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Central Waterfront LID

Objection to Assessment CWF-0375

Victor C. Moses

March 10, 2020

February 3rd Filing Made 4 Objections

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- Timing of the Proposed Final Assessment and the date set for Collection
  - Proposed Final Assessments should not be allowed until design specifications are substantially complete , SEPA reviews are complete and reliable cost estimates are available
  - Assessments should not be confirmed until completion of construction

- Properties Improperly Excluded From Assessment

- Disagreement with the Amount of the Proposed Final Assessment
  - Equitable Allocation
  - Calculation of Market Value without LID
  - Determination of the Special Benefit Percentage

- LID Assessment is Improperly calculated under RCW 35.43.050

Highlighted Objections Are Withdrawn

Today's Topics

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- Timing of Assessment
- Fifteen Twenty-One Condominium Valuation
  - Evidence of Error
  - Stale Data
  - Erratic and Unreliable High Rise Condominiums Valuations
  - Economic Studies
    - HR&A
    - Crompton
    - NYCDOT
- Discontinuous Improvements
- Appraisal Review by Peter Shorett
  - Exhibit 2 Application of Crompton to Residence 2304

Peter Shorett To Testify Later

Timing

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Normal

Begin → Formation → Project Design → Construction → Finalization → Assessments → End

City responsible for cost overruns

Needs:
- Design Process Complete
- Up To Date Cost Estimates
- Binding Funding Commitments

Goal:
To complete improvements in a timely manner and on budget

Property owners understand there is no commitment to completion date but take comfort from:
- City incentives to get project done quickly
- Ability to see improvements completed in accordance with design specifications before they pay for them

Sound Business Practice: City Incentives Aligned With Property Owner Expectations

Normal

Begin → Formation → Finalization → Assessments → Project Design → Construction → End

City responsible for cost overruns

City collects funds in advance
- Earns interest until spent on construction
- Doesn't need firm funding commitments
- Manages expense risk with design changes

Incentives to complete in a timely manner are gone

Property owners understand there is no commitment to completion date but take comfort from:

?

Unsound Business Practice: Needs To Be Preempted

Vague Design Specifications

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- In order to assure that design specifications are vague the City has acted inappropriately and potentially unlawfully.
  - There are no "plans and specifications" on file with the Clerk's Office for the LID Improvements, and it is unlawful to move to final assessments without such "plans and specifications." Ordinance 125760, Section 3; Local and Road Improvement Districts Manual for Washington State 6th Edition, pp. 3, 19, 31, 44 (2009).
  - There has been no State Environmental Policy Act (SEPA) review of the Waterfront LID formation ordinance, and there are incomplete SEPA reviews of the LID Improvements themselves. It is unlawful to move forward with final assessments until all SEPA reviews are complete for both the Waterfront LID and the Waterfront LID Improvements. LID Manual, pp. 3, 6, 17, 24, 26; SMC 25.05.800.Q.

- Requested Remedy:

  Proposed Final Assessments should not be allowed until:
  - design specifications are substantially complete
  - SEPA reviews are complete
  - Reliable cost estimates are available

Intuitive Valuation Perspective

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Property Type	Pedestrian Traffic Effect	Improvement Driver	Capacity Based	Capacity Measure	Include Improvements
Hotel	Positive	Overnight Visitors	Yes	Rooms	Yes
Retail/Restaurant	Positive	Foot Traffic	Yes	Floor Space	Yes
Office	Positive	Workers	Yes	Floor Space	Yes
Apartment	Neutral	Tenants	Yes	Units	Yes
Condominium	Negative	Attractiveness Interest in Use Access	No	-	No
Undeveloped/ Underdeveloped Land	Dependent on Highest and Best Use	Potential Use Development Cost Interim Use	Yes	Land Area Zoning Restrictions Other Restrictions	Yes

- All properties except condominiums have ability to earn additional income from any increased business generated by the LID Improvements
- Condominium benefit only accrues from:
  - Impact on attractiveness of the neighborhood
  - Whether amenities are going to be used
  - Ease of access
- All properties are negatively affected by:
  - Noise
  - Increased Crime
  - Constricted ingress/egress

Single Family Residences Should be Lowest Valuation Class…

Evidence of Error

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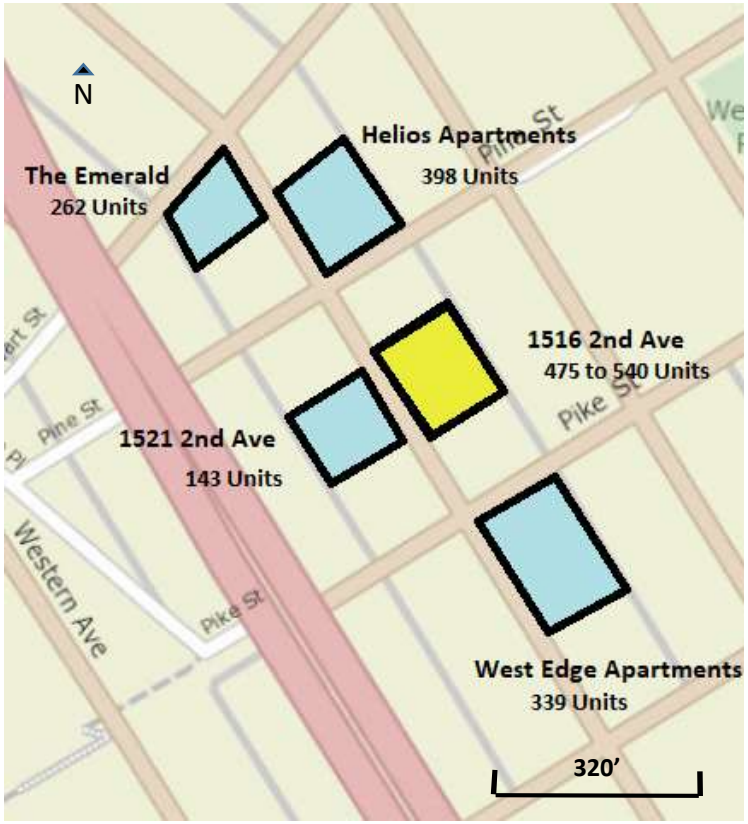
…But They're The Highest?



	Fifteen Twenty-One	West Edge	Helios	Emerald	1516 2nd Ave
Property Type	Condominium	Apartment	Apartment	Condominium	Apartment
Year Built	2008	2016	2015	In Progress	In Permitting
Land Area	16,192	18,709	19,900	8,365	19,440
Residential Units	143	339	398	262	475 - 540
Net Sq Footage	275,335	347,876	306,374	223,814	300,000*
KCA Valuation Land Value	$16.2m	$17.8m	$18.9m	$7.9m	$18.5m
LID MV Before	$350.4m	$301.0m	$298.9m	$181.6m	$32.0m
Special Benefit %	2.70%	2.06%	1.92%	1.10%	2.50%
Special Benefit	$9.57m	$6.20m	$5.73m	$2.01m	$0.80m
Special Benefit Per Sq Foot	$34.37	$17.81	$18.70	$8.99	$2..68
Special Benefit Per Unit	**$67K**	**$18K**	**$14K**	**$8K**	**$2K**

This screams that <u>something is wrong</u>

- Underdeveloped properties get a huge discount, both the Emerald and 1516 2nd will be done will before the LID Improvements
- If everyone in Fifteen Twenty-One just rented their home, the building would be an apartment…
  …how can a condominium be assessed at almost twice an apartment when it should be lower?

Stale Data

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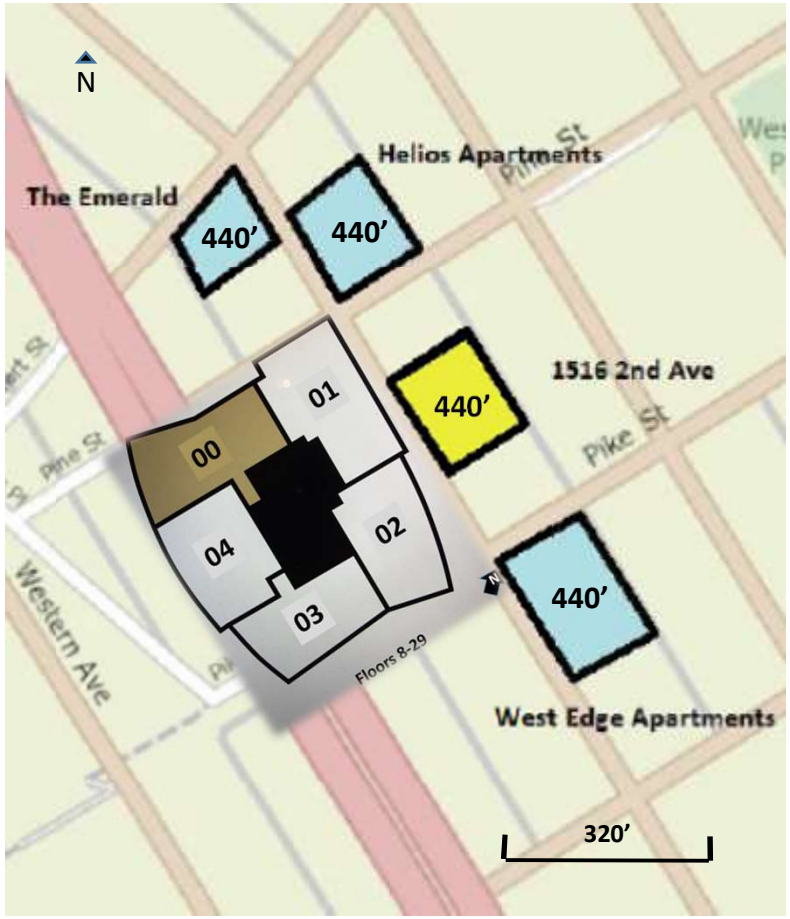

- Appears to use number close to 2018 KCA assessed valuation (2019 tax year) as "Before LID" value in Preliminary Study
- Doesn't update values in Final Study, even though they're available
- ABS data is over a year old and misses impact of "completed, in progress and in permitting" construction in the last year
  - City side territorial views drastically reduced
  - 02 stack hardest hit with market value losses of $400 to $500K at some levels

Fails USPAP Standard for Continuous Updating

Condominium "Elevation Lift"

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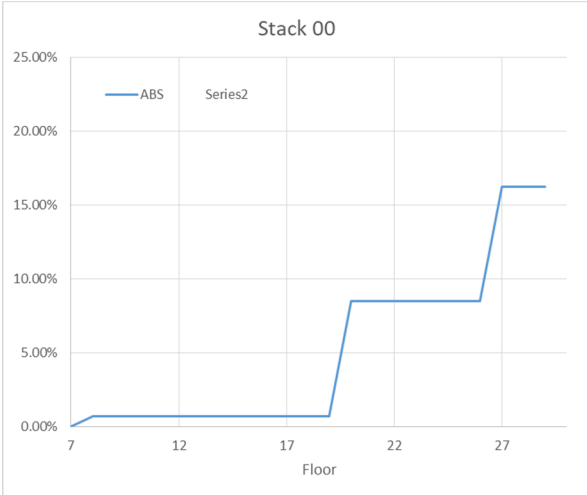

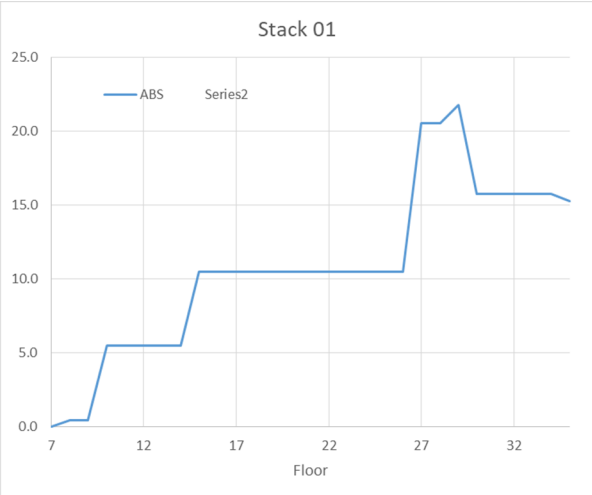

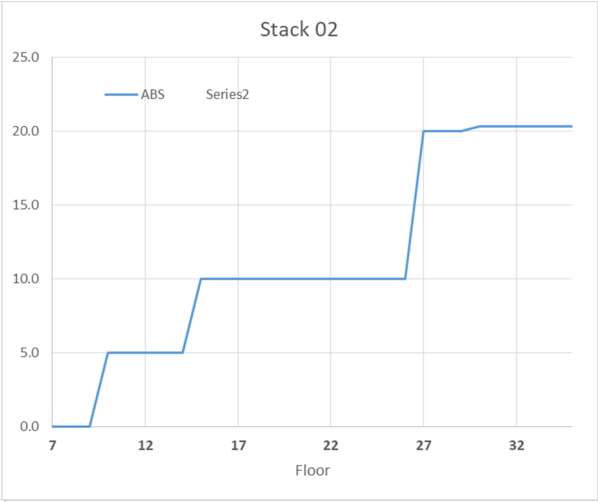

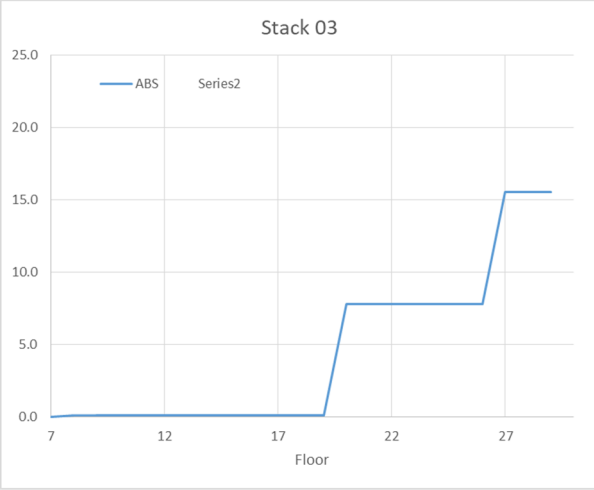

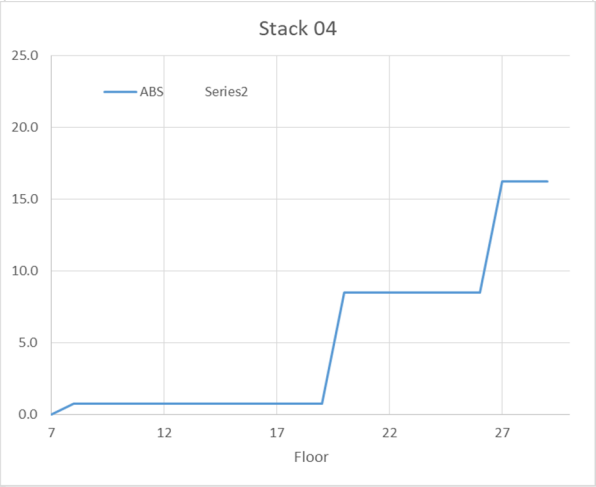

- Uses "elevation lift" to value units on higher floors
- Generates unrealistic and sometimes irrational values

Fails USPAP Standard for Proportionality

Economic Studies (Final Study pp 44-48)

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ABS cites three Economic Studies as the underlying basis for their valuation

HR&A: *"Beyond Real Estate Increment: The Value of the Central Seattle Waterfront", a study done for Friends of the Waterfront which was* published in 2013 and updated in 2019. It is the only Seattle specific study cited.

Crompton: "*The Impact of Parks on Property Values: A Review of the Empirical Evidence"*, published by the National Recreation and Park Association in 2001 (updated in 2014) summarized the findings of a study completed by the Department of Recreation, Park and Tourism Sciences at Texas A & M University.

NYCDOT: "*The Economic Benefits of Sustainable Streets"* published in 2014 by the New York City Department of Transportation looked at the effects of "street projects that improve safety and design and that welcome pedestrians, cyclists and transit riders

HR& A

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HR&A

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ECONOMIC & FISCAL IMPACTS | NET NEW VISITATION METHODOLOGY

HR&A then estimated the share of regional vs. out-of-town visitors, and how much time these visitors might spend in the park.

Visitor Type	Share of 8M Projected Visitors	Net New Visitor Days Per Person	Net New Visitor Days
Regional Residents			
Downtown (park adjacent)	<1%	0	0
City Residents (non-adjacent)	8%	.11	69K
Metro Residents (non-city)	37%	.11	327K
Subtotal	*45%*		*396K*
Tourists			
Day Visitors	28%	.25	566K
Overnight	27%	.25	539K
Subtotal	*55%*		*1.1M*
Total			**~1.5M**

Note: Distribution of visitors, % regional v. tourists, is based on comps from the High Line and Hudson River Park. Distribution of regional residents is based on population distribution. Distribution of day v. overnight tourists is based on 2016 Longwood Tourism Study for Seattle. Net new visitor days per person is based on precedent research on time spent in open spaces by residents and out-of-town visitors, based on an 8-hour day.

| 84

Study shows no additional use by nearby residents or a best once roughly every 9 years.

No utility implies no value.

Crompton

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"*THE PROXIMATE PRINCIPLE: The Impact of Parks, Open Space and Water Features on Residential Property Values and the Property Tax Base*", Second Edition, John L. Crompton, 2004

Executive Summary…page 14

"The diversity of the study contexts makes it feasible to offer a generalizable definitive answer to the *third* question addressed by the empirical studies which concerned the distance over which the proximate impact of park land and open space extends. There was consensus among the studies that it has substantial impact up to 500-600 feet (typically three blocks away from the park). In the case of community-sized parks (say upwards of 40 acres), it tended to extend out to 1,500-2,000 feet, but even in those cases the premium was small after 500-600 feet. Studies have not tried to identify impacts beyond that distance because of the compounding complexity created by other potentially influencing variables which increases as distance from a park increases. However, especially in the case of larger parks, it is likely there are additional economic benefits not captured by capitalization into increased property values beyond this peripheral boundary, since the catchment area from which users come frequently extends beyond it.

Well Known And Respected Resource

Crompton (The Proximate Principal)

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- Seminal paper by John Crompton
  - First published in 2001, Second Edition in 2004, Last Updated in 2014
- Summary of over 30 empirical studies on the value of parks
- Synthesized often complex data and reached empirically supportable conclusions
- Provided a simple tool for estimating the increased property taxes generated by a park
- Increased value of nearby properties ultimately captured in tax assessments based on three factors
  - Size of Park
  - Distance from Park
  - Quality of Park

Widely Used by Municipalities Across the US

Crompton (2004, Size and Distance pp14)

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Executive Summary…

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Size and Distance…Simply Explained In One Paragraph

ABS (Size & Distance, Final Study pp 45-46)

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Cites Crompton

- 75% of the benefit from a park is captured within 500 feet, or three blocks and the remaining 25% of the benefit is likely dissipated over a 500- to 2,000- foot range, or 4 to 12 city blocks….but makes no mention of park size as a factor

- Notes that neighborhood parks that are primarily used by the surrounding residents result in a higher increase in property value than larger parks that attract active users from outside the neighborhood due to the adverse effects of noise, nuisance and congestion… but never notes applying it his valuations

- Stresses 3 and 12 city blocks throughout the Final Study…which using Seattle's 320' wide blocks translates to 960' to 3,840'…2x what Crompton recommended

Reality:

- It should just have been 1½ blocks…or at best 1½ to 3 blocks for a large park

Crompton (2004 Park Rating, pp 20)

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- Grade each park in the system on the five-point scale shown in Exhibit A ranging from "unusual excellence" to "dispirited, blighted." The grading can be done either by park staff or by a panel of residents familiar with each of the sites. This scale is defined primarily by the emotional response of people in a park's area of influence. It recognizes that a park's quality is defined by people's emotional response to it, rather than only by its physical and tangible qualities.)

Exhibit A Park Quality Scale for Determining Proximate Premiums

Unusual Excellence: A signature park; exceptionally attractive; natural resource based; distinctive landscaping and/or topography; often mentioned in sales advertisements for nearby properties; well maintained; genuine ambiance; engenders a high level of community pride and "passionate attachment."

Above Average: Natural resource based; has charm and dignity; regarded with affection by the local community; pleasant, well maintained.

Average: Rather nondescript; not really "noticed" by the local community; adequately maintained; no distinguishing features.

Below Average: Sterile; absence of landscaping or trees; athletic fields with noise, lights, congestion; intensive use.

Dispirited, Blighted: Dilapidated, decrepit facilities; broken equipment; unkempt, dirty; unofficial depository for trash; noisy; undesirable groups congregate there; rejected and avoided by the community.

ABS (Park Rating, Final Study pp 46-47)

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The following exhibit summarizes Crompton's grading scale for park amenities.

Exhibit A Park Quality Scale for Determining Proximate Premiums

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In the case of the Waterfront Seattle project, it is important to consider that there is an existing waterfront amenity; the current waterfront area can be rated as average to above average since it provides a unique public amenity…. With the project elements completed, the area will be upgraded to excellent…

Macaulay Morphs Park Into Park Amenity and Asserts His Judgement…

Crompton & ABS (Park Premium)

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Crompton (2004, pp 20):

- The suggested premiums applied to all single family home properties within the 500 foot proximate area for each of the three highest categories shown in Exhibit A are:

  Unusual excellence: 15%
  Above average: 10%
  Average: 5%

Macaulay (Final Study pp 47):

Condominiums within a three-block radius typically experience increases in property value of:

Quality of Park	Distance	*Green* Premium
Excellent – Average	1 block	***16-20%***
Excellent	1-3 blocks (500ft)	***15%***
Above Average	1-3 blocks (500ft)	***10%***
Average	1-3 blocks (500ft)	***5%***
Poor	1-3 blocks (500ft)	***-5%***

With the project elements completed, the area will be upgraded to excellent, which indicates an average 5% increase in condominium values situated within three blocks of the improvements/new amenities.

…And Generates a 5% Condominium Price Increase…

Crompton (2004, Park Maturity pp34)

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- Chapter 1: Context of the Issue - Factors Influencing Capitalization

  "It may take 30 to 40 years for new parks to mature. In the beginning trees are small and spindly, plantings are scattered and immature, shade is scarce, and the landscaping often is not aesthetically pleasing. Hence, the capitalized premium initially may be relatively small, but if the park is well maintained the premium is likely to increase over time."

…While Ignoring Additional Guidance From The Same Paper And Earlier Work Done in Seattle

Seattle Parks

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The Economic Benefits of Seattle's Park and Recreation System

THE TRUST *for* PUBLIC LAND

CONSERVING LAND FOR PEOPLE

Crompton Summary

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ABS:

- Two key premises form the foundation for the ABS condominium valuations
  - 75% of the benefit from a park is captured within three blocks and the remaining 25% of the benefit is likely dissipated 4 to 12 city blocks
  - Crompton's park rating … indicates an average increase in value of 5% for condominiums situated within a three-block radius

Neither Of The Premises Above Are Accurate!

Reality:

- Crompton's distance standards are 500' and 2,000'
  - Using Seattle's 320' block width translates to 1½ to 3 blocks (480' to 1,980')
  - ABS states 2x what Crompton indicated for a "community sized" park
  - Seattle's 26 acre Central Waterfront Improvements don't even deserve extension beyond 500-600'

- Robert Macaulay set the 5% average increase
  - Arbitrarily selected the input values for the Park Rating
  - Ignored "other factors affecting capitalization" indicated by Crompton
  - Cited average increases aren't applicable.

Crompton Model

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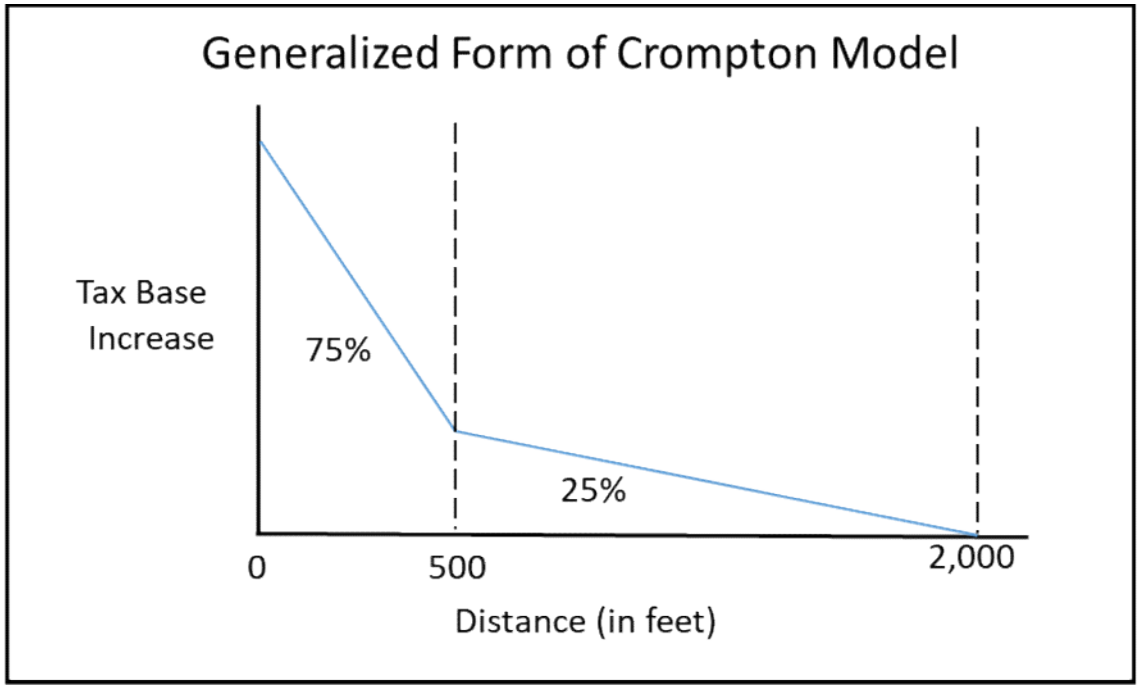
The area of proximate impact of a park should be limited to 500 feet or three blocks. The empirical results suggest this is likely to capture almost all the premium from small neighborhood parks and 75% of the premium from relatively large parks. The remaining 25% is likely to be dissipated over properties between 500 and 2000 feet.



Averages Aren't Applicable

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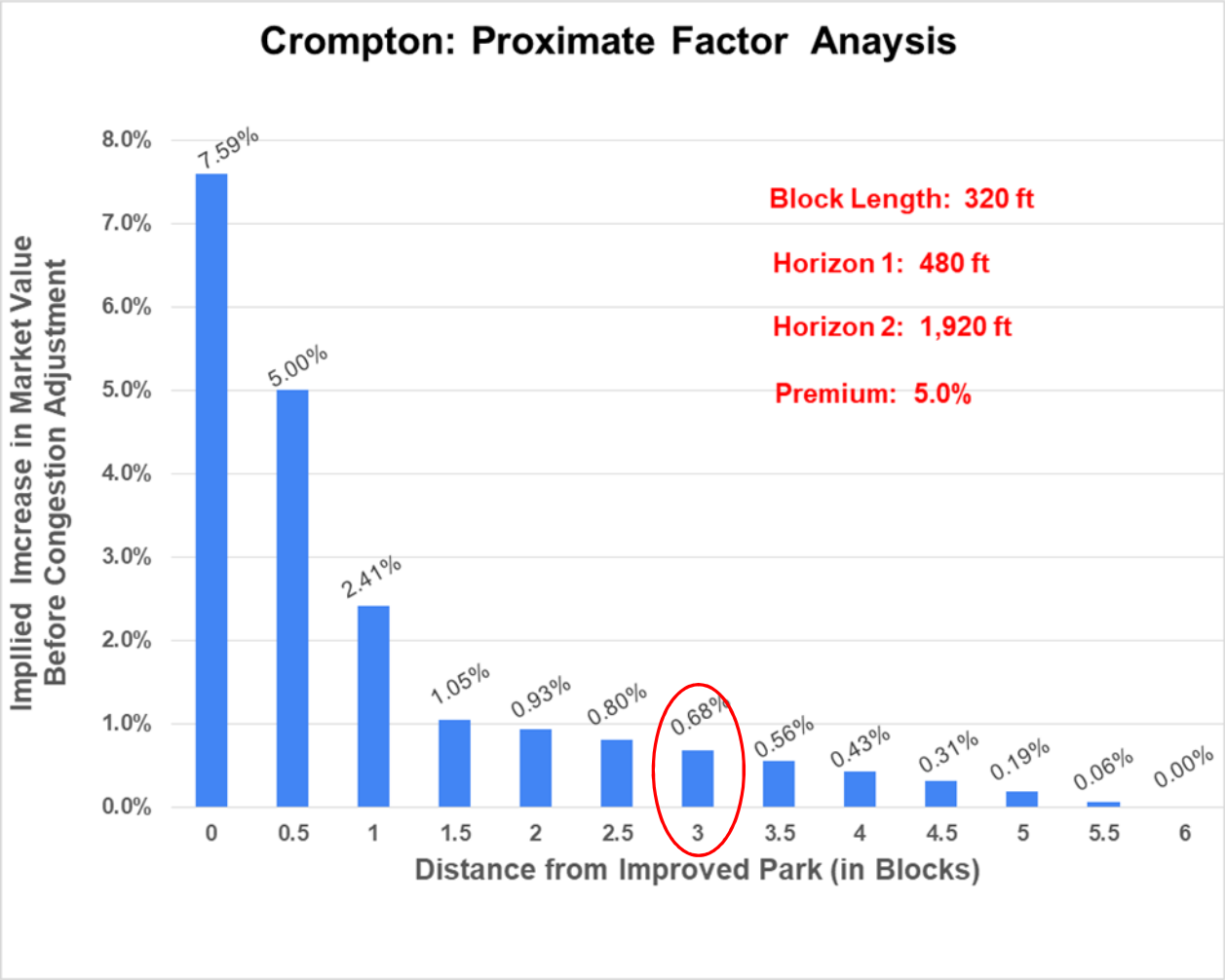
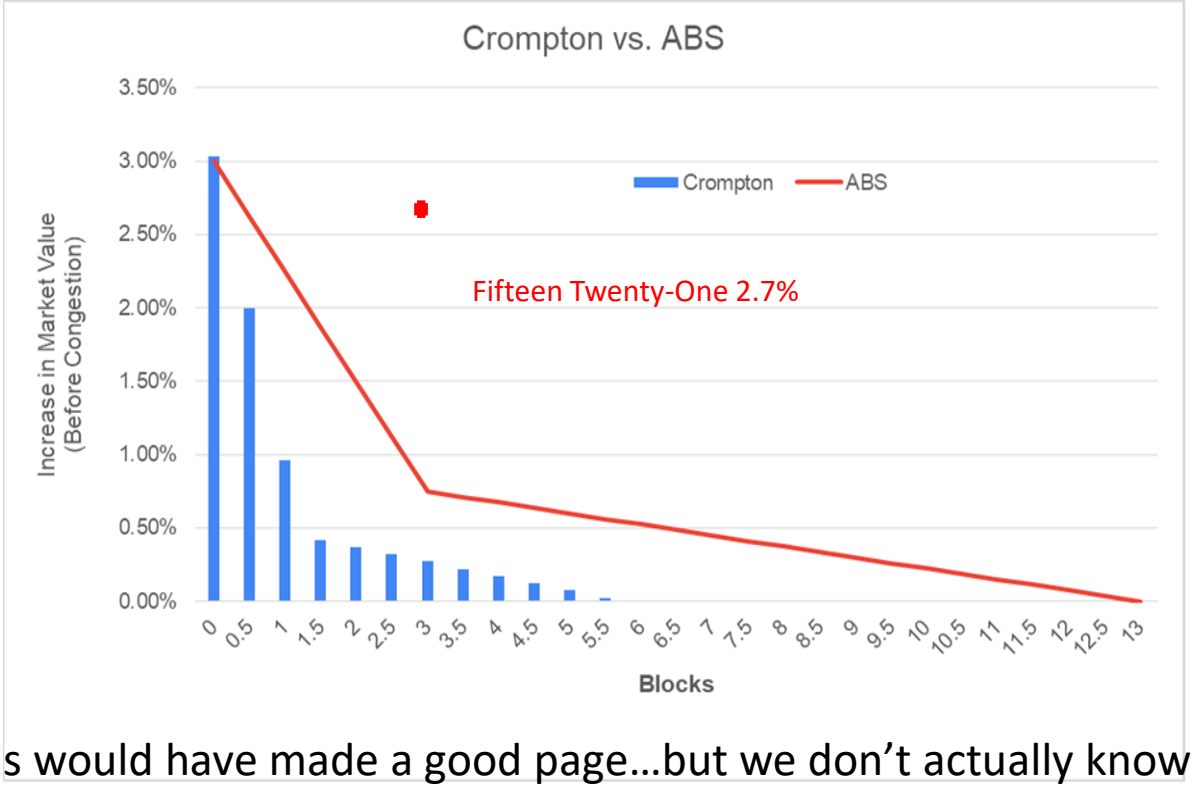


Easily verified

- The average over the first three property layers (480 feet) is 5%
- The amount in the tail is 5%, which is one-third of the total amount in the high zone.

Crompton vs. ABS



- This would have made a good page…but we don't actually know what ABS did
  - There is no analysis
  - There is no model
  - There are no special case files

For Any Condominium, All ABS Provides Is One Number Buried Their Final Study

NYCDOT

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"…this publication is the summary of a multitude of studies but is focused on street design projects, relying on retail sales as a measure of the impact on surrounding property values. The basic premise of the New York study is that "changes in travel patterns, spending patterns and neighborhood desirability caused by changes in the street environment can impact businesses' and property owners' bottom lines, most directly by affecting retail sales but also retail rents, office rents, and commercial property values." Some additional key observations of the study include:

- Changes to the street have a direct correlation to the "potential customers making trips to that street or change the frequency or spending patterns of their trips."
- Improving access through parking, bike lanes, bike parking and transit services can increase the customer base.
- "Creating a more comfortable and enjoyable public realm" will encourage potential customers, once already on site, to stay for longer durations and "potentially result in their patronizing local businesses more than they otherwise would." Features with this goal in mind usually include "functional improvements such as benches, tables and chairs, wayfinding signage and urban design enhancements such as distinctive paving , landscaping, street lighting and public art."

Applicable To Pike And Pine Street Beautification But Relies on Retail Sales Data
Not Acceptable Evidence For Residential Appraisal

Discontinuous Improvements

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- RCW 35.43.050 Authority-Noncontinuous Improvements
  - Combining discontinuous improvements for cost and benefit requires finding by Council of "general good"
  - Lack of such finding requires separation of discontinuous segments for both cost and benefit
  - No such finding exists

- Objection is not to Formation

- Objection is not to Fair Market Value Methodology

- Objection is to Consolidation of Costs

- LID Creates a Contract Between City and Property Owner
  - It is a Contract of Adhesion
  - Onus is on City to get it right

- Omission of the Finding is Curable
  - May require novation of Waiver of Protest Agreement
  - Reopens window for challenges to formation
  - Reopens window for objection

Unfortunate Mistake…For all Property Types

Summary

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Fifteen Twenty-One:

- The KCA data used was stale and readily available updated data was not used
- Inappropriate techniques were used for assigning "without LID" valuations to individual condominiums
- The Crompton based valuation is grossly in error
  - Correcting results in no special benefit
- The Pike and Pine improvements provide no special benefit because of constricted access to building garages
- By not recognizing the discontinuous improvements the assessment was improperly calculated

ABS Appraisal Is Grossly in Error And Deserves To Be Nullified

Apt 2304:

- **Correcting gross valuation errors yields no special benefit**
- Even allowing a "large park" assumption…special benefit is small and the assessment substantially exceeds the special benefit.