

Santa Barbara Marriott Tribute 105 Room Hotel Development
\$6.0M Investment Opportunity



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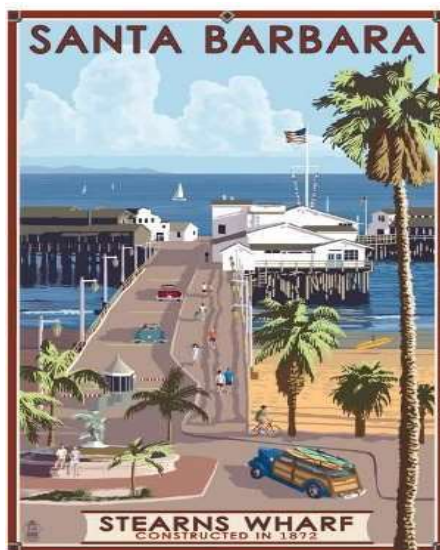
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Executive Summary

- Stratus Development Partners, LLC (the “Sponsor” or “Stratus”), is pleased to present the opportunity to invest \$6 Million in Project Equity for the ground-up development of a 105-key Marriott Tribute hotel and rooftop amenity located in the heart of Santa Barbara (the “Project”). ***The Project targets a Return of Capital in Year-3 a robust 27% IRR and 4.1x equity multiple over a long term hold period.***
- The Sponsor has contributed \$12M to date to fund the property acquisition, entitlements, pre construction and permitting. The additional \$6M will close out the total Project Equity to \$18M for the Project construction, opening and operation.
- Stratus is a full-service real estate firm based in Newport Beach, CA. Together the highly talented team of principals encompass over 50 years of institutional real estate development experience and over \$1.59Bn of origination, entitlement, repositioning and management focused on value-added strategic acquisitions and innovative developments.
- Situated 1.5 blocks from East Beach in the Santa Barbara Funk Zone, the Project will benefit from its close proximity to a broad array of demand drivers including South State Street, Stearns Wharf, East Beach and Montecito.



- ✓ Santa Barbara historically attracts more than 7.2 million visitors annually and continues to grow as a travel destination
- ✓ Santa Barbara is within 150 miles from 4 of the 5 most populous counties in California representing 48% of the total state population
- ✓ Santa Barbara has endless recreation opportunities, a Mediterranean climate, vibrant arts scene, stunning vistas for miles, all combined with an award-winning food & wine culture
- ✓ Travel media coverage in the NYT, Travel + Leisure, AFAR, and numerous social media outlets, Santa Barbara continues to rise in popularity as a top travel destination

Executive Summary

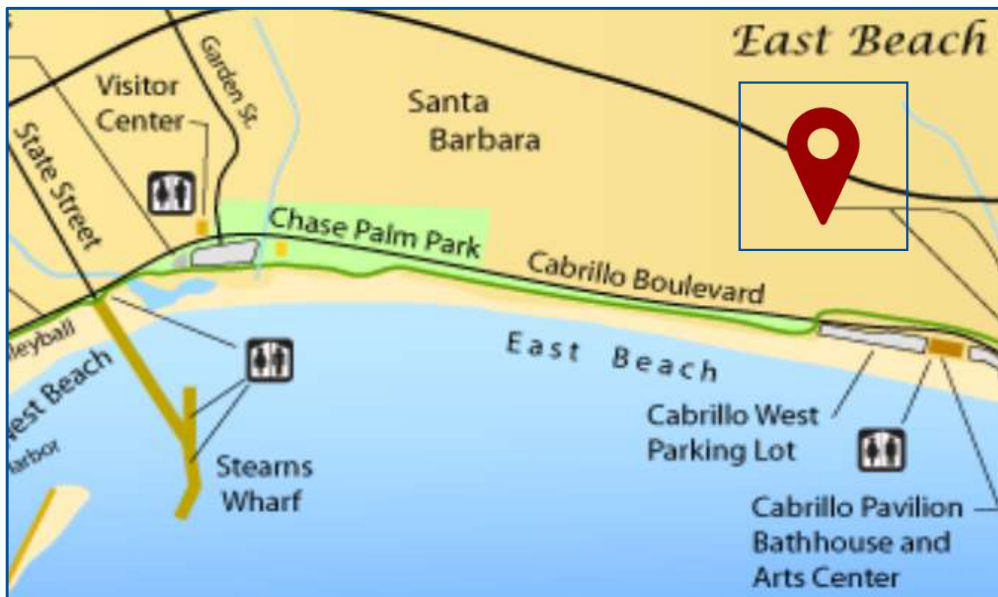
- Santa Barbara is the “American Riviera” and among the most affluent communities on the West Coast with a highly visited location with immediate proximity to the Southern California travel demand generators
 - Santa Barbara is one of the most compelling supply constrained, high barriers to entry lodging markets in California with historically 80% occupancy
- Project is located at 926 Hutash Street and consists of a 38,122 square foot parcel with an existing 12,000 square foot commercial building
 - Excellent visibility and easy access from the 101 freeway
 - Gateway visibility on S. Milpas Street exit before the Laguna/Garden St. Downtown exit
- Project is fully approved and entitled
 - The Project will feature 105 rooms, outdoor patio, ocean view roof top bar, conference rooms and state of the art fitness center and received full approvals after a 5-year application process including:
 - Coastal Development Permit
 - Development Plan Approval
- Efficient construction type
 - 105,000 square foot three-story type V construction
 - 115 parking spaces



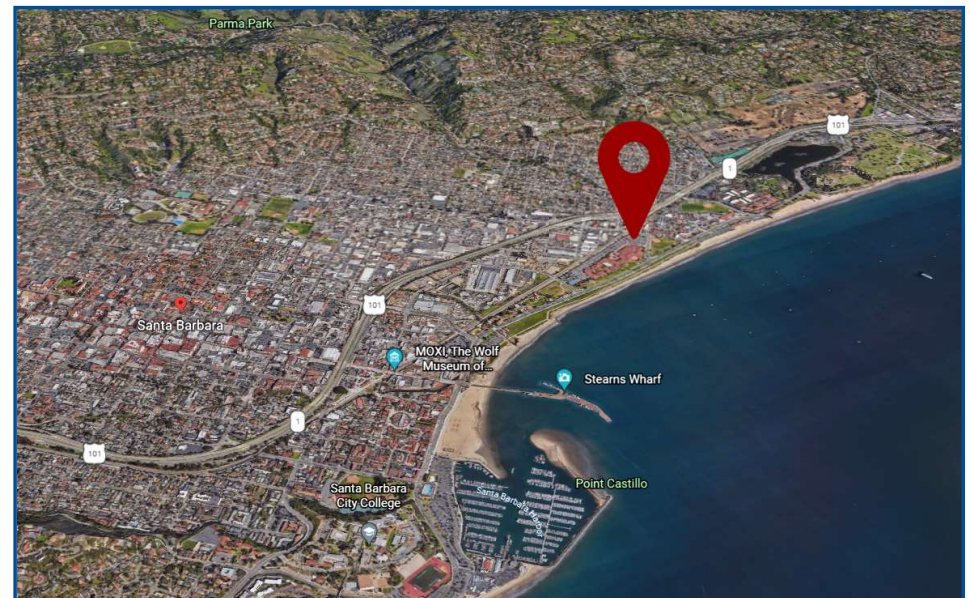
Santa Barbara Area Map

- Property located on 926 Hutash Street
 - Immediate Access off the Milpas Exit off the 101 on the ocean side
 - Near the Fess Parker Hilton Resort, Hyatt Centric and Santa Barbara Inn; two blocks to East Beach and walkable to Sterns Warf
 - Upper lever rooms and the roof top will have water views
- Property has primary access Santa Barbara's popular Funk Zone: <https://www.funkzone.net/>
 - Boutique tasting rooms, cafes, galleries, and shops that cater to Santa Barbara's contemporary side
 - Urban Wine Trail - <https://santabarbaraca.com/itinerary/the-urban-wine-trail/>
 - Five-star dining include The Lark
 - East Beach is a busy destination and extends 1.6 miles from the wharf to the Andree Clark Bird Refuge

Area Map – East Beach
Hotel Location in Red



Site Vicinity Map



Project Terms

➤ Key Terms:

- Sponsor: Stratus Development Partners, LLC
- Investment Entity: Project NewCo, LLC
- Target Raise: \$18.0M Equity Accounts
 - \$12.0M committed
 - **\$6.0M funded at Project Start of Construction**
- Preferred Return: 9.0% deferred rate
- Security Type: Equity accounts including the total \$18.0M (“Equity Accounts”)

➤ Project Target Terms:

- Target IRR: 25%-27%
- Deferred Pref: 9.0%
- Return of Equity: Year - 3
- Target Equity Multiple: 3.0x – 3.5x
- Target Investment Period: Maximize a long term appreciating annuity after Preferred Return and Equity Accounts have been paid down to zero

Project Terms *Con't*

➤ Investor Liquidity:

- Distributions during operations after Preferred Return are pro rata: 80% to Equity Accounts and 20% to Sponsor
- Distribution during refinance is paid out 100% to Equity Accounts until Preferred Return and all Equity Accounts are fully paid back
- Distributions after refinance and all preferred return and all Equity Accounts are fully paid back are 60% to Equity Accounts and 40% to Sponsor
- Thereafter Equity Accounts have received an IRR of 20%; 57.5% to Equity Accounts and 42.5% to Sponsor

➤ Fees:

No Acquisition Fee

Development Fee During Permitting and Construction

Monthly Asset Management Fee Charged to Hotel Once Operating

Project Financial Summary

Marriott - Santa Barbara

Sample Investment Return \$1,000,000 Investment

2023

Year	Year 0 2023	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028	Year 6 2029	Year 7 2030	Year 8 2031	Year 9 2032	Year 10 2033	Year 11 2034
Equity Investment	1,000,000	(1,000,000)	-	-	-	-	-	-	-	-	-	-
Deferred Pref 9%		90,000	98,100	106,929								
Accrued Pref 9%		90,000	188,100	295,029	-	-	-	-	-	-	-	-
Return of Capital		-	-	1,000,000								
Project Cash Flow		-	-	-	123,867	130,683	109,751	107,688	110,330	119,358	127,502	2,989,092
Subtotal				1,295,029	123,867	130,683	109,751	107,688	110,330	119,358	127,502	2,989,092
Net Cash Flow		(1,000,000)	-	-	1,295,029	123,867	130,683	109,751	107,688	110,330	119,358	2,989,092
Subtotal		4,113,300										
IRR		27.56%										
Equity Multiple		4.11										

Assumptions:

Target Raise	18,000,000
Net Land Contribution	-
Net Target Raise	18,000,000
Equity Investment	1,000,000
Pref	9.00%
Investment % Raise	5.56%
60% of Project	3.33%

Project Financial Summary (con't)

PROJECT COSTS

Land	\$10,670,527	\$101,624/Key
Soft Costs	\$13,671,671	\$130,206/Key
Hard Costs	\$29,183,378	\$277,937/Key
FF&E & OS&E	\$6,692,653	\$63,740/Key
Contingency	\$2,776,504	\$26,443/Key
Financing Costs	\$5,418,280	\$51,603/Key
Total Cost	\$68,413,013	\$651,553/Key

PROJECT TIMELINE

Construction Start	Jul-23	
Completion Date	Apr-25	21 Months
Stabilized/ Bridge Date	Oct-25	6 Months
Theoretical Disposition Date	Aug-33	94 Months

PROJECT & PARTNERSHIP RETURN METRICS

Yield on Cost	9.57%
Market Cap Rate	5.50%
Development Spread	407 Basis Points
Hold Period	10.2 Years

PROJECT-LEVEL RETURNS

	IRR	EqM
Unlevered	16.5%	3.35x
Levered	35.0%	5.46x

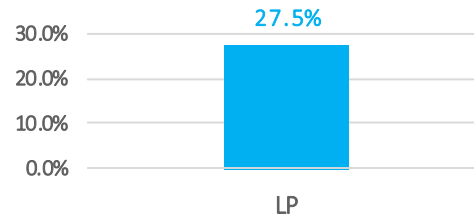
PARTNERSHIP RETURNS

	IRR	EqM
LP	27.5%	4.10x

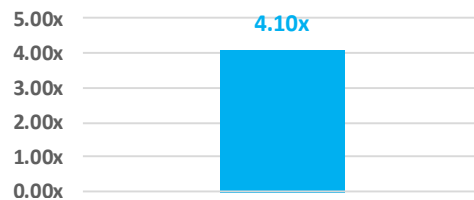
PROJECT SUMMARY

Project Name	Santa Barbara	Land Area	0.875
Sponsor/Developer	Stratus Development Partners	FAR	3.3
Project Type	Hospitality	Total Floors	4
Hotel Franchise	Marriott Tribute	Hotel Total	105,004 SF
Lodging Type	Tribute	Parking Spaces	125
Total Keys	105		
Address	926 Hutash Street		
City State	Santa Barbara, CA		
General Contractor	Level 3 Construction, Inc.		

IRR by Partner



EqM by Partner



PROJECT CAPITALIZATION

Sources

Senior Loan	\$50,415,418	73.7%	\$480,147/Key
Project Equity	\$17,997,595	26.3%	\$171,406/Key
Total Sources	\$68,413,013	100.0%	\$651,553/Key

Uses

Land	\$10,670,527	15.6%	\$101,624/Key
Soft Costs	\$13,671,671	20.0%	\$130,206/Key
Hard Costs	\$29,183,378	42.7%	\$277,937/Key
FF&E & OS&E	\$6,692,653	9.8%	\$63,740/Key
Contingency	\$2,776,504	4.1%	\$26,443/Key
Financing Costs/Fees	\$5,418,280	7.9%	\$51,603/Key
Total Uses	\$68,413,013	100.0%	\$651,553/Key

Project Financial Summary (con't)

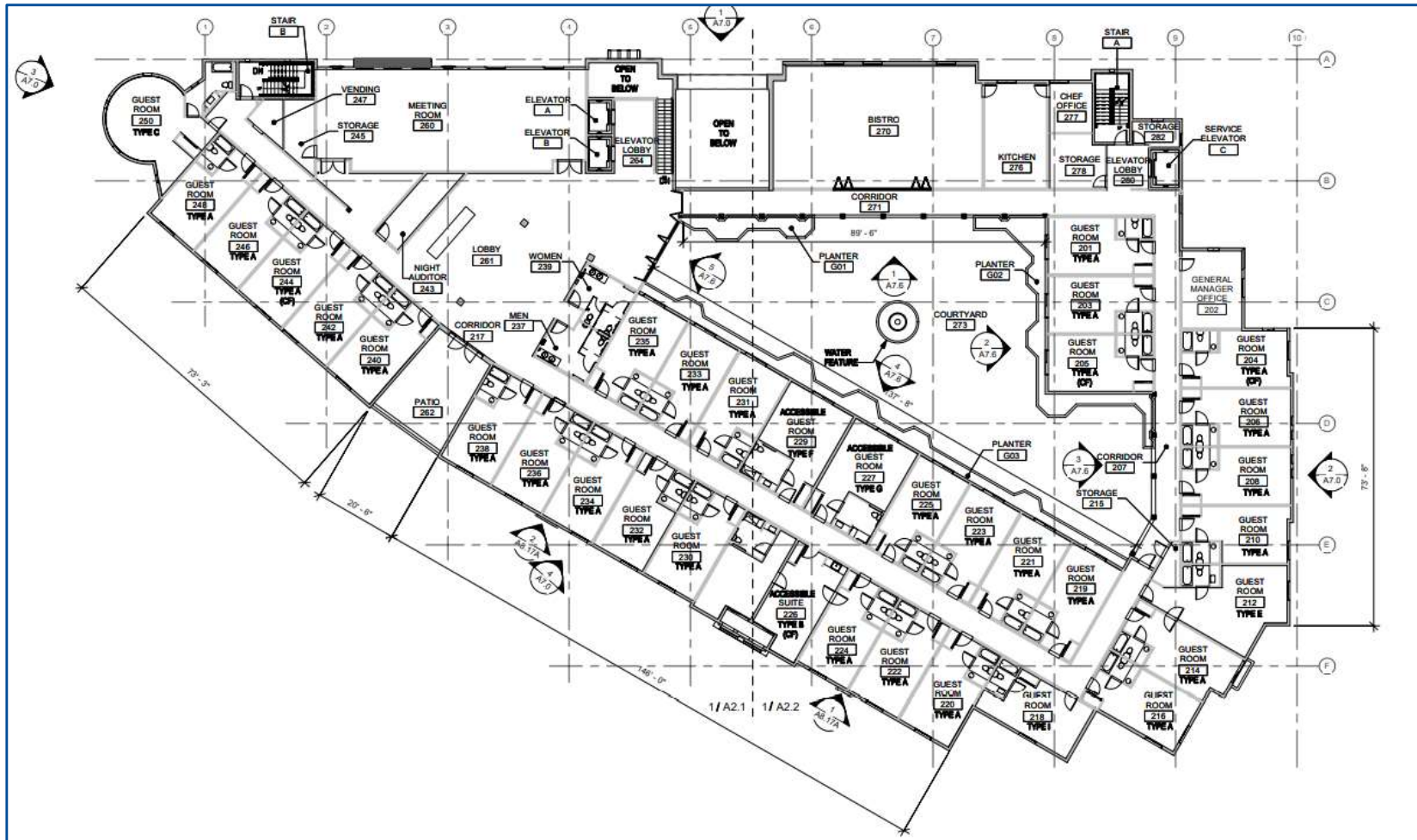
Year	2026		2027		2028		2029		2030		2031		2032	
Rooms	105		105		105		105		105		105		105	
Days	365		365		366		365		365		365		366	
Available Rooms	38,325		38,325		38,430		38,325		38,325		38,325		38,430	
Occupied Rooms	28,744		30,200		31,205		31,120		31,120		31,120		31,205	
Occupancy	75.0%		78.8%		81.2%		81.2%		81.2%		81.2%		81.2%	
ADR	\$357.37		\$375.24		\$386.50		\$398.09		\$410.03		\$422.33		\$435.00	
ADR Growth	N/A		5.00%		3.00%		3.00%		3.00%		3.00%		3.00%	
RevPAR	\$268.03		\$295.69		\$313.83		\$323.25		\$332.95		\$342.94		\$353.22	
RevPAR Growth	N/A		10.32%		6.14%		3.00%		3.00%		3.00%		3.00%	
TRevPAR	\$519.07		\$542.31		\$559.13		\$576.46		\$594.34		\$612.77		\$631.78	
TRevPAR Growth	N/A		4.48%		3.10%		3.10%		3.10%		3.10%		3.10%	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Departmental Revenues														
Rooms	10,272,154	68.8%	11,332,240	69.2%	12,060,659	69.1%	12,388,537	69.1%	12,760,193	69.0%	13,142,999	68.9%	13,574,378	68.9%
Food & Beverage	3,018,094	20.2%	3,281,996	20.0%	3,509,913	20.1%	3,622,835	20.2%	3,749,634	20.3%	3,880,871	20.4%	4,027,706	20.4%
Parking	1,207,238	8.1%	1,306,456	8.0%	1,390,433	8.0%	1,428,233	8.0%	1,471,080	8.0%	1,515,213	7.9%	1,564,945	7.9%
Misc. Income	422,533	2.8%	457,260	2.8%	486,652	2.8%	499,882	2.8%	514,878	2.8%	530,324	2.8%	547,731	2.8%
Total Revenue	14,920,018	100.0%	16,377,952	100.0%	17,447,657	100.0%	17,939,487	100.0%	18,495,786	100.0%	19,069,408	100.0%	19,714,760	100.0%
Departmental Expenses														
Rooms	1,914,816	18.6%	2,028,326	17.9%	2,116,987	17.6%	2,178,114	17.6%	2,243,457	17.6%	2,310,761	17.6%	2,382,692	17.6%
Food & Beverage	2,202,000	73.0%	2,356,598	71.8%	2,492,365	71.0%	2,570,925	71.0%	2,657,051	70.9%	2,746,063	70.8%	2,843,507	70.6%
Other Operated Departments	580,000	48.0%	618,588	47.3%	651,988	46.9%	670,264	46.9%	690,372	46.9%	711,083	46.9%	733,820	46.9%
Total Departmental Expenses	4,696,816	31.5%	5,003,512	30.6%	5,261,340	30.2%	5,419,303	30.2%	5,590,880	30.2%	5,767,906	30.2%	5,960,018	30.2%
DEPARTMENTAL PROFIT	10,223,202	68.5%	11,374,440	69.4%	12,186,317	69.8%	12,520,184	69.8%	12,904,906	69.8%	13,301,501	69.8%	13,754,741	69.8%
Undistributed Expenses														
Admin. & General	968,664	6.5%	1,038,098	6.3%	1,094,099	6.3%	1,112,932	6.2%	1,135,191	6.1%	1,157,894	6.1%	1,184,288	6.0%
Information and Telecommunications Systems	81,632	0.5%	88,341	0.5%	94,020	0.5%	96,576	0.5%	99,473	0.5%	102,457	0.5%	105,820	0.5%
Sales & Marketing	401,550	2.7%	434,552	2.7%	462,485	2.7%	475,058	2.6%	489,309	2.6%	503,989	2.6%	520,530	2.6%
Brand, Prop. Op. & Maintenance	1,088,813	7.3%	1,178,299	7.2%	1,378,859	7.9%	1,540,824	8.6%	1,649,289	8.9%	1,698,767	8.9%	1,754,524	8.9%
Utilities	207,242	1.4%	222,098	1.4%	234,079	1.3%	238,108	1.3%	242,870	1.3%	247,728	1.3%	253,374	1.3%
Total Undistributed Expenses	2,747,903	18.4%	2,961,389	18.1%	3,263,541	18.7%	3,463,497	19.3%	3,616,132	19.6%	3,710,835	19.5%	3,818,537	19.4%
GROSS OPERATING PROFIT	7,475,300	50.1%	8,413,051	51.4%	8,922,775	51.1%	9,056,687	50.5%	9,288,774	50.2%	9,590,666	50.3%	9,936,204	50.4%
Management Fee	447,601	3.0%	491,339	3.0%	523,430	3.0%	538,185	3.0%	554,874	3.0%	572,082	3.0%	591,443	3.0%
INCOME BEFORE FIXED EXPENSES	7,027,699	47.1%	7,921,713	48.4%	8,399,346	48.1%	8,518,502	47.5%	8,733,901	47.2%	9,018,584	47.3%	9,344,762	47.4%
Fixed Expenses														
Property Taxes	98,350	0.7%	183,818	1.1%	301,700	1.7%	307,734	1.7%	313,889	1.7%	320,166	1.7%	326,570	1.7%
Insurance	115,000	0.8%	117,300	0.7%	119,646	0.7%	122,039	0.7%	124,480	0.7%	126,969	0.7%	129,509	0.7%
Asset Management	144,000	1.0%	144,000	0.9%	144,000	0.8%	144,000	0.8%	144,000	0.8%	144,000	0.8%	144,000	0.7%
Total Fixed Expenses	357,350	2.4%	445,118	2.7%	565,346	3.2%	573,773	3.2%	582,368	3.1%	591,136	3.1%	600,078	3.0%
EBITDA	6,670,349	44.7%	7,476,595	45.7%	7,834,000	44.9%	7,944,729	44.3%	8,151,532	44.1%	8,427,448	44.2%	8,744,683	44.4%
Reserve for Replacement	149,200	1.0%	327,559	2.0%	523,430	3.0%	538,185	3.0%	554,874	3.0%	762,776	4.0%	788,590	4.0%
NET OPERATING INCOME	6,521,149	43.7%	7,149,036	43.7%	7,310,570	41.9%	7,406,545	41.3%	7,596,659	41.1%	7,664,672	40.2%	7,956,093	40.4%

Hotel Rendering



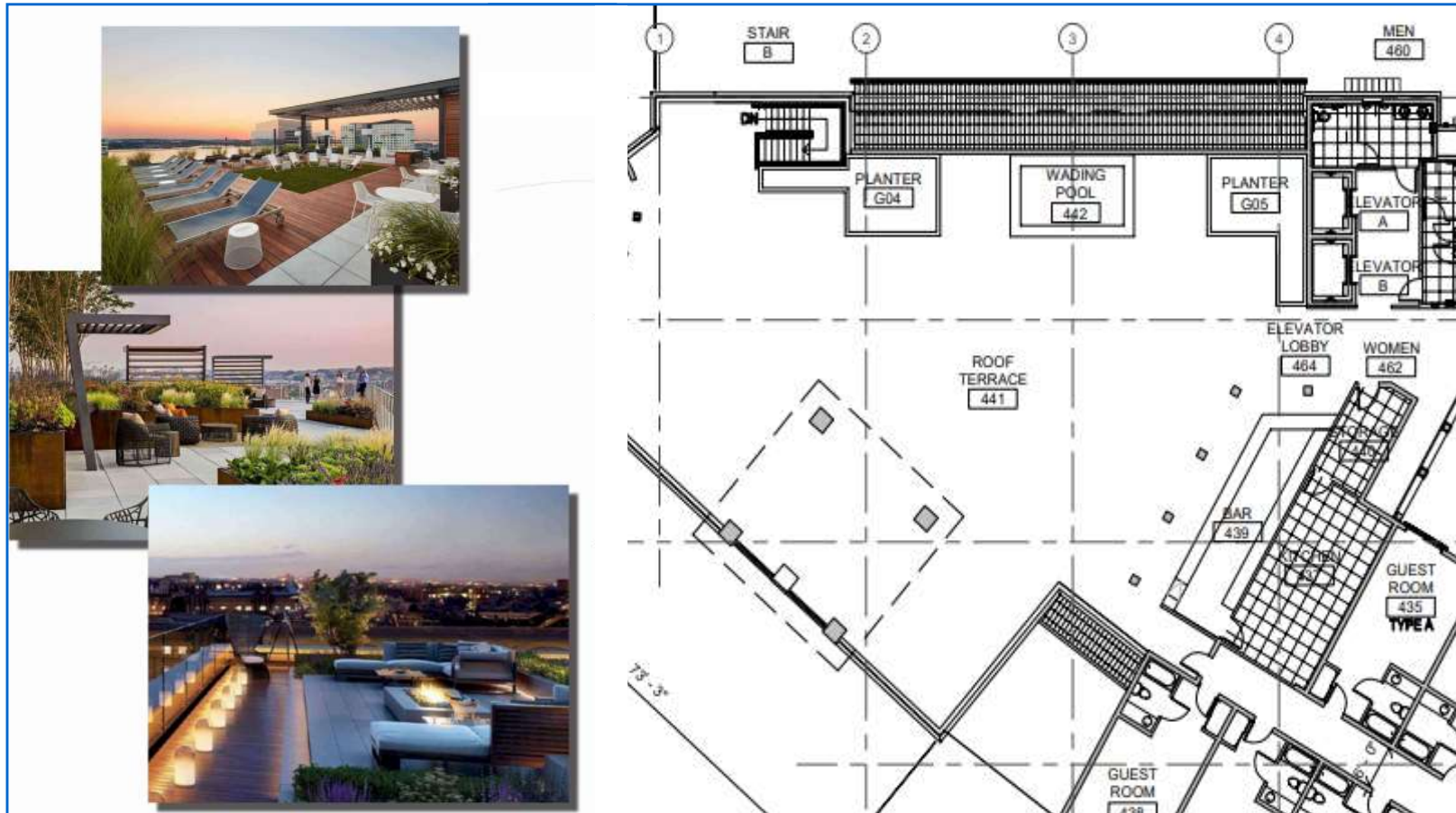
Hotel Site Plan

- The Project approvals and entitlements include:
 - 105 rooms
 - 115 parking stalls
 - Rooftop bar, fitness center, conference rooms and spa



Roof Top Bar Amenity – Ocean View

- The Project is designed with an ocean view rooftop venue



Project Milestones Next Steps

Project Milestones

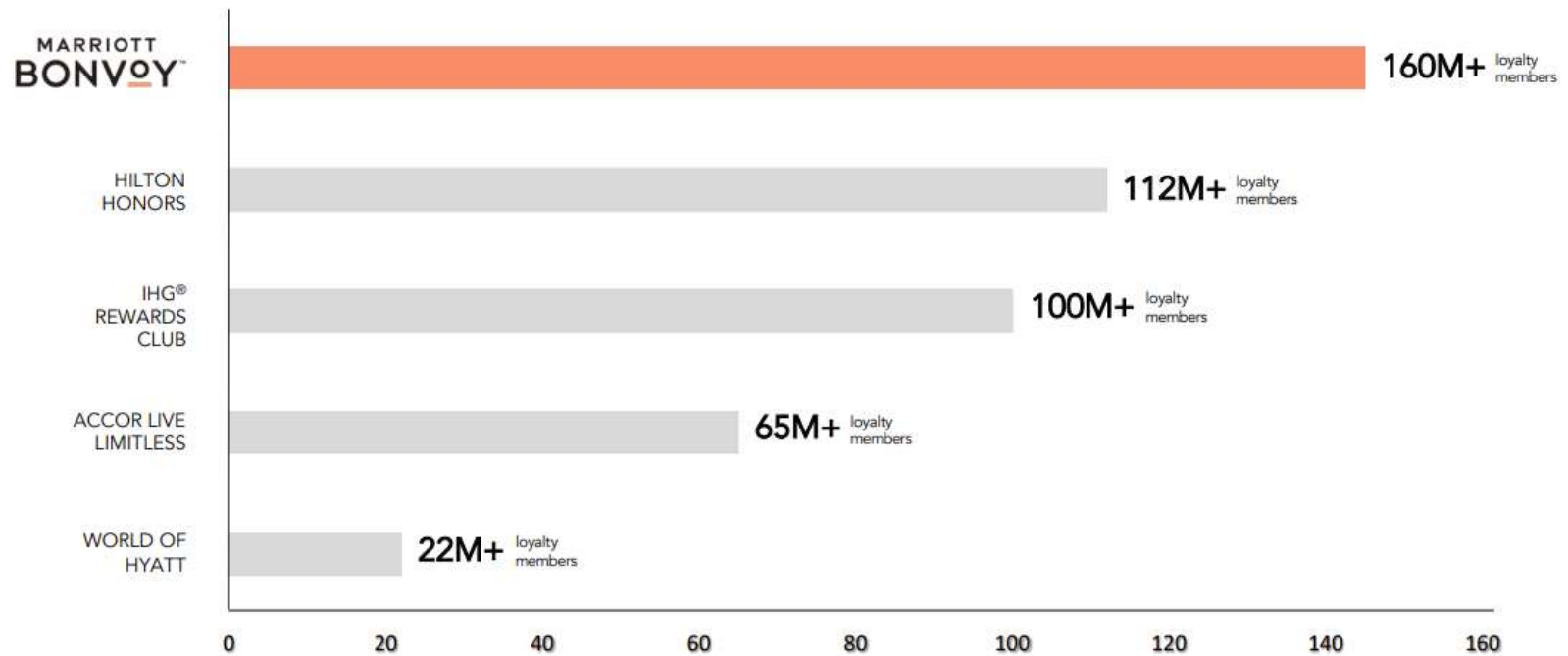
- 1Q22
 - Closed Project Equity Account Commitments
- 3Q22
 - Plan Check Building Permit Submittals
- 3Q23
 - Final Building Permit Submittals
 - Issuance of Building Permits
- September/ October 2023
 - Project Equity Closing
 - Construction Loan Closing
 - Project Mobilization
 - Start of Construction



Marriott Bonvoy – The Power of Marriott

More Members Than Ever

A LARGER MEMBERSHIP BASE THAN OUR COMPETITORS AND GROWING.

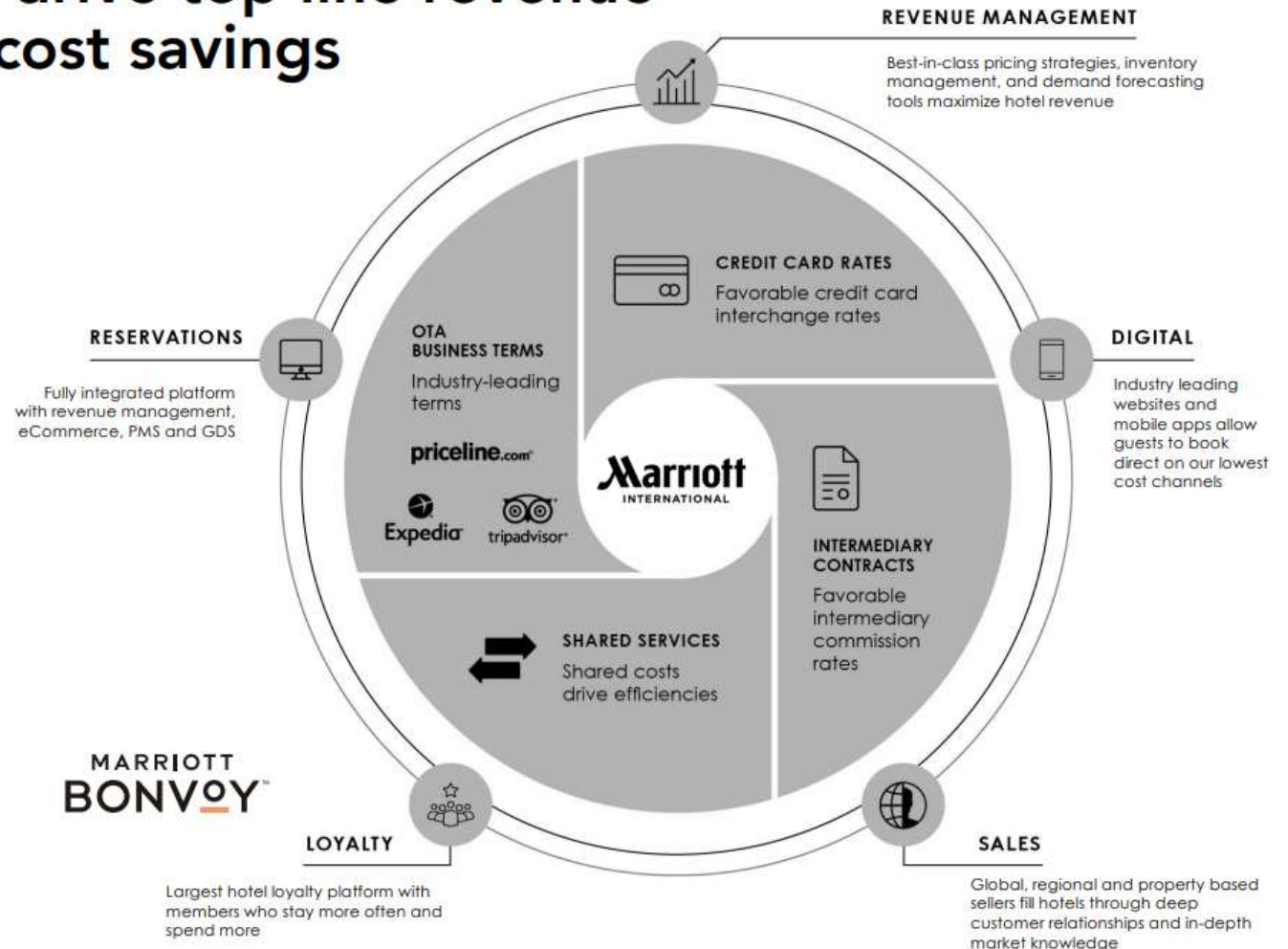


Marriott Bonvoy – The Power of Marriott

Global platforms drive top-line revenue and bottom-line cost savings

With an unwavering focus on profitability, our unmatched scale and global reach create revenue and cost synergies that drive economic returns for our owners.

Each Marriott branded hotel is supported by a powerful global distribution platform and innovative sales and marketing programming focused on delivering high-value guests while state of art technology, global negotiating power, shared services and the most experienced teams in the industry help drive efficiencies.



Marriott Bonvoy – The Power of Marriott

Marriott Bonvoy Delivers High-Value Guests That Stay More and Cost Less

- Largest and most recognized loyalty program with **160+ million members**
- **Strong member penetration** driving nearly half of our total sold room-nights
- **1 out of every 2** of Marriott occupied rooms are filled with Bonvoy Members
- Globally, members have a **10% higher ADR** on average than non-members
- **Members spend more** on ancillary items such as food & spa
- **Members cost less** booking through our direct channels (Digital, Property, Voice)
- Lower program costs and charge out rates



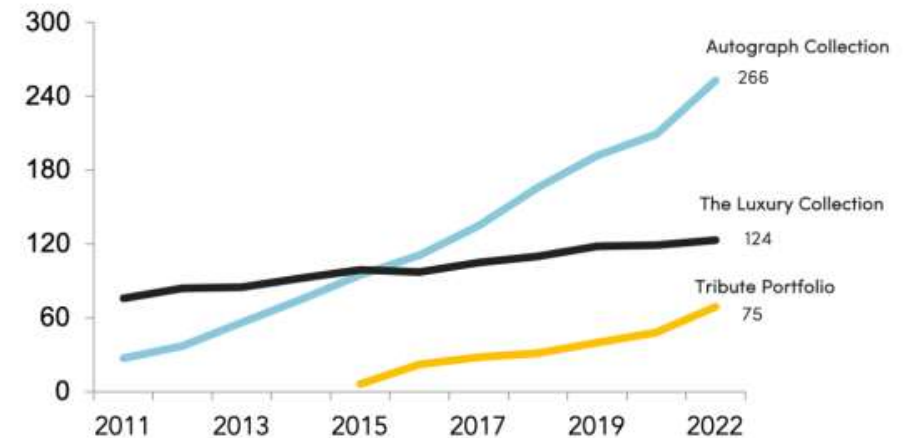
MEMBERS DRIVE SIGNIFICANT VALUE
TO OUR COMPANY, HOTELS AND
OWNERS.

Tribute Portfolio

Marriott International's tiered collection strategy

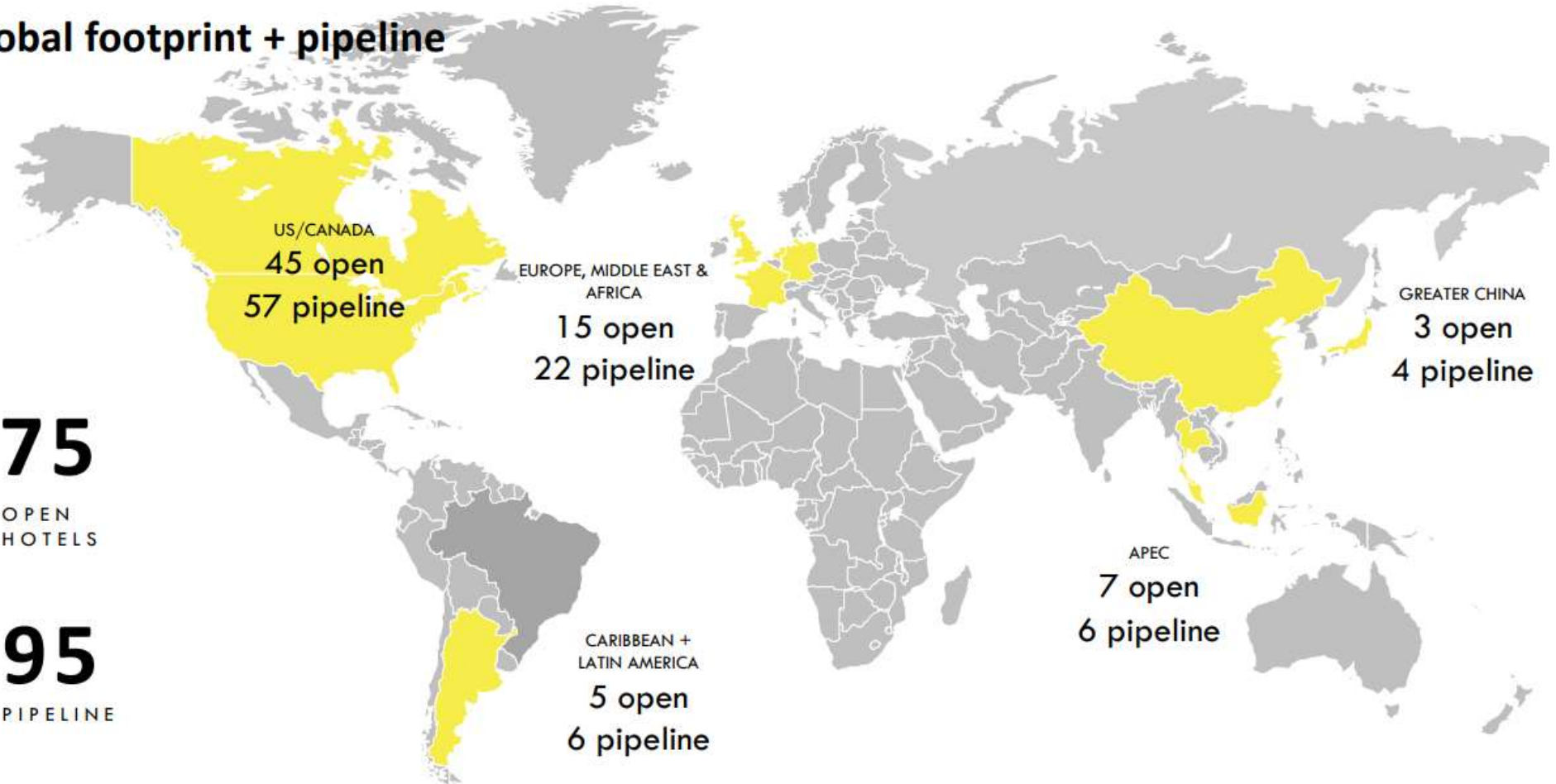
- 3-tier collection brand portfolio provides full range of options based on market and product.
- Fewer and more flexible brand standards allow hotels to express their individual personality and interior design.
- By positioning each of the collections differently, we can offer more choices for our most loyal and engaged members, driving preference, loyalty and share.

GROWTH TRAJECTORY
(OPEN HOTELS)



Tribute Portfolio

Global footprint + pipeline



75
OPEN
HOTELS

95
PIPELINE

TRIBUTE PORTFOLIO

Tribute Portfolio – Target Guest

Our target guest

- Feels their hotel choice is a **true reflection of who they are** and the choices they make.
- **Craves the real deal**, something that feels honest and genuine. The people, the design, the ambiance - the whole experience.
- **Wants to be part of something** and looks for experiences to draw them into a larger community.
- **Inherently restless** and uses every trip as a way to spark **new connections and find new perspectives**.

TRIBUTE PORTFOLIO



Tribute Portfolio – Brand Pillars

Brand pillars

