.6%	\$1,598,235	5.5%	\$1,645,195	5.5%	\$1,695,620	5.5%	\$1,751,273	5.5%	\$1,798,883	5.5%	\$1,852,850	5.5%	\$1,908,435	5.5%
Information & Telecommunications	206,000	0.8%	212,180	0.7%	218,545	0.7%	225,102	0.7%	\$232,490	0.7%	\$238,810	0.7%	\$245,975	0.7%	\$253,354	0.7%
Sales & Marketing	1,983,120	7.3%	2,074,725	7.2%	2,132,438	7.2%	2,193,614	7.1%	\$2,265,613	7.2%	\$2,327,205	7.1%	\$2,397,021	7.1%	\$2,468,932	7.1%
Franchise Fees	610,821	2.3%	816,670	2.8%	841,166	2.8%	866,406	2.8%	\$894,843	2.8%	\$919,170	2.8%	\$946,745	2.8%	\$975,147	2.8%
Repairs & Maintenance	601,513	2.2%	619,558	2.1%	638,145	2.1%	657,289	2.1%	\$678,863	2.1%	\$697,318	2.1%	\$718,237	2.1%	\$739,785	2.1%
Utilities	399,033	1.5%	414,955	1.4%	427,404	1.4%	440,226	1.4%	\$454,675	1.4%	\$467,036	1.4%	\$481,047	1.4%	\$495,478	1.4%
Total Other Operating Expenses	\$5,324,901	19.7%	\$5,736,323	19.8%	\$5,902,893	19.8%	\$6,078,256	19.8%	\$6,277,757	19.8%	\$6,448,422	19.8%	\$6,641,875	19.8%	\$6,841,131	19.8%
GROSS OPERATING PROFIT																
Management Fee	\$877,583	3.3%	\$940,423	3.3%	\$967,352	3.3%	\$997,763	3.3%	\$1,029,285	3.3%	\$1,058,527	3.3%	\$1,090,283	3.3%	\$1,122,991	3.3%
INCOME BEFORE FIXED EXP	\$10,853,327	40.2%	\$11,758,622	40.6%	\$12,091,700	40.6%	\$12,483,473	40.7%	\$12,856,696	40.6%	\$13,243,717	40.7%	\$13,641,029	40.7%	\$14,050,259	40.7%
FIXED EXPENSE																
Property Taxes	\$612,000	2.3%	\$624,240	2.2%	\$636,725	2.1%	\$649,459	2.1%	\$662,448	2.1%	\$675,697	2.1%	\$689,211	2.1%	\$702,996	2.0%
Insurance	164,000	0.6%	168,100	0.6%	172,303	0.6%	176,610	0.6%	181,908	0.6%	187,366	0.6%	192,987	0.6%	198,776	0.6%
Leases / Other	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Fixed Expense	\$776,000	2.9%	\$792,340	2.7%	\$809,027	2.7%	\$826,069	2.7%	\$844,357	2.7%	\$863,063	2.6%	\$882,198	2.6%	\$901,772	2.6%
EBITDA																
Less: FF&E Reserve	\$40,051	2.0%	\$86,083	3.0%	\$1,190,587	4.0%	\$1,228,016	4.0%	\$1,266,812	4.0%	\$1,302,802	4.0%	\$1,341,886	4.0%	\$1,382,143	4.0%
NOI - Evolution portion	\$9,537,276	35.3%	\$10,098,200	34.9%	\$10,092,086	33.9%	\$10,429,388	34.0%	\$10,745,527	33.9%	\$11,077,852	34.0%	\$11,416,944	34.0%	\$11,766,345	34.1%