To: The City of South San Francisco
From: Ensemble Investments, LLC
Date: March 12, 20225

Background: In April of 2018, Ensemble Investments, LLC ("Ensemble") was awarded the rights to develop a full-service hotel on a vacant, 4.7-acre site located at 367 Marina Boulevard. In December 2021, Ensemble entered into a Purchase and Sale Agreement (PSA) with the City for the site, which initially set the Closing Date for December 31, 2022. The Closing Date was subsequently extended via two amendments to the PSA, the second of which extended the Closing Date to July 15, 2025.

Ensemble remains deeply committed to the opportunity and firmly believes that this project will be a transformative addition to the area and an economic engine for the city. Ensemble is an active hotel owner, developer and operator with projects located throughout the Bay Area. We continue to be believers in the region's recovery and are actively investing in its future.

While we remain optimistic, we have faced a series of deteriorating economic conditions since 2018 that have made new hotel development increasingly infeasible, as detailed below and evidenced in the attached analysis:

Economic Challenges Impacting Feasibility

- **Decline in Revenue Performance**: According to data from CoStar's San Francisco Airport Hospitality Submarket, trailing twelve-month RevPAR has decreased by approximately **22.1%** since Q1 2018. This decline reflects persistent challenges in demand recovery, exacerbated by shifts in corporate travel and macroeconomic uncertainties.

- **Rising Construction Costs**: The Producer Price Index (PPI) for new nonresidential building construction in the Western U.S. has increased by **63.4%** since Q1 2018 (U.S. Bureau of Labor Statistics). These cost escalations have significantly impacted project pro formas, making financing and execution more challenging.

- **Escalation of Hospitality Labor Costs**: Total compensation for private industry workers in the leisure and hospitality sector has risen by **35.1%** over the same period (U.S. Bureau of Labor Statistics). Increased labor costs further compress project viability, affecting both initial development budgets and long-term operational profitability.

- **Increased Financing Costs Due to Rising Interest Rates**: The Secured Overnight Financing Rate (SOFR) has risen from **1.80%** in April 2018 to **4.33%** as of February 14, 2025. This increase of **2.53 percentage points** has led to higher borrowing costs, affecting the financial feasibility of new developments and greatly limiting capital availability for new construction.

Given the economic headwinds outlined above, Ensemble respectfully requests an extension of the Closing Date of the Purchase and Sale Agreement by **two years**, moving the current deadline from **July 15, 2025, to July 15, 2027**. This extension is critical to allowing the necessary time for financial markets to stabilize and for project feasibility to align with economic realities.

An extension of the closing timeframe in the PSA will allow time for:

- **Market Stabilization:** A more favorable demand environment will support financial feasibility and ensure the project meets its intended objectives.

- **Financial Optimization:** Adjustments to capital structuring and financing to accommodate increased costs.

- **Labor Market Adjustments:** A more predictable employment and wage environment will improve operational planning.

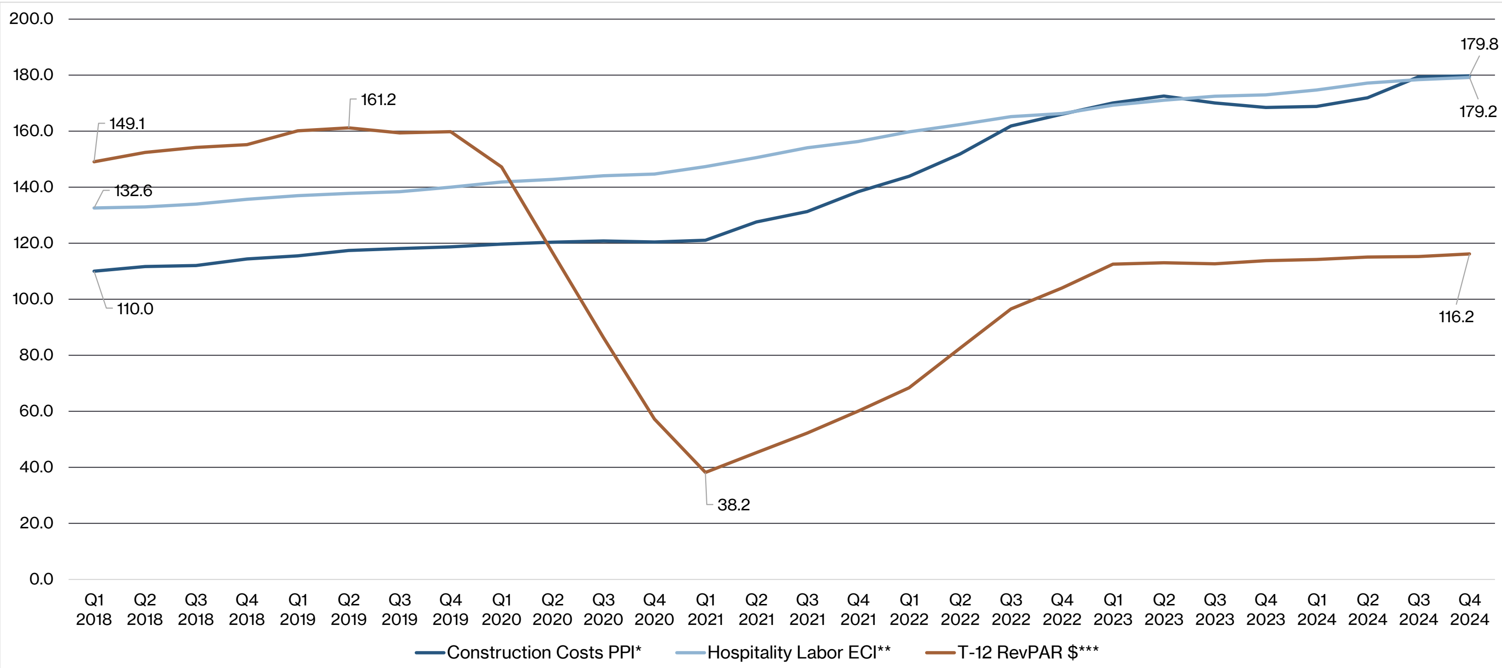
Ensemble remains committed to delivering a high-quality hospitality asset that enhances Oyster Point and contributes to the economic vitality of South San Francisco. We appreciate the City's consideration of this request and look forward to discussing a path forward.

Sincerely,

Conrad Garner

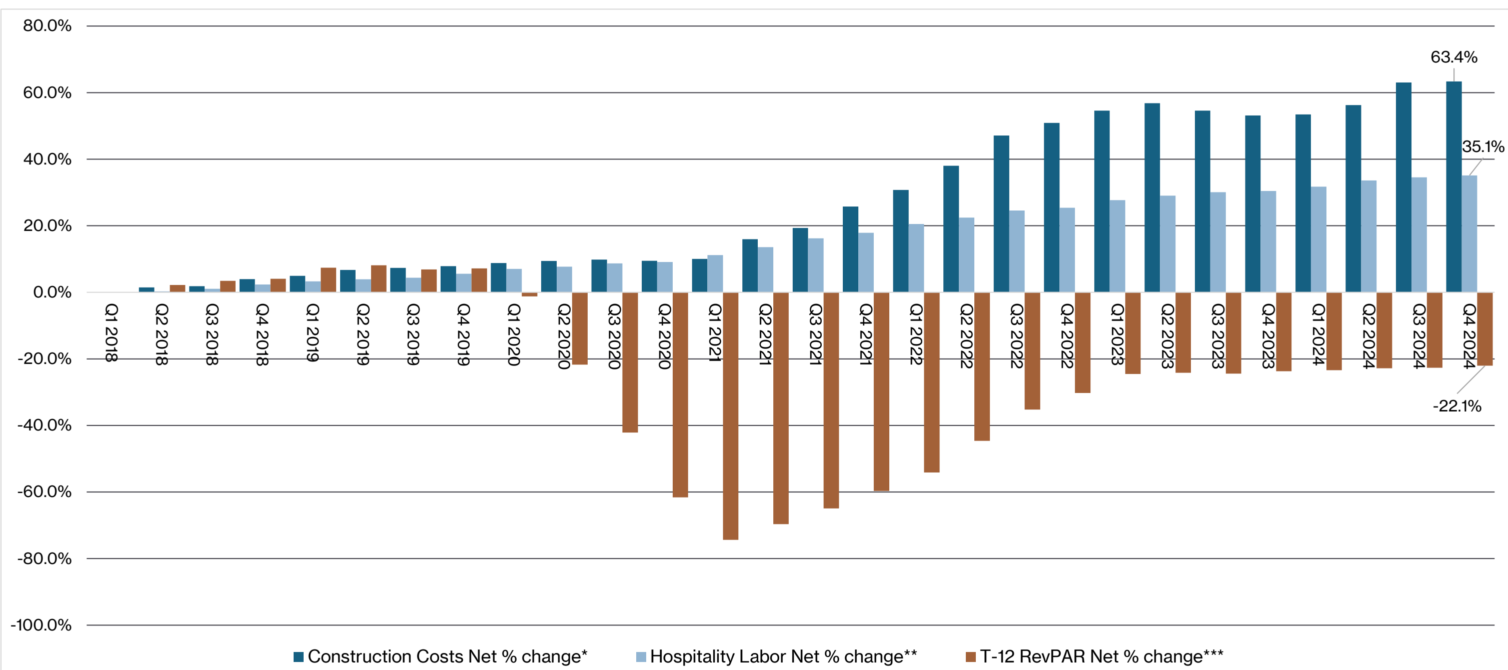
Oyster Point Hotel Economic Feasibility Analysis

INDEX - Construction Costs PPI vs. Hospitality Labor ECI vs. T-12 RevPAR



** Source: US Bureau of Labor Statistics - PPI industry data for New nonresidential building construction by contractor type/region-General contractors, West, not seasonally adjusted*
*** Source: US Bureau of Labor Statistics - Total compensation for private industry workers in the leisure and hospitality industry, current dollar index*
**** Source: Costar San Francisco Airport Hospitality Submarket*

NET % CHANGE (Q1 2018 BASELINE) - Construction Costs PPI vs. Hospitality Labor ECI vs. T-12 RevPAR



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