SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

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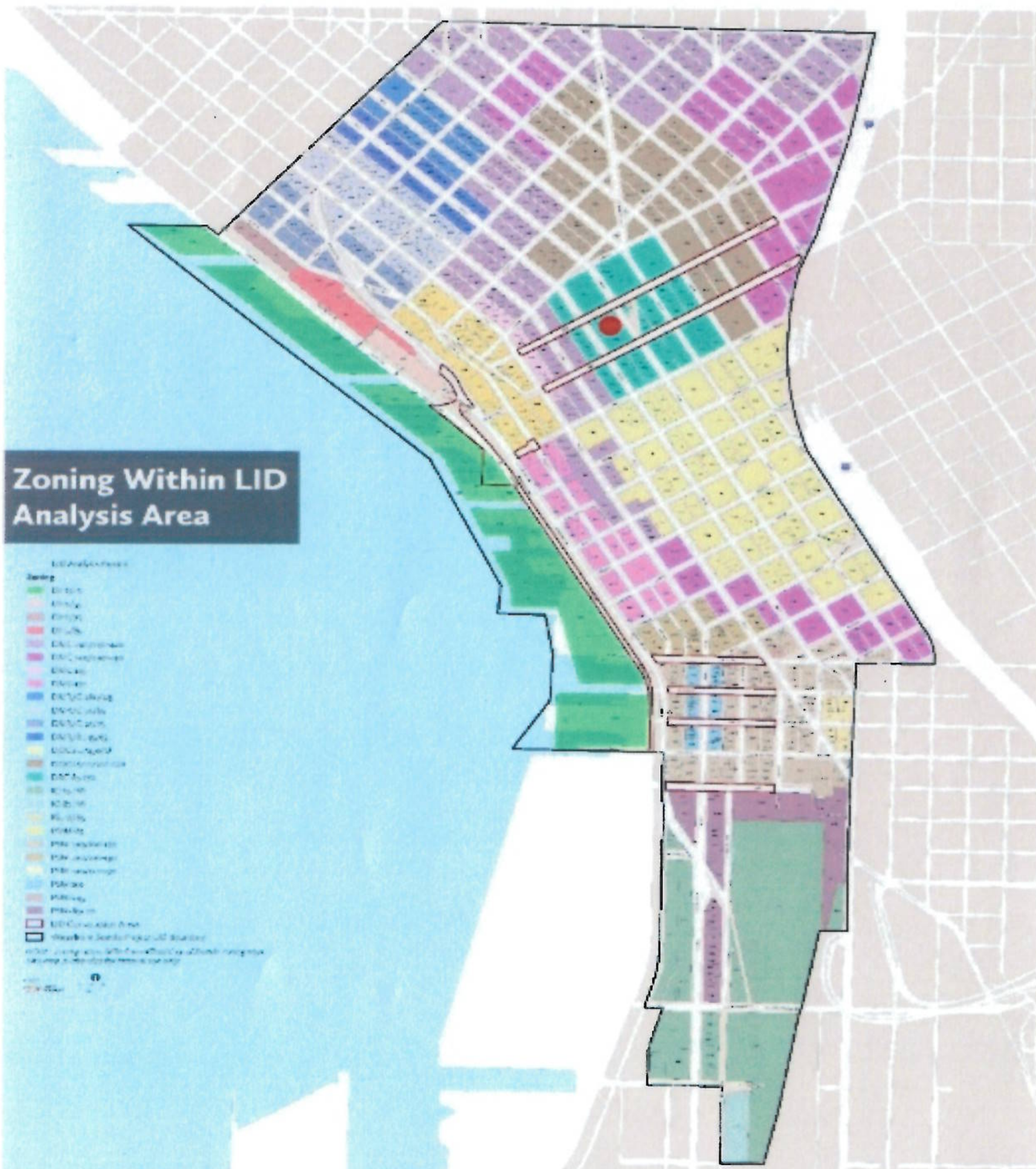
FILE# CWF-0233, et al.

Appeal No.: CWF-0423
Building: Century Square Retail
Owner/Rep: Fourth Avenue Associates, Gary Carpenter
Parcel(s): 1975700365
Address: 1525 4th Ave. Seattle, WA 98101
Expert(s): Ben Scott, Northwest Property Tax Consultants

Property Description: Office and retail building located adjacent to Westlake Center and Park, sited above Metro Transit Tunnel. Height restriction imposed to prohibit shadowing of Westlake.

Pre-LID Value:	$35,538,000	**Assessment %:**	39.2%
LID Value %:	2%	**Final LID Assessment:**	$278,585
Special Benefit:	$711,000		



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Benjamin Scott List of Clients

1. Fourth Avenue Associates
   a. CWF-0423: Century Square Retail, King County Parcel No. 1975700365
2. GID
   a. CWF-0416: The Martin Apartments, King County Parcel No. 0696000055
   b. CWF-0412: The Cirrus Apartments, King County Parcel No. 0660000575
   c. CWF-0410 & 0411: The Stratus Apartments, King County Parcel Nos. 0660000540, 0660000545
3. SCD2+U, LLC (Skanska)
   a. CWF-0421: 2+U, King County Parcel Nos. 1974700175, 1974700210, 1974700190
4. Equity Residential
   a. Harbor Steps
      i. CWF-0427: SE Tower, King County Parcel No. 1976200076
      ii. CWF-0440: SW Tower, King County Parcel No. 7666202465
      iii. CWF-0426: NE Tower, King County Parcel No. 1976200075
      iv. CWF-0425: NW Tower, King County Parcel No. 1976200070
   b. CWF-0441: Helios, King County Parcel No. 7683890010

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January 31, 2020

Gary Carpenter
Fourth Avenue Associates
1434 Broadmoor Dr E
Seattle, WA 98112

R. Gerard Lutz
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA 98004-5579

RE: Waterfront LID No. 6751 Proposed Final Assessment for Parcel No. 197570-0365

Dear Mr. Carpenter and Mr. Lutz:

Per your request, I have considered the calculation of special benefits for the retail property Century Square Retail determined in the Valbridge study prepared for the city of Seattle's Waterfront Local Improvement District. I determine the Valbridge study improperly calculated the special benefit for Century Square Retail by omitting relevant property data, statutory requirements, model results, and assumed impacts cited in the study as well as the literature.

Century Square Retail, located at 1525 4th Avenue, is adjacent to Westlake Center and Park, sited above the Metro Transit Tunnel. Its sidewalk frontage is primarily along 4th Avenue, a highly pedestrian friendly thoroughfare with no access to Pine Street from the building (access occluded by the Metro Tunnel's long-term easement for elevators, escalators, and ventilation).

The Waterfront LID will not improve Century Square Retail' condition:

A. Proximity to Amenities

The nearest direct improvements as part of the Waterfront LID—Pine Street—travels directly along the north side of the property. This sidewalk, however, is not accessible from an entrance to the property having been taken up by an entrance to the Westlake Tunnel Station. Pine Street between 3rd and 4th Avenues will be only marginally improved from their existing high level of quality per an Irvine—Minnesota Inventory (IMI) count (Boarnet, Day, Alfonzo, Forsyth, & Oakes, 2006).[1] Existing amenities such as Westlake Park will not be improved nor will the proximate mid-block crossing 4th Avenue just south of the property i.e., amenities already present and serving the property will add no additional benefit.

[1] Estimate of IMI following proposed improvements is a 3-5 point increase, updates being minor (replacing fixed planters with permanent, replacing painted and separated street with sidewalk extensions, etc.). See Figures 1 and 2. Such additions will leave the block in the upper tier of sidewalks present.

B. Restrictions on Property

The property, built in 1920 was scheduled to be replaced with a retail/office tower or department store in the mid 1980s[2] and resides on a ground lease expiring in 2029. Key to the considerations were statutory restrictions on shading Westlake Park[3] with ownership expecting high scrutiny and enforcement due to violations posed by previous, neighboring development Century Square Tower. As noted, any increase in height at the structure would have to be set west of the façade, exactly where the Tunnel would prevent height increases. The Valbridge study notes no such restrictions and incorrectly values it as if it could be developed to the full allowable height under DRC 85-170 zoning.

C. Overstatement of Market Value

Consistent with shadow restrictions limiting height, Century Square Retail's siting above the Metro Transit Tunnel restricts use of its entire square footage. King County assessor valuations have long noted the inability to utilize the basement at the property.[4] The study, however, improperly values all square footage as net rentable area without excluding the unrentable basement square footage.

As noted, Century Square Retail' immediate improvements due to the LID are limited. Competitive multifamily properties receiving more significant benefits will accrue value, driving up rents. Volta, for instance, at 1st Avenue and Bell Street will benefit much more significantly from pedestrian improvements included in the LID.[5]

D. Competitive Properties Accrue Superior Benefits

Century Square Retail's restricted development potential, limited as it is, coupled with extant amenities that will not be improved with the LID affects its market value and the value it will accrue due to LID improvements. Other properties, without such restrictions and with lower levels of current amenities are allocated benefits far lower.

1411 Fourth Avenue lies just south along 4th Avenue and proximate to Pike Street improvements. It suffers none of the development restrictions of Century Square, offers 15 stories of mixed office and retail net rentable area (an area roughly 4 times that of Century Square Retail's usable area).

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[2] A total of 5 designs were carefully considered as the Metro Tunnel was being constructed (Kirk, 1986)

[3] Westlake Park and Plaza are named under Seattle policies: "It is the City's policy to minimize or prevent light blockage and the creation of shadows on open spaces most used by the public" (City of Seattle, SMC 25.05.675 §Q.2, 1986)

[4] "The imp is built over the bus tunnel which may restrict redevelopment. The [improvement] has retail on both upper floors and *the basement can't be used because of the bus tunnel therefore limiting value*." (King County Assessor Data, 2009)

[5] An estimated IMI increase of 23 points along Bell Street between 1st and Western Avenues by extending the Bell Street Park (currently ending at 1st Avenue) would suggest an almost 20% increase in rents for Volta, fronting Bell Street (Leinberger & Alfonzo, 2012, p. 9) with a concomitant decrease in cap rate of up to 0.019% (Pivo & Fisher, 2011).

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It is, however, assigned a special benefit of $559,000, less than the $711,000 attributed to the constrained 1525 Fourth. Per square foot of rentable area this is $4.53 vs the subject's almost $23 while the former is better positioned to see improvement due to the LID.

Similar in height, the Ross at 301 Pike Street, site of a marginally friendly pedestrian frontage is set to accrue significant improvements with Pike Street enhancements[6]. The special benefit calculated at $639,000, however, is less than Century Square despite potential of superior development.

The benefit ascribed to Century Square Retail' location adjacent to the high level amenity of Westlake Park and Plaza ignores

- de minimis improvements in pedestrian environment (significantly increasing the parameters of IMI)
- more proximate examples of extant, parks and amenities
- development restrictions imposed by shadow preventing environmental requirements
- constraints on rentable area due to Transit Tunnel undercut

Each of these can be said to directly affect the value of Century Square Retail despite the Valbridge study's characterization of an overall improvement.

Respectfully submitted,

Benjamin Scott

[6] IMI improvements based on current situations are in the 10-12 point range, nearly half a standard deviation. Sidewalks across from Ross were rated "Replace" while sidewalks adjacent to Century Square Retail were the high quality "Westlake Paving" and "Fair." Nighttime visibility was rated "low visibility and comfort" for sidewalks across Pine from Ross, "high visibility and comfort" for those adjacent to Century Square at Pike and 4th (City of Seattle, 2017).

References

Boarnet, M. G., Day, K., Alfonzo, M., Forsyth, A., & Oakes, M. (2006). The Irvine—Minnesota Inventory to Measure Built Environments. *American Journal of Preventive Medicine, 30*(2), 153-159.

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Figure 1 3rd and Pine before LID (Macaulay, 2019)

Figure 2 3rd and Pine Post-LID (Macaulay, 2019)

King County Assessor Data

Major	Minor	NoteId	NoteInstance	Note	UpdatedBy	UpdateDate
197570	365	3173302	5	The imp is built over the bus tunnel which may restrict redevelopment. The imp has retail on both upper floors and the basement can't be used because of the bus tunnel therefore limiting value.	AHAS	6/11/2009 10:33

https://aqua.kingcounty.gov/extranet/assessor/Notes.zip

ALTERNATIVE DEVELOPMENT OPTIO.
FOR
A SITE IN DOWNTOWN SEATTLE

by

J. Christopher Kirk

Bachelor of Architecture
University of Arizona
Tucson, Arizona
1972

SUBMITTED TO THE DEPARTMENT OF ARCHITECTURE
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
OF THE DEGREE
MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

SEPTEMBER, 1986

Signature of the author ______________________
J. Christopher Kirk
Department of Architecture
August 15, 1986

Certified by ______________________
James McKellar
Chairman
Interdepartmental Degree Program in Real Estate Development
Thesis Supervisor

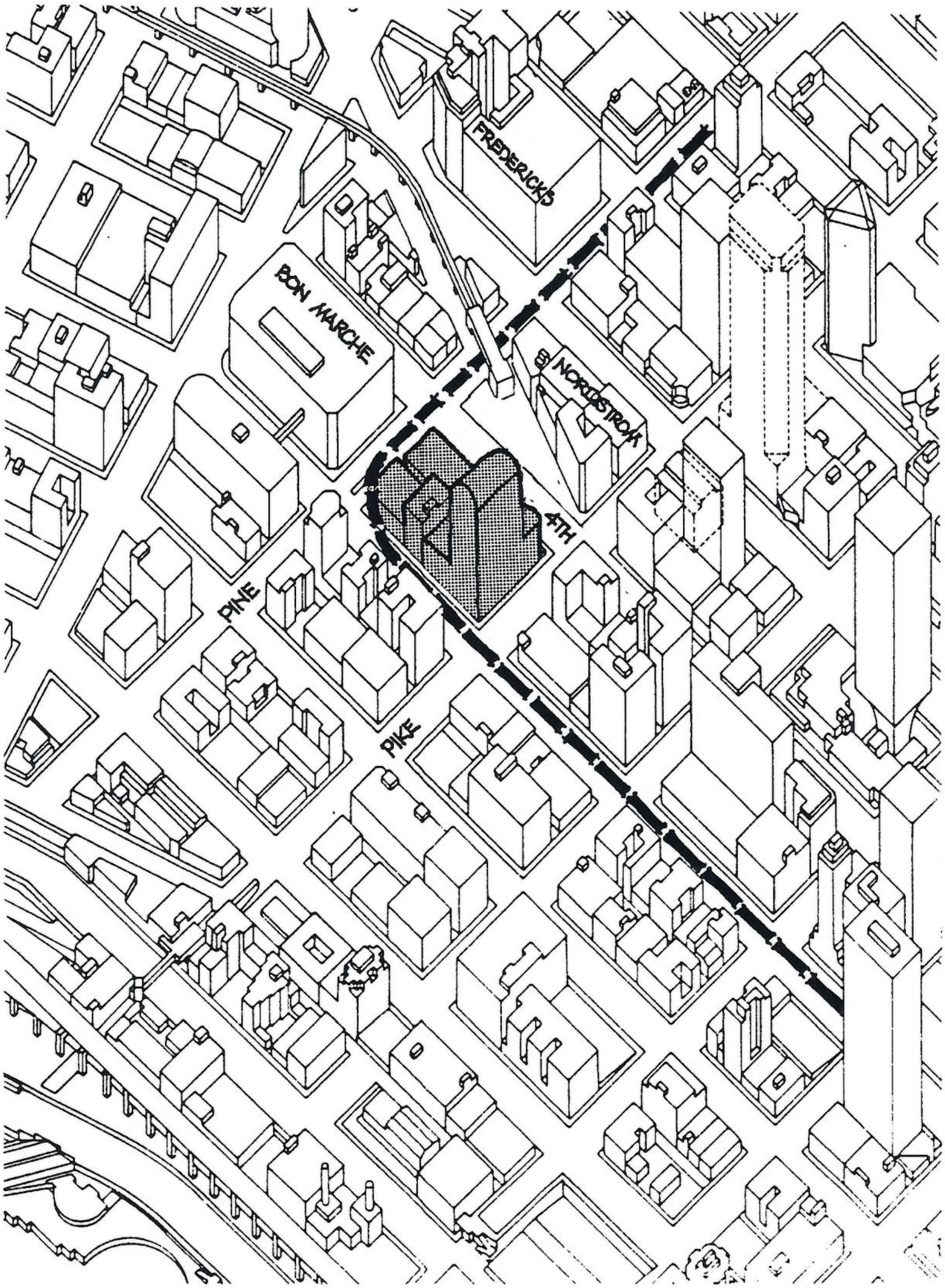
Accepted by ______________________
James McKellar
Chairman
Interdepartmental Degree Program in Real Estate Development

generated better returns than the major-retail options, but was so small-scale that its income was virtually the same as a renovation, with higher costs, lower rates of return, and considerably more risk.

The second multi-tenant retail plan combines the Option 3 retail with the previous office structure (Option 4). At this point the returns become acceptable, even though no saleable development rights are created. This option also produces the largest before-tax cash flows.

Maintaining the existing buildings (Option 5) is the least risky option in terms of costs and unknowns, and produces the highest rates of return on equity and total cost. But this option is also less rewarding in terms of the size of the returns than is Option 4. The buildings could be upgraded to the best possible condition at relatively low cost because they have all been recently at least partially renovated. However, the incremental increase in value would be similarly modest, and would leave them well below the "highest and best" use of one of the best-located sites in downtown Seattle.

DETAILED AERIAL VIEW



its entrances is on the site. Prescott lobbied hard to have the station extended west so that it would be on the Phase II site. The benefits of having this generator of pedestrian traffic on the site are clear, and Metro does not pay for the easement for this reason.

The second affect is the tunnel itself. It makes one 90-degree turn in its entire length, and this is under the northwest part of the site, between Pine and Third. This turn is very broad to allow for a future rail system, so the arc extends into the site some 80 ft. Thus the tunnel undermines the site precisely where the highest parts of a development must be located to avoid shadowing Westlake Park. To determine the increased cost of building a future project over the tunnel, Prescott had a foundation plan and cost study (May, 1985; Skilling Ward Rogers Barkshire, Consulting Engineers) prepared for the construction of a lowrise retail and midrise office building with underground parking for 400 cars. Heavy transfer grade beams, specially-drilled caissons, and major shoring around the tunnels were estimated to cost a premium of approximately $4.76 million. This amount was so much more than Metro had budgeted that a special deal was negotiated. In essence, Lots 4 and 5 were actually sold to Metro, with ownership reversion rights to Prescott, for the $4.76 million. This somehow mitigated the shock to Metro's budget. In addition, the tunnel undermines the corners of lots 2 and 5, so Metro purchased easements for $181,000 and $238,000 respectively.

ENVIRONMENTAL ANALYSIS

The environmental review is conducted by the Department of Construction and Land Use (DCLU), as mandated by the State Environmental Policy Act (SEPA). The DCLU will see that the draft and final Environmental Impact Statements (EIS) meet required standards of accuracy and completeness, and will orchestrate public hearings. This process can be very unpredictable because of the subjective nature of predicting, measuring, and valuing the degree to which a project affects its surroundings.

However, during the development of Phase I, it became clear that the most serious environmental restriction on the size of the project was the problem of shadowing Westlake Park. The building height was reduced to 29 stories (assuming it was not artificially high to start), and Prescott made contributions to the city for park improvements in atonement for some shadows which were not eliminated. Prescott's Phase I environmental consultant (P. Luersen, CH2M Hill, Consulting Engineers) characterized the process as the requiring of funds for the construction of a park shelter which would have provided shade, were it not located in the shadow of the new building.

The result of Phase I is that Phase II will be monitored that much more closely, both by the DCLU and citizens. About this there is no ambiguity. Therefore it is assumed to be a given that Phase II may not shadow the park at all during the hours of 10 A.M. to 2 P.M., March 21 to September 21, times outlined in the Zoning code and the Draft EIS for Phase I. Based on shadow diagrams, also from that DEIS, this ban will restrict height to 150 ft., rather than the 240 ft. basic limit, even for a building mass located entirely to the west of the existing alley line.

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2) Requiring a change in the bulk of the development;

3) Requiring a redesign of the profile of the development;

4) Requiring on-site view corridors or requiring enhancements to off-site view corridors;

5) Relocating the project on the site;

6) Requiring a reduction or rearrangement of walls, fences or plant material; and

7) Requiring a reduction or rearrangement of accessory structures including, but not limited to, towers, railings and antennae.

Q. Shadows on Open Spaces

1. Policy background

a. Access to sunlight, especially in Seattle's climate, is an amenity of public open spaces.

b. It is possible to design and locate structures to minimize the extent to which they block light from public open spaces.

c. Chapter 23.49 provides some protections against shadow impacts created by development in downtown. However, due to the scale of development permitted in downtown, it is not practical to prevent such blockage at all public open spaces downtown.

d. Title 23 attempts to protect private property from undue shadow impacts through height, bulk and setback controls, but it is impractical to protect private properties from shadows through project-specific review.

2. Policies. It is the City's policy to minimize or prevent light blockage and the creation of shadows on open spaces most used by the public.

a. Areas outside of downtown to be protected are as follows:

1) Publicly owned parks;

2) Public schoolyards;

3) Private schools which allow public use of schoolyards during non-school hours; and

4) Publicly owned street ends in shoreline areas.

b. Areas in downtown where shadow impacts may be mitigated are:

1) Freeway Park;

2) Westlake Park and Plaza;

3) Market (Steinbrueck) Park;

4) Convention Center Park; and

5) Kobe Terrace Park and the publicly owned portions of the International District Community Garden.

d. When the decisionmaker finds that a proposed project would substantially block sunlight from open spaces listed in subsections 25.05.675.Q.2.a and 25.05.675.Q.2.b above at a time when the public most frequently uses that space, the decisionmaker may condition or deny the project to mitigate the adverse impacts of sunlight blockage, whether or not the project meets the criteria of the overview policy set forth in Section 25.05.665.

e. Mitigating measures may include, but are not limited to:

1) Limiting the height of the development;

2) Limiting the bulk of the development;

3) Redesigning the profile of the development;

4) Limiting or rearranging walls, fences, or plant material;

5) Limiting or rearranging accessory structures, i.e., towers, railing, or antennae; and

6) Relocating the project on the site.

R. Traffic and transportation

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Impact on property values of distance to parks and open spaces: An update of U.S. studies in the new millennium

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[a]Department of Recreation, Park and Tourism Sciences, Texas A&M University; [b]Department of Business, Swansea University

ABSTRACT

The review of 33 studies generally confirmed findings from a 2001 review: House values rose as proximity to a park increased; properties immediately adjacent to a park sometimes had a lower premium than dwellings a block or two away from it; larger parks had higher premiums, and their influence extended over a longer distance; and substantially greater premiums accrued from passive than from active parks. The results suggested a premium of 8%–10% on properties adjacent to a passive park is a reasonable point of departure, which is lower than suggested by previous guidelines. Four additional insights emerged: Percentage premiums were higher for (a) multifamily or small lots than for single-family homes or large lots and (b) for permanently protected lands than for developable lands; recognition was frequently lacking (c) the heterogeneity of open space and (d) differentials among submarkets. Six managerial conclusions and five guidelines for future research are offered.

KEYWORDS

Property values; parks; open spaces

This article updates findings reported in this journal almost two decades ago (Crompton, 2001), which reached four conclusions. First, there was overwhelming empirical evidence that parks and open spaces contributed to increases in property values. Second, the support extended beyond urban areas to properties that were proximate to large natural areas in rural contexts. Third, while substantial variation in contexts made it infeasible to generalize about the distance over which the proximate influence extended, "there appeared to be wide agreement that it had substantial influence up to 500 feet and that in the case of community sized parks it extended out to 2,000 feet" (Crompton, 2001, p. 29). Fourth, the diversity of contexts also made it infeasible to generalize about the magnitude of the premium, but "a suggested point of departure" was offered:

> A positive impact of 20% on property values abutting or fronting a passive park area is a reasonable starting point guideline. If the park is large (say over 25 acres), well-maintained, attractive, and its uses mainly passive, then this figure is likely to be low. If it is small and embraces some active use, then this guideline is likely to be high. If it is a heavily used park incorporating such facilities as athletic fields or a swimming pool, then the proximate value increment may be minimal on abutting properties, but may reach 10% on properties two or three blocks away. (Crompton, 2001, p. 29)

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and/or a negative premium accompanying evidence of positive premiums. In three of the analyses, parks had either no significant impact on sales price or a significant negative impact (Kashian, Winden, & Storts, 2018; Mahan, Polasky & Adams, 2000; Sander et al., 2010). In each case, the unexpected findings were attributed to noise, congestion, and reduced privacy being sufficiently disturbing to proximate property owners that they outweighed the positive amenity associated with a park.

Among the seven studies reporting mixed findings, Shultz and King (2001) used an unorthodox operationalization of the dependent variable: "The median value of owner-occupied units and the median value of capitalized rental payments among rental units in a census block … obtained from the Census of Housing" (p. 243). Using census blocks as the unit of analysis rather than individual units, and the use of secondary census data rather than actual sales data, would appear to limit the credibility of the findings. In the remaining six mixed-results studies, the unexpected increases in price with distance from open space were convincingly explained by the authors as emanating from differences among subsegments of their studies, such as divergent economic and sociocultural characteristics of neighborhoods (Lin, Wu, & De Sousa, 2013; Troy & Grove, 2008), negative forms of open space (e.g., cemeteries) (Bell, Boyle, & Neumann, 2009), small size of parks (Cho, Roberts, & Kim, 2011; Larson & Perrings, 2013), or esthetically unappealing (nonirrigated, brown and dry) space (Bark, Osgood, Colby, & Halper, 2011).

When the magnitude of premiums revealed in the studies was estimated and assigned into one of three categories—lower than 4%, 5%–9%, and 10% or higher—the tabulations showed approximately the same number of premiums in each category. The distances over which premiums occurred were similarly varied, but it appears the Crompton (2001) review recommendations for urban environments were generally supported (i.e., substantial influence up to 500 feet and, in the case of community-sized parks, extending out to 2,000 feet).

Potential disamenities associated with adjacency

A majority of studies confirmed that premiums generally were highest for properties closest to a park. However, several analyses did not conform to this expectation. They revealed that properties immediately adjacent to a park sometimes did not show the highest premium. Invariably, the authors attributed this to social and/or environmental disamenities that outweighed the amenity value of locating next to a park. This was the case in the three analyses identified in the preceding, which reported parks had either no significant impact or a significant negative impact on property values (Kashian et al., 2018; Mahan et al., 2000; Sander et al., 2010). Such disamenities were attributed to a variety of nuisances, including congestion, street parking, litter and vandalism, noise and intrusive ballfield lights, and groups engaging in morally offensive activities. In the case of large parks, forests, and open spaces in rural and urban fringe areas, the nuisances cited included animals such as deer, which eat homeowners' landscape plants and cause car accidents, and poisonous snakes, mosquitos, and other insect pests.

Lutzenhiser and Netusil (2001) reported premiums were highest for properties not adjacent to parks. Their analyses differentiated among urban parks, natural parks, and specialty parks. In each case, the largest premiums were in the 201- to 400-foot and

401- to 600-foot zones, respectively, rather than in the immediate 1- to 200-foot zone. For example, a home located 401–600 feet away from a natural area park on average had a $12,621 premium (19.1%), while the average premium for a house adjacent to an urban park was $1,926 (2.7%). A decade later, another Portland study measured the impact of two large regional parks, Forest Park (5,230 acres) and Mount Tabor (190 acres) (Kovacs, 2012). The analysis similarly showed premiums peaked at one-third of a mile from a park.

In Oakland County, Michigan, which is part of the Detroit Metropolitan area, homes within 100 meters of a passive park showed no premium, while those in all other buffer zones up to 1,500 meters had premiums ranging from 2.3% to 6.3%. When the effect of active recreational parks was measured, the premium also was marginally larger for properties one block away from the park than for those abutting it (Adelaja et al., 2009, p. 24).

In Greenville, South Carolina, 24 parks were categorized into four groups based on size, attractiveness, and park amenities (small basic, small attractive, medium basic, medium attractive) (Espey & Owusu-Edusei, 2001). Overall, proximity to these parks had a positive impact on prices. Homes within 1,500 feet of any park sold for 6.5% more than those beyond that distance. However, in three of the park categories, premiums for homes closest to the parks were lower than those on properties located further away. For example, houses within 300 feet of small basic parks showed a negative premium (-14%), while for those between 300 and 500 feet there was a positive premium (15%). A Tennessee study similarly reported parks associated with athletic activity tended to have a negative impact on adjacent property because of the concomitant levels of traffic and noise and possible perceived safety dangers (Cho, Bowker, & Park, 2006).

The differing impacts of passive and active parks

Lutzenhiser and Netusil (2001) classified the 194 public parks and open spaces in Portland, Oregon, into three categories: urban parks, natural area parks, and specialty parks/facilities. Their analyses showed that being within 1,500 feet of a natural area park accounted for $10,648 (16.1%) of a home's sale price. By contrast, the impacts of urban parks and specialty parks/facilities were $1,214 (1.8%) and $5,657 (8.5%), respectively.

A Minneapolis analysis further explored that issue (Lin et al., 2013). Across their five models, variables representing passive facilities were significant and positive in six of 10 possible cases, insignificant in two cases, and significant but negative in two cases. By contrast, variables representing active facilities were significant and positive in 13 of 33 possible cases, insignificant in four cases, and significant but negative in 16 cases. Overall, results supported the generalization that property value effects were more positive when proximity was to passive rather than active parks, but they also demonstrated significant variations can occur among given facilities across a community, that is, that the passive/active dichotomous relationship is not always clear-cut and that finer scales of analyses are required to identify these nuances.

The Oakland County analysis also distinguished between recreational amenity lands and passive oriented lands. It confirmed that premiums for passive parks tended to be

Conclusions

Results from the 33 reviewed studies varied widely. This reflects methodological differences in the set of explanatory variables; specification of variables; definitions and aggregations of types of green space; inclusion or omission of key independent variables; diversity and definition of geographic locations; and the functional forms of hedonic analyses, which often produce different results from the same data set. Further, it has been observed that "each study deals with a particular open space area or set or areas that are unique to a particular region and time period" (McConnell & Walls, 2005, p. 62). This heterogeneity makes it difficult to compare results across studies, so it is perilous to make generalizations relating to premiums emanating from parks and open spaces. In any given context, they could mislead rather than inform.

Despite this important caveat, a major obligation of a review of this nature is that it should yield insights and/or "points of departure" that are sought by policy makers, planners, appraisers, developers, homeowners, and advocates to inform their decisions. This section identifies six conclusions that emerged from the review.

Figure 1 is an adaptation of a conceptualization initially proposed by Li and Brown (1980). A different version of it appeared in the earlier Crompton (2001) review. The upper half of the figure suggests that premiums associated with proximity and accessibility will decay as distance from a park increases. The lower half proposes that any negative impacts are likely to be limited to properties close to a park, and these will decay more rapidly than positive impacts as distance from the park increases.

The first conclusion from the review is that Figure 1 is a useful way to conceptualize the impact of premiums. Only three of the 33 studies reported an insignificant or

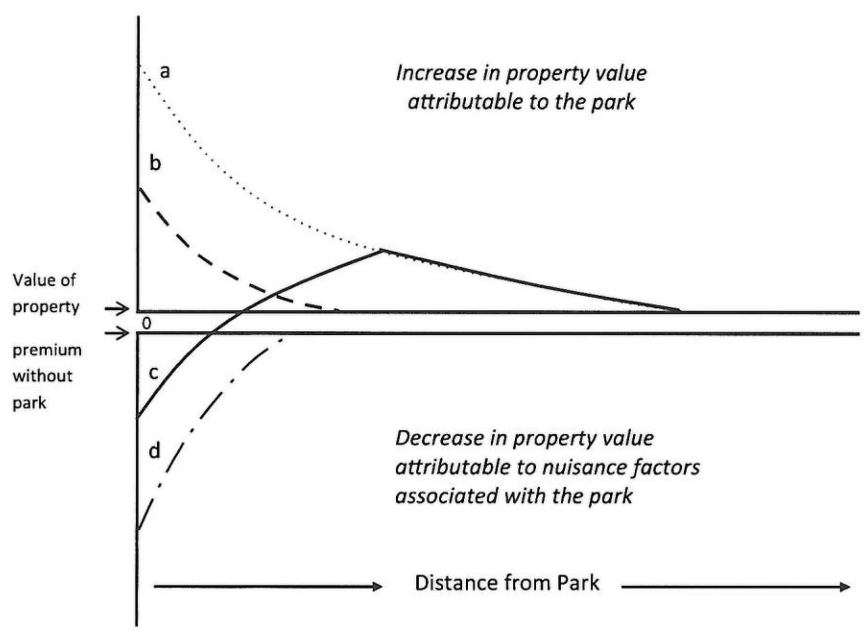

Figure 1. The conceptual model: alternate scenarios reflecting the range of impacts that parks and related amenities may exercise on property values.

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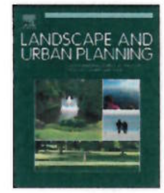

Property values, parks, and crime: A hedonic analysis in Baltimore, MD

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ABSTRACT

While urban parks are generally considered to be a positive amenity, past research suggests that some parks are perceived as a neighborhood liability. Using hedonic analysis of property data in Baltimore, MD, we attempted to determine whether crime rate mediates how parks are valued by the housing market. Transacted price was regressed against park proximity, area-weighted robbery and rape rates for the Census block groups encompassing the parks, and an interaction term, adjusting for a number of other variables. Four models were estimated, including one where selling price was log-transformed but distance to park was not, one where both were log-transformed, a Box–Cox regression, and a spatially adjusted regression. All results indicate that park proximity is positively valued by the housing market where the combined robbery and rape rates for a neighborhood are below a certain threshold rate but negatively valued where above that threshold. Depending on which model is used, this threshold occurs at a crime index value of between 406 and 484 (that is, between 406% and 484% of the national average; the average rate by block group for Baltimore is 475% of the national average). For all models, the further the crime index value is from the threshold value for a particular property, the steeper the relationship is between park proximity and home value.

1. Introduction

This article examines the relationship between property values, proximity to parks, and crime and whether these relationships are interactive. While previous studies have examined the effects of both crime and park proximity individually on home values, there has been no examination of how crime level conditions the relationship between parks and property values. While intuition would suggest that high-crime parks might not be viewed as positive amenities, this has yet to be empirically proven. Further, no information exists as to the level of crime at which a reversal of perception in the amenity value of parks would occur. Such information could yield significant benefits for urban park managers, planners, and law enforcement officials, not only because low crime parks can serve as important amenities, but also because high-crime parks may have the potential to negatively affect their surrounding neighborhoods.

1.1. Literature review

Considerable research has attempted to value urban parks, forests, and open space through analysis of property data and stated preferences. The vast majority of these studies use hedonic analysis of property sales data. All of the following studies of property values use this method except one, which is noted. Acharya and Bennett (2001) found that the percentage of open space in the neighborhood of a house varied positively with housing price, all else equal, in an urban watershed in southern Connecticut. They further found that the coefficient on percentage open space was little different whether it was specified for a 1/4 or 1 mile radius around a house. Based on this finding, they concluded that open space is important to homebuyers at various spatial scales, but particularly at the neighborhood scale.

In Quebec City, Des Rosiers et al. (2002) found a vegetation "scarcity effect;" that is, property values increase as the proportion of trees on a property relative to that in the immediate neighborhood (visible from the property) goes up. Further, this effect was more pronounced in neighborhoods with a higher proportion of retired people. Ground cover (lawns, flower beds, etc.) was also found to increase property values for bungalows and cottages. Interestingly, highly dense vegetation in the vicinity of a property was found to reduce its property values.

Morancho (2003) found that housing values decreased with distance to nearest urban green area in Castellon, Spain, although the price effect is described as "humble," and the size of the park had no impact on price. Based on these results, Morancho suggests that having many small green spaces distributed throughout an urban area might be more beneficial than having a few large parks.

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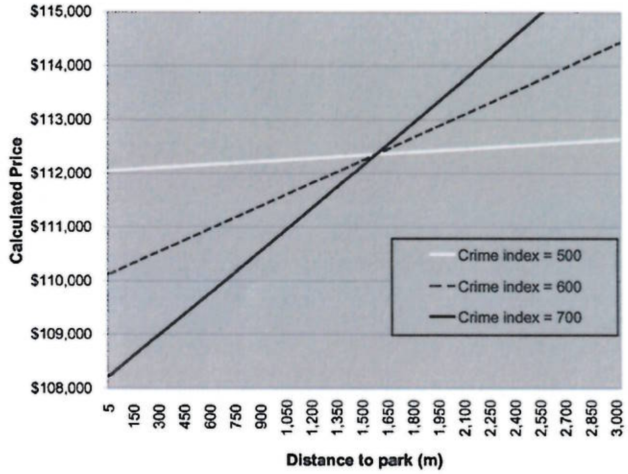


Fig. 6. Relationship between park proximity and home value, holding all else constant, at robbery index values of 500, 600 and 700 for model 2.

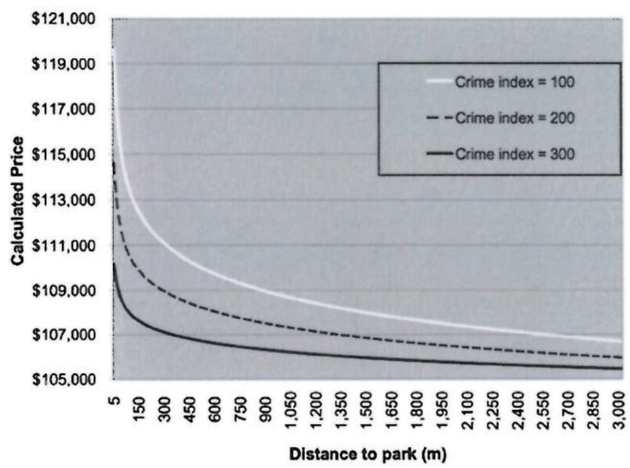


Fig. 7. Relationship between park proximity and home value, holding all else constant, at robbery index values of 100, 200 and 300 for model 3.

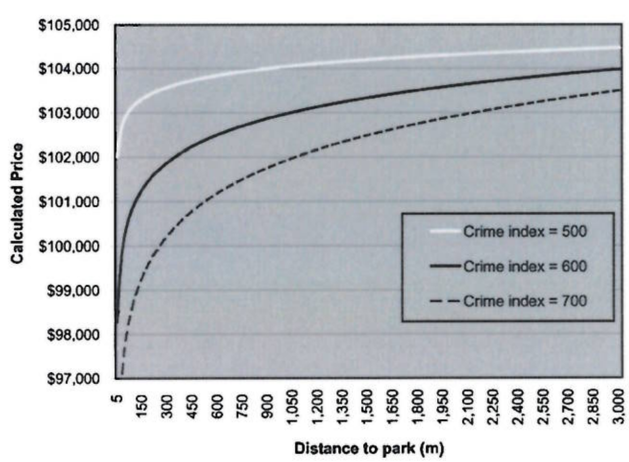


Fig. 8. Relationship between park proximity and home value, holding all else constant, at robbery index values of 500, 600 and 700 for model 3.

what lower for model 3), indicating that the main results are robust to that transformation.

4. Discussion

These results show that crime is a critical factor conditioning how parks are perceived by residents and valued in the Baltimore housing market. When crime rate is relatively low, parks have a positive impact on property values. That threshold value is between 406 and 484% of the national average (which is still lower than the average robbery rate for Baltimore, at 475%). Near the threshold, the value of parks becomes ambiguous. As crime rates climb above this threshold, the direction of the relationship switches and parks negatively influence home values. The steepness of this negative relationship increases as the crime rate increases. Fig. 9 shows parks that are expected to have positive effects (white), negative effects (dark gray), and ambiguous effects (light gray) on property values. What is notable about this figure is the relative dispersion of parks of different crime levels. Rather than being clustered, both low crime and high-crime parks are distributed throughout the city, and often low crime parks will be found very near high-crime parks, without intermediate medium crime parks in between. Also notable is the fact that park crime appears not to be obviously correlated with size or configuration. The largest few parks – Gwynns Falls, Druid Hill, Herring Run and Cylburn Arboretum – run the gamut from low to high crime. Likewise, there are small parks of all crime levels. Linear stream corridor parks also include a range from low (e.g. Moores Run Park) to medium (e.g. Western Run Park), to high (e.g. Chinquapin Run Park) crime, suggesting that riparian amenities do not always yield positive impacts on property.

While Kuo and Sullivan (2001) found that urban vegetation is associated with reduced crime, this study suggests that not all parks are perceived as positive amenities, and that an important factor in differentiating parks is crime. It may be that parks with high crime rates, where park proximity is valued negatively have the less managed and more threatening types of undergrowth vegetation that have been associated with criminal activity (Forsyth et al., 2005; Kuo and Sullivan, 2001; Michael et al., 2001; Nasar et al., 1993). This would make an excellent topic for future study.

The results from this research have several management implications. First, as planners and managers work to rehabilitate existing parks or create new ones, they cannot treat a park as a social island and develop their efforts in isolation. It is important to consider how a park will be affected by and will affect other social dimensions of the neighborhood (Machlis et al., 1997). This suggests that urban natural resource agencies need to work with other government agencies, NGOs, and community organizations to consider how their activities relate to the perception of parks and open spaces. It also suggests that city departments of recreation and parks, police, housing, and community development have common interests and ambitions. For example, after identifying parks located in high-crime neighborhoods, these agencies could work together to develop strategies and implement plans that reduce crime and modify park management, thereby turning an existing neighborhood feature from a liability into an amenity.

Research that addresses how the type, design, and maintenance of vegetation in parks relates to both crime levels and to nearby property prices would be of great use in both facilitating a better understanding of the mechanisms of the relationships described in this paper and in helping to decide where and how to invest in parks. Future research should attempt to address the nature of causality in the relationship between parks, crime and property values. That is, do desirable parks lead to higher property values, do neighborhoods with high demand and hence high property val-

Crawford

AMENDMENT NO. 2 TO LEASE

THIS AMENDMENT NO. 2 TO LEASE (hereinafter referred to as "Amendment No. 2"), is made and entered into as of the 23rd day of April, 1979, by and between PEOPLES NATIONAL BANK OF WASHINGTON, as Trustee under the Last Will and Testament of Anna Furth Struve, deceased, PACIFIC NATIONAL BANK OF WASHINGTON, as Trustee under the Last Will and Testament of Sidonia Furth Wetherill, deceased, JOHN H. DAVIS, CHARLOTTE E. ARRENDELL, MARILYN CRAWFORD and DONNA LEE WEST, as the successors in interest to the Lessors as named in the Lease of which this is an Amendment, and who will hereafter be referred to collectively as "Lessors," and FOURTH AVENUE ASSOCIATES, a Washington Limited Partnership composed of Richard Clotfelter and Patrick Colee as general partners, and Gary Philbrick as limited partners, and which partnership will hereafter be referred to as "Lessee", and

WHEREAS, Lessors are the successors in interest of the Lessors under that certain Lease dated the 30th day of June, 1930, as modified by instrument dated December 4, 1935 (the "Modification") originally between F. D. Struve and Anna F. Struve, his wife, Lucy A. Furth, a widow; Margaret Smith Cloutier; Abner Brown; William E. Best; Langdon C. Henry and Reid V. Welty, in their capacity as Trustees of the Estate of John Davis, deceased; and Charlotte E. Brown, John Davis, Jr., by his guardian, Margaret Smith Cloutier; and Jennie E. Ford, as Remaindermen under the will of John Davis, deceased; and Pine Street Building Co., a Washington corporation, as Lessee, and by Amendment to Lease dated June 30, 1978, between the parties hereto (hereinafter the "Amendment"); and

WHEREAS, said Lease as modified by the Modification and the Amendment is hereinafter referred to as the "Lease"; and

WHEREAS, the property covered by said Lease was and is situated in the City of Seattle, County of King, State of Washington and legally described as follows:

> Lots Two (2), Three (3) and Six (6) in Block Twenty-two (22), Plat of an Addition to the Town (now City) of Seattle, as laid out by A.A. Denny, according to plat thereof recorded in Volume 1 of Plats, page 33, records of King County, Washington, except portions heretofore appropriated by the City of Seattle for street purposes,

and

WHEREAS, Pine Street Building Co., assigned its interest, as Lessee under said Lease, with the consent of the then Lessors, to Fourth & Pine Corporation, a Washington corporation, by instrument dated September 1, 1931; and

WHEREAS, the parties hereto desire to effectuate certain changes and modifications in the terms and conditions of the Lease;

NOW, THEREFORE, for and in consideration of the mutual terms, covenants and conditions herein contained, the parties hereto hereby agree to modify the Lease as follows:

1. Rent: The first thirteen lines of subsection (a) found in Section 2 (Rent) on page 3 of the Amendment relating to the rental to be paid for the period of January 1, 1941, to June 30, 2029, shall be amended to read as follows:

> "(a) January 1, 1941, to October 31, 1979, the lease payments hereunder shall be $80,000.00 per annum. From November 1, 1979, to October 31, 2029, the Lessee shall pay rent at the rate of $160,000.00 per annum (the 'Basic Rent'); provided that commencing with November 1, 1984, and on November 1st of each fifth year thereafter (the 'Adjustment Period'), the Basic Rent which Lessee

shall pay during each ensuing five-year period shall be adjusted upwards or downwards, but in no event below $160,000.00 per annum, as compared with the Basic Rent prevailing on the first day of the immediately preceding adjustment period, as follows: . . . ."

2. The provisions of Section 16 (<u>Mortgage by Lessee</u>) found on page 14 of the Amendment shall be rewritten as follows:

"16. <u>Mortgage by Lessee</u> (page 15): The second line on page 15 of the Lease shall be amended to read as follows:

'. . . judicial sale, to acquire title to said estate; provided, however, that the Lessee shall not use the leasehold estate or building as security for a loan in excess of $1,200,000 until the building is 50% leased, at which time the Lessee may utilize the leasehold and/or building as security for a loan of not to exceed $2,000,000; provided, however, that all proceeds of any such loan shall be used exclusively for the costs and expense directly related to the repair, remodeling, renovation, improvement or reconstruction of the building or buildings then upon the leased premises or the construction of a new building or buildings upon the leased premises. Any sums in excess of those used for the purposes aforesaid shall be expended for purposes approved in writing by Lessors.'"

3. A new section shall be added to the Lease which section shall be as follows:

"<u>Skybridge</u>

(a) It is understood and agreed that the Lessee shall construct and maintain a skybridge across Third Avenue to connect the building with what is commonly known as the Third Avenue Building which is leased on a long term basis by an affiliated company of the Lessee. Upon the expiration or earlier termination of this Lease and upon Lessor taking possession of the property covered by this Lease, the Lessee shall, at its sole cost and expense, remove the skybridge between the subject property and the Third Avenue Building upon the written demand of the Lessors or the then fee owners of the subject property. In the event of the failure of Lessee to so remove the skybridge within sixty (60) days of demand by Lessor upon such expiration or termination, then the Lessors, or the then fee owner of the building, shall have the right to remove said skybridge without obligation to restore the Third Avenue Building from the effects of such removal in any respect, as well as the right to recover from

Lessee all costs of such removal and of the restoration of the building to the general condition and structural integrity as existed prior to the installation of the skybridge.

(b) Lessee agrees that it shall insert in the leases with tenants of space on the second floor of the building and shall cause to be inserted in leases covering space in the Third Avenue Building, a clause that will state that the tenants of such space and their invitees, customers, licensees or others shall not have any right or interest in the continued existence, maintenance or use of the skybridge between the building and the Third Avenue Building which are superior or paramount to the right of Lessors and/or the fee owners of the building to remove the skybridge upon such Lessors or owner taking possession of the building upon the expiration or earlier termination of this Lease."

Except as specifically set forth above, the Lease shall remain as originally executed and thereafter modified by the Modification and Amendment.

IN WITNESS WHEREOF, the parties hereto have executed the foregoing document the day and year first above written.

PROPERTY OWNERSHIP

An undivided fourteen-twenty fourths (14/24) interest in and to Lots 2 and 3 and an undivided one-third (1/3) interest in and to Lot 6, all in said Block 22, A.A. Denny's Third Addition to the City of Seattle

Dated: April 23, 1979

LESSORS

Peoples National Bank of Washington executes this instrument in its within named capacity only, and assumes no liability hereunder in its individual or corporate capacity.

PEOPLES NATIONAL BANK OF WASHINGTON, as Trustee under the Last Will and Testament of Anna Furth Struve, deceased

By [signature] ASST TRUST OFFICER

By [signature] TRUST OFFICER

An undivided two-twenty fourth (2/24) interest in and to Lots 2 and 3 and an undivided two-thirds (2/3) interest in and to Lot 6, Block 22. A.A. Denny's Third Addition to the City of Seattle

Dated: May 1, 1979

PACIFIC NATIONAL BANK OF WASHINGTON, as Trustee under the Last Will and Testament of Sidonia Furth Wetherill, deceased

By [signature] VICE PRESIDENT AND TRUST OFFICER

By Patricia Burkhardt
Asst. Trust Officer

An undivided four twenty-fourths (4/24) interest, as his sole and separate property, in and to Lots 2 and 3, Block 22, A. A. Denny's Third Addition to the City of Seattle

John H. Davis

JOHN H. DAVIS

Dated: May 14, 1979

An undivided one twenty-fourth (1/24) interest, as her sole and separate estate, in and to Lots 2 and 3, Block 22, A. A. Denny's Third Addition to the City of Seattle

CHARLOTTE F. ARRENDELL

By John D. Brown

John D. Brown, her Agent and Attorney-in-Fact

An undivided one twenty-fourth (1/24) interest, as her sole and separate estate, in and to Lots 2 and 3, Block 22, A. A. Denny's Third Addition to the City of Seattle

MARILYN CRAWFORD

By John D. Brown

John D. Brown, her Agent and Attorney-in-Fact

Dated: May 3, 1979

An undivided two twenty-fourths (2/24) interest, as her sole and separate estate, in and to Lots 2 and 3, Block 22, A. A. Denny's Third Addition to the City of Seattle

DONNA LEE WEST

By Donna Lee West

~~Her Agent and Attorney-in Fact~~

Dated: 5-18, 1979

LESSEE

FOURTH AVENUE ASSOCIATES, a Washington limited partnership

By Patrick R. Colee

Patrick R. Colee, General Partner

By Richard C. Clotfelter

Richard C. Clotfelter, General Partner

Dated: 5/24/79

CONSENT

THIRD AVENUE ASSOCIATES, a Washington Limited Partnership, approves and consents to, and agrees to abide by, the provisions of Sections 3(a) and 3(b) of this Amendment No. 2 to Lease.

DATED May 24, 1979.

THIRD AVENUE ASSOCIATES, a
Washington Limited Partnership

By [signature]
General Partner

By Richard C. Clotfelter
General Partner

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

On this day personally appeared before me E T Hughes and Harry A Rubin, known to me to be the VP & Trust Officer and Trust Officer, of PEOPLES NATIONAL BANK OF WASHINGTON, Trustee under the Last Will and Testament of Anna Furth Struve, deceased, which executed the within and foregoing instrument and acknowledged that they were authorized to and signed the same for and on behalf of said Bank, as Trustee, and as its free and voluntary act and deed, for the uses and purposes and in the capacity therein mentioned.

GIVEN under my hand and official seal this 23rd day of April, 1979.

Debra B Yates
Notary Public in and for the State of Washington, residing at Bellevue

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

On this day personally appeared before me Wm. W. Christoffer and Patricia Burghardt, known to me to be the Vice President and Asst. Trust Officer, of PACIFIC NATIONAL BANK OF WASHINGTON, Trustee under the Last Will and Testament of Sidonia Furth Wetherill, deceased, which executed the within and foregoing instrument and acknowledged that they were authorized to and signed the same for and on behalf of said Bank, as Trustee, and as its free and voluntary act and deed, for the uses and purposes and in the capacity therein mentioned.

GIVEN under my hand and official seal this 1st day of May, 1979.

Inez P. Painter
Notary Public in and for the State of Washington, residing at Seattle

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

On this day personally appeared before me PATRICK R. COLEE and RICHARD CLOTFELTER, to known to me to be the General Partners of FOURTH AVENUE ASSOCIATES, a Washington Limited Partnership, the individuals described in and who executed the within and foregoing instrument and acknowledged that they were authorized to and signed the same for and on behalf of said Limited Partnership, and as their free and voluntary act and deed, for the uses and purposes and in the capacity therein mentioned.

GIVEN under my hand and official seal this 24th day of May, 1979.

Carolyn Jane Sanford
Notary Public in and for the State of Washington, residing at Redmond

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

On this day personally appeared before me Richard C Clotfelter and James W. Sanger, to known to me to be the General Partners of THIRD AVENUE ASSOCIATES, a Washington Limited Partnership, the individuals described in and who executed the within and foregoing instrument and acknowledged that they were authorized to and signed the same for and on behalf of said Limited Partnership, and as their free and voluntary act and deed, for the uses and purposes and in the capacity therein mentioned.

GIVEN under my hand and official seal this 24th day of May, 1979.

Carolyn Jane Sanford
Notary Public in and for the State of Washington, residing at Redmond.

STATE OF Wash)
) ss.
COUNTY OF king)

On this day personally appeared before me John O. Brown for C.F. Arrasdell, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as a free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 3rd day of may, 1979.

Debra Q Yates
Notary Public in and for the State of Wash, residing at Bellevue.

STATE OF Wash)
) ss.
COUNTY OF king)

On this day personally appeared before me John O Brown for M Crawford, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as a free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 3rd day of may, 1979.

Debra Q Yates
Notary Public in and for the State of Wash, residing at Bellevue.

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0253, et al.
19

Filed at the request of
and when recorded return to:

John Chafer Huff
Ferguson & Burdell
2900 One Union Square
Seattle, WA 98101

AMENDMENT NO. 4 TO LEASE

DATED: March 3, 1988;

BETWEEN: FOURTH AVENUE ASSOCIATES LIMITED PARTNERSHIP (formerly known as Fourth Avenue Associates), a Washington limited partnership (referred to in this Amendment as "Lessee");

AND: CHARLOTTE C. ARRENDELL; MARILYN CRAWFORD, JOHN H. DAVIS, as to his separate estate; DONNA LEE WEST, as to her separate estate; DONNA LEE WEST as trustee under trust agreement dated May 21, 1975; ~~FIRST INTERSTATE BANK OF WASHINGTON, N.A. (formerly Pacific National Bank of Washington), as trustee under deed of trust dated June 28, 1978, executed by Worden Pope Wren, III; FIRST INTERSTATE BANK OF WASHINGTON, N.A. as trustee under deed of trust dated October 26, 1978, executed by John D. Brown~~; PEOPLES NATIONAL BANK OF WASHINGTON, as trustee under the will of Anna Furth Struve, deceased; and FIRST INTERSTATE BANK OF WASHINGTON, N.A. as trustee under the will of Sidonia Furth Wetherill, deceased (collectively referred to in this Amendment as "Lessors").

RECITALS

1. The predecessors in interest of Lessors and Lessee entered into a ground lease dated June 30, 1930 for real property located in the City of Seattle, King County, Washington including the property described as follows (the "Property"):

> Lot 2, Block 22, Addition to the Town of Seattle, as laid out by A.A. Denny "commonly known as A.A. Denny's 3rd Addition to the City of Seattle," according to the plat recorded in Volume 1 of Plats, page 33, in King County, Washington; except the Northwesterly 7 feet of said Lot 2 condemned for Pine Street in King County Superior Court Cause No. 57057, and except the Northeasterly 12 feet of said lot condemned for Fourth Avenue in King County Superior Court Cause No. 52280.

Together with the Northeasterly half of the alley in said block adjoining said portions of Lot 2.

2. The ground lease was modified by instrument dated December 4, 1935; by an Amendment of Lease dated June 30, 1978 ("Amendment No. 1"); by an Amendment No. 2 to Lease dated April 23, 1979 ("Amendment No. 2"); and by an Amendment No. 3 to Lease dated July 1, 1980 ("Amendment No. 3"). The ground lease as modified and amended is referred to in this Amendment as the ("Ground Lease").

3. The Municipality of Metropolitan Seattle ("Metro"), a Washington municipal corporation, has or will acquire pursuant to a condemnation action in the Superior Court of the State of Washington for King County, Cause No. 87-2-00295-1, or by agreement in lieu of condemnation, easements (the "Easements") affecting a portion of the Property and Lessee's improvements on the Property. The Easements are being acquired by Metro to accommodate an underground transit tunnel and transitway station entrance (the "Station Entrance") on or below a portion of the Property. The transit tunnel and Station Entrance are part of Metro's Downtown Seattle Transit Project (the "DSTP").

4. The parties now desire to further amend the Ground Lease in accordance with the terms set forth in this Amendment No. 4.

A G R E E M E N T

THE PARTIES AGREE as follows:

1. No Abatement of Rent. The rental payments as determined under the Ground Lease shall not be abated or reduced due to Metro's acquisition of the Easements. This provision shall not be deemed a waiver or modification of the terms of the Ground Lease providing for reduction of rent in connection with any condemnation unrelated to the DSTP.

2. Rebuild Obligation. The City of Seattle has indicated its intent to impose under the Master Use Permit to be issued for the Station Entrance (the "MUP"), requirements for submission of plans for and construction of temporary or permanent installations on the Property. Lessee shall comply or cause Metro to comply with any such requirements as stated in the MUP, at no cost to Lessors. With respect to any costs which Lessee incurs in so complying or causing such compliance, Lessee shall not be required to apply any of its proceeds from Metro's acquisition of the Easements.

3. No Other Changes. Except as modified by this Amendment, all terms and conditions of the Ground Lease shall remain unchanged.

4. Counterparts. This Amendment may be executed in counterparts and any counterpart may be executed by one or more of the parties hereto with the same effect as if all had executed the same counterpart.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

FOURTH AVENUE ASSOCIATES LIMITED PARTNERSHIP

By: Richard C. Clotfelter
Richard C. Clotfelter
General Partner

By: PRESCOTT, INC. (formerly Pacific & Seattle Group, Inc.), a Washington corporation, General Partner

By: Richard C. Clotfelter
Title: President

MARILYN CRAWFORD

By: Marilyn Crawford
~~John D. Brown, her Agent and Attorney-In-Fact~~

CHARLOTTE C. ARRENDELL

By: Charlotte C. Arrendell
~~John D. Brown, her Agent and Attorney-In-Fact~~

John H. Davis
JOHN H. DAVIS, as to his separate estate

Donna Lee West
DONNA LEE WEST, as to her separate estate

Donna Lee West
DONNA LEE WEST, as trustee under trust agreement dated May 21, 1975

~~FIRST INTERSTATE BANK OF WASHINGTON, N.A. as trustee under deed of trust dated June 28, 1978, executed by Worden Pope Wren, III~~

~~By:~~
~~Trust Officer~~

~~FIRST INTERSTATE BANK OF WASHINGTON,~~ ~~N.A. as trustee under deed of trust dated October 26, 1978, executed by John D. Brown~~

~~By:~~ ________________________
~~Trust Officer~~

PEOPLES NATIONAL BANK OF WASHINGTON as trustee under the will of Anna Furth Struve, deceased

By: Debbie L. deMuelenaere
~~Corporate Officer~~
By: Diane A. Hill
SR. Trust Officer

FIRST INTERSTATE BANK OF WASHINGTON, N.A. as trustee under the will of Sidonia Furth Wetherill, deceased

By: Robert J Adamonis
Trust Officer
Robert J. Adamonis, Trust Officer

John W Petrisor
John W. Petrisor, V.P. & Trust Officer

STATE OF WASHINGTON)
) ss:
COUNTY OF K I N G)

I certify that I know or have sufficient evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document. On this 3rd day of March, 1987, before me personally appeared RICHARD C. CLOTFELTER, to me known to be a General Partner of FOURTH AVENUE ASSOCIATES LIMITED PARTNERSHIP, a Washington limited partnership, the partnership that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument. WITNESS my hand and official seal hereto affixed the day and year first above written.

Karen Weber
NOTARY PUBLIC in and for the State of Washington, residing at Everett
My appointment expires: 8/15/91

STATE OF WASHINGTON)
) ss:
COUNTY OF K I N G)

I certify that I know or have sufficient evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document. On this 3rd day of March, 1987, before me personally appeared RICHARD C. CLOTFELTER, to me known to be the President of Prescott, Inc. (formerly Pacific & Seattle Group, Inc.), a Washington corporation, General Partner of FOURTH AVENUE ASSOCIATES LIMITED PARTNERSHIP, a Washington limited partnership, the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument. WITNESS my hand and official seal hereto affixed the day and year first above written.

Karen Weber
NOTARY PUBLIC in and for the State of Washington, residing at Everett
My appointment expires: 8/15/91

STATE OF WASHINGTON)
) ss:
COUNTY OF K I N G)

I certify that I know or have sufficient evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document. On this day personally appeared before me JOHNXXXX

~~BROWN, to me known to be the Agent and Attorney-In-Fact for~~
Marilyn Crawford, the individual described in and who execut-
ed the within and foregoing instrument, and acknowledged that
he signed the same as his free and voluntary act and deed,
for the uses and purposes therein mentioned. GIVEN under my
hand and official seal this 7th day of January, 1988.

Nancy H Dave
NOTARY PUBLIC in and for the
State of ~~Washington~~ Virginia, residing
at Harrisonburg
My appointment expires 05/14/91

STATE OF WASHINGTON)
) ss:
COUNTY OF K I N G)

I certify that I know or have sufficient evidence
that the person appearing before me and making this acknowl-
edgement is the person whose true signature appears on this
document. On this day personally appeared before me ~~JOHN R.~~
~~BROWN, to me known to be the Agent and Attorney-In-Fact for~~
Charlotte C. Arrendell, the individual described in and who
executed the within and foregoing instrument, and acknowl-
edged that he signed the same as his free and voluntary act
and deed, for the uses and purposes therein mentioned. GIVEN
under my hand and official seal this 23rd day of
December, 1987.

Brigitte H. Laws
NOTARY PUBLIC in and for the
State of ~~Washington~~ North Carolina, residing
at Swannanoa
My appointment expires 11/6/89

STATE OF WASHINGTON)
) SS:
COUNTY OF K I N G)

I certify that I know or have sufficient evidence
that the person appearing before me and making this acknowl-
edgement is the person whose true signature appears on this
document. On this day personally appeared before me JOHN H.
DAVIS, to me known to be the individual described in and who
executed the within and foregoing instrument, and acknowl-
edged that he signed the same as his free and voluntary act
and deed, for the uses and purposes therein mentioned. GIVEN
under my hand and official seal this 29th day of
January, 1987 88

Donnie L. Mullen
NOTARY PUBLIC in and for the
State of Washington, residing
at Kent
My appointment expires 05-09-91

STATE OF WASHINGTON)
COUNTY OF ~~K I N G~~ SPOKANE) ss:

I certify that I know or have sufficient evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document. On this day personally appeared before me DONNA LEE WEST, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that she signed the same as her free and voluntary act and deed, for the uses and purposes therein mentioned. GIVEN under my hand and official seal this 14th day of January, ~~1987~~. 1988

NOTARY PUBLIC in and for the State of Washington, residing at Spokane
My appointment expires 7-7-90

STATE OF WASHINGTON)
COUNTY OF ~~K I N G~~ SPOKANE) ss:

I certify that I know or have sufficient evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document. On this day personally appeared before me DONNA LEE WEST as TRUSTEE under trust agreement dated May 21, 1975, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that she signed the same as her free and voluntary act and deed, for the uses and purposes therein mentioned. GIVEN under my hand and official seal this 14th day of January, ~~1987~~. 1988

NOTARY PUBLIC in and for the State of Washington, residing at Spokane
My appointment expires 7-7-90

STATE OF WASHINGTON)
) ss:
COUNTY OF K I N G)

I certify that I know or have sufficient evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document. On this ________ day of ____________________, 1987, before me personally appeared ____________________, to me known to be a Trust Officer of FIRST INTERSTATE BANK OF WASHINGTON, N.A., TRUSTEE under deed of trust dated June 28, 1978, executed by WORDEN POPE WREN, III, the national banking association that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said association, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument. WITNESS my hand and official seal hereto affixed the day and year first above written.

____
NOTARY PUBLIC in and for the State of Washington, residing at _______________
My appointment expires:_______

STATE OF WASHINGTON)
) ss:
COUNTY OF K I N G)

I certify that I know or have sufficient evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document. On this ____ day of __________, 1987, before me personally appeared _______________, to me known to be a Trust Officer of FIRST INTERSTATE BANK OF WASHINGTON, N.A., TRUSTEE under deed of trust dated October 28, 1978, executed by JOHN D. BROWN, the national banking association that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said association, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument. WITNESS my hand and official seal hereto affixed the day and year first above written.

____
NOTARY PUBLIC in and for the State of Washington, residing at _______________
My appointment expires: _______

STATE OF WASHINGTON
} ss.
County of KING

On this 18th day of December, 19 87, before me, the undersigned, a Notary Public in and for the State of Washington duly commissioned and sworn, personally appeared Harry A. Rubin and Debbie L. deMuelenaere to me known to be the Senior Trust Officer & Corporate Officer, respectively, of **Peoples National Bank of Washington,** the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therin mentioned, and on oath stated that they are authorized to execute the said instrument and that the seal affixed (if any) is the corporate seal of said corporation.

Witness my hand and official seal hereto affixed the day and year first above written.

Connie L. Mullen
NOTARY PUBLIC IN AND FOR THE STATE OF WASHINGTON,
Kent
RESIDING AT
05-09-91
MY COMMISSION EXPIRES

271-285 (Rev. 6/86)

SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

Appeal Nos.: CWF-0425, CWF-0426, CWF-0427, CWF-0440
Building: Harbor Steps
Owner: Equity Residential, Ed Leigh
Parcel(s): 1976200076, 7666202465, 1976200075, 1976200070
Address: 1201 Western Ave./ 1212 Western Ave./ 1301 1st Ave./ 1306 Western Ave.
Expert(s): Ben Scott, Brian O'Connor

Property Description: A multifamily residential apartment building with ground floor retail and pedestrian corridor connecting the downtown retail core to the waterfront amenities.

City of Seattle Hearing Examiner
EXHIBIT
30
ADMITTED ✓
DENIED
FILE# CWF-0233, et al.

197620-0076 (SE Tower) CWF-0427

Pre-LID Value:	$180,511,000
Post-LID Value:	$185,022,000
LID Value %:	2.50%
Special Benefit:	$4,511,000
Assessment %:	39.2%
Final LID Assessment:	$1,767,509

766620-2465 (SW Tower) CWF-0440

Pre-LID Value:	$119,788,000
Post-LID Value:	$123,080,000
LID Value %:	2.75%
Special Benefit:	$3,292,000
Assessment %:	39.2%
Final LID Assessment:	$1,289,878

197620-0075 (NE Tower) CWF-0426

Pre-LID Value:	$127,557,000
Post-LID Value:	$131,069,000
LID Value %:	2.75%
Special Benefit:	$3,512,000
Assessment %:	39.2%
Final LID Assessment:	$1,376,079

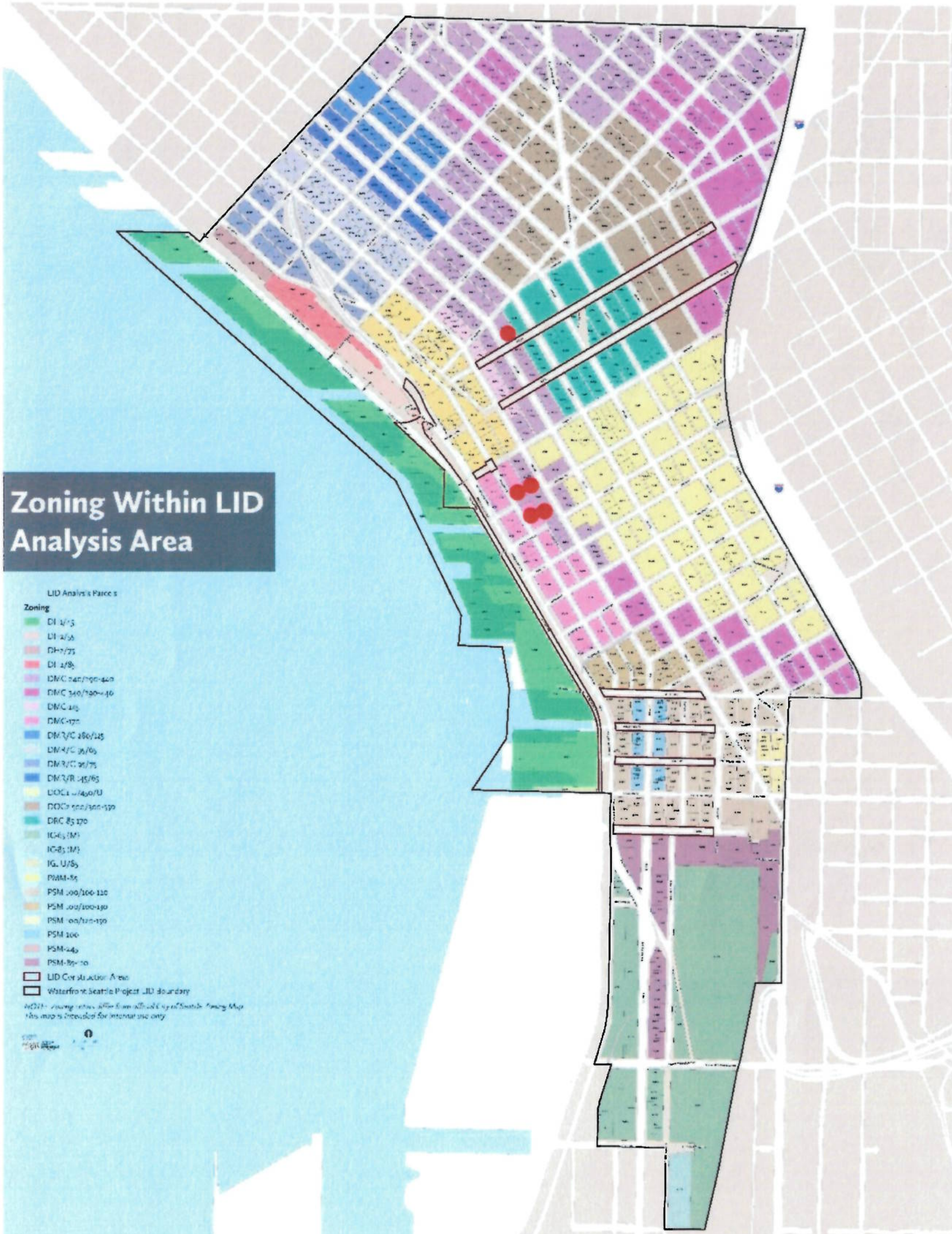
197620-0070 (NW Tower) CWF-0425

Pre-LID Value:	$77,938,000
Post-LID Value:	$80,081,000
LID Value %:	2.75%
Special Benefit:	$2,143,000
Assessment %:	39.2%
Final LID Assessment:	$839,675

Total

Pre-LID Value:	$505,794,000
Post-LID Value:	$519,252,000
Special Benefit:	$13,458,000
Average Assessment:	$1,318,285.25
Total Assessment:	$5,273,141

SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY



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Seattle, WA 98104

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
31
FILE# CWF-0253, et al.

January 31, 2020

Adam Strasser
Equity Residential
Two North Riverside Plaza, Suite 400
Chicago, IL 60606

Jane Carmody
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA 98004-5579

RE: Waterfront LID No. 6751 Proposed Final Assessment for Parcels Nos. 197620-0070, 197620-0075, 197620-0076, and 766620-2465

Dear Mr. Strasser and Ms. Carmody:

Per your request, I have considered the calculation of special benefits for the multi-family property Harbor Steps determined in the Valbridge study prepared for the city of Seattle's Waterfront Local Improvement District. I determine the Valbridge study improperly calculated the special benefit for Harbor Steps by omitting relevant model results, data, and assumed impacts cited in the study.

Harbor Steps, initially developed to realize Stimson Bullitt's dream of a civic plaza, provided not only a "necessary link between the waterfront and the city, where none had existed" (Takesuye, 2002) but "a convenient route for tourists walking down to the harbor." (Takesuye, 2002) This primacy of location, linking Seattle's downtown retail core to the waterfront amenities left Harbor Steps' retail tenants well-positioned to capture a high volume of pedestrian traffic including both transit reliant commuters and visiting tourists. As part of the Waterfront LID, the primacy of this pedestrian throughway will be diminished to the detriment of Harbor Steps' retail.

The Waterfront LID will add competing amenities:

A. Union Street Pedestrian Connection

In its current form, a narrow, non-ADA compliant metal staircase connects Western Avenue and Alaskan Way. The stairway descends along a retaining wall into a surface parking lot between two blank facades (Figure 1). Harbor Steps' wide stairs and plazas present a more attractive and safe corridor for pedestrians (Figure 2).

Following LID improvements, the Union Street Pedestrian Corridor will construct an elevated walkway, lighted and broadened stairs, elevators, and surround them with public art (Figure 3). Such improvements will increase pedestrian traffic. Such traffic does not exist in a vacuum and a proportion will be diverted from Harbor Steps/University Street. The added amenity of elevators is likely to draw ADA-oriented travel (nearest accessible public elevator is currently significantly forth along the Pike Hillclimb at the terminus of Pike Street). A walk of current conditions suggests the improvements as imaged will add at least 14 points to the "Pleasurability" scale on an Irvine—Minnesota Inventory (IMI) count (Boarnet, Day, Alfonzo, Forsyth, & Oakes, 2006) bringing it very close to that of Harbor Steps.[1]

B. Pioneer Square Improvements

By similar inference, enhancing Yesler Way, South Washington Street, South Main Street, and South King Street will similarly draw pedestrian traffic south of Harbor Steps. Each of these streets provides a wealth of competing retail uses adding to the draw. With the enhancements to the streets themselves commercial rents would be expected to increase.[2] Harbor Steps would receive no such positive impact.

The Waterfront LID will not improve Harbor Steps' condition:

A. Proximity to Amenities

Harbor Steps is located approximately 0.06-0.12 miles (100-200 meters) from the nearest Waterfront amenity (traveling Southwest along University Street from western and eastern boundaries, respectively). Studies have shown such proximity may be a disamenity in the face of perceived criminal activity (Troy & Grove, 2008)—a perception on the rise in Seattle whether data-driven or otherwise.[3] Spillover effects such as congestion, street parking, litter, and noise have been cited (Crompton & Nicholls, 2020)—many such effects already present at Harbor Steps' privately maintained and patrolled pedestrian plaza.[4] One such study—cited by the Valbridge study—showed far smaller increases for properties adjacent to the former Embarcadero than properties further from the improvements.[5] Harbor Steps falls squarely within these disamenity dips.

B. Competitive Disadvantages

In addition to its potential challenges due to proximity, Harbor Steps will receive no enhancements to adjacent pedestrian amenities. Improving such amenities—as previously

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[1] An approximately 20 point increase (scaled per authors) on IMI was associated with an 80% increase in retail sales (Leinberger & Alfonzo, 2012)

[2] Estimates based on LID renderings suggests an approximate increase on IMI scale of 24, potentially indicating a 20% increase in retail rents (Leinberger & Alfonzo, 2012)

[3] "Folks who are fed up … and who feel the squalor, drug use and crime have ruined the high quality of life here." (Balk, 2019)

[4] Owner's representative communicated he had "never seen [Downtown Ambassadors] on the Steps" and historical expenses for the property trend 1-2% higher as a percent of estimated gross income (EGI) than average for Downtown Core multifamily high-rises (39.3% year end 2017 against an average rate of 37.8% for 1990 and later built high-rises) (Dupre + Scott Apartment Advisors, Inc., 2017, p. 43)

[5] Properties immediately adjacent showed increases in value of 6.78%, substantially less than the 11.31% reported by at 0.25 miles (Cervero, Kang, & Shively, 2009)

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mentioned in discussion of Union Street and the Pioneer Square improvements—have been shown to increase rents and yields, especially when of a dramatic nature.[6] Resultant increases in the value of competitive properties leaves the property at a disadvantage.

Benefits are mis-allocated:

Surrounded by competitors' properties receiving direct benefits in the form of enhanced pedestrian amenities, Harbor Steps benefits only from proximity to the park—benefits shared by said competitors. Cyrene, a multi-family property Northwest across Western Avenue from Harbor Steps, will benefit from improved pedestrian frontage on Alaskan Way while roughly equivalent in terms of its proximity. Holding proximity's potentially negative effects constant between the two properties, then, it would be expected Cyrene would see an increase in rents and NOI as well as a decrease in cap rate.[7]

The benefit overweighs Harbor Steps' location on the near periphery of the Promenade/Waterfront park whereas data indicates the market places more value on

- marked improvements in pedestrian environment (significantly increasing the parameters of IMI) which are difficult in extant pedestrian friendly areas
- a preferred typology of park typology at a preferred distance from the property ("open, grassy, and large water view are preferred [over] paved surface and concrete structure"[8])

None of these can be said to be directly improving the value of Harbor Steps despite the Valbridge study's characterization.

Respectfully submitted,

Benjamin Scott

[6] Estimates of *improved* walkability's effects are resounding: a 1 point bump in Walk Score generated 0.7% increase in net operating income (NOI) and a 0.012% reduction in capitalization rate i.e., overall increase of 0.9% (Pivo & Fisher, 2011).
[7] Estimating an IMI improvement by almost 20% for Alaskan Way frontage associated rent growth could scale in excess of 18% (Leinberger & Alfonzo, 2012, p. 9) with a concomitant decrease in cap rate of up to 0.019% (Pivo & Fisher, 2011).
[8] Latter parks support negative impacts on values "because they are not introducing a view much different from the rest of the city." (Lin, 2016, p. 87)

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Figure 2 Union Street existing conditions connecting to Waterfront (Seattle Design Commission, 2019)

Figure 1 Harbor Steps pedestrian amenities (Equity Residential, 2020)

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UNION STREET PEDESTRIAN BRIDGE
90% DESIGN
VIEW TO UNION FROM PROMENADE

Figure 3 Proposed Union Street connection to Waterfront (Seattle Design Commission, 2019)

ULI DEVELOPMENT CASE STUDIES

Harbor Steps

Seattle, Washington

Project Type:
Residential

Case No:
C032012

Year:
2002

SUMMARY

Twenty years before construction was even contemplated for this 2.5-acre (one-hectare), 1.3 million-square-foot (120,770-square-meter) mixed-use complex, a Seattle landowner—with no prior experience as a developer—assembled a distressed downtown parcel for eventual redevelopment. As the neighborhood declined, Stimson Bullitt, founder of Harbor Properties, Inc., positioned and consolidated his properties by swapping with other owners, and striking agreements with them and the city to fortify his germinating concept for a high-density downtown residential village, supporting and supported by retail establishments and restaurants. The entire enterprise was a risky venture, as there was then no identified market for high-end apartments in the downtown district. However, Harbor Properties' decision to build a 16,300-square-foot (1,514-square-meter) public park and to reinforce an eight-block-long pedestrian corridor with retail spaces introduced new uses that enlivened the neighborhood and made the idea of living there attractive.

FEATURES

- Public park financed and built by private developer
- Phased mixed-use development
- Retention of development team through all phases and over a decade-long period
- Pioneering, large-scale, downtown market-rate apartments
- Provides a retail node along a major pedestrian spine that connects two landmark public spaces

Harbor Steps

Seattle, Washington

Project Type: **Residential**

Subcategory: **Housing-Multifamily**

Volume **32** Number **12**

July-September 2002

Case Number: **C032012**

PROJECT TYPE

Twenty years before construction was even contemplated for this 2.5-acre (one-hectare), 1.3 million-square-foot (120,770-square-meter) mixed-use complex, a Seattle landowner—with no prior experience as a developer—assembled a distressed downtown parcel for eventual redevelopment. As the neighborhood declined, Stimson Bullitt, founder of Harbor Properties, Inc., positioned and consolidated his properties by swapping with other owners, and striking agreements with them and the city to fortify his germinating concept for a high-density downtown residential village, supporting and supported by retail establishments and restaurants. The entire enterprise was a risky venture, as there was then no identified market for high-end apartments in the downtown district. However, Harbor Properties' decision to build a 16,300-square-foot (1,514-square-meter) public park and to reinforce an eight-block-long pedestrian corridor with retail spaces introduced new uses that enlivened the neighborhood and made the idea of living there attractive.

SPECIAL FEATURES

- Public park financed and built by private developer
- Phased mixed-use development
- Retention of development team through all phases and over a decade-long period
- Pioneering, large-scale, downtown market-rate apartments
- Provides a retail node along a major pedestrian spine that connects two landmark public spaces

PROJECT ADDRESS

1221 First Avenue
Seattle, Washington 98101
www.harborproperties.com

OWNER/DEVELOPER

Harbor Properties, Inc.
500 Union Street
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Seattle, Washington 98101
206-623-0916
Fax: 206-682-6995
www.harborproperties.com

ARCHITECTS

All phases:
Hewitt Architects
119 Pine Street
Suite 400
Seattle, Washington 98101
206-624-8154
Fax: 206-626-0541
www.hewittarchitects.com

SITE DESCRIPTION

During the 19th century, the lower portion of the Harbor Steps site was the shoreline of Puget Sound. Timber and shipbuilding were mainstay industries of the port of Seattle, which peaked with the Alaskan gold rush. Around the turn of the century, the beach was filled in, covering the existing piers to allow for waterfront development, and new piers were built higher to accommodate modern cargo freighters.

First Avenue, which forms the upper border of the site, is 60 feet (18 meters) higher than the lower border at Western Avenue. The 2.5-acre (one-hectare) site is bounded on the south by Seneca Street. On First Avenue, across the street from Harbor Steps North, is the Seattle Art Museum. One block to the east of the museum is the Seattle Symphony Orchestra's home, Benaroya Hall.

Four residential towers, varying in height from 16 to 25 stories, mark the corners of the project. At one time, University Street extended through the block down to Western Avenue; it is now a 68-by-243-foot (21-by-74-meter) public park, cascading down from First Avenue. Crossing the park at a perpendicular angle is Post Alley, an 18-foot-wide (5.5-meter-wide) pedestrian-only link between Pike Place Market, two blocks north, and Pioneer Square, five blocks to the south. The two terminal points are historic markets, and Post Alley connects them.

DEVELOPMENT PROCESS

Seattle's shipping industry brought in merchant seamen, sailors, and prospectors. Whether passing through or working at the docks, they frequented the neighborhoods along the waterfront. First Avenue became crowded with single-room occupancy hotels, brothels, and adult entertainment shops. "Sailor's Row" was replaced by "Flesh Avenue." When the national recession of the early 1980s hit Seattle, seedy but nevertheless legitimate commercial activity dwindled, and drug dealers displaced strippers. Downtown went from merely disreputable to downright scary.

Stimson Bullitt, a third-generation Seattle native and scion of a family with extensive real estate holdings throughout the Puget Sound region, saw potential in the desecrated waterfront neighborhood. Civic-minded and interested in his city's historic neighborhoods, Bullitt envisioned a European-style neighborhood of shops and residences. Starting in 1972, he secretly assembled properties—his mother would have been horrified were the family name sullied by a "slumlord" reputation—allowing people to assume that he was acting on behalf of King Broadcasting, his family's cash-cow enterprise. Instead, Bullitt sold his interest in King Broadcasting, and formed Harbor Properties to become a real estate developer.

Bullitt had intended to purchase land cheaply and hold it until the market was ready, but it was not until the early 1990s—almost 20 years later—that conditions were right for him. The intervening 20 years had transformed the downtown neighborhood, some by changing economic conditions and some by Harbor Properties' own doing. In the 1970s, Harbor Properties entered into a series of cooperative agreements with Cornerstone Development, a Seattle-based Weyerhaeuser subsidiary that also had purchased parcels near the Harbor Steps site and, like Harbor Properties, was converting older industrial buildings into mixed-use projects. Cornerstone Development, then headed by Paul Schell, who later became mayor of Seattle, agreed to swap selected parcels with Harbor Properties to rationalize ownership so that each would own contiguous tracts. As part of the deal, Cornerstone Development agreed to build more than 170 residential units, which Harbor Properties felt were essential to forming a critical mass of housing.

In the time since Harbor Properties acquired its original permits, the city enacted height restrictions in the downtown area. Although not technically obligated to conform to the reduced height limits, Harbor Properties decided to follow them and applied for new permits, which were granted in 1991. Instead of two 35-story condominium towers, the new plan included four smaller apartment towers combined with retail, hotel, and office uses. This 1.3 million-square-foot (120,770-square-meter) development was expected to be completed in three phases. The change from condominiums to apartments supported the company's traditional long-term hold approach to real estate. Moreover, Harbor Properties recognized a market for luxury rentals at a time when most high-end residences in the city were condominiums.

Seattle architects historically had been intrigued with the concept of expressing the downtown's hilly topography by building dramatic steps down to the harborfront. Canadian architect Arthur Erickson, who was originally selected to design Harbor Steps, quickly grasped the value of Post Alley, which cuts through the site and connects with Pike Place Market to the north and Pioneer Square to the south. Accordingly, he turned the intersection of University Street and Post Alley into a public plaza, which became the center of a 16,300-square-foot (1,514-square-meter) park that stepped down to the waterfront. To create this "grand staircase"—the heart of the project—Harbor Properties petitioned the city to close off University Street between First and Western avenues. The city approved the closing, and sold the street sections to Harbor Properties, retaining a permanent public easement.

DESIGN AND CONSTRUCTION

When Bullitt became interested in real estate with his first development project in 1959, he immersed himself in books on architecture and urban design. Over the years, he met a number of prominent architects, some of whom he commissioned. Among them was Mies van der Rohe, who designed a new headquarters building for King Broadcasting, of which Bullitt was then chairman and CEO. The project was never built, but Bullitt recouped his investment in the architect's fees by learning how to work with architects. As he assembled properties along First Avenue, Bullitt went to another renowned architect known for au courant design. This time it was Richard Rogers, the London architect who had built his reputation on his 1970s collaboration with Renzo Piano to design the museum at Centre Georges Pompidou in Paris, and Arthur Erickson, an architect in Vancouver known for designs in the "Brutalist" style, and whose portfolio included many successful urban parks and plazas. The resulting design, again, remained unbuilt, but this time, Bullitt took away from the experience ideas that reconstituted themselves in the built Harbor Steps project.

Bullitt's self-education in architecture led him to envision a dense residential project clustered on two axes: the major one a steeply stepped plaza, not unlike the Spanish Steps in Rome, serving as an urban, egalitarian gathering place of residents and downtown workers—embodying the very concept of civitas, according to Bullitt. The idea of incorporating fountains, cascading waterfalls, plants, terraces with seating areas, and grand steps was first proposed by Erickson, who designed Harbor Steps Park as a destination, a place of quiet enjoyment, where eight waterfalls drown out the traffic noise from nearby Alaskan Way. But it also provided a necessary link between the waterfront and the city, where none had existed before. With the ferry terminal only a block away, the stairway park is now the preferred route for commuting island residents who walk to their offices nearby. The concentration of hotels on University Street above First Avenue also makes the park a convenient route for tourists walking down to the harbor. They can continue across Western Avenue, down the short remnant of University Street, and hop on a streetcar, which plies its 1.5-mile (2.4-kilometer) waterfront route from Chinatown north to Broad Street. Approximately 10,000 people use the park daily.

The minor axis would cross the development at a perpendicular. Therefore, it would be on level grade from one end to the other—ideal terrain for a retail-oriented pedestrian way—and augment the development's street-facing commercial spaces. Undergirding the entire project would be underground parking, providing only one point of entry and exit so that vehicular traffic would interrupt pedestrian traffic at only one point along the periphery, and not at all within the complex, where there are no roadways.

Preliminary studies showed just how impractical this might have been. The landfill contained thousands of leached-out batteries. Utilities crisscrossed the property; they would have had to be relocated in order to make room for the underground parking. Financiers could not see the benefit of the park, and insurers warned of high premiums to cover the risks that the steep steps, open to the public, would entail. Harbor Properties had been hoping to convince the city that this public amenity should be built at public expense, but with all the difficulties that the park project presented, the city stalled. Finally, in 1992, Harbor Properties decided to build it itself for $6 million.

The first-phase apartment building, built simultaneously with the park, was the southwest corner tower, at Seneca Street and Western Avenue. It came to be called Harbor Steps West (Phase II is East, and Phase III is North). Its 17 stories offer views over and under the elevated Alaskan Way, to Elliott Bay in Puget Sound. Its U-shape, facing Post Alley, allows for an interior courtyard. The entire complex's one access to underground parking was constructed in this phase, at the lowest point along Western Avenue.

Excavation was minimized with a mat foundation of reinforced concrete more than three feet (one meter) thick in some places, which serves as the wearing surface of the lowest level of underground parking. Because it is built on landfill proximate to the harborfront, 24-inch (61-centimeter) augercast concrete piles were drilled to a capacity of 225 tons (102 metric tons). Concrete shear walls and two-way, flat plate post-tensioned decks (to minimize structural depth) complete the structural frame.

Despite the phased construction of the four towers, they share a consistent design theme. The architects for the first tower were two Seattle firms: Callison Architecture, with Hewitt Architects as design consultant. Hewitt went on to serve as architect for the subsequent two phases. "The main structural expression," says David Hewitt, senior principal of the firm, "is the concrete structural frame that forms a giant grid." To create dramatic contrast on the exterior, the architects designed thin concrete floor plates that cantilever beyond the frame elements. "We manipulated the structural necessities to achieve variety," he notes. The east and west towers feature external glass elevator shafts, an idea borrowed from an earlier Richard Rogers design.

The external frame is in keeping with the older warehouses and industrial buildings in the neighborhood. Concrete is used to an appealing effect. The concrete slab floors are finished with flooring materials above, and below, they are finished with paint. Concrete frame and slab construction was chosen as much for cost, efficiency, and engineering reasons as it was for architectural expression. It performs well for high-rise construction in a region ranked three on a four-point seismic zone scale. And it is a building material that lends itself well to material handling, placement, and vibration control on a restricted urban site.

Phases II and III are of similar construction. Harbor Steps East occupies the southeast corner of First Avenue and Seneca. Harbor Properties intended to introduce a large luxury hotel in Harbor Steps East, but a 1996 Urban Land Institute project analysis session noted that hotel operators would want to control their hotel site, and recommended that Harbor Properties substitute additional apartments for it. Harbor Properties went with a 25-room luxury boutique hotel, operated as a bed and breakfast "urban inn" by San Francisco–based Four Sisters Inn. The hotel guests have access to all Harbor Steps amenities, which include a jetted lap pool, a weight room, a sport court, a health club, Jacuzzis, a library, and meeting rooms.

A courtyard was built into Phase II, facing and continuing the one in Phase I. Together, they form a single, large courtyard through which Post Alley traverses, marking an important retail node along the eight-block-long Post Alley. Densely landscaped, the courtyard softens the silhouettes of the concrete buildings, draws in light, and preserves waterfront views. Two skybridges cross the Post Alley span to connect the east and west towers, providing an above-grade link to the public circulation systems.

Phase III, Harbor Steps North, comprises two towers and occupies the entire parcel north of the park from First Avenue down to Western Avenue. A 25-story tower is at the northeast corner, and a 16-story tower at the northwest corner. Two buildings that Harbor Properties had renovated earlier, the Oceanic and Erikson buildings, were razed to make room. Large granite blocks from the facade of the 1903-built Erikson building were salvaged and incorporated into the base of the tower.

FINANCING

Harbor Steps was privately financed, with Bank of America providing construction financing.

Phase I was fully leased within four months after it was open to leasing in June 1994. When construction began in 1992, residential market rents had topped out at $1.23 per square foot ($13.24 per square meter), and Harbor Properties was projecting $1.25 per square foot ($13.46 per square meter). In 2001, it was attaining $2.10 per square foot ($22.61 per square meter), compared with the downtown Seattle average of $1.64 ($17.65 per square meter). The developer is carrying Harbor Steps at a book value of $185 million (2000). Its cost was $139 million, with debt of $119 million, and represents created value of $45.4 million. In 2001, Harbor Steps achieved permanent financing with TIAA-CREF at a capitalization rate of 7.75 percent, with Harbor Properties realizing $6 million in equity. The return on assets, on a cash-on-cash basis, is 10.1 percent.

TENANTS

The idea of living downtown seemed implausible during the 1970s and 1980s, when Bullitt was still assembling properties on First Avenue. His bankers were more interested in hotels, but he worried that hotels would make difficult partners. Bullitt remained interested in apartments. He argued that in a down market, Harbor Properties could simply lower rents enough to cover loan payments, and as the market recovered, residential lease terms could be raised on relatively short notice. Apartment renters were likelier to experiment with downtown living on a one-year lease than condominium purchasers would be.

Renters are primarily professional, single men with an average age of 41 and an average annual income of $104,000. Eighty percent stay for at least a year, and 40 percent remain for more than two years. Approximately 15 percent of the units are leased by area businesses as temporary corporate housing.

EXPERIENCE GAINED

Develop a project as part of its neighborhood. Harbor Steps' development scheme evolved as the neighborhood began to flourish as one with a desirable mixture of cultural, retail, entertainment, commercial, tourist, and residential offerings. By the time Phase I was fully designed and ready to begin construction, its scheme was a comfortable fit for the developer and the neighborhood, in terms of risk and use. Also, the developer cooperated with a competitor to ensure that a critical mass of residential units would be available in the neighborhood to help support Harbor Steps' mixed uses.

Work slowly to mitigate disruptions. Doing so accommodates existing residents and businesses, and builds loyalty. This pertains to planning as well as to construction, and is a corollary of developing a project as part of its neighborhood.

Learn from one phase to another. For example, Phase II had bigger rooms, more variety in room layouts, and added amenities than Phase I. In another example, a prospective tenant wanted a penthouse unit but did not want to live 25 stories up, so Phase II penthouse units are at the second, third, and fourth stories.

Form good teams that trust each other, and keep them together for many projects. This is a corollary of learning from one phase to another. The architecture firm and contractor worked together with the developer for the entire nine-year duration, carrying over from one phase to the next lessons learned not only in their respective processes, but also in communicating among team members.

PROJECT DATA

LAND USE INFORMATION

Site area (acres/hectares): 2.5/1.0
Gross building area (square feet/square meters): 1,303,000/121,049
Parking spaces: 640
Floor/area ratio: 12

LAND USE PLAN

Use	Acres/Hectares	Percentage of Site
Building	1.48/0.6	59
Landscaping/open space	1.02/0.4	41
Total	2.5/1.0	100

OFFICE INFORMATION

Net leasable area (square feet/square meters): 31,000/2,880
Percentage of net leasable area occupied: 100
Number of tenants: 73
Average tenant area (square feet/square meters): 425/39
Annual rents: $625,000
Length of lease: 1-5 years
Typical term of lease: Triple net

RETAIL INFORMATION

Gross leasable area (square feet/square meters): 51,600/4,794
Percentage of leasable area occupied: 97
Number of tenants: 30
Average length of lease: 2–6 years
Typical term of lease: Triple net

Tenant Classification	Number of Stores	Size (Square Feet/Square Meters)
Restaurants	8	17,887/1,662
Other retail	22	32,165/2,988

RESIDENTIAL INFORMATION

Percentage occupied: 95

Unit Type	Average Area (Square Feet/Square Meters)	Number Leased	Rent
Studio	500-875/46-81	66	$880-1,595
One bedroom (some with den)	540-1,354/50-126	375	$1,100-1,945
Two bedroom and townhomes	880-1,603/82-149	247	$1,550-3,425
Penthouses	940-1,863/87-173	36	$1,825-5,500
Phase I		169	
Phase II		270	
Phase III		285	
Total		724	

OPERATIONS INFORMATION (2001)

Use	Revenue
Residential (including hotel)	$14,100,000
Retail	1,260,000
Office	625,000
Parking	1,499,000
Other	181,000
Total	$17,665,000
Expenses	$5,302
Net	$12,363,000

DEVELOPMENT COST INFORMATION

Acquisition cost: $1,660,000 Park construction: 6,000,000 Phase I: 28,000,000 Phase II: 37,000,000 Phase III: 67,000,000 Total development cost: $139,660,000

DEVELOPMENT SCHEDULE

	Phase I (Including park)	Phase II	Phase III
Site purchased	1974-1987		
Planning started	January 1991	February 1994	April 1997
Construction started	April 1992	September 1995	November 1998
Sales/leasing started	June 1994	March 1997	March 2000
Project completed	September 1994	August 1997	November 2000

DIRECTIONS

From SeaTac Airport (13 miles): Harbor Steps is north of the airport, at the northern end of downtown Seattle. Exit the airport via North Exit Drive, and exit at the Route 518 West/Burien ramp. Merge onto Route 518 West, and continue approximately 1.3 miles to Route 509 North exit. Merge onto Route 509/Route 99 North, toward Seattle. Bear left onto East Marginal Way (Route 99), and continue approximately 2.5 miles as it merges with Alaskan Way (Route 99). Turn right at Seneca Street. Turn left at First Avenue. Harbor Steps is on the left.

Driving Time: 45 minutes in nonpeak traffic.

David Takesuye, report author
David Takesuye, editor, *Development Case Studies*
David James Rose, copy editor
Joanne Nanez, online production manager

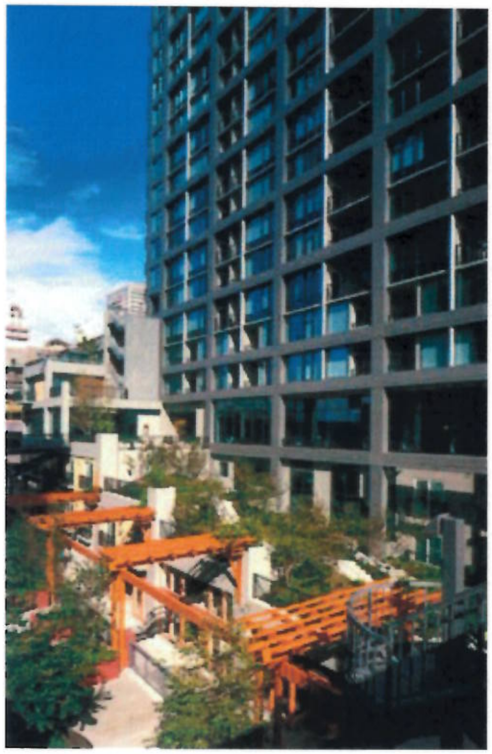
The Harbor Steps residential towers step down with the topography, preserving views to the water for residents and office workers in the downtown neighborhood. The wide swath between the towers is Harbor Steps park. This aerial view also shows the elevated Alaskan Way, a viaduct with two levels of highways above grade, paralleling the waterfront.

Shapero Photography

The ground-level retail spaces offer views under the viaduct toward the waterfront, and the residential levels above have views over the viaduct toward puget Sound.

Harbor Steps park is Seattle's version of Rome's Spanish Steps. Its curvilinear shapes and densely planted foliage soften the hard edges and impervious surfaces that serve up to 10,000 daily visitors who traverse the park and linger for special events. The cascading waterfalls and fountains mask the noise of nearby city traffic, and provide points of interest along the 60-foot (18-meter) drop from First to Western Avenue.

Approximately 10,000 people use the park daily, as a commuter, tourist, and shopping connector between First Avenue above and the harborfront below the visible elevated viaduct. phase III is at right, with retail spaces at the base and for-rent residential units above.



post Alley widens between phases I and II to form a courtyard that brings in light between the towers and provides a respite for pedestrians shopping along the eight-block-long post Alley retail corridor. Trellises add to the human scale, and two skybridges connect the two towers above grade.

The park, post Alley, and the phase I tower were built first in 1994. phase II was completed in 1997; and phase III, the entire block north (left) of the park, completed the development in 2000.

Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C.

Christopher B. Leinberger and Mariela Alfonzo[1]

"Emerging evidence points to a preference for mixed-use, compact, amenity-rich, transit-accessible neighborhoods or walkable places."

Findings

An economic analysis of a sample of neighborhoods in the Washington, D.C. metropolitan area using walkability measures finds that:

- **More walkable places perform better economically.** For neighborhoods within metropolitan Washington, as the number of environmental features that facilitate walkability and attract pedestrians increase, so do office, residential, and retail rents, retail revenues, and for-sale residential values.

- **Walkable places benefit from being near other walkable places.** On average, walkable neighborhoods in metropolitan Washington that cluster and form walkable districts exhibit higher rents and home values than stand-alone walkable places.

- **Residents of more walkable places have lower transportation costs and higher transit access, but also higher housing costs.** Residents of more walkable neighborhoods in metropolitan Washington generally spend around 12 percent of their income on transportation and 30 percent on housing. In comparison, residents of places with fewer environmental features that encourage walkability spend around 15 percent on transportation and 18 percent on housing.

- **Residents of places with poor walkability are generally less affluent and have lower educational attainment than places with good walkability.** Places with more walkability features have also become more gentrified over the past decade. However, there is no significant difference in terms of transit access to jobs between poor and good walkable places.

The findings of this study offer useful insights for a diverse set of interests. Lenders, for example, should find cause to integrate walkability into their underwriting standards. Developers and investors should consider walkability when assessing prospects for the region and acquiring property. Local and regional planning agencies should incorporate assessments of walkability into their strategic economic development plans and eliminate barriers to walkable development. Finally, private foundations and government agencies that provide funding to further sustainability practices should consider walkability (especially as it relates to social equity) when allocating funds and incorporate such measures into their accountability standards.

Table 1. Irvine-Minnesota Inventory (IMI) Levels Based on a Sample of Washington D.C. Metropolitan Neighborhoods

	Classification Levels				
	1	2	3	4	5
IMI Total (Mean= -3.39)	Lowest thru -43.39	-43.4 thru -23.39	-23.4 thru -3.39	-3.4 thru 23.39	23.4 thru Highest
Region-Serving Places	0 (0%)	4 (12.1%)	8 (24.2%)	16 (48.5%)	5 (15.2%)
Example	N/A	New Carrollton	White Flint	Bethesda	Downtown D.C.
Local-Serving Places	3 (10.7%)	2 (7.1%)	16 (57.1%)	7 (25%)	0 (0%)
Example	Naylor Road	Bladensburg Town Center	West Falls Church Transit Area	Cleveland Park	N/A
Walkability Classification	Very poor walkability	Poor walkability	Fair walkability	Good walkability	Very good walkability
	Not Walkable Urban Places			Walkable Urban Places	

metropolitan Washington (Table 1). IMI scores ranged from -55.62 for the New York Avenue neighborhood to 39.39 for Downtown D.C.)[31]

Distinctions Between Regional- and Local-Serving Places

Regional-serving and local-serving places serve complementary but distinct roles within the metropolitan economy. The former, with a higher concentration of jobs that generate income from outside the region and regional-serving jobs (e.g. lawyers, bankers, hospital workers), act as significant economic engines for the region, while the latter, with a larger proportion of local-serving jobs (teachers, pharmacists, dentists), may support a region's day-to-day activities and contribute to overall quality of life. Classifying places based on their roles within the metropolitan region may help the private and public real estate industry and urban planners tailor their investment, lending, policy, planning, and design intervention strategies based on their needs and interests.

There is a lack of consensus, however, regarding what indicators—and at what thresholds—best serve to delineate between regional- and local-serving places. *Conceptually*, regional-serving places may contain one or more of the following: a significant amount of retail with a large catchment area; regional employment centers; industrial hubs; high concentrations of government activity; higher education uses; medical institutions; cultural/sport/recreational activities; civic uses; transportation hubs; or entertainment (e.g. theaters, movie theaters) uses. Local-serving places tend to contain a higher percentage of residential uses than do regional-serving places; primarily have neighborhood-oriented retail uses and services such as grocery stores, and medical offices; and have primary and secondary educational uses, post offices, libraries and other neighborhood supporting services.

Building on the literature and findings from the advisory panels, we established a working definition for regional-serving places: *A place that is a key economic contributor to a metropolitan area in terms of employment, entertainment, retail, education, or other institutional production, and has reached critical mass (or the point at which a place is self-sustaining and does not need government subsidies for subsequent development).*

Based on that, we developed a classification system for regional- and local-serving places. First, we classified a place as regional serving based on the *presence* of any of the following non-commercial uses: educational (e.g. Georgetown University), regional entertainment (e.g. Nationals Ballpark), or civic use (e.g. Superior Court of D.C.). Next, we considered the *concentration* of commercial uses. We identified two tiers (Table 2) of regional-serving places based on the total rentable building area for both office and retail.[32] Specifically, we found the tipping point for office and retail concentrations at which a statistically significant difference in office rents and retail sales, respectively, was observed as these are considered to be important indicators of real estate and economic performance.[33]

Findings

A. More walkable places perform better economically.

Based on our sample of places within metropolitan Washington, a neighborhood's walkability score relates positively to several key economic indicators.[36] Higher walkability, as measured by a place's IMI score, is related to higher economic performance, controlling for a place's household income (Table 3).[37] Specifically, considering the magnitude of influence that walkability has on economic performance, a one-level (or approximately 20 pt) increase in walkability (out of a range of 94 points) translates into a $8.88 value premium in office rents, a $6.92 premium in retail rents, an 80 percent increase in retail sales, a $301.76/square foot premium in residential rents, and a $81.54/square foot premium in residential housing values.

Table 3. The Relationship between Walkability and Economic Performance[38]

	1 IMI level increase (~20 pt. IMI)	Mean & Standard Deviation
Avg. office rent/square foot ***	$8.88	M=$32.47 SD=$10.21
Avg. retail rent/square foot **	$6.92	M=$33.24; SD=11.94
Percent Retail sales**	80%	*See footnote*
Avg. residential rent/month ***	$301.76	M=$1,550.64 SD=$538.41
Avg. for-sale home value/square foot ***	$81.54	M=$295.93 SD=$140.57

*p-values: ~=.10; *<.05; **<.01; ***<.001*

While the relationship between walkability and economic performance is continuous (increases in the former relate to increases in the latter), the economic value of walkability is perhaps best illustrated by the impact of moving from one level of walkability (e.g. Wheaton at a level 3 with "fair" walkability) up to the next (e.g. Adams Morgan at a level 4 with "good" walkability), holding housing values constant. For example:

Places with higher walkability perform better commercially. A place with good walkability, on average, commands $8.88/sq. ft. per year more in office rents and $6.92/sq. ft. per year higher retail rents, and generates 80 percent more in retail sales as compared to the place with fair walkability, holding household income levels constant.

Places with higher walkability have higher housing values. For example, a place with good walkability, on average, commands $301.76 per month more in residential rents and has for-sale residential property values of $81.54/sq. ft. more relative to the place with fair walkability, holding household income levels constant.

An examination of the impact of walkability on capitalization rates focused on the differences between places that were classified as walkable urban (levels 4 and 5) and those that were not (levels 3 and under). We found that:

Capitalization rates are lower in places that qualify as walkable urban places than in those that do not, especially in the period after the Great Recession.[39] Development in places with higher walkability has lower capitalization rates. The underlying value of real estate assets in walkable places is higher, facilitating private market financing (Figure 2).[40] On average, before the recession (2000 to 2007), retail and office space in walkable urban places had a 23 percent premium per square foot valuation. During the recession (2008 to 2010) that premium nearly doubled to 44.3 percent.

Figure 2. Capitalization Rates Before and After the Recession for Places with Above Average vs. Below Average Walkability

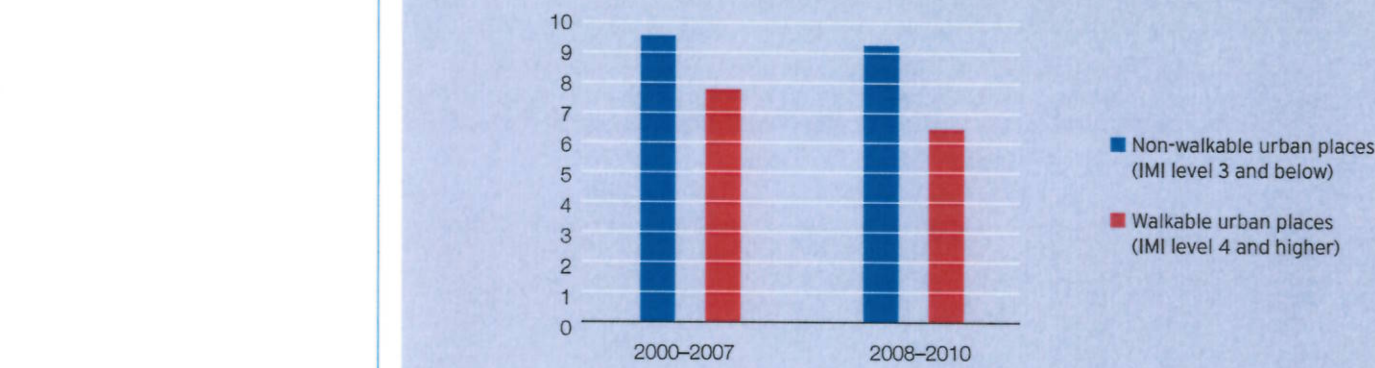


Table 4. Economic Performance of Walkable Districts vs. Single Walkable Places

	Walkable Urban Place Districts	Stand-alone Walkable Urban Places
Average office direct gross rent***	$ 41.98	$ 29.81
Average retail direct gross rent***	$ 42.10	$ 28.59
Retail sales**	$ 2,303,980	$ 1,030,259
Average residential rent**	$ 2,016.56	$ 1,544.04
Average for-sale home value/sf***	$ 465.95	$ 250.33
Assessed taxes	$ 3,241.30	$ 3,163.25
Percent retail*	4.6%	11.7%
Percent office	41.1%	24.8%
Percent residential	52.9%	55.7%
--Percent rental residential	10.2%	20.2%
--Percent for sale residential	42.7%	35.5%
Cap rate before recession	7.78	7.70
Cap rate after recession	6.37	6.85
Average # of rail stops	1.57	.75

*p-values: ~=.10; *<.05; **<.01; ***<.001.*

Note: retail sales were normalized into z-scores within the analysis.

B. Walkable urban places benefit from being near other walkable urban places.

Within metropolitan Washington, many of the places in the study sample with above-average walkability have clustered together. For example, within the District, Dupont Circle is adjacent to Georgetown, Adams Morgan, Kalorama, West End, Columbia Heights, U Street, Logan Circle, and Downtown D.C. All of these neighborhoods were classified as walkable urban places and have either an IMI level of 4 or 5. In northern Virginia, the adjacent neighborhoods of Clarendon, Virginia Square, Courthouse, and Ballston also form a walkable urban place district.

Comparing the sample's clustered walkable urban places to those that stand alone, such as Bethesda, we found that those clustered into a district performed better across a number of economic indicators (Table 4). For example, the clustered neighborhoods commanded nearly 41 percent more in office rents, 47 percent more in retail rents, and nearly 31 percent more in residential rents. Additionally, residential values in walkable urban place districts were on average 86 percent higher on a per square foot basis than in stand-alone walkable places.

Correlates of Walking: A Review," *Journal of Medicine and Science in Sports and Exercise*, 40(7S), S550–566 (2005).

31. We have collected IMI data on all 66 places in our sample. Currently, however, we are reporting on only 61 of those because problems and irregularities in the data for five neighborhoods in the sample could not be corrected for inclusion in this study.

32. The differences between these categories are statistically significant. For example, tier one regional-serving office places are significantly different from tier two regional-serving office places with respect to office rents; tier one regional-serving office places are also significantly different from local-serving places. Tier 1 regional-serving retail places are significantly different from tier two regional-serving retail places with respect to retail revenues.

33. Throughout this study, the term statistically significant refers to a finding that has less than a 5 percent probability of being attributed to chance. In other words, the finding is not random.

34. To analyze the relationship between walkability and social equity, we chose to implement an independent sample t-test (that compares the average difference between two groups on a given variable- such as income). This approach is different from the analysis we implemented to analyze the relationship between walkability and economic performance (linear regression, which analyzes the amount of variance accounted for by one variable - walkability - in predicting another variable - retail sales). Because we did not believe that the relationship between walkability and social equity was a linear one, but rather were interested in how more walkable neighborhoods vs. less walkable neighborhoods faired with respect to social equity, we felt that a t-test was more appropriate.

35. IMI level 1 is more than two standard deviations away from the mean; IMI level 2 is more than one standard deviation from the mean. Places within these two levels have poor to very poor walkability, respectively. Note that there were a limited number of places in our sample that had an IMI level of 1 or 2. As such, we may have been unable to detect statistically significant differences. More research is needed to better understand how places with low and very low walkability fare with respect to social equity.

36. The findings for office rents, retail rents, retail sales, for-sale housing values, and residential rents are based on linear regression analyses of a place's IMI score and each individual economic indicator. The findings for cap rates were based on an independent samples t-test that examined the differences in cap rates between walkable urban places (levels 4 & 5) and non-walkable urban places (levels 3 and under).

37. Household income served as a proxy for other factors - crime, educational quality, etc. - that could also impact economic performance. Future studies should control for other neighborhood and regional level factors that could also impact economic performance.

38. A percentage rather than an actual figure is presented for Average Retail Sales because we believe there may have been consistent underreporting of retail revenues (based on the database we used) and therefore it is more appropriate to report the magnitude of this difference rather than the actual number.

39. Capitalization Rate is the net operating income of a real estate property divided by the market value. In other words, the capitalization rate serves as an indicator of the current market value of a real estate property on the basis of net operating income. It is an indirect measure of how quickly a property will pay for itself - or be fully capitalized. A cap-rate is a commonly used tool for investors to quickly value a property, evaluate risk, and estimate his or her potential rate of return.

40. We used CoStar data from 2000-2010 to derive capitalization rates for the walkable urban places in our sample, splitting them into before the recession (pre 2007) and after the recession. We had data for 27 places from before 2007 and 13 places from after 2007 for which IMI scores had been calculated.

41. Mariela Alfonzo and others, "The Relationship of Neighborhood Built Environment Features and Walking," *Journal of Urban Design*, 13, 1, 29-51 (2008).

42. While there do seem to be some large differences between IMI levels with respect to some of the transit indicators, in some cases, we do not have enough places within our sample to indicate whether the differences observed are due to chance or are statistically significant. We will continue to explore this issue in future research that will collect more data from a variety of different neighborhoods across several metropolitan areas.

43. Since our sample included all places with a Metrorail stop automatically, it is likely that these numbers reflect a higher average than the region overall.

44. These are just illustrative examples meant to convey the point that we need to further explore the relationship between social equity indicators and walkability.

ASSESSING THE EFFECT OF PARKS ON SURROUNDING PROPERTY VALUES USING HEDONIC MODELS AND MULTILEVEL MODELS

by

I-Hui Lin

A Dissertation Submitted in

Partial Fulfillment of the

Requirements for the Degree of

Doctor of Philosophy

in Geography

at

The University of Wisconsin – Milwaukee

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in the buffer zone(s) (Bolitzer & Netusil, 2000; Espey & Owusu-Edusei, 2001; Lutzenhiser & Netusil, 2001). The increment of property values can be found when the properties are within park's buffer zone(s).

The significant influence of parks on property values are mostly found when the properties are located within 1,500 feet (Bolitzer & Netusil, 2000; Espey & Owusu-Edusei, 2001; Lutzenhiser & Netusil, 2001), or up to five city blocks (Hagerty et al., 1982; Hammer et al., 1974; Hendon, 1971; Kitchen & Hendon, 1967; Lutzenhiser & Netusil, 2001; Morancho, 2003; Weicher & Zerbst, 1973) The literature also suggested that the park influence mainly experienced within 500-600 feet. However, the influence of parks can be found sometimes up to 2,000 feet or even 3,000 feet from parks, especially when parks are large in size (Crompton, 2001c; Hagerty et al., 1982; Hammer et al., 1974; More, Stevens, & Allen, 1982; More et al., 1988; Netusil, 2005).

Some scholars, on the other hand, interested in looking at the values of properties immediately close to the park. Weicher and Zerbst (1973) and Hammer et al. (1974) studied the effect of the nature of adjacency between parks and properties (e.g., back onto the parks and side to parks), and found that lack of privacy and disturbance (e.g., noise and congestion) can be the concern. Others emphasized the value of view (Benson, Hansen, Schwartz, & Smersh, 1998; Luttik, 2000; Sander & Polasky, 2009), and they found that the property values were benefited from the view of parks and nature amenities with the view of open water being the most beneficial one.

2.3. Park characteristics and property values

In general, park literature suggested that parks can contribute to nearby property values. However, the impact of parks can be influenced by their characteristics such as size and type of parks and features in parks. Park size varies and may range from less than one acre to over a hundred acres, different effects of parks with different sizes can be assumed. Bolitzer &

Netusil (2000) found that park size is positively related to proximate property values. By combining parks' size and attractiveness, Espey and Owusu-Edusei (2001) found that "attractive" parks, both with small and medium sizes, have positive impacts on property values but the impact of small parks is particularly large. Basic parks with both small and medium sizes, on the other hand, have negative impacts on property values, but the negative effect of medium parks is relatively higher.

Given the diverse type of parks and the various features in parks, the impacts of parks on property values vary, and both positive and negative impact can be associated with those characteristics. The literature mostly suggests that parks constructed primarily for passive recreational uses are more likely to have strong and positive impacts, while parks intensively used for active recreational purposes have relatively weak or possibly negative impacts (Bolitzer & Netusil, 2000; Crompton, 2004; Hammer et al., 1974; Lutzenhiser & Netusil, 2001; More et al., 1988; Weicher & Zerbst, 1973). For example, Lutzenhiser and Netusil (2001) studied the impact of 201 open spaces on the values of nearby properties in Portland, OR. They categorized the open spaces into five groups, and the two major groups were the urban parks, which have more than 50 percent of the park is developed for recreation not depend on natural resource, and natural area parks, which have more than 50% of the park is preserved for natural vegetation and serve recreation activities such as hiking and wildlife viewing that are directly linked to natural resource. Their results suggested that open spaces had statistically significant effect on home values; however, the effects were different depending on open space types and the distance to the open spaces. Using mean open space size of each open space type, they found that, being within 1,500 feet, property values benefited the most at $10,648 when the nearby open space is a natural area park, and property values benefited the least at $1,214 when the nearby open space is an urban park.

Noise and disturbance, for example, associated with active recreation in parks were

From Table 9, a general impression can be obtained that passive facilities are likely to bring about positive impacts while active facilities tend to be associated with insignificant or negative impacts. A detailed examination of the results, however, suggests that individual facilities, either passive or active, have significantly different impacts on neighboring property values. For passive facilities, the presence of a water body has a significantly positive impact on neighboring residential property values, and the value of a property adjacent to a park with water bodies is likely to be significantly higher (e.g. 6.4 percent at the city level, and 19.8 percent in SW). Moreover, the percent of passive recreation areas in parks was also positively related to property values but with very weak magnitudes. On the contrary, the impacts of gardens in parks were mixed. At the city level, the presence of gardens has a negative impact (-6.0 percent) on neighboring property values. At the sector level, the impact of gardens was negative in SW (-13.2 percent), insignificant in NW and SE, and positive in NE (6.6 percent).

Active facilities were generally associated with negative impacts on adjacent property values as they introduced negative externalities such as noise and disturbance to the neighborhoods. In particular, skate parks and children's play areas were the two active facilities negatively impacting neighboring property values in both city-level and sector-level models. However, not all active facilities did consistently introduce negative impacts to adjacent property values. Winter recreation centers were positively related to property values in both the city- and sector-level models, but the effects were small in magnitude or failed to reach statistical significance. Other active facilities were not consistently introducing negative or positive impacts to property values in all models. These active facilities mostly introduced positive impacts to property values in the NW and SE while they were negatively related to property values in the other sectors. It should not be surprising to find that some

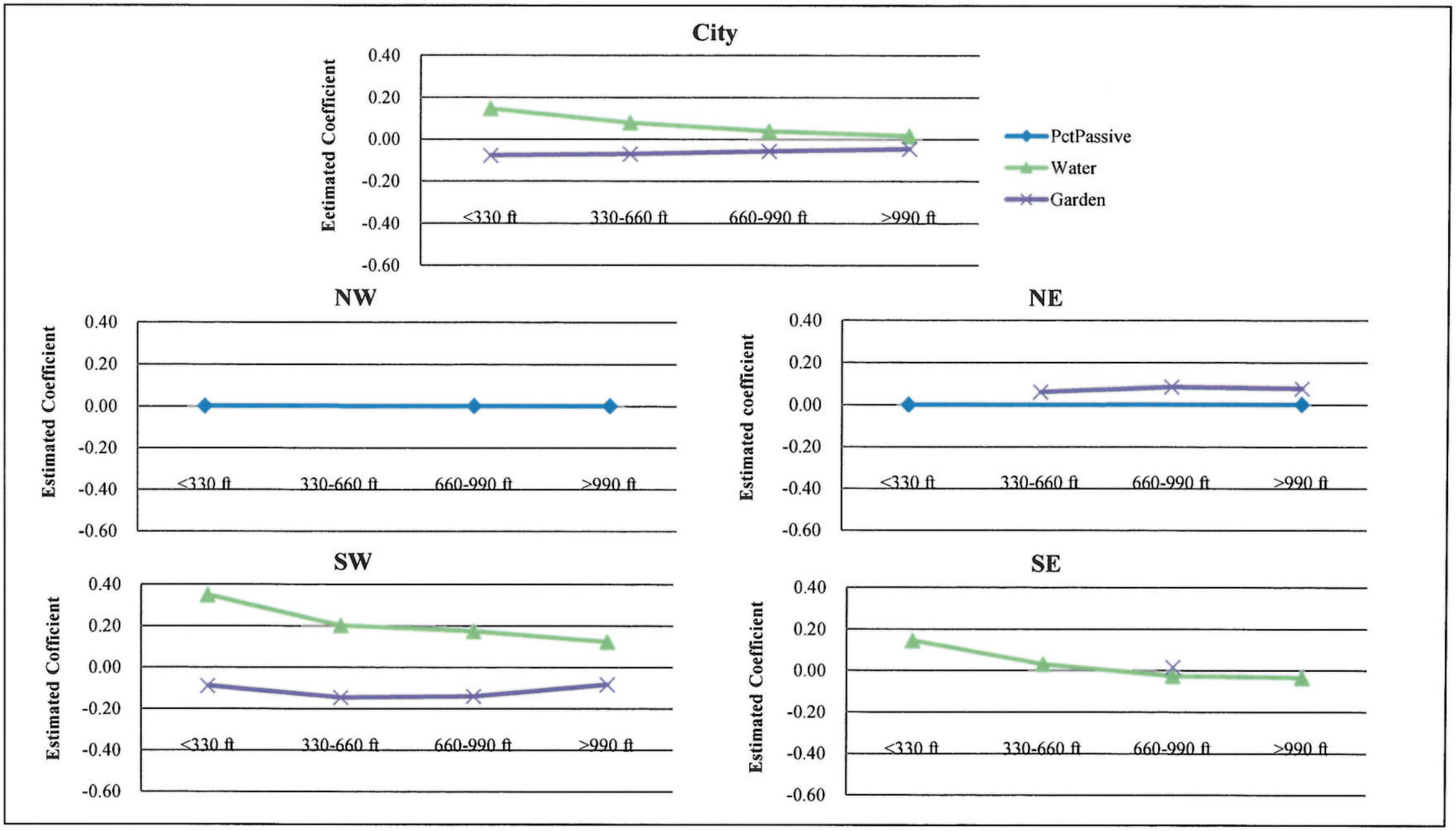

Figure 11. Impacts of passive facilities on the property values over distance zones

of such strong negative impact of children's playground on property values.

The impacts of facilities on property values over distance zones from parks further support the findings in the literature. The positive impact of passive facilities, water features in specific, can be found in the very first distance zone from the parks, and the magnitude of the effect was the largest in the first zone and decreased when moving away to the further zones. For active facilities, they usually had a stronger negative effect in the first distance zone from the parks or had a smaller positive effect if a positive effect was suggested, and they usually became more beneficial to properties that were located further away from the parks. The negative effect of active park facilities on the values of the closest properties from the park was also found in the results of multilevel models, which ball diamonds or basketball courts can reduce the magnitude of the positive effect of park proximity. In addition, the impacts of facilities on property values were different with different park sizes. That is, gardens and most active facilities were more likely to be beneficial in small parks while water features tend to introduce the largest positive impact when located in large parks.

As suggested, parks, especially public parks, are provided as public goods usually without charging for user fees, and such public amenities, therefore, rely largely on public funding, which remains primarily from tax revenue, property tax in particular. That says a sound park design requires the consideration of both users and non-users. While park users are more likely to evaluate a park according to whether the facilities in the parks meet their recreation demand, non-users are more likely to appreciate a park if there is a pleasing view from their window (Weicher & Zerbst, 1973). This is supported by the results of this study and others (e.g. Sander & Polasky, 2009) that park features associated with open, grassy, and large water view are preferred. Park facilities with a paved surface and concrete structure, on the other hand, are more likely to have a negative impact on property values, and this can be because they are not introducing a view much different from the rest of the city. Therefore, some designs that make those spaces look beautiful by such as planting nature landscape can be suggested. For example, Figure 15 shows the example of three different designs for the ball courts in Minneapolis parks. The concrete and iron fence in the image at the top may not introduce a pleasing view from the houses across the street; while the moderate vegetation landscaping in the bottom two images helps to block the activities in the courts from the neighbors and at the same time provide still the greenery for an aesthetic view.

Figure 15. Images of ball courts in the Windom Park (top), the Brackett Park (bottom left), and the Longfellow Park (bottom right)

Given the findings of this study and the literature, potential disturbance that are introduced by park activities and users is a major factor that influences the effect of park and park facilities on nearby neighborhoods. This is especially true for those who are not directly using parks for recreation activities. It can be a dilemma for park planners (More et al., 1988). Park facilities should be included in the parks if they are demanded by the people, and the goal is to encourage people come to the park and use the facilities. However, while there are

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REAL ESTATE
ECONOMICS

The Walkability Premium in Commercial Real Estate Investments

Gary Pivo* and Jeffrey D. Fisher**

This article examines the effects of walkability on property values and investment returns. Walkability is the degree to which an area within walking distance of a property encourages walking for recreational or functional purposes. We use data from the National Council of Real Estate Investment Fiduciaries and Walk Score to examine the effects of walkability on the market value and investment returns of more than 4,200 office, apartment, retail and industrial properties from 2001 to 2008 in the United States. We found that, all else being equal, the benefits of greater walkability were capitalized into higher office, retail and apartment values. We found no effect on industrial properties. On a 100-point scale, a 10-point increase in walkability increased values by 1–9%, depending on property type. We also found that walkability was associated with lower cap rates and higher incomes, suggesting it has been favored in both the capital asset and building space markets. Walkability had no significant effect on historical total investment returns. All walkable property types have the potential to generate returns as good as or better than less walkable properties, as long as they are priced correctly. Developers should be willing to develop more walkable properties as long as any additional cost for more walkable locations and related development expenses do not exhaust the walkability premium.

Walkability has become a more prominent issue as urban planners, governments and public health leaders increasingly promote pedestrian mobility. For example, according to a new global policy report by the World Cancer Research Fund/American Institute for Cancer Research (2009), in order to reduce preventable cancers linked to obesity and inactivity, governments should require increased walking facilities, developers should construct more projects that promote walking, and employers should occupy buildings that facilitate physical activity. Similar goals were endorsed by former U.S. Secretary of Health and Human Services Donna Shalala in her address to the Urban Land Institute in 2006 (Riggs 2006). Calls for more walkable cities can also be found

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**Kelly School of Business and Benecki Center for Real Estate Studies, Indiana University, Bloomington, IN 47405 or fisher@indiana.edu.

Table 5 ■ Regression results for return measures for all types.

	Appreciation	Income	Total
WALK SCORE	0.00020**	−0.00007***	0.00013
Market conditions			
REG_EMP	0.012***	−0.0015***	0.011***
SUPPLY	−0.016***	0.0018***	−0.014***
NPITOTRET	2.47***	−0.43***	2.00***
OCC_CBSA	0.31***	−.0013	0.31***
STATE	Not shown	Not shown	Not shown
Physical building characteristics			
AGE	−0.00025**	6.13-06	−0.00024**
SQFT	5.81e-09*	5.25e-10	6.24e-09*
FLOORS	0.00014	−0.00005	0.00011
FLOORS2	9.59e-07	−3.98e-07	2.11e-07
Neighborhood conditions			
PROPCRIME	−5.12e-07	3.50e-07*	−1.86e-07
Local taxes and services			
PROPTAX	−4.45***	0.86***	−3.59***
Accessibility			
BGPOPDEN	1.46e-07	−5.66e-08**	8.36e-08
TRANSITHALF	0.01**	−0.0040***	0.0067
TRAVHOMEWORK	−0.00042*	−0.000096	−0.00053*
MSADEN	0.0014	−0.00036	0.0011
n	14,603	14,605	14,603
R^2	0.16	0.08	0.13

Note: *, ** and *** indicate significance at the 5%, 1% and 0.1% levels, respectively.

Score coefficients in the appreciation and income return models. However, the Walk Score coefficient in the total return model was insignificant suggesting that higher appreciation and lower income returns offset one another, resulting in a statistically neutral effect on total returns.

We used the same controls in the return models as we did in the market value and NOI models. We only expected the regional and national economic variables (REG_EMP, SUPPLY, NPITOTRET, OCC_CBSA) to be significant, but we included all the controls to demonstrate that the Walk Score coefficients were not erroneously inflated from an underspecified model. As expected, the economic controls were significant and had the expected signs. Most other controls did have signs that were plausible and significant in many instances. The most significant effects among these were from property tax rates, which increased cap rates and lowered appreciation and total returns.

Similar models were produced separately for each type of property. Table 6 gives the Walk Score coefficients from these models. For appreciation and

Table 6 ■ Walk Score effects on returns by property type.

	Office	Retail	Apartments	Industrial
Appreciation	0.00032*	0.000071	−0.000049	0.000082
Income	−0.000052	−0.00012**	−0.000091***	−0.000024
Total	0.00027	−0.00018	−0.00014	0.000056

Notes: *, ** and *** indicate significance at the 5%, 1% and 0.1% levels, respectively.

income returns, the results for separate property types were not as clear-cut as in the All Types models. Walkability did not significantly affect appreciation returns, except in Offices, where the effect was positive. Apparently, some of the higher value associated with walkable offices was first capitalized during the study period. For retail and apartments, on the other hand, the walkability premium must have been priced into the market prior to the study period. Meanwhile, walkability significantly lowered income returns for retail and apartments but not for offices and industrial. The results for total returns by property type were consistent with the All Types model, indicating that walkability did not significantly change total returns. Overall, these results indicate that walkability neither diluted nor inflated total returns over the past decade.

The lower-income returns and cap rates help explain the higher market values that cannot be fully explained by higher NOI. Recall, for example, that retail properties had 0.9% higher market values and 0.7% higher NOI for each additional unit of Walk Score. Holding risk constant, a higher NOI should produce an equivalent effect in percentage terms on market value. However in this case, there was an additional value increment over and above what can be explained by higher NOI and that additional increment can be explained by lower cap rates. In fact, the combination of an NOI that is 0.7% higher than the mean for our data set and a cap rate that is 0.012% lower than the mean in the data set increases the value of a hypothetical property by 0.9%, which is precisely the value premium that we found. So it appears that the higher retail value associated with higher Walk Score values can best be explained by a combination of the higher NOI and the lower cap rates that were observed in the data. The same is true for Apartments. Apartment NOI was not increased by walkability but market value was. Again, the difference can be explained by the lower cap rates we found using the Apartment income returns model. The Walk Score coefficient in the Office income returns model was insignificant. However, if it were correct, it would be large enough to explain half the walkable office market value premium that could not be explained by higher NOI. So, generally, the data appear to support the proposition that the walkability premium is driven by a combination of higher NOI and lower cap rates.

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RESEARCH PAPER

From elevated freeways to surface boulevards: neighborhood and housing price impacts in San Francisco

Robert Cervero*, Junhee Kang and Kevin Shively

Department of City and Regional Planning, University of California at Berkeley, Berkeley, CA, USA

Freeway "deconstruction" marks an abrupt shift in urban policy. Priorities are shifting away from designing cities to enhance mobility toward promoting livability. This paper investigates the neighborhood, traffic, and housing price impacts of replacing elevated freeways with surface boulevards in two corridors of San Francisco in California, USA: Embarcadero along the city's eastern waterfront and Central Freeway/Octavia Boulevard serving a predominantly residential neighborhood west of downtown. Using informant interviews, literature reviews, and statistical analyses, the research suggests that freeway conversions generally gentrifies neighborhoods, although policies like affordable housing mandates can temper displacement effects. Empirical evidence on residential sales transactions reveals that the disamenity effects of proximity to a freeway have for the most part given way to amenity benefits once roadways are converted to landscaped multiway boulevards. It is concluded that freeway-to-boulevard conversions have yielded net positive benefits without seriously sacrificing transportation performance.

Keywords: freeways; boulevards; amenities; gentrification; neighbourhood impacts; hedonic price impacts

Introduction

A new relationship between elevated freeways and central-city neighborhoods is forming. Despite worsening traffic congestion, a number of American cities have torn down or are in the midst of demolishing elevated structures in favor of at-grade boulevards and arterials with far less traffic-carrying capacities. Nowhere has this been more evident than in San Francisco, California, thanks in part to the Loma Prieta earthquake of 1989. The damage caused by Loma Prieta forced city officials to address whether to sink funds into building new facilities and seismically retrofitting existing ones, or replacing structures with slower moving at-grade boulevards while at the same time opening up access to waterfronts, removing physical obstructions, and revitalizing economically stagnant neighborhoods. In San Francisco's case, demolition of the elevated Embarcadero Freeway, along with assorted streetscape enhancements and urban redesigns, has radically transformed the city's downtown waterfront, creating an attractively landscaped, pedestrian-friendly corridor. Just west of downtown San Francisco, several miles of the Central Freeway spur were also torn down, replaced by the award-winning Octavia Boulevard, improved pedestrian and bikeway facilities, and a popular urban park.

True to its tradition as a pioneer of progressive urban planning, officials in Portland, Oregon, decided more than 30 years ago to bulldoze the Harbor Drive freeway and replace it with a 37-acre waterfront park. More press-worthy was Boston's (Massachusetts)

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City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0233, et al.
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Appraisal Review of:

ABS Valuation Appraisal
Waterfront Seattle LID Project
Harbor Steps Apartments
Seattle, WA 98199

Reviewed By:

O'Connor Consulting Group, LLC
500 Union Street, Suite 650
Seattle, WA 98101

Brian O'Connor, MAI, CRE

Reviewed For:

Adam C. Strasser, Esq.
Vice President, Real Estate Tax
Equity Residential
Two Riverside Plaza, Suite 400
Chicago, IL 60606

Effective Date of Appraisal
January 31, 2020

Date of Appraisal Review
January 31, 2020

OCG Ref. No. 20-112A

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January 31, 2020
OCG Ref. No. 20-112A

Adam C. Strasser, Esq.
Vice President, Real Estate Tax
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Two Riverside Plaza, Suite 400
Chicago, IL 60606

RE: *Appraisal Review of:*
Harbor Steps Apartments LID Appraisal
SW Tower, 1212 Western Ave
NW Tower, 1306 Western Ave
NE Tower, 1301 1st Ave
SE Tower, 1201 1st Ave
Seattle, WA 98101

Dear Mr. Strasser,

In accordance with your request and authorization, we have prepared a review of the above-mentioned appraisal.

This appraisal review was prepared in conformance with Standard Rule 3 per the Uniform Standards of Professional Appraisal Practice.

The scope of our assignment included (or did not include) the following:

1) The reviewer performed a comprehensive desk review of the November 12, 2019 appraisal by ABS Valuation. This report is signed by Robert J Macaulay, MAI. Reference number 19-0101.

2) The reviewer did not verify data from published sources utilized in the appraisal and additional pertinent market sales data was not collected.

3) The reviewer did not conduct a field inspection of the subject property and the comparable sales and rents were not inspected.

4) The scope of this review is limited to compliance issues, reasonableness of the conclusions and the methodology and consistency of the analysis based solely on the data and analysis contained in the report under review. However, the review appraiser did perform an Income Approach to value to test the reasonableness of the before Market Value basis stated by ABS valuation.

The purpose of this review is to assist the client in evaluating the appraisal under review for USPAP compliance and comment on its overall presentation of data, analysis and final value conclusion. This appraisal review is subject to the assumptions, limiting conditions and certification contained herein.

The intended use of this review is to assist the client in evaluation of the appraisal under review for real estate tax proposes. The intended user of this appraisal review is the client, Equity Residential and Perkins Coie LLP. This appraisal review has been prepared for the exclusive benefit of the client and stated intended users. It may not be used or relied upon by another party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at their own risk.

A summary of our included findings is as follows:

- The market value conclusion without LID is substantially overstated. It appears that the ABS appraisal overstates the market value without LID by approximately $88 million. This leads to an overstated Special Benefit of just over $2,340,000.
- The appraiser did not empirically solve for the Special Benefit but rather assigned a new market value based upon older and very general park impact studies and then subtracted his overstated market value without LID to reach a Special Benefit conclusion.
- It appears that the ABS appraiser did not have a before LID park graphic to compare to the after-LID park graphic when he did his preliminary valuation. This could have led to an overstated enhancement of what the LID was actually going to improve.
- We believe that the incremental park improvement due to the LID is so small as to be impossible to reasonably assess the enhance market value of said improvements.
- The appraiser made no mention (we could find) of the impact of losing approximately 450 parking stalls due to the enhanced park. Losing significant parking should be seen as an offset to any possible increased in market value to any property in the LID area.
- The new Overlook Walk is a clear benefit but the Overlook Walk will be adjacent to the Pike Place market which is substantially north of Harbor Steps and it would be difficult for Harbor Steps to gain any enhanced market value for an improvement that is four to five blocks north.
- Much of the enhanced park due to the LID is relatively minor and is generally be comprised of more trees, bigger trees, some more green space along Alaskan Way, better ground cover, higher curbs, public benches, and artwork and an enhance Union Street pedestrian connection. These items are not significant enough to increase rents and thus market value.
- The enhanced park seems more like an enhance boulevard. Nice to have but not likely to compare to substantial parks that may impact value as stated in his appraisal.
- It is the opinion of this review appraiser that the mass appraisal technique does not accurately capture the current market value of Harbor Steps and by extension the prospective market value of Harbor Steps after the LID improvements would be constructed.
- It is not reasonable to expect an appraiser to be able to accurately solve for the enhance market value of Harbor Steps via a mass appraisal technique because the incremental change in value is so small as to be within the margin of error for any appraiser.
- The appraiser does not present an Income Approach to value for the subject property and thus does not appear to define the increase in market rents that would lead to an enhance market value due to the LID improvements.

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SEATTLE, WA 98101

- We would also point out that market rents will increase even without the LID improvements and thus the increased rents that ABS appraisal implies would need to be above those that would be captured without the LID improvements. We do not believe that Capitalization Rates would be lower (thereby increasing value) due to the enhanced LID improvements.
- The LID park improvements are more marginal in nature but are attractive and will be a clear improvement for the waterfront. However, it appears to us that the LID Benefit is a General Benefit rather than a Special Benefit. The entire city benefits, even the region, but to place Special Benefits on a limited number of property owners is faulty logic.
- To place a Special Benefit tax burden on Harbor Steps and to over value the before market value basis by as much as $88 Million, compounds the inaccuracy of the method of assessment, and leads to unreasonable estimate of the benefit by as much as $2,340,000.

We believe the final value conclusion, or the estimate of the enhance value due to the LID improvements for Harbor Steps Apartments is not reasonable considering the data in the report, appraisal methodology and the narrative discussion.

Thank you for the opportunity to work with you on this assignment.

Sincerely,

O'CONNOR CONSULTING GROUP, LLC

Brian R. O'Connor, MAI, CRE

SUBJECT PROPERTY

Harbor Steps	SE Tower	Tax ID 197620-0076
1306 Western Ave	SW Tower	Tax ID 766620-2465
Seattle, WA 98101	NE Tower	Tax ID 197620-0075
	NW Tower	Tax ID 197620-0070

APPRAISAL BY

ABS Valuation
2927 Colby Ave, Suite 100
Everett, WA 98201
Written by: Robert J. Macaulay, MAI
Effective Date: October 1, 2019
Appraisal Report Date: November 18, 2019

APPRAISAL SUMMARY

Subject Property	Market Value w/o LID	Market Value with LID	Special Benefit	Date of Value
SE Tower 197620-0076	$180,511,000	$185,022,000	$4,511,000	October 1, 2019
SW Tower 766620-2465	$119,788,000	$123,080,000	$3,292,000	October 1, 2019
NE Tower 197620-0075	$127,557,000	$131,069,000	$3,512,000	October 1, 2019
NW Tower 197620-0070	$77,938,000	$80,081,000	$2,143,000	October 1, 2019
TOTAL	$505,794,000	$519,252,000	$13,458,000	

Highest and Best Use	As if Vacant:	Development of a mixed use residential with commercial at grade development
	As Improved:	Redevelopment to a mixed use residential with commercial at grade development.
Interest Appraised:	Fee Simple	
Description of Land:	The subject land area is 109,167 SF in size. The site is significantly sloped downwards from the east to the west, and zoning is split with the SW & NW sites being zoned DMC-170 (44,140 sf), and the SE & NE sites being zoned DMC 240/290-440 (65,007 sf).	
Description of Improvements:	The site is currently improved with four high-rise apartment towers.	

Review Comments

The ABS appraisal clearly overstates the market value in the before due to the LID improvements. We developed an Income Approach to value that used the subject's actual rents and expenses. We believe that the ABS appraisal overstated the before market value by about $88 million. Then the ABS appraisal applied the benefit conclusion of 2.66% (overall average for 4 buildings) inflating the after-improvement value to $519,252,000. This implies that the Benefit attributed to the marginal improvements to the Waterfront park to be $13,458,000.

If the ABS appraisal utilized the correct market value and then applied the 2.66% special benefit factor the benefit would be $11,102,000. Therefore, $13,458,000-$11,102,000 is $2,355,426, which is the excess benefit amount by which the over valuation of the subject in the before condition implies for the Special Benefit. We would also add that the 2.66% is clearly high given the more likely case that any benefit that Harbor Steps would enjoy would be almost zero. But even if one was to say that the Special Benefit was 1.00% applied against the correct market value would mean that the Special Benefit would be $4,173,900. This Special Benefit compares to the $13,458,000 Special Benefit that is the conclusion of the ABS appraisal.

The table below illustrates the King County Assessor's market value for 2018 and 2019 compared to the ABS appraisal and the ABS market values before and after value conclusion including the Special Benefit and the percentage that was applied as the Special benefit.

Harbor Steps	Total Assessment		City's Market Value		Special	% of Special
Property	2018	2019	w/o LID	w/ LID	Benefit $	Benefit
SE Tower	$183,704,000	$185,880,000	$180,511,000	$185,022,000	$4,511,000	2.50%
SW Tower	$101,187,000	$104,903,000	$119,788,000	$123,080,000	$3,292,000	2.75%
NE Tower	$102,392,000	$104,290,000	$127,557,000	$131,069,000	$3,512,000	2.75%
NW Tower	$69,265,000	$70,549,000	$77,938,000	$80,081,000	$2,143,000	2.75%
Total	$456,548,000	$465,622,000	$505,794,000	$519,252,000	$13,458,000	2.66%

The ABS appraiser did not empirically solve for the Special benefit according to the definition. The appraiser is to develop a market value in the before and then for the after condition. The difference is then the Special Benefit. However, the method the ABS appraisal uses is a mass appraisal technique that does not really do this. Instead, the appraiser relies upon other much older park studies that attempted to solve for the property increases that a park would generate. However, these parks are far more substantial parks than the marginal improvements that will be generated by the LID. The waterfront improvements are called a promenade or park, that will be more similar to an enhance boulevard, since a major arterial will run right through the middle of the "park".

It also appears that the ABS appraiser did not have the benefit of seeing the graphic of the before and after condition of the LID improvements when he did his preliminary appraisal of the subject property. He did have a narrative description, but as we all know, a picture can communicate the difference much more clearly than the narrative.

We believe that the basic appraisal assignment of ABS Valuation to conclude to a calculation of the Special Benefit was nearly impossible to do. His own conclusions of .5% to 4.0% Special Benefits are within typical margins of error for all commercial appraisal of significant property. Any appraiser trying to conclude to such a fine line of value is taking on a task that will lack credibility.

Another issue in regard to the Special Benefit is that the appraiser did not mention (we could not find it) of the loss of about 450 parking stalls along Alaskan Way. This should have been an offset to any positive benefit that the appraiser believes is incurred. Losing parking will certainly not help the many visitors to the waterfront and will likely result in fewer people and less returning visitors.

The New Overlook Walk is certainly a good solid benefit to the waterfront. However, the Overlook Walk will be located adjacent to the Pike Place market and will be about 3 to 4 blocks north of Harbor Steps. This location of the Walk contributes to the shift of gravity or energy more to the north and away from Harbor Steps. This is likely to lessen the impact of the waterfront park on Harbor Steps.

Much of the improvements due to the LID are not likely to positively impact Harbors Steps of any other commercial property in the LID zone. Many of the improvements are items such as 16 more trees with a diameter of four inches, more landscaping, enhance ground cover, benches, higher curbs and relocated fountain. While there are other more substantial improvements, these types of improvements do not improve market value.

It is our opinion that the mass appraisal technique fails to solve for the most basic of all questions. That being what is the current market value (in the before) compared to the enhance market value (in the after). In the case of a mass appraisal such as this, an appraiser needs to be so general in their methods and conclusion that the detail of an accurate valuation is lost. And when the before value is incorrect then everything that relies on that figure will be incorrect. That is especially true for a Special benefit calculation.

Then when the impact of the "project" is considered, the appraiser applies a factor that was generated from past studies of much more significant parks relative to single family home buyers. That is not reflected of the impact on commercial buildings. This becomes a weak link in the method of determining the enhance market value in the after condition. It seems to us to be guess work. The ABS appraiser could have just as easily picked a factor of 1.00% or less.

It seems to us that no effort was made to perform an Income Approach to value to determine what would rents need to increase by in order to result in his concluded enhanced market value in the after condition. This would have perhaps shed a little real-world light on his conclusions.

In addition, rents will certainly continue to increase and thus not all rent increases will be due to the impact of the park. Clearly, market conditions will be more responsible for rent increase than the marginal improvements to the waterfront. Any rent increases that occur due to the park will need to be on top of the rent increases due to market conditions. We do not believe that Capitalization rates will be influenced by the enhance park improvements. In fact, if the LID went into effect as proposed it may increase Capitalization Rates and thus lower market values.

Inconclusion we believe that LID benefit is a general benefit not a special benefit. Clearly, the enhanced park is a great thing and will be a terrific improvement to the waterfront, but the entire city and probably the region benefits from this enhancement. To attempt to put the burden of a Special Benefit on a select number of properties in misguided. Especially since no appraiser can accurately determine the amount of special benefit in any empirical manor. The entire process of a special benefit calculated by a mass appraisal technique is inherently inaccurate and unfair to the property owners.

To the best of my knowledge and belief, I hereby certified that:

1. The facts and data reported by the reviewer and used in the review process are true and correct.

2. The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review.

7. Our compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result or the occurrence of a subsequent even directly related to the intended use of this appraisal review.

8. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

9. I did not personally inspect the subject property of the report under review.

10. Soryun Fitzpatrick provided professional assistance for this appraisal review.

11. Brian O'Connor, MAI, CRE is currently certified under the State of Washington as a general real estate appraiser with identification number 1100529, expiring 6/15/21

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by their duly authorized representatives.

Special Assumptions and Limiting Conditions

In developing an opinion of the appropriateness of the appraisal's estimate of value, the reviewer has relied on the factual presentations and analysis set forth in the original report. In expressing an opinion regarding the subject's value, the entire report under review is incorporated herein by reference. Unless otherwise stated, the reviewer has not made an inspection of the subject property or gathered data regarding the subject or comparable data. Consequently, the reviewer's opinions and conclusions regarding the value of the subject are directly related to the quantity and quality of information contained in the original report and if a full appraisal were to be performed, the opinions and conclusions could differ significantly.

Brian O'Connor, MAI, CRE

SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
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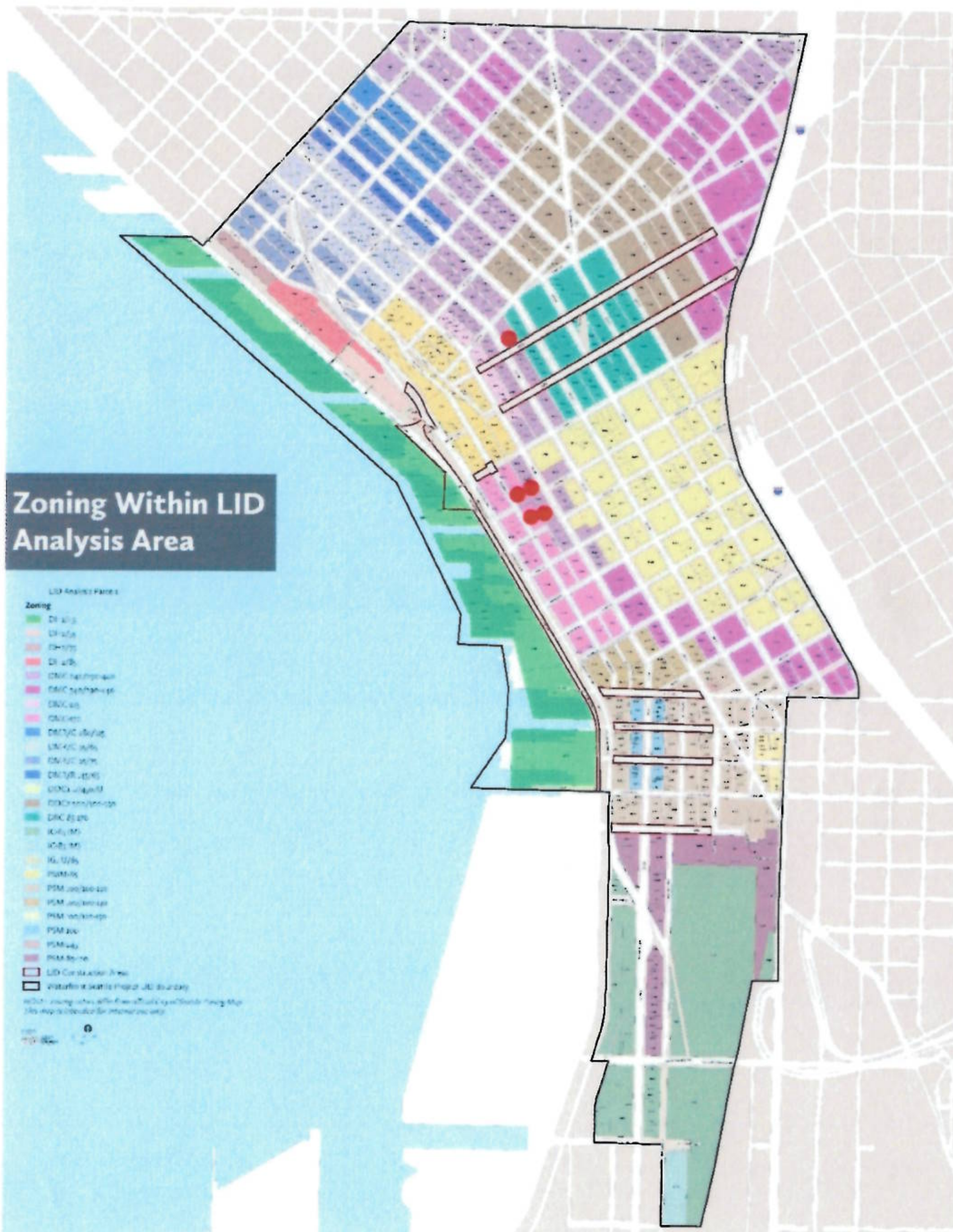
FILE# CWF-0233, et al.

Appeal No.: CWF-0441
Building: Helios
Owner: Equity Residential, Ed Leigh
Parcel(s): 7683890010
Address: 206 Pine Street, Seattle, WA 98101
Expert(s): Ben Scott and Brian O'Connor

Property Description: A multifamily residential apartment building located a block east of Pike Place Market, approximately two blocks from the proposed overlook walk.

Pre-LID Value:	$298,884,000	**Assessment %:**	39.2%
Post-LID Value:	$304,612,000	**Final LID Assessment:**	$2,244,356
LID Value %:	1.92%		
Special Benefit:	$5,728,000		



NORTHWEST
PROPERTY TAX
CONSULTANTS
810 Third Avenue, Suite 228
Seattle, WA 98104

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
39
FILE# CWF-0233, et al.

January 31, 2020

Adam Strasser
Equity Residential
Two North Riverside Plaza, Suite 400
Chicago, IL 60606

Jane Carmody
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA 98004-5579

RE: Waterfront LID No. 6751 Proposed Final Assessment for Parcel No. 768389-0010

Dear Mr. Strasser and Ms. Carmody:

Per your request, I have considered the calculation of special benefits for the multi-family property Helios determined in the Valbridge study prepared for the city of Seattle's Waterfront Local Improvement District. I determine the Valbridge study improperly calculated the special benefit for Helios by omitting relevant model results, data, and assumed impacts cited in the study.

Helios, located next to the Charter Hotel at the corner of 2nd Avenue and Pine Street lies just a block East of Pike Place Market. It will be approximately 2 blocks from the Overlook Walk to the West of the Market and, fronting Pine Street, will be beneficiary of the pedestrian improvements associated with the "Renaissance."

The Waterfront LID will add competing amenities:

A. Pike/Pine Renaissance

Following LID improvements, the Pine Street pedestrian amenities will be enhanced. A walk of current conditions demonstrates the high pedestrian friendliness of Pine Street as quantified by an Irvine—Minnesota Inventory (IMI) count (Boarnet, Day, Alfonzo, Forsyth, & Oakes, 2006). Giving consideration to the improvements proposed, will only minimally increase the pedestrian amenities from their high level. Pine Street, as currently standing, demonstrates an IMI significantly above adjacent, less improved streets[1] suggesting additional benefit would be almost unnoticeable (see Figures 1 and 2). Neighboring apartment tower West Edge on Pike

[1] IMI increase based on renderings of the Pike/Pine enhancements is marginal, adding 3-5 points depending on the block. Bringing neighboring streets e.g., Virginia up to the current standard would represent an increase of approximately 22 points, a bit less than one standard deviation. Per LID study "sidewalks may be widened by up to a total of 4 feet [between 2nd and 3rd Avenues but this *is not] part of the LID analysis*" (emphasis added) (Macaulay, 2019, pp. F-8).

Street between 2nd and 3rd Avenues is better placed to take advantage of improvements, lying on a stretch of Pike with a comparatively hostile pedestrian environment.[2] With the enhancements to Pike Street themselves commercial rents would be expected to increase.[3]

B. Overlook Walk Improvements

Helios has already benefited form the completed Pike Place MarketFront project. The property is not as conveniently located to the new Overlook access as its neighboring competitor West Edge Tower (2nd and Pike) which, as mentioned previously—stands to accrue more benefit from pedestrian improvements as well. Helios would receive no such positive impact.

The Waterfront LID will not improve Helios' condition:

A. Proximity to Amenities

Helios is located approximately 700-900 feet from the nearest Waterfront amenity in the form of the Overlook Walk at Pike Place Market (traveling Southwest along Pine Street from western and eastern boundaries, respectively). Studies have shown such proximity may be a disamenity in the face of perceived criminal activity—a perception on the rise in Seattle whether data-driven or otherwise[4] and particularly for Helios, lying just one block from a recent mass shooting at 3rd Avenue and Pine Street (Green, Takahama, & Carter, 2020). For crime levels in excess of the national average, parks have a negative impact on adjacent property values within 300 meters (Troy & Grove, 2008, p. 242). Spillover effects such as congestion, street parking, litter, and noise have been cited (Crompton & Nicholls, 2020)—many such effects already present. One such study—cited by the Valbridge study—showed far smaller increases for properties adjacent to the former Embarcadero than properties further from the improvements.[5] Helios falls squarely within such disamenity dips.

B. Competitive Disadvantages

In addition to its potential challenges due to proximity, Helios will receive only marginal enhancements to adjacent pedestrian amenities. Improving such amenities have been shown to increase rents and yields, especially when of a dramatic nature.[6] Resultant increases in the value of competitive properties leaves the property at a disadvantage. Pine Street, as currently standing, demonstrates IMI in an upper tier, highly connected subset of pedestrian facilities in the

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[2] Facing an 8-story parking garage, a vacant retail bay and restaurant contributed to this being the second lowest IMI along the Pike/Pine corridor.

[3] Estimates based on LID renderings suggests an approximate increase on IMI scale of 24, potentially indicating a 20% increase in retail rents (Leinberger & Alfonzo, 2012)

[4] "Folks who are fed up … and who feel the squalor, drug use and crime have ruined the high quality of life here." (Balk, 2019)

[5] Properties immediately adjacent showed increases in value of 6.78%, substantially less than the 11.31% reported by at 0.25 miles (Cervero, Kang, & Shively, 2009)

[6] Estimates of *improved* walkability's effects are resounding: a 1 point bump in Walk Score generated 0.7% increase in net operating income (NOI) and a 0.012% reduction in capitalization rate i.e., overall increase of 0.9% (Pivo & Fisher, 2011).

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downtown core having benefited from concerted city efforts to improve walkability. Competitors on less favorable pedestrian landscapes will receive a disproportionate benefits of pedestrian enhancements with a goal of bringing them in line with the current state of Pine Street. Volta, located at 1st Avenue and Bell Street will benefit much more significantly from pedestrian improvements included in the LID[7].

Benefits are mis-allocated:

Helios' primary benefits stem from proximity to the Overlook Walk and Pike Place Market, receiving minimal benefit from the Pike/Pine pedestrian improvements. West Edge, a block away, shares a slight proximity benefit over Helios. For consideration, holding benefits of proximity constant between the two properties one would expected West Edge to see an increase in rents and NOI as well as a decrease in cap rate based on its sidewalk improvements.[8]

The benefit calculation overweighs Helios' location on the East side of Pike Place Market as benefitting from the Overlook Walk park whereas data indicates the market places more value on:

- marked improvements in pedestrian environment (significantly increasing the parameters of IMI) which are difficult in extant pedestrian friendly areas
- direct connection with park environments (Pine Street ending in the center of Pike Place down a steep grade)

None of these can be said to be directly improving the value of Helios despite the Valbridge study's characterization.

Respectfully submitted,

Benjamin Scott

[7] An estimated IMI increase of 23 points along Bell Street between 1st and Western Avenues by extending the Bell Street Park (currently ending at 1st Avenue) would suggest an almost 20% increase in rents (Leinberger & Alfonzo, 2012, p. 9) with a concomitant decrease in cap rate of up to 0.019% (Pivo & Fisher, 2011).

[8] Estimating an IMI improvement by almost 18% for West Edge's Pike Street frontage associated rent growth could scale in excess of 16% (Leinberger & Alfonzo, 2012, p. 9) with a concomitant decrease in cap rate of up to 0.019% (Pivo & Fisher, 2011).

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Balk, G. (2019, April 3). Is Seattle 'dying'? Crime rates tell a different story. *The Seattle Times*.

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Takesuye, D. (2002, January). *ULI Case Studies.* Retrieved from Urban Land Institute: https://casestudies.uli.org/harbor-steps-4/

Troy, A., & Grove, J. (2008). Property Values, Parks, and Crime: A Hedonic Analysis in Baltimore, MD. *Landscape and Urban Planning, 87*, 233-245.

Figure 1 Before LID: Pine Street between 2nd and 3rd Avenues (Macaulay, 2019, pp. F-9)

Figure 2 After LID: Pine Street between 2nd and 3rd Avenue

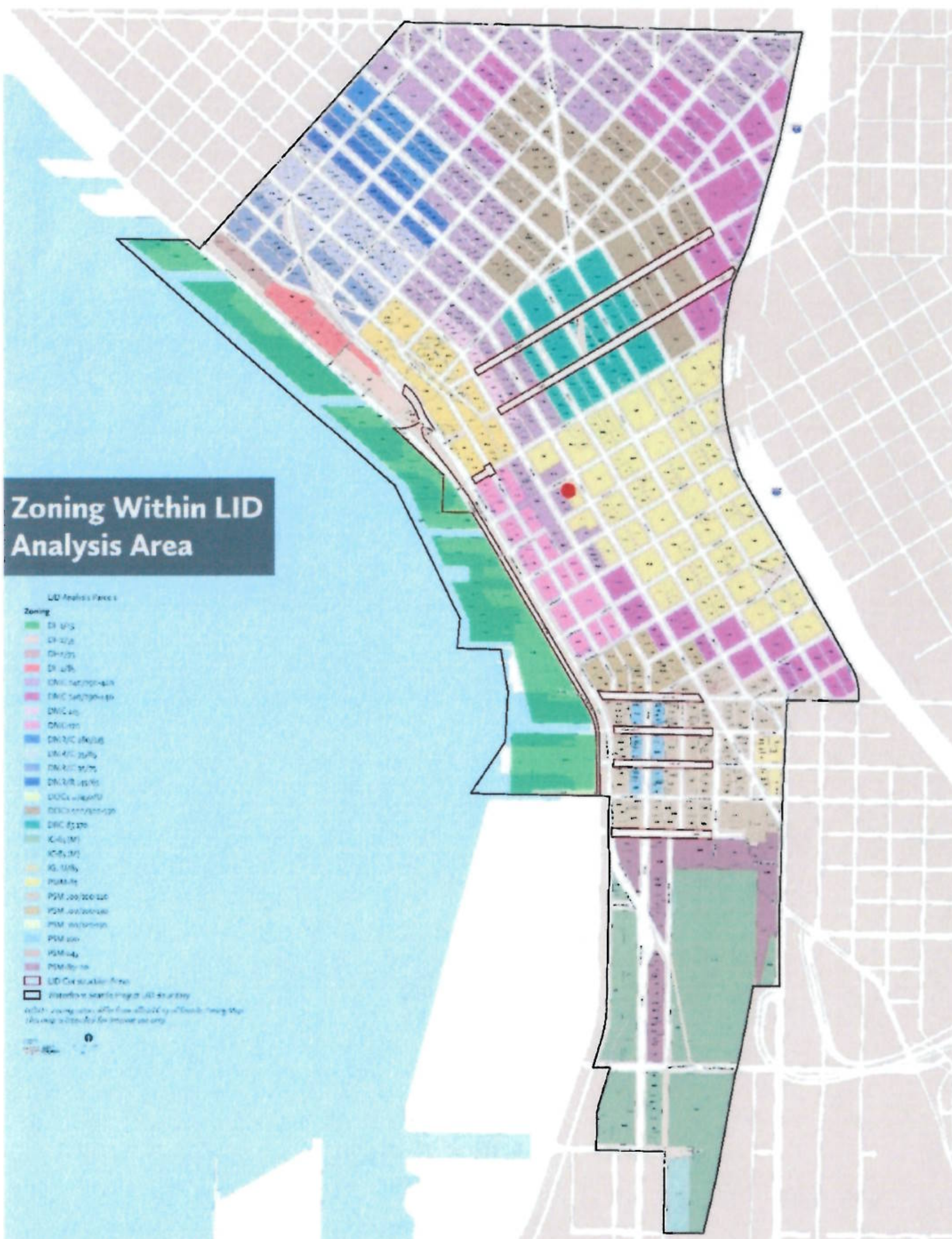
SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

Appeal No.: CWF-0421
Building: 2+U
Taxpayer: Skanska, Christian Gunter and Michael Arnette (ground lessee)
Parcel(s): 1974700175, 1974700210, 1974700190
Address: 1215 2nd Ave., Seattle, WA 98101
Expert(s): Ben Scott, Northwest Property Tax Consultants

Property Description: Newly constructed office and retail building 100% pre-leased, standing just east from Harbor Steps stairs connecting to the waterfront.

Pre-LID Value:	$591,082,000	**Assessment %:**	39%
LID Value %:	0.7%	**Final LID Assessment:**	$1,611,564
Special Benefit:	$4,113,000		

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0 233, et al
40



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City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0 233, et al 41

January 31, 2020

Tristie Tajima
Skanska
221 Yale Avenue North, Suite 400
Seattle, WA 98109`

R. Gerard Lutz
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA 98004-5579

RE: Waterfront LID No. 6751 Proposed Final Assessment for Parcels No. 197470-0175, 197470-0210, and 197470-0190

Dear Ms. Tajima and Ms. Carmody:

Per your request, I have considered the calculation of special benefits for the office and retail property 2+U determined in the Valbridge study prepared for the city of Seattle's Waterfront Local Improvement District. I determine the Valbridge study improperly calculated the special benefit for 2+U by omitting relevant property data, model results, and assumed impacts cited in the study as well as the literature.

2+U, newly constructed and 100% pre-leased, stands just East from the Harbor Steps stairs connecting to the Waterfront as it currently stands. This long-standing plaza allows for easy access of pedestrians between 2+U and the waterfront proper.

The Waterfront LID will add competing amenities:

A. Union Street Pedestrian Connection

Following LID improvements, the Union Street Pedestrian Corridor will construct an elevated walkway, lighted and broadened stairs, elevators, and surround them with public art. Such improvements will increase pedestrian traffic. Such traffic does not exist in a vacuum and a proportion will be diverted from University Street, away from 2+U. The added amenity of elevators is likely to draw ADA-oriented travel (nearest accessible public elevator is currently significantly forth along the Pike Hillclimb at the terminus of Pike Street). A walk of current conditions suggests the improvements as imaged will add at least 14 points to the "Pleasurability" scale on an Irvine—Minnesota Inventory (IMI) count (Boarnet, Day, Alfonzo, Forsyth, & Oakes, 2006) bringing it very close to that of 2+U's adjacent Harbor Steps pathway.[1]

[1] An approximately 20 point increase (scaled per authors) on IMI was associated with an 80% increase in retail sales (Leinberger & Alfonzo, 2012)

B. Pioneer Square Improvements

By similar inference, enhancing Yesler Way, South Washington Street, South Main Street, and South King Street will similarly draw pedestrian traffic south of 2+U. Each of these streets provides a wealth of competing retail uses adding to the draw. With the enhancements to the streets themselves commercial rents would be expected to increase.[2] 2+U would receive no such positive impact.

The Waterfront LID will not improve 2+U's condition:

A. Proximity to Amenities

2+U's dramatic, open retail atrium below the office tower is carefully constructed to present an "urban village" and facilitate pedestrian traffic and congregation. Pedestrian amenities are provided in the atrium including tables and seating, bicycle racks, and ADA ramps. These amenities spill out onto the abutting sidewalks with decorative panels and trees. A "Waterfront Overlook" at the Southwest corner of the property provides water views in the absence of the demolished Alaskan Way Viaduct offramp (see Figure 1).

The property has developed a public/private interface to appeal to pedestrians who can then cross 1st Avenue and then go directly down Harbor Steps to the waterfront beyond. As such, the location leverages access to the new amenities but said access will remain unchanged over the course of the LID. Harbor Steps will remain unchanged with major improvements being further south in Pioneer Square or north at Union Street i.e., out of the way of most travelers from 2+U.

2+U is located approximately 0.14-0.20 miles (225-325 meters) from the nearest Waterfront amenity (traveling Southwest along University Street from western and eastern boundaries, respectively). Studies have shown such proximity may be a disamenity in the face of perceived criminal activity (Troy & Grove, 2008)—a perception on the rise in Seattle whether data-driven or otherwise.[3] Spillover effects such as congestion, street parking, litter, and noise have been cited (Crompton & Nicholls, 2020). One such study—cited by the Valbridge study—showed far smaller increases for properties adjacent to the former Embarcadero than properties further from the improvements.[4] 2+U falls squarely within these disamenity dips without the additional benefit of views of the new parks.

The Maritime Building's recent renovations (including an additional floor), placed just across the street from the new parks will be better located to leverage any amenity associated with the new

---

[2] Estimates based on LID renderings suggests an approximate increase on IMI scale of 24, potentially indicating a 20% increase in retail rents (Leinberger & Alfonzo, 2012)

[3] "Folks who are fed up … and who feel the squalor, drug use and crime have ruined the high quality of life here." (Balk, 2019)

[4] Properties immediately adjacent showed increases in value of 6.78%, substantially less than the 11.31% reported by at 0.25 miles (Cervero, Kang, & Shively, 2009)

waterfront (Miller, 2018). No hill or stairs are required to access the amenities and tenant spaces are offset from the direct streetfront (top floor deck with a "firepit overlooking the waterfront"[5]).

B. Competitive Disadvantages

In addition disamenity posed by immediate proximity, 2+U will receive no enhancements to adjacent pedestrian amenities which had already been improved as part of the property's construction. Improving such amenities—as previously mentioned in discussion of and the Pioneer Square improvements—have been shown to increase rents and yields, especially when of a dramatic nature.[6] The competitive Maritime Building will benefit from enhanced, street level pedestrian improvements along its Western Avenue frontage as part of the LID.[7] Resultant increases in the value[8] of such competitive properties leaves 2+U at a disadvantage.

C. Incorrect Data

The Valbridge study identifies the 3 separate parcels comprising the footprint of 2+U as follows:

Parcel Number	Property Name
1974700175	2+U Building
1974700190	FREEDMAN'S LOANS (RETAIL)
1974700210	VACANT LOT- Play Yard

Of note, Freedman's Loans had been demolished and it and the play yard had been replaced with retail structures by mid-2018, the bulk of 2+U having been constructed. The Valbridge study values the latter parcels (-0190 and -0210) as if they are buildable, vacant DMC 240/290-440 zoned land rather than the continued highest and best use as part of the improved "larger parcel."[9] The Assessor's data referred to in the study reflects the change in name, characteristics, and highest and best use following June 27, 2017 notes[10] but the study data does not reflect the changes.

Benefits are mis-allocated:

[5] Additional and renovated floors explicitly sought to leverage viaduct demolition (Miller, 2018)
[6] Estimates of *improved* walkability's effects are resounding: a 1 point bump in Walk Score generated 0.7% increase in net operating income (NOI) and a 0.012% reduction in capitalization rate i.e., overall increase of 0.9% (Pivo & Fisher, 2011).
[7] Current conditions placed Western Avenue between Madison and Marion 2 standard deviations below the mean IMI. No sidewalks were present with virtually no pedestrian features. Renderings of the reconstructed roadway indicate curb bulbs, street trees, median planters, and wide sidewalks increasing IMI to levels above the mean.
[8] Increase in IMI proposed for Western would support increases at Maritime Building rent by more than 27% (Leinberger & Alfonzo, 2012) with concomitant cap rate reductions (Pivo & Fisher, 2011)
[9] Term per Special Benefit study, p 86.
[10] Joseph Arnold at King County Assessor's office writes re: Parcel 197470-0210: "Buildings #1 & #2 … have been demolished – Brought demo permits #6532763 & #6532762 to 100% complete." (Note 2557414) On July 28, 2017 he writes, re: Parcel 197470-0175: "Permit #6532760 for building demo – permit has not been finaled but building is gone" (Note 2569723)

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Surrounded by competitors' properties receiving direct benefits in the form of enhanced pedestrian amenities and new parks, 2+U benefits only from the edge proximity to the park—benefits shared by said competitors who may not have had immediate access to other open space previously. As mentioned, the Maritime Building will accrue significantly more benefit than 2+U by the dramatic improvement of its pedestrian amenities. Holding proximity's positive or negative effects constant between the two properties, then, it would be expected Maritime Building would see an increase in rents and NOI as well as a decrease in cap rate. The Special Benefit applied to the property, however, is disparate ($3,848,000 for Maritime Building and $4,753,000 for 2+U).

The benefit overweighs 2+U's location on the near periphery of the Promenade/Waterfront park whereas data indicates the market places more value on

- marked improvements in pedestrian environment (significantly increasing the parameters of IMI) which are difficult in extant pedestrian friendly areas constructed as a function of 2+U's improvements
- a preferred typology of park typology at a preferred distance from the property ("open, grassy, and large water view are preferred [over] paved surface and concrete structure"[11])

None of these can be said to be directly improving the value of 2+U despite the Valbridge study's characterization.

Respectfully submitted,

Benjamin Scott

[11] Latter parks support negative impacts on values "because they are not introducing a view much different from the rest of the city." (Lin, 2016, p. 87)

References

Balk, G. (2019, April 3). Is Seattle 'dying'? Crime rates tell a different story. *The Seattle Times.*

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Troy, A., & Grove, J. (2008). Property Values, Parks, and Crime: A Hedonic Analysis in Baltimore, MD. *Landscape and Urban Planning, 87*, 233-245.

Figure 1 2+U Southwest corner; view of retail atrium and as-is pedestrian features (Samis Foundation/SCD 2U LLC, 2016)

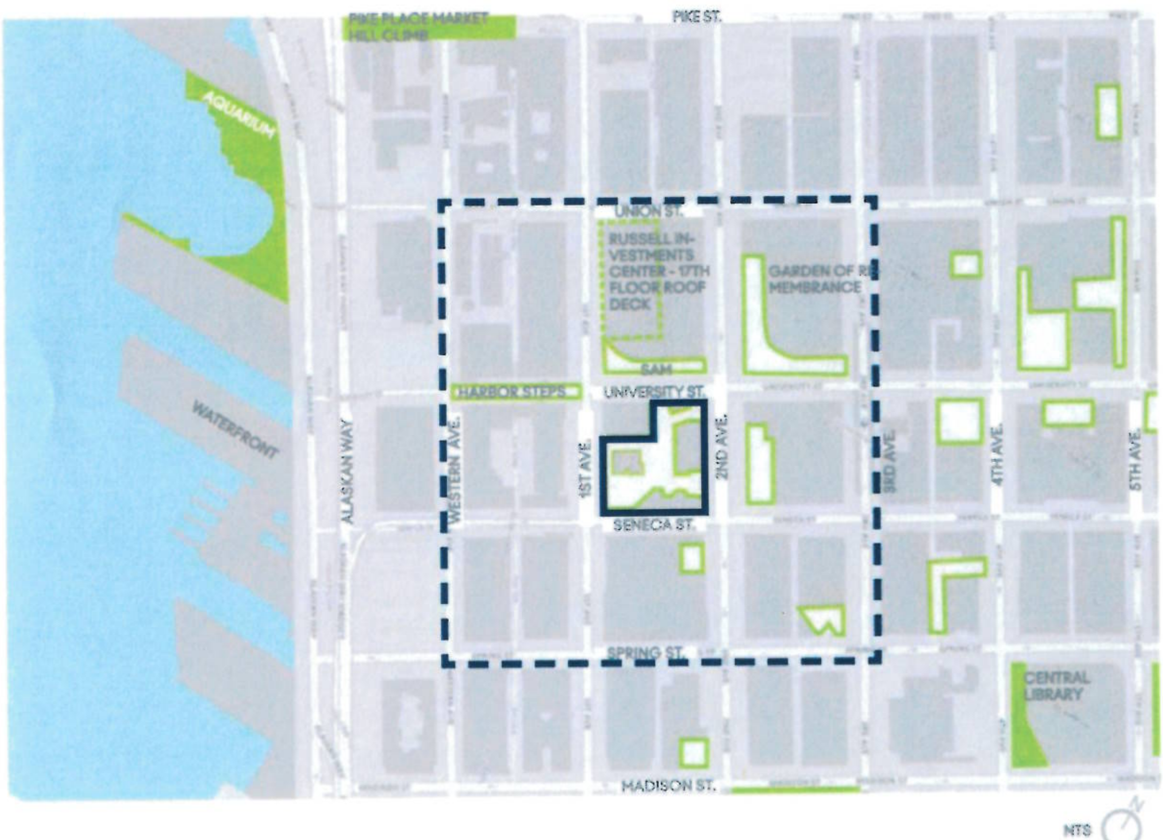

Figure 2 Public/Privately owned accessible open space within 9 block radius of 2+U (Pickard Chilton Architects, 2016)

SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
42
FILE# CWF-0233, et al.

Appeal No.: CWF-0416
Building: The Martin
Owner: GID, Frank Huemmer
Parcel(s): 0696000055
Address: 2105 5th Ave., Seattle, WA 98121
Expert(s): Ben Scott, Northwest Property Tax Consultants

Property Description: A 24 story multifamily apartment building located at 5th Ave. and Lenora Street, lies north of the predominant LID centerline along the Pike/Pine corridor.

Pre-LID Value:	$126,396,000
LID Value %:	0.4%
Special Benefit:	$503,000
Assessment %:	39.2%
Final LID Assessment:	$197,086

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City of Seattle Hearing Examiner
EXHIBIT
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DENIED ___
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FILE# CWF-0 233, et al.

January 31, 2020

Frank Huemmer
GID
125 High Street,
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Boston, MA 02110

R. Gerard Lutz
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA 98004-5579

RE: Waterfront LID No. 6751 Proposed Final Assessment for Parcel No. 069600-0055

Dear Mr. Huemmer and Mr. Lutz:

Per your request, I have considered the calculation of special benefits for the multi-family property The Martin determined in the Valbridge study prepared for the city of Seattle's Waterfront Local Improvement District. I determine the Valbridge study improperly calculated the special benefit for The Martin by omitting relevant model results, data, and assumed impacts cited in the study.

The Martin apartments at 5th Avenue and Lenora Street lies north of the predominant LID centerline along the Pike/Pine corridor. At 24 stories, the 2013 built property was touted for its large units, high-end finishes, and a "quiet atmosphere" (Levy, 2013). Its location caters largely to proximity to the Denny Triangle employment center and immediate amenities. It is unlikely to benefit from LID improvements.

The Waterfront LID will not improve The Martin:

A. Proximity to Amenities

Closest to The Martin at 0.28 miles from the entrance, the Pine Street improvements will be limited to streetscape enhancements. Such improvements are minimal given the high level of the current pedestrian amenities in place along Pine Street at 5th Avenue.[1] Slightly farther away, at approximately 0.30 miles, is the Lenora Pedestrian Bridge. The extant bridge connecting to Alaskan Way will be largely unchanged, receiving plants along the edges minimizing additional value. Lenora between 5th and the bridge is a relatively unpleasant streetscape and pedestrian traffic is much more likely to find alternative, more pleasant routes nearby.

[1] IMI increase based on renderings of the Pine Street enhancements is marginal, adding 3-5 points depending on the block (Leinberger & Alfonzo, 2012). Extant amenities are 2 standard deviations above mean sampled IMI for Seattle streets with and without proposed enhancements.

Following LID improvements, the Pine Street pedestrian amenities will be enhanced. A walk of current conditions demonstrates the high pedestrian friendliness of Pine Street as quantified by an Irvine—Minnesota Inventory (IMI) count (Boarnet, Day, Alfonzo, Forsyth, & Oakes, 2006). Giving consideration to the improvements proposed will only minimally increase the pedestrian amenities from their currently high level. Pine Street, as currently standing, demonstrates an IMI significantly above adjacent, less improved streets[2] suggesting additional benefit would be almost unnoticeable (see Figures 1 and 2). Neighboring apartment tower West Edge on Pike Street between 2nd and 3rd Avenues is better placed to take advantage of improvements, lying on a stretch of Pike with a comparatively hostile pedestrian environment.[3] With the enhancements to Pike Street themselves commercial rents would be expected to increase.[4]

B. Competitive Disadvantage and Inequity of Assessment

Given competitors' properties receiving direct benefits in the form of enhanced pedestrian amenities and new parks, The Martin benefits minimally from the LID—any benefits accrued are shared by said competitors who may not have had immediate access to other open space previously. As mentioned, Volta will accrue significantly more benefit than The Martin by the dramatic improvement of its pedestrian amenities. Similarly, it lies two blocks from the "improved" Lenora footbridge to the waterfront, a block from the LID proposed Battery Street Tunnel Portal Park, and directly up from the Blanchard Overlook. Despite these disproportionate improvements, Volta's special benefit is calculated at $137,000 against The Martin' $503,000.

Elliott Pointe Apartments, located on Elliott and Blanchard just west of Volta, with direct access to the adjacent Bell Street bridge, the newly extended Bell Street Park, and Blanchard Overlook shows a calculated benefit of $213,000. This benefit, nearly 58% less than The Martin, is calculated despite Elliott Pointe's enhanced benefits and far closer proximity to the major improvements closest to The Martin.

Similarly, just north of Elliott Pointe by a block lie Arthouse and Elliott Bay Plaza, both fronting Elliott and nearly as proximate to the Bell Street improvements. Newer and more consistent with The Martin in terms of appeal than Elliott Pointe, both properties are ascribed special benefits markedly less than The Martin at 0.35% and 0.25% of value, respectively. The Martin's calculated benefit, further from all LID amenities is calculated at 0.50%.

Finally, much more central to the waterfront improvements' center, the Second & Pine Apartments a block from Pike Place Market, the Overlook Walk, and other new LID improvements is

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[2] IMI increase based on renderings of the Pike/Pine enhancements is marginal, adding 3-5 points depending on the block. Bringing neighboring streets e.g., Virginia up to the current standard would represent an increase of approximately 22 points, a bit less than one standard deviation. Per LID study "sidewalks may be widened by up to a total of 4 feet [between 2nd and 3rd Avenues but this *is not] part of the LID analysis*" (emphasis added) (Macaulay, 2019, pp. F-8).

[3] Facing an 8-story parking garage, a vacant retail bay and restaurant contributed to this being the second lowest IMI along the Pike/Pine corridor.

[4] Estimates based on LID renderings suggests an approximate increase on IMI scale of 24, potentially indicating a 20% increase in retail rents (Leinberger & Alfonzo, 2012)

calculated to accrue a benefit of $312,000, more than 72% less than that assumed to accrue to The Martin.

Benefits are mis-allocated:

The Martin's additional benefits are assumed to be the Bell Street improvements and the Lenora Street pedestrian bridges with minimal additions from Pike/Pine improvements. Other properties, as noted, with greater proximity to said benefits are ascribed less benefit.

The benefit calculation overweighs The Martin's location on the northeastern side of the LID improvements and apparently discounts other properties better situated to capitalize on the same improvements. Data indicates the market places more value on the latter properties due to their:

- marked improvements in pedestrian environment (significantly increasing the parameters of IMI) which are difficult in extant pedestrian friendly areas
- direct connection with park environments (Bell Street parks) or superior access to them (Bell and Lenora Street pedestrian bridge to the waterfront)

None of these can be said to be directly improving the value of The Martin despite the Valbridge study's characterization.

Respectfully submitted,

Benjamin Scott

References

Balk, G. (2019, April 3). Is Seattle 'dying'? Crime rates tell a different story. *The Seattle Times*.

Boarnet, M. G., Day, K., Alfonzo, M., Forsyth, A., & Oakes, M. (2006). The Irvine—Minnesota Inventory to Measure Built Environments. *American Journal of Preventive Medicine, 30*(2), 153-159.

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SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

City of Seattle Hearing Examiner
EXHIBIT 44
ADMITTED ✓
DENIED ___
FILE# CWF-0233, et al.

Appeal No.: CWF-0412
Building: The Cirrus
Owner: GID, Frank Huemmer
Parcel(s): 0660000575
Address: 2030 8th Ave., Seattle, WA 98121
Expert(s): Ben Scott, Northwest Property Tax Consultants

Property Description: Multifamily apartment building located near the Urban Triangle Park, Denny Park, and McGraw Square at the far boundary of the LID.

Pre-LID Value:	$238,030,000
LID Value %:	0.16%
Special Benefit:	$379,000
Assessment %:	39.2%
Final LID Assessment:	$148,501

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January 31, 2020

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0233, et al.
45

Frank Huemmer
GID
125 High Street,
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Boston, MA 02110

R. Gerard Lutz
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA 98004-5579

RE: Waterfront LID No. 6751 Proposed Final Assessment for Parcel No. 066000-0575

Dear Mr. Huemmer and Mr. Lutz:

Per your request, I have considered the calculation of special benefits for the multifamily property Cirrus determined in the Valbridge study prepared for the city of Seattle's Waterfront Local Improvement District. I determine the Valbridge study improperly calculated the special benefit for Cirrus by omitting relevant property data, model results, and assumed impacts cited in the study as well as the literature.

Cirrus apartments, located at 2030 8th Avenue is situated adjacent to the brand new City of Seattle Urban Triangle Park (included in Cirrus' planning documents in 2010). It is 3 blocks from both the recently improved Denny Park and McGraw Square and emphasizes its proximity to Seattle Center and Space Needle views. This location, at the far boundary of the Waterfront LID will receive little to no direct benefits.

The Waterfront LID will not improve Cirrus' condition:

A. Proximity to Amenities

The nearest direct improvements as part of the Waterfront LID—Pine Street at 8th Avenue—are 0.32 miles from Cirrus. These are in the form of pedestrian improvements to the sidewalks. Bell Street west of 1st Avenue, 0.62 miles from Cirrus, will see a more parklike improvement as it continues the extant Bell Street Park from its beginning west of 5th Avenue (0.32 miles away). The latter is only marginally improved as pedestrians will pass 4 blocks of extant parklike streetscape before finding the new improvements.

Following Lenora west, the LID will add plantings to the existing Lenora pedestrian bridge but make virtually no other improvements to the "bridge to nowhere." (Shaw, 1996) Such a change will have minimal impact on Cirrus.

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Pine Street sidewalk improvements are unlikely to be noticed in relation to Cirrus—it has long been marketed for its proximity to the Denny Triangle center of gravity and its surrounding amenities.[1] Improvements far outside this neighborhood that mirror extant, more proximate amenities are unlikely to be considered by tenants, management, or potential buyers.

B. Improvements to Competitive Properties

As noted, Cirrus' immediate improvements due to the LID are limited. Competitive multifamily properties receiving more significant benefits will accrue value, driving up rents. Volta, for instance, at 1st Avenue and Bell Street will benefit much more significantly from pedestrian improvements included in the LID.[2]

Benefits are mis-allocated:

Given competitors' properties receiving direct benefits in the form of enhanced pedestrian amenities and new parks, Cirrus benefits minimally from the LID—any benefits accrued are shared by said competitors who may not have had immediate access to other open space previously. As mentioned, Volta will accrue significantly more benefit than Cirrus by the dramatic improvement of its pedestrian amenities. Similarly, it lies two blocks from the "improved" Lenora footbridge to the waterfront, a block from the LID proposed Battery Street Tunnel Portal Park, and directly up from the Blanchard Overlook. Despite these disproportionate improvements, Volta's special benefit is calculated at $137,000 against Cirrus' $379,000.

Elliott Pointe Apartments, located on Elliott and Blanchard just west of Volta, with direct access to the adjacent Bell Street bridge, the newly extended Bell Street Park, and Blanchard Overlook shows a calculated benefit of $213,000. This benefit, nearly 44% less than Cirrus, is calculated despite Elliott Pointe's enhanced benefits and far closer proximity to the major improvements closest to Cirrus.

Finally, much more central to the waterfront improvements' center, the Second & Pine Apartments a block from Pike Place Market, the Overlook Walk, and other new LID improvements is calculated to accrue a benefit of $312,000, more than 17% less than that assumed to accrue to Cirrus.

---

[1] "L'abbe considers [Cirrus] part of South Lake Union. They are about a block from Amazon.com's new campus and within walking distance of other Amazon buildings." (Levy, 2015)

[2] An estimated IMI increase of 23 points along Bell Street between 1st and Western Avenues by extending the Bell Street Park (currently ending at 1st Avenue) would suggest an almost 20% increase in rents for Volta, fronting Bell Street (Leinberger & Alfonzo, 2012, p. 9) with a concomitant decrease in cap rate of up to 0.019% (Pivo & Fisher, 2011).

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The benefit ascribed to Cirrus' location at the very edge of the LID ignores

- marked improvements in pedestrian environment (significantly increasing the parameters of IMI)
- more proximate examples of extant, preferred typology of park ("open, grassy, and large water view are preferred [over] paved surface and concrete structure"[3])
- that the orientation of interest in its location lies not toward waterfront amenities but those of the adjacent South Lake Union neighborhood

None of these can be said to be directly improving the value of Cirrus despite the Valbridge study's characterization.

Respectfully submitted,

Benjamin Scott

[3] Latter parks support negative impacts on values "because they are not introducing a view much different from the rest of the city." (Lin, 2016, p. 87) The former are present within blocks of Cirrus i.e., more preferable locations much closer than those posed by the LID.

References

Leinberger, C. B., & Alfonzo, M. (2012). *Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C.* The Brookings Institution.

Levy, N. (2015, October 27). GID's 41-Story Tower Comes with Big Units — and Rents up to $7,500. *Daily Journal of Commerce*.

Lin, I.-H. (2016). *Assessing the Effect of Parks on Surrounding Property Values Using Hedonic Models and Multilevel Models.* PhD Thesis, University of Wisconsin - Milwaukee, Department of Geography, Milwaukee, WA.

Pickard Chilton Architects. (2016). *1201 2nd Avenue - Design Proposal - DPD #3019177.* Seattle.

Pivo, G., & Fisher, J. D. (2011). The Walkability Premium in Commercial Real Estate Investments. *Real Estate Economics, 39*, 185-219.

Shaw, L. (1996, May 9). Footbridges Make Good Neighbors. *Daily Journal of Commerce*.

SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
46
FILE# CWF-0237, et al.

Appeal Nos.: CWF-0410 & CWF-0411
Building: The Stratus
Owner: GID, Frank Huemmer
Parcel(s): 0660000540, 0660000545
Address: 2118 Westlake Ave./ 2101 9th Ave., Seattle, WA 98121
Expert(s): Ben Scott, Northwest Property Tax Consultants

Property Description: Multifamily apartment building located near the Urban Triangle Park, Denny Park, and McGraw Square at the far boundary of the LID.

0660000540

Pre-LID Value:	$12,285,000
LID Value %:	0.15%
Special Benefit:	$18,000
Assessment %:	39.2%
Final LID Assessment:	$7,053

0660000545

Pre-LID Value:	$345,614,000
LID Value %:	0.12%
Special Benefit:	$424,000
Assessment %:	39.2%
Final LID Assessment:	$166,133

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Seattle, WA 98104

January 31, 2020

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓ 47
DENIED ___
FILE# CWF-0233, et al.

Frank Huemmer
GID
125 High Street,
High Street Tower, 27th Floor
Boston, MA 02110

R. Gerard Lutz
Perkins Coie LLP
10885 NE Fourth Street, Suite 700
Bellevue, WA 98004-5579

RE: Waterfront LID No. 6751 Proposed Final Assessment for Parcels No. 066000-0545 and 066000-0540

Dear Mr. Huemmer and Mr. Lutz:

Per your request, I have considered the calculation of special benefits for the multifamily property Stratus determined in the Valbridge study prepared for the city of Seattle's Waterfront Local Improvement District. I determine the Valbridge study improperly calculated the special benefit for Stratus by omitting relevant property data, model results, and assumed impacts cited in the study as well as the literature.

Stratus apartments, located at 820 Lenora is situated adjacent to the brand new City of Seattle Urban Triangle Park (included in Stratus' planning documents in 2010). It is 3 blocks from both the recently improved Denny Park and McGraw Square and emphasizes its proximity to Seattle Center and Space Needle views. This location, at the far boundary of the Waterfront LID will receive little to no direct benefits.

The Waterfront LID will not improve Stratus' condition:

A. Proximity to Amenities

The nearest direct improvements as part of the Waterfront LID—Pine Street at 8th Avenue—are 0.33 miles from Stratus. These are in the form of pedestrian improvements to the sidewalks. Bell Street west of 1st Avenue, 0.64 miles from Stratus, will see a more parklike improvement as it continues the extant Bell Street Park from its beginning west of 5th Avenue (0.33 miles away). The latter is only marginally improved as pedestrians will pass 4 blocks of extant parklike streetscape before finding the new improvements.

Following Lenora west, the LID will add plantings to the existing Lenora pedestrian bridge but make virtually no other improvements to the "bridge to nowhere." (Shaw, 1996) Such a change will have minimal impact on Stratus.

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Pine Street sidewalk improvements are unlikely to be noticed in relation to Stratus—it has long been marketed for its proximity to the Denny Triangle center of gravity and its surrounding amenities.[1] Improvements far outside this neighborhood that mirror extant, more proximate amenities are unlikely to be considered by tenants, management, or potential buyers.

B. Improvements to Competitive Properties

As noted, Stratus' immediate improvements due to the LID are limited. Competitive multifamily properties receiving more significant benefits will accrue value, driving up rents. Volta, for instance, at 1st Avenue and Bell Street will benefit much more significantly from pedestrian improvements included in the LID.[2]

Benefits are mis-allocated:

Given competitors' properties receiving direct benefits in the form of enhanced pedestrian amenities and new parks, Stratus benefits minimally from the LID—any benefits accrued are shared by said competitors who may not have had immediate access to other open space previously. As mentioned, Volta will accrue significantly more benefit than Stratus by the dramatic improvement of its pedestrian amenities. Similarly, it lies two blocks from the "improved" Lenora footbridge to the waterfront, a block from the LID proposed Battery Street Tunnel Portal Park, and directly up from the Blanchard Overlook. Despite these disproportionate improvements, Volta's special benefit is calculated at $137,000 against Stratus' $444,000.

Elliott Pointe Apartments, located on Elliott and Blanchard just west of Volta, with direct access to the adjacent Bell Street bridge, the newly extended Bell Street Park, and Blanchard Overlook shows a calculated benefit of $213,000. This benefit, 52% less than Stratus, is calculated despite Elliott Pointe's enhanced benefits and far closer proximity to the major improvements closest to Stratus.

Finally, much more central to the waterfront improvements' center, the Second & Pine Apartments a block from Pike Place Market, the Overlook Walk, and other new LID improvements is calculated to accrue a benefit of $312,000, nearly 30% less than that assumed to accrue to Stratus.

The benefit ascribed to Stratus' location at the very edge of the LID ignores

- marked improvements in pedestrian environment (significantly increasing the parameters of IMI)

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[1] "L'abbe considers [Stratus and Cirrus] part of South Lake Union. They are about a block from Amazon.com's new campus and within walking distance of other Amazon buildings." (Levy, 2015)

[2] An estimated IMI increase of 23 points along Bell Street between 1st and Western Avenues by extending the Bell Street Park (currently ending at 1st Avenue) would suggest an almost 20% increase in rents for Volta, fronting Bell Street (Leinberger & Alfonzo, 2012, p. 9) with a concomitant decrease in cap rate of up to 0.019% (Pivo & Fisher, 2011).

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- more proximate examples of extant, preferred typology of park ("open, grassy, and large water view are preferred [over] paved surface and concrete structure"[3])
- that the orientation of interest in its location lies not toward waterfront amenities but those of the adjacent South Lake Union neighborhood

None of these can be said to be directly improving the value of Stratus despite the Valbridge study's characterization.

Respectfully submitted,

Benjamin Scott

[3] Latter parks support negative impacts on values "because they are not introducing a view much different from the rest of the city." (Lin, 2016, p. 87) The former are present within blocks of Stratus i.e., more preferable locations much closer than those posed by the LID.

References

Leinberger, C. B., & Alfonzo, M. (2012). *Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C.* The Brookings Institution.

Levy, N. (2015, October 27). GID's 41-Story Tower Comes with Big Units — and Rents up to $7,500. *Daily Journal of Commerce*.

Lin, I.-H. (2016). *Assessing the Effect of Parks on Surrounding Property Values Using Hedonic Models and Multilevel Models.* PhD Thesis, University of Wisconsin - Milwaukee, Department of Geography, Milwaukee, WA.

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Shaw, L. (1996, May 9). Footbridges Make Good Neighbors. *Daily Journal of Commerce*.

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0 235, et al.
48

Kidder Mathews

EXHIBIT 1 – ATTACHMENT TO APPRAISAL REVIEW

This attachment provides support for the opinions in the accompanying appraisal review. It is not intended to be a standalone document and can only be used in conjunction with that appraisal review report.

This letter provides a descriptive overview of the Waterfront Seattle Project (Project) proposed by the City of Seattle and the appropriateness of the Special Benefit/Proportionate Assessment Study (Study) prepared by ABS Valuation for assigning assessments to properties for partial funding of the Project through a Local Improvement District (LID) special assessment.

Executive Summary

Following the removal of the Alaskan Way Viaduct, the City of Seattle plans to construct a park promenade along the water, construct a new surface street along Alaskan Way, rebuild Pier 58 and Pier 62, build an elevated connection from Pike Place Market to the waterfront, and improve east-west connections between downtown and Elliott Bay. The Project will be a $724M investment planned for completion by 2024.

The City adopted the ordinance to create the formation of the LID for partial payment of the Project. ABS Valuation prepared their Study with an October 1, 2019 date of value released to the public on or about January 10, 2020. The Study estimates the before and after value of property within a defined LID boundary area. The report includes 6,238 properties within the LID boundary and concludes a value increase because of the Project equal to $447M. The City has allocated $175.5M of the Project cost to these properties through the formation of the LID.

A LID is an unusual funding mechanism, especially for a project of this magnitude. The last major LID formed in the region was for the South Lake Union Streetcar in 2007. Funding for the park projects noted in the Study and accompanying reports was from tax incremental financing, transportation funds, City, State or Federal funds and grants, public, private, or philanthropy. None were funded with a LID.

It is important to understand the property conditions before and after the LID improvements that the Study is attempting to value. The Project is a component of a larger effort to restore the Seattle waterfront following the removal of the Alaskan Way Viaduct. As part of its removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements to current design standards regardless of the LID improvements. The LID improvements add on to a project that is already schedule for construction.

Up to the release of the Study, the condition of the property before the LID improvements was largely unknown because the City had not prepared drawings and exhibits showing the difference in the property before and after with the LID improvements in place. These conditions were just provided as an addendum to the Study and help explain the marginal difference between the property condition before and after the LID improvements.

From this, the Study attempts to determine the value increase from these LID improvements for a very large grouping of properties from what would already have been a very desirable property condition without the LID improvements.

It is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place.

1. The difference in the property condition before and after the LID improvements are in place is overstated.
2. The LID improvements provide a general, not special benefit. There is insufficient evidence in the Study to conclude that the LID improvements provide special benefits to the properties in the LID boundary.
3. The LID boundary area is too large.
4. The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals, and therefore is remote and speculative.
5. There is inequitable analysis between property types and uses.
6. Many values are overstated.
7. The Study relies on a report prepared by HR&A Advisors that fails to consider the economic impacts if the LID improvements were not funded.

1. <u>Difference in the Before and After Condition</u>

The Study gives the impression that the LID improvements will transform the Project to a greater level of improvement than will actually be realized.

The LID improvements will convert public space to a dedicated park, but it does not bring better connectivity to Pioneer Square, north towards Colman Dock and the retail piers (54 through 57) to Union Street. Those connections already exist.

The Study states: "... With the LID project completed, accessibility to the waterfront from nearby areas including the Pike Place Market, downtown business district and Pioneer Square will vastly improve. On an overall basis, referring the economic studies and rating system discussed herein, *the waterfront area in general improves from a subjective quality rating of <u>average in the "before" scenario to excellent with the LID project completed</u>*."

The Overlook Walk will provide a grand entrance from the Market to the waterfront, but for decades, tourists and visitors have found their way to the waterfront. Access to the waterfront from downtown Seattle will improve near Pike Place Market in the after condition, but the improvement is not such that it creates a special benefit.

Properties around the Project will still enjoy the spectacular views west towards Puget Sound, the Olympic Mountains to the south towards Mount Rainer, some of the many reasons visitors are *attracted* to Seattle. Adding the LID improvements marginally enhances that experience above and beyond what would be in place without the LID improvements. Even today, with all the construction from the removal of the Alaskan Way Viaduct, Sea Wall replacement and Washington State Ferry Terminal construction, the waterfront remains an active and vibrant

tourist destination. There is no market evidence in the report that waterfront access would change from average to excellent because of the LID improvements.

There are too many other amenities in the region attracting tourism to suggest that the LID improvements singularly will cause property values to increase. Seattle is already blessed with attractions like the Pike Place Market, Pioneer Square, International District, Seattle Center, Space Needle, Chihuly Garden and Glass, Seattle Monorail, Seattle Art Museum, Washington State Ferries, the Great Wheel, T-Mobile Park, CenturyLink Field, Hiram Chittenden Locks, Discovery and Myrtle Edwards Parks. There is competition for tourist dollars from these area attractions. It's virtually impossible to identify a percentage of value increase from the LID improvements, and to conclude that the LID improvements will substantively change visitor preferences is remote and speculative.

There are consequences from the LID improvements not considered in the report, such as losing street parking. The renderings show a loss of at least 60 parking stalls along Alaskan Way in a market already short of parking. Also not considered are the impacts to properties where tree density will increase, and views will be lost from the lower level of some buildings.

The Study also ignores the impacts for development not expected to be completed until 2023/2024. Work will be ongoing including the completion of Pier 62, construction of a new pedestrian bridge, stairs and an elevator on Union Street from Western Avenue to Alaskan Way. In 2021, the Overlook Walk, a main park promenade along the water and piers with a bike bath, a new park on Pier 58 and additional connections to Colman Dock will be built. The new Seattle Aquarium Ocean Pavilion will not be completed until 2024. The Study also ignores the uncertainty of completing a five-year project on time, nor does it consider changes in project scope or cost overruns, real elements in any development the magnitude of the Project.

It also ignores the impacts of construction over the next five years in its analysis. The construction along the waterfront has been disruptive and has negatively affected property value. Retail sales are down and will expect to be soft during project construction.

The following exhibits present a better visual of the difference before and after the LID improvements. The most impactful consist of the Promenade, Pier 58 decking, Union Street Staircase and Overlook Walk. While the LID improvements create a more park like setting, the condition of the roads, bike trails, landscaping and streetscape after completion is marginally improved from the condition before. The reader can see the marginal increase in property condition that visitors will experience because of the LID improvements.

Kidder Mathews

Promenade

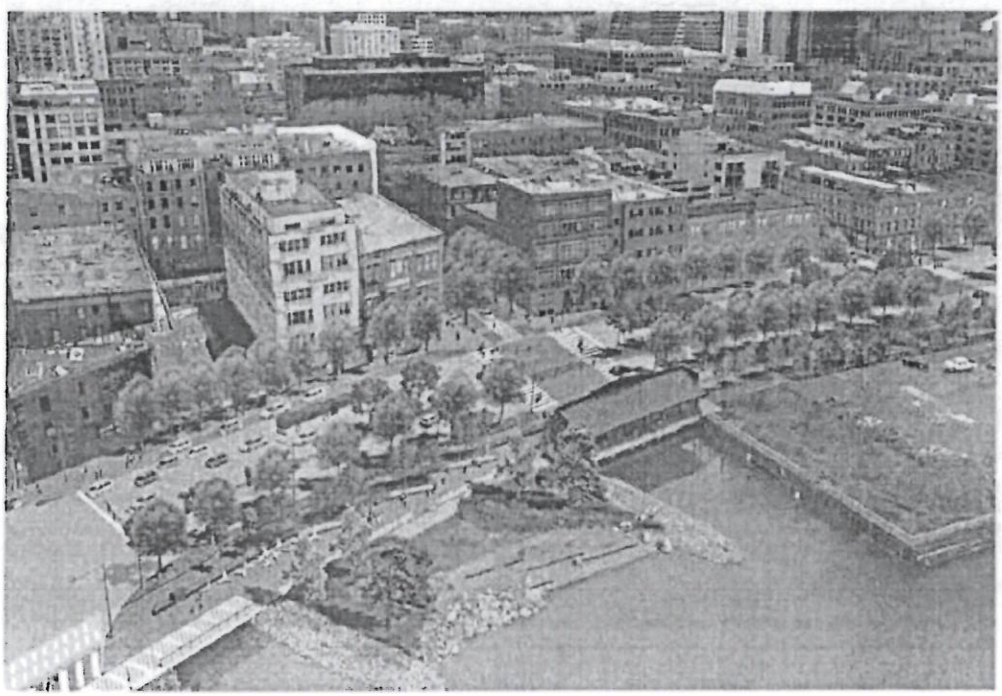
Before

After

The area along Elliott Bay stretching from about Pine Street south to Dearborn Street will add landscaping, pedestrian corridors, bike paths, and park elements (benches, artwork, etc.).

Before

After



Kidder Mathews

Pier 58

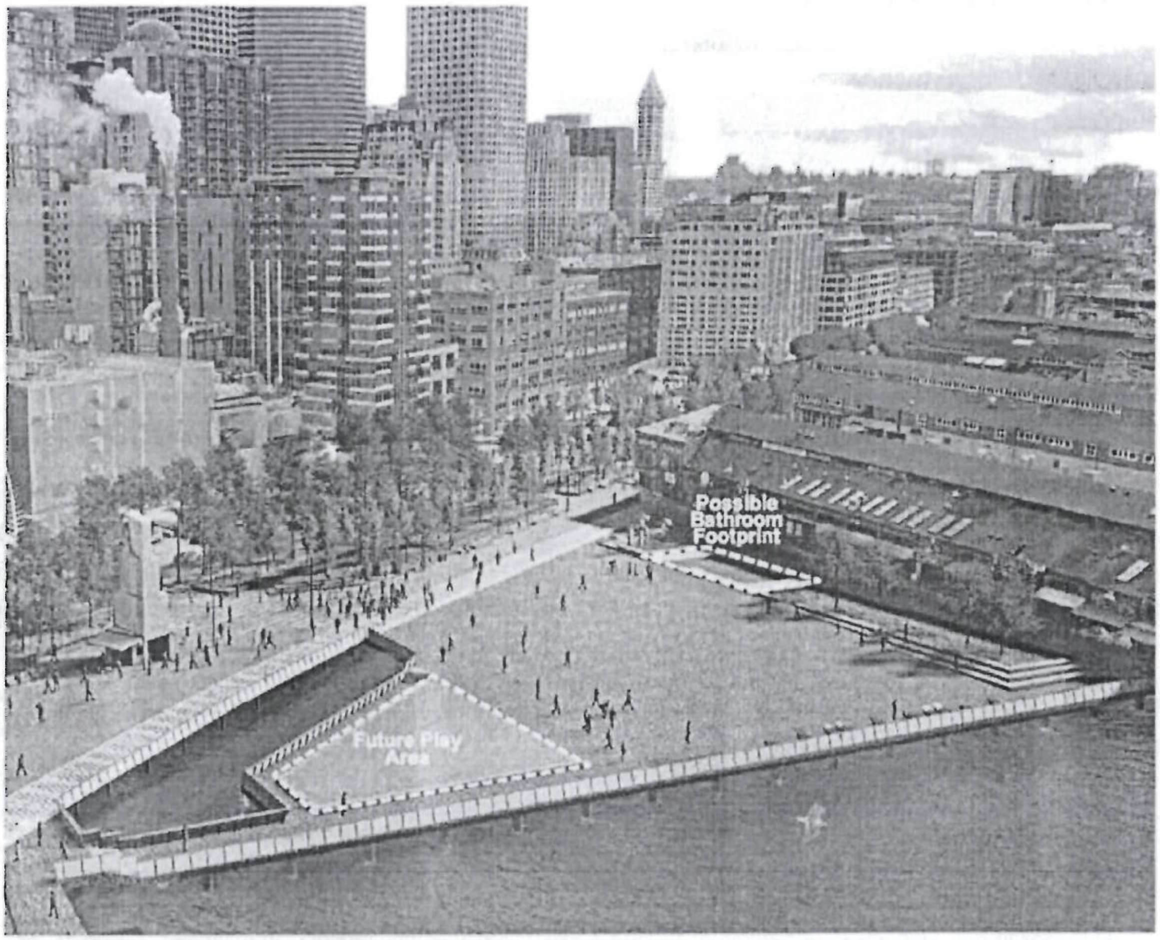
Waterfront Park is improved with a boardwalk & a pair of sculptures, plus views of the skyline & ships in dry-dock. There is a mix of plantings, public gathering areas and concrete amphitheater, fountain and seating areas.

Before

Kidder Mathews

After

The LID improvements will create a larger platform with children's play area and raised lawn area. The possible bathroom would not be funded by the LID.



Kidder Mathews

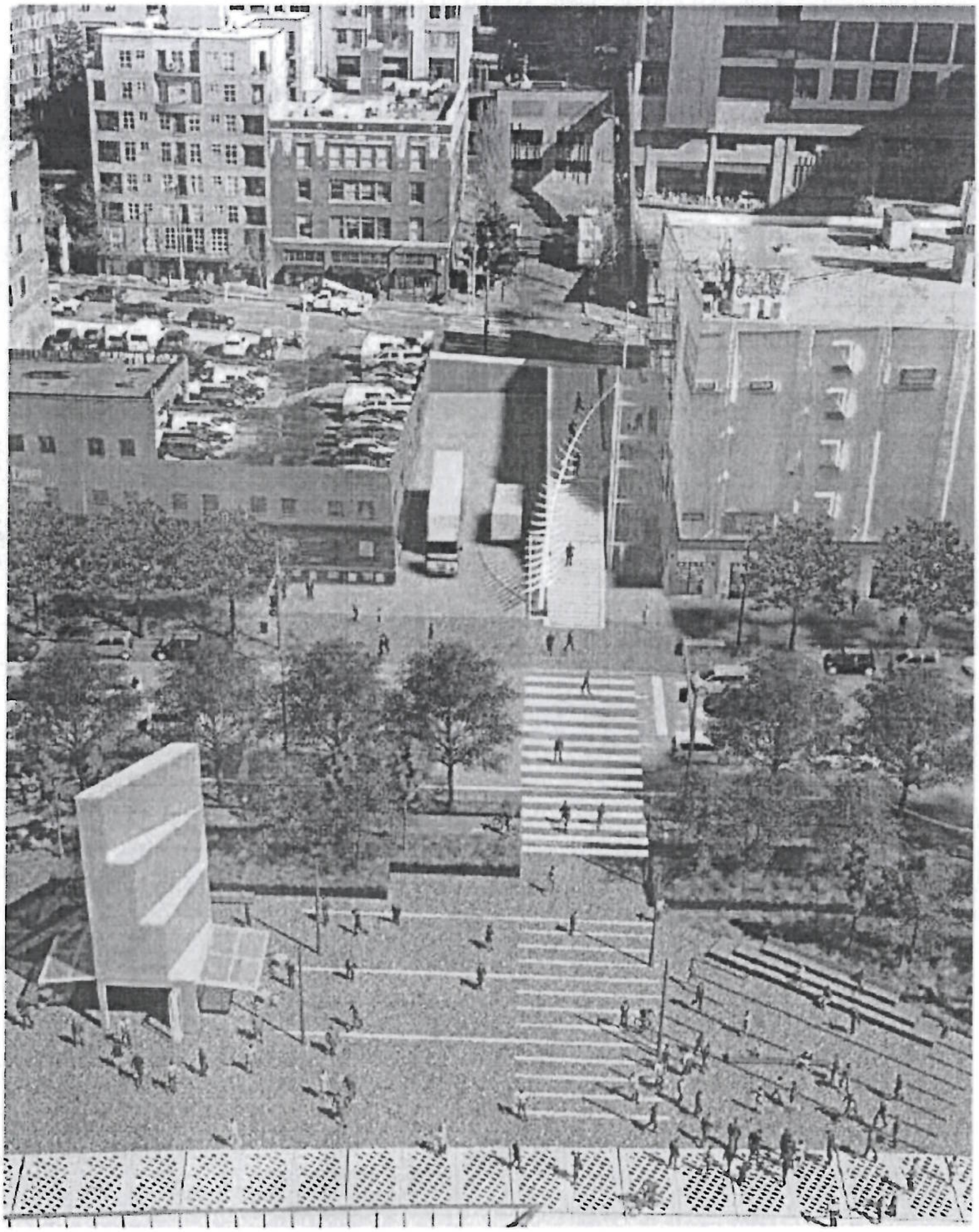
Union Street Pedestrian Extension

Present access from downtown Seattle is along a staircase leading down from the Four Seasons Hotel, to another staircase from Western Avenue to Alaskan Way.

Before

After

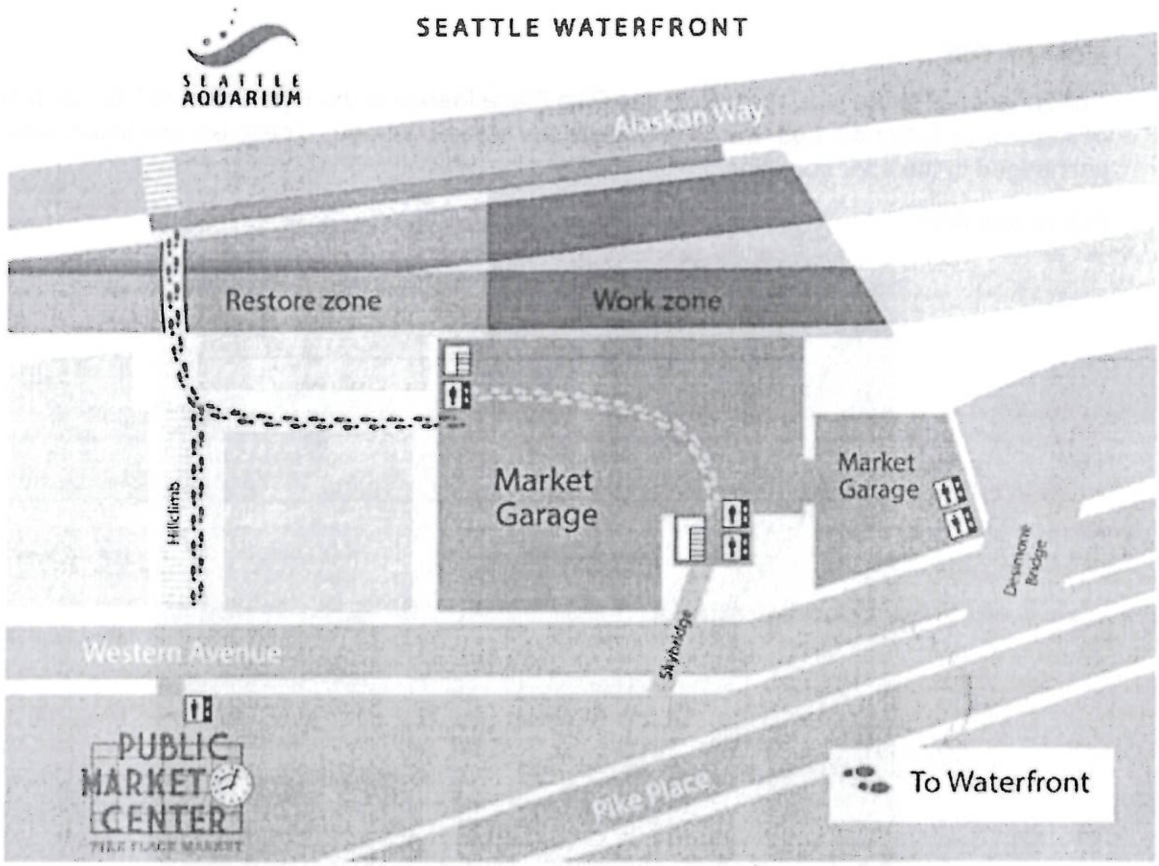
Improvements will include a new staircase, pedestrian areas, benches and artwork.



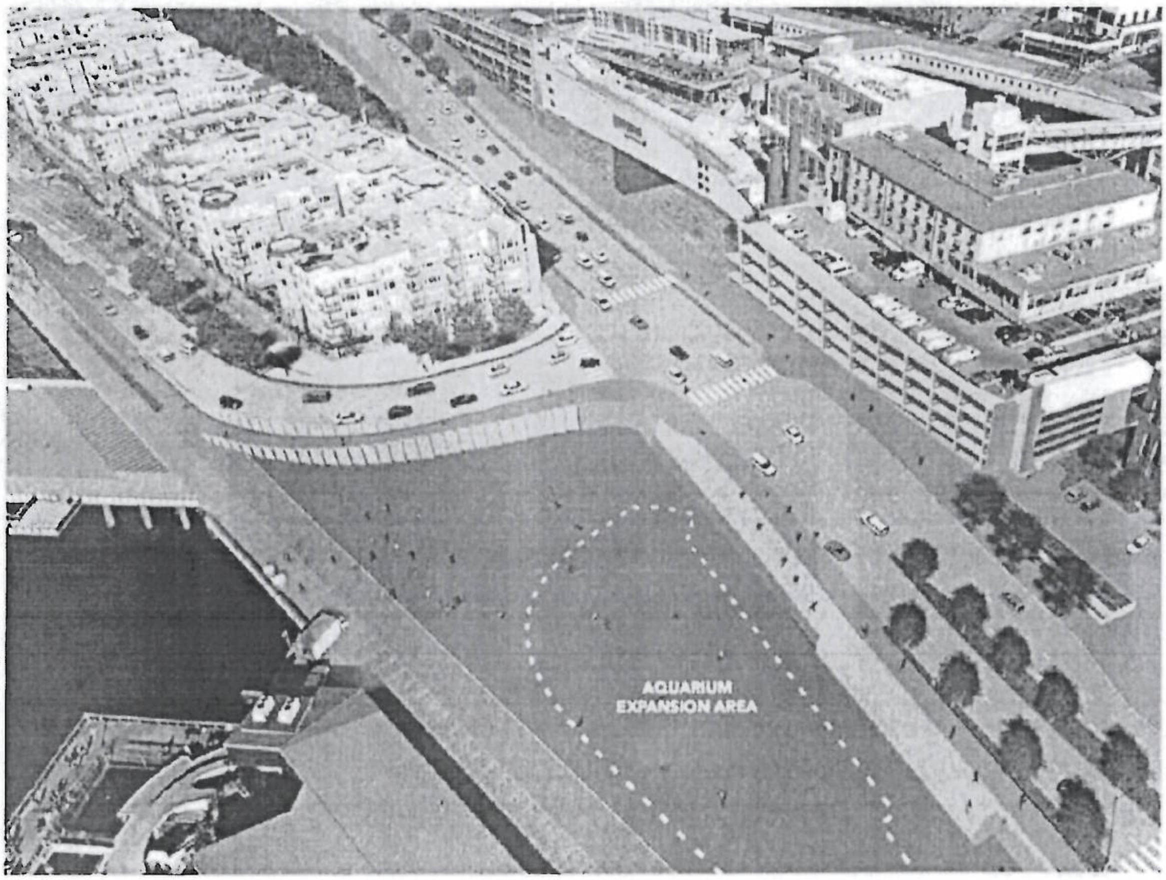
Overlook Walk

Current access to the waterfront from the Pike Place Market is the Pike Street Hill Climb, a series of steps or by elevators from the Skybridge to the Market Garage. These access points remain unchanged in the after condition.

Before and After

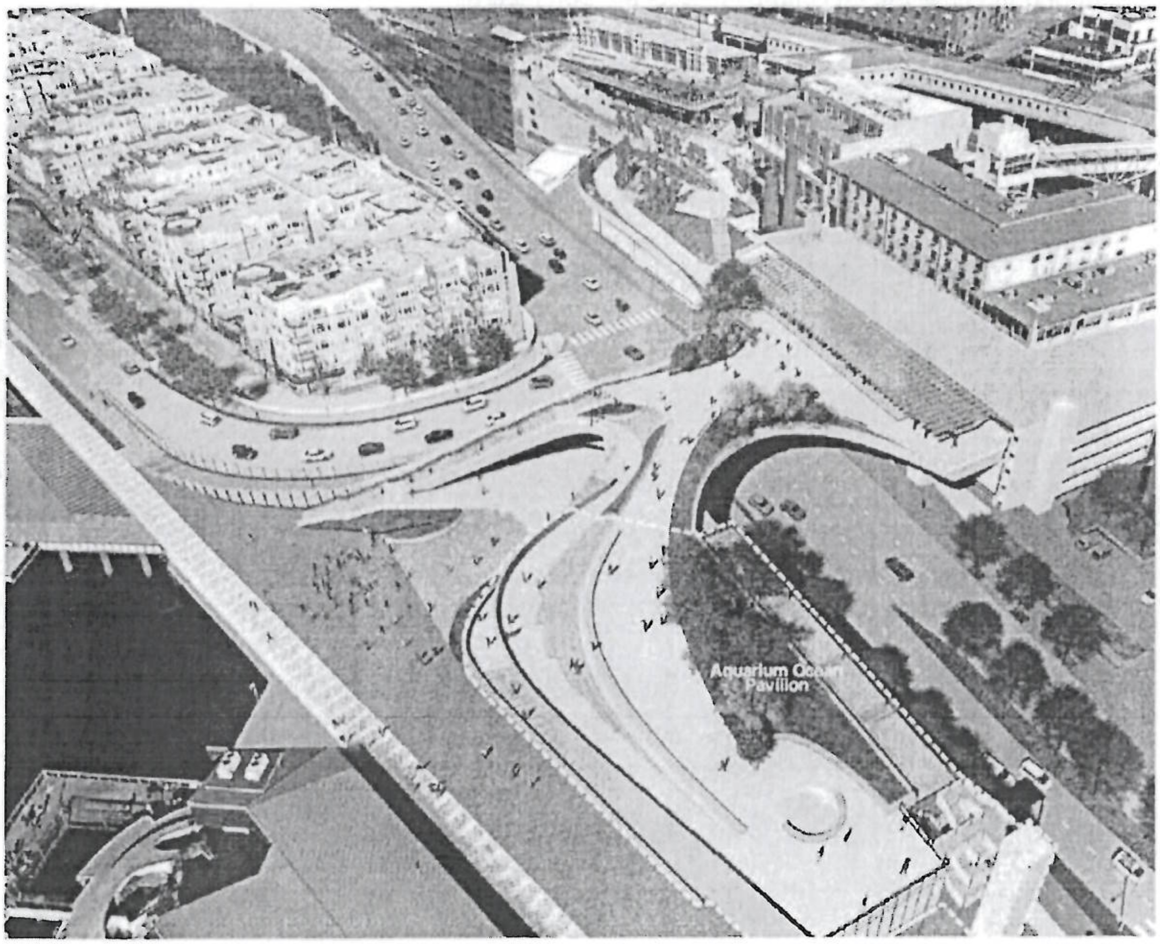

SEATTLE WATERFRONT
SEATTLE AQUARIUM
Alaskan Way
Restore zone
Work zone
Market Garage
Market Garage
Hillclimb
Skybridge
Desimone Bridge
Western Avenue
PUBLIC MARKET CENTER
Pike Place
To Waterfront

The rendering for the property in the before condition after the Alaskan Way realignment is shown below. The Pike Street Hill Climb and Skybridge/Market Garage elevators would remain as the primary points of access to and from the market. The rendering is a little misleading because it does not include the new $113M Seattle Aquarium pavilion in the before condition. The Project will include $34M in already identified City of Seattle funding as part of the Project outside of the LID improvement cost. The remaining costs will be funded by $60M in private donations and $19M from King County, Washington State and Federal sources. It is expected to be completed by 2024. The rendering shows a "no aquarium" alternative when in reality, it should be in place around the time the LID improvements are completed.



After

The Overlook Walk is the most significant improvement of the project. A pedestrian bridge and landscaped public space will cross over the Elliott Way surface street. It will include substantial public open space connecting the north end of the Pike Place Market with the waterfront. The Pike Street Hill Climb and Skybridge elevators are still in place in the after condition, and the aquarium improvements are shown as completed.



2. <u>General versus Special Benefits</u>

General benefits are easy to recognize such as an improved system of highways, or regional airport or new ferry terminal, since everybody in a community benefits from that improvement. General benefits are those that accrue to an entire neighborhood, community or region.

Special benefits are more difficult to define. They add value to a property because of a specific improvement as distinguished from those enjoyed by the public. Special benefits are easy to recognize when there is an actual physical improvement to a property, such as when water or sewer lines are installed, or a storm water retention system to keep a property from flooding is added, or a new freeway off-ramp serving an area once distant from freeway access is built. The benefit must result directly, uniquely and specifically from the public project to individual parcels.

The Study fails to properly determine that the LID improvements create special benefits to the properties within the LID boundary area. The case examples in the Study provide only anecdotal information about the project's general benefits. It does not employ a traditional "matched pair" analysis that would provide discrete value increase metrics from sale transactions for properties near these projects compared with those removed from the project influence. The proper measure of benefit is to compare like property transactions with and without the variable that is the project.

Moreover, the value increases noted in case studies contained in the report are not reflective of conditions even close to the LID improvement component of the project and are misleading. Virtually every case example cited in the Study are substantially more impactful than the LID improvement project. The High Line in New York City, for example, was an abandoned and unused elevated railroad that was a barrier and blight to the adjoining properties. The project improvements were so substantial, that it is now one of the more noted gentrification initiatives in the country. The Rose Kennedy Greenway in Boston also brought a major change to the area. The surface interstate highway was put underground and converted to a regional park. Not only had the interstate generated noise, it had posed a physical barrier that separated neighborhoods, whereas the project eliminated the noise and allowed for recreation and walking between neighborhoods.

We researched the case studies cited in both the Study and referenced HR&A reports. The changes in the condition before and after were so substantial that they dwarf the difference between the condition of the property before and after the LID improvements, and are not credible sources for opinions of value. Examples of the case studies used in the Study are discussed below.

Tom McCall Waterfront Park, Portland OR

Before

The original 37-acre park was completed in 1984. The park was doubled in size following its southern expansion in 1999, resulting in a public space that spans about 1.5 miles on the west side of Willamette River. While the park offered water views, the park itself and the immediate neighborhoods adjacent to the park, and extending north and south from Burnside, were considered unsafe and not attractive. Upgrades were needed to the seawall. Public events such as the Saturday Market and the Portland Blues Festival were established.

After

Redevelopment of the park was completed in 2011. The primary arterial, Naito Parkway, was reconfigured and overall improvements to the park included new pathways, public gardens, fountain upgrades, and construction of three plazas for events. Salmon Springs Plaza on the north end allowed for the expansion of the Saturday Market. A waterfront esplanade extends the full length of the park from RiverPlace Hotel on the south end to the Japanese-American Historical Plaza on the north. Coinciding with park renovation were new housing development projects (The Yards) and upgrades to trees, sidewalks, and signage on adjacent access streets. Perception has changed from unsafe and limited upside to a marketable destination. While these improvements are superior to the condition of the property before, it's not clear that values have increased because of them.

Rose Kennedy Greenway, Boston MA

Before

Elevated JFK Expressway separated the east and west portions of town for 1.5 miles. Downtown was disconnected from the Waterfront. The expressway was demolished and I-93 was relocated underground following the Big Dig that started in 1991. The result was a cleared, graded site, with gravel and no enhancement factor, but the neighborhoods were at least connected.

After

Independent non-profit, The Greenway Conservancy was established in 2004 to guide development and raise funds via endowment. The 17-acre park opened in October 2008 and can be best described as a linear park that spans over one mile across several Downtown Boston neighborhoods (Chinatown, Fi-Di, Waterfront, and Northend). Only a small eastern portion of the park has waterfront view or access; however, the park did connect Downtown with the Waterfront. Park features include gardens, promenade, sculptures, seating, trees, and greenspace. In 2008, State Legislation established a 50/50 Public-Private-Partnership (PPP), with Greenway Conservancy being appointed steward and operator in 2009. A new agreement was announced in 2017 dictating operational financing. The breakdown includes State/City 20%, New Greenway Business Improvement District (BID) 20%, and Greenway Conservancy 60% generated through private donations.

Hudson River Park, New York NY

Before
500+ acres of West Manhattan with water view but considered as wasteland.

After
After 30 years of planning, Friends of Hudson River Park were behind the effort to redevelop. Completed in the early 2000s, this project led to the complete redevelopment of the neighborhood. Park features included sports fields, recreation, walking and bike paths, waterfront promenade, and other amenities. Dramatic change in land use, private investment, and politics were required to make this project so. The project magnitude was well beyond the Seattle project.

The Embarcadero, San Francisco, CA

Before
Post-Earthquake (1989), the city demolished the highway in 1991. The Bayfront was disconnected from Downtown San Francisco and considered under-utilized. This area of San Francisco was considered an industrial service corridor.

After
Complete transformation; however the park project coincided with demolition opening once blocked waterfront view. This was around the time of the economic boom associated with the 1990's economy and Dot-Com era. All work was completed by early 2000's. City streets connected to the Embarcadero, a boulevard that runs along the waterfront, and sidewalks offered immediate waterfront and park access. Led to easier access to southern bay front and redevelopment of SOMA, (south of market), AT&T Park, and the new Arena, etc. This is a dramatically different level of improvement than those that will be realized from the LID improvements.

Millennium Park, Chicago Il

Before
Existing Grant Park and location in between downtown and major highway. This area was home to the Illinois Central rail yards, parking lots, and vacant underutilized land.

After
The rail yard was converted to one of the world's largest green roofs. New park features include significant green space, major art installations such as the Bean, skating rink, pedestrian bridge, theatre, promenade, and an outdoor auditorium. The park is operated by the Chicago Department of Cultural Affairs and managed by MB Real Estate. The total cost of the park was $475MM, equating to three times its original $150MM budget; however, it has become the number one tourist attraction in the Midwest, as of 2015.

False Creek Viaduct Replacement, Vancouver BC

Before
The Southeast False Creek project is the third and final segment of the waterfront revitalization plan. The City owned 80-acre area has historically been industrial with significant areas of undeveloped land. It is also the location of the aging Georgia and Dunsmuir Viaducts.

After
The City plans to demolish the viaducts and through private and public funding rezone and designate the entire area for redevelopment including new road infrastructure, opens space and development sites. There will be defined districts – Events and Entertainment District, Park District and Main Street District, each with development expected to provide the development of several million square feet of office and hundreds of multifamily housing, along with supporting retail uses. This redevelopment will have a dramatically different scale of impact to property values when compared with the LID improvement component of the larger Project.

High Line, New York City, NY

Before
Elevated rail infrastructure built in 1930's. The southern section was demolished in the 1960's, with last portion of demo in 1991. Remaining section spans from Meatpacking District, extending north through West Chelsea. Abandoned warehouses, lots of graffiti and area considered an eyesore. By 2006, an area of West Chelsea was rezoned to a special district to accommodate a public park. CSX, a supplier of rail-based freight transportation in North America, donated the right-of-way and infrastructure in 2005. Ground broke in 2006, first segment opened in 2009. In 2012, the second segment was completed (20th - 30th) and zoning changes were approved to allow the third segment to open in 2014 (30th - 40th).

After
The completed product is a 1.45-mile long greenway maintained and operated through a public/private partnership between Friends of the Highline and NYC. The space is considered a tourist destination. In addition, the High Line is used to support many public programs including teen-engagement, art, and performance.
From an economic standpoint, real estate values near the park were driven up by speculators during the planning and development phases. The park is now an anchor and tourist attraction in the West Chelsea and Meatpacking Districts. Property values and retail/condo markets have experienced significant positive benefits.

According to Friends of the High Line co-founder Robert Hammond, the High Line "gets too much credit and too much blame" for the redevelopment of West Chelsea. The park development coincided with the rezoning of West Chelsea, with no affordable housing mandates. This led to gentrification and outpricing of the local community, including art galleries and businesses, due to people moving in from Manhattan. These issues led to an extended debate over income

inequality etc. Many cities have followed and completed or proposed elevated parks due to the overall positive impact of the High Line (Jersey City, Chicago, Philly).

Buffalo Bayou Park, Houston TX

Before
Buffalo Bayou Promenade was completed in 2006, establishing a 23-acre recreation area with 1.4 miles of hiking and biking trails that connects from West of Downtown to the Theater District.

After
Buffalo Bayou Park was completed in 2015 and established the new park immediately west of the promenade. This project added 160 acres of new parkland stretching 2.3 miles. Park features include a dog park, greenspace, gardens, restaurants, and an art space. Since 2015, this area has experienced three significant flood events. In 2017, Hurricane Harvey caused devastation and significant damages to property in the adjacent neighborhoods.

Atlanta Beltline, Atlanta Georgia, GA

Before
Vacant land including parking lots, demolished buildings or what remained of old foundations, vacant land, crime, and considered an eye sore. Some trails (The Westside Trail) and bridges that spanned the topography.

After
Partnership formed in 2005 to transform the area into a destination. First portion opened in 2012, with completion in 2014. The completed park offers a major pedestrian path for walking, running, and biking, and trails that connect to other areas of the city. Notably, the Eastside Trail extension broke ground in 2016 and was completed in 2017, which connected two disconnected railways. Funding sources for this portion included a $3MM Woodruff Foundation grant, Beltline Tax Allocation District, The Kendeda Fund, and Waterfall Foundation. The redevelopment of this area has resulted in significant multifamily development around the trails and recreation space, including the "Edge" project near the new proposed Edgewood Avenue Bridge, which is to be added following the project. This project essentially is continuous.

11th Street Bridge, Washington DC

Before:
Existing 11th Street Bridges. Construction began in 2009 on replacement bridges, new ramps, and interchanges. Phase 1 completed in 2013; Phase II completed in 2015.

After:
Breaking ground in 2021, the elevated park is proposed for construction atop the existing piers of the former 11th Street Bridge. This project is designed after the High Line in NYC. The finalized product will include art and performance spaces, recreation areas, plazas, urban farming plots, an amphitheater, and greenspace. The completed park will help connect Wards 7 and 8 to the rest of the city. Much of the hype is over the bridge design of the superstructure. Other issues have arisen over potential gentrification.

Willoughby Plaza, New York City NY

Before
Vacant land owned by Marriott. There was significant traffic congestion near Downtown Brooklyn and the Brooklyn Bridge. The project area included an active use shared pedestrian/bike/vehicle street, parking lot underutilized vacant land.

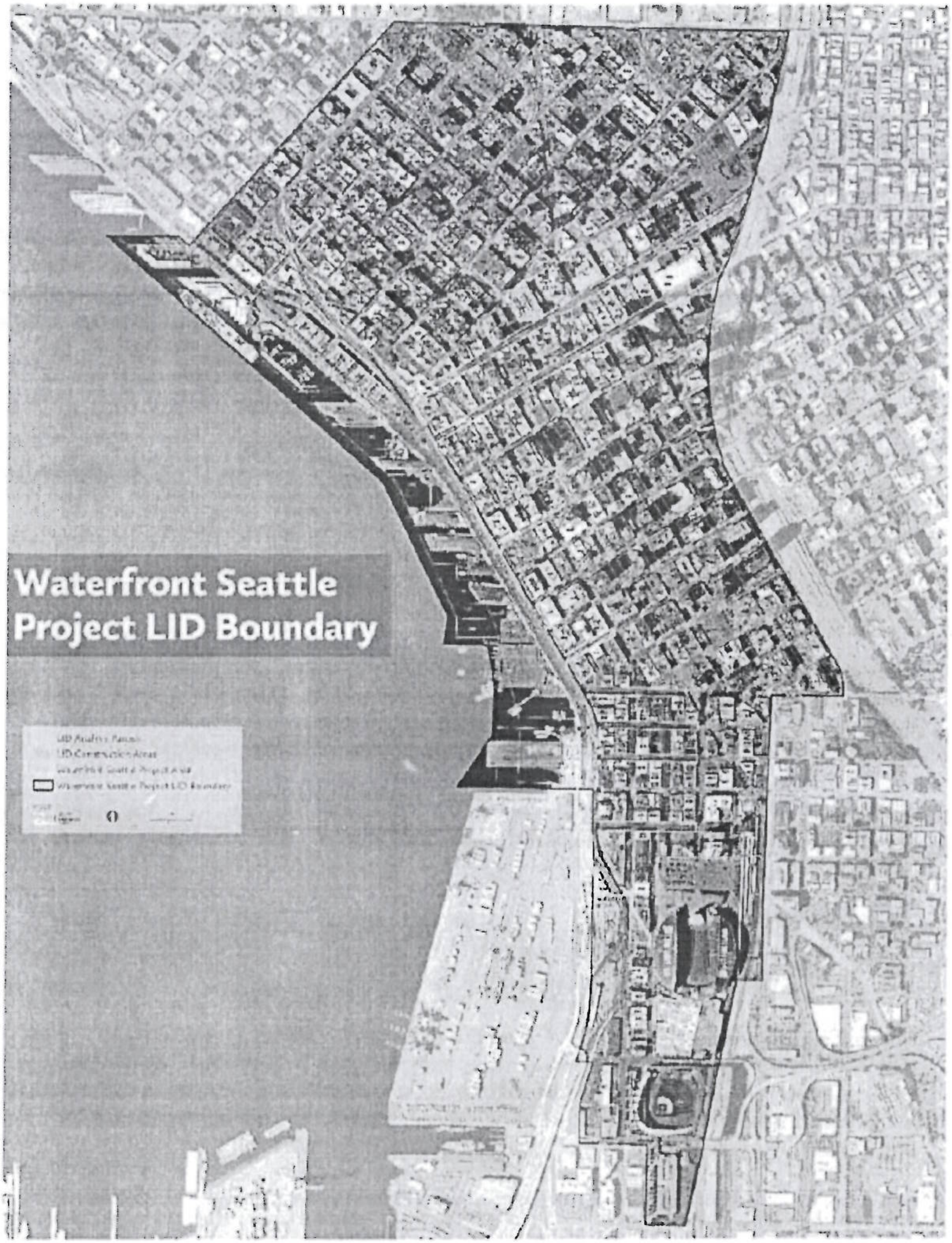
After
Land was donated by Marriott as part of the renovation to their south tower completed in 2013. Street access was eliminated and this area designated an outdoor plaza. Marriott retains the ability to use the space as additional function space. Pedestrian traffic and access increased. Storefront retail businesses and restaurants saw positive impact. There was no revenue impact to Marriott from the project.

3. LID Boundary Area

There is no justifiable basis or support for the LID boundary areas as they have been determined. The primary improvements of the Project will be along the waterfront and near Pike Place Market, not away from the water. LID improvements, as identified by the City of Seattle, extend up the Pike/Pine corridor, and from Alaskan Way into Pioneer Square. But these improvements appear to be more of an improvement program to neglected streets, not part of the larger LID project.

It is unreasonable to conclude that properties in the north end of the boundary area will receive any benefit from the LID improvements. On the south end, neither T-Mobile Park (Mariners) nor Century Link Field (Seahawks & Sounders) will ever realize an increase in value from any part of the Project, let alone the LID improvements. Stadiums like these are bound to contracts that will not allow the property value to increase. The Seahawks games sell out every year, and fans will not pay more for a ticket or be drawn to the area because of these improvements.

Even if one were to accept there are special benefits, they would only accrue to properties closest to the Promenade and Overlook walk. However, the Study fails to provide sufficient evidence that even those properties would receive any special benefit from the LID improvements. The formation of the LID boundary in the study is arbitrary with the incremental value increase along boundaries so nominal that their inclusion to the study is well beyond the margin of error in rounding.


Waterfront Seattle
Project LID Boundary

4. Inequitable Analysis

The property uses within the LID boundary area are diverse and the Study fails to provide equitable value allocations. Vacant redevelopment site values are significantly lower than improved property value estimates passing the assessment burden to these higher value properties. This creates inequities on how the assessments are allocated as shown in three examples presented below. The sites should instead be analyzed on the common denominator of assessment per sq ft of land area.

The first example of the inequitable valuations is two nearly identical sites between Alaskan Way and Western Ave. Cyrene Apartments is a recently completed 17-story mid-rise apartment complex along the better part of the Seattle waterfront. One block south is a redevelopment site with nearly identical site characteristics that could be developed with a similar mid-rise apartment complex. The difference between the values and assessment allocation between the two properties is substantial. The improved property will be burdened with an assessment of $932,361 or over four times the assessment of the development site.

Example #1	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Cyrene Apartments 50 University 7666202450	15,413	DMC 170	$101,209,000	$104,242,000	$3,033,000	3.0%	$1,188,396	$77.10
Surface Parking 1101 Western Ave 7666202506	14,156	DMC 170	$18,757,000	$19,413,000	$656,000	3.5%	$257,035	$18.16

The next example is for property in the northern portion of the LID boundary area. The Amazon Office property is an older but functional 7-story office building. Directly across the street are three parcels that combine for the equivalent of a similar sized redevelopment site. The assessment for the Amazon Office property is three times that of the development site.

Example #2	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Amazon Office 1903 Terry Ave 0660001255	42,360	DMC 340/ 290-400	$127,103,000	$127,303,000	$200,000	0.16%	$78,364	$1.85
Development Site	13,334	DMC 340/	$21,334,000	$21,356,000	$22,000	0.1%	$8,620	
1906 Terry Ave to	14,160	290-400	22,656,000	22,679,000	23,000	0.1%	9,012	
1001 Virgina St	14,160		22,656,000	22,679,000	23,000	0.1%	9,012	
0660001512, 25, 30	41,654		$66,646,000	$66,714,000	$68,000		$26,644	$0.64

The last example is the comparison of sites closer to the downtown core where the highest densities are allowed. The 27-story Olivian Apartments were built about 10 years ago. Immediately south are two nearly identical parcels, one interior and the other a corner lot. A comparison of these properties show that the Olivian Apartments are burdened with an assessment nearly four times that of the two redevelopment sites.

Example #3	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Olivian Apartments 809 Olive Way 0660000835	13,160	DOC2 500/ 300-550	$160,493,000	$161,295,000	($802,000)	0.5%	$314,241	$23.88
Old Bldg/Surface Pkg 1618 8th Ave 0660000820	14,160	DOC2 500/	$25,488,000	$25,679,000	($191,000)	0.75%	$74,838	$5.29
Surface Parking 802 Pine St 0660000804	13,200	300-550	$23,976,000	$24,156,000	($180,000)	0.75%	$70,528	$5.34

It is very apparent there is a disparity between how the study has treated properties already improved with those that will likely be developed in the near term. There is an inequitable allocation of the LID assessment. The owner of the development site will enjoy a significant value advantage into perpetuity compared with the owner of the improved property.

Moreover, there are no latecomer fee provisions in the analysis. These are often used to help reimburse the agency or funding source for the cost of a development. They are very common in utility infrastructure improvements. It allows the property owner to defer the cost of paying for the improvement to when the benefit is actually realized.

An alternative and more equitable value allocation approach would have been to measure the value increase based on the underlying land value, a common denominator for all properties in the LID boundary area. Under that approach, it is doubtful that the Study would conclude that there are value increases due to the LID improvements anywhere near the $447M conclusion in the report.

5. Mass Appraisal Margin of Error

The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals. ABS Appraisal includes 6,238 properties in their study area with a before value of $56,359,239,000. The overall increase in value of all the properties is $447,908,000 or an overall increase of less than 0.8%. The estimated value increases fall within the standard margin of error not only for a mass appraisal, but also for a single property being valued by appraisers armed with all the necessary data not using mass appraisal techniques. It's simply impossible to adjust changes in property values with this level of precision. There are so many impactful elements requiring adjustment such as building age, location or site characteristics that would overwhelm and more than offset the implied value increases estimated in the Study. Determining such small value increases with this level of precision is simply impossible in the realm of traditional appraisal practice. The increases in value estimated in the appraisal are so small they are remote and speculative.

6. Values are overstated

We analyzed about a dozen hotel properties in the Study area. The properties are overvalued, some by as much as almost 100%.

There are other examples where the Study fails to consider certain deed restrictions, or title encumbrances. We know of a site that has a small commercial building in the downtown core

that has sold the development rights thus preventing development, yet the property was valued much higher as a redevelopment site. There is another property along Pine St. valued as a redevelopment site, apparently with no development restrictions. However, it is above the Sound Transit light rail tunnel. That prohibits excavation for below grade and requires extraordinary foundation construction that will limit development height to somewhere around ten stories, well below the site's maximum development potential of up to 550 feet, which was used in the Study.

These omissions bring question to the reliability of the other property value conclusions in the Study.

7. Economic Studies

The Study relies on three economic studies as support of property value increases because of the LID improvements. These include an updated study "Beyond Real Estate Increment: The Value of the Central Seattle Waterfront" prepared by HR&A Advisors, "The Impact of Parks on Property Values: A Review of the Empirical Evidence" study by the Department of Recreation, Park and Tourism Sciences at Texas A & M University", and "The Economic Benefits of Sustainable Streets" published in 2014 by the New York City Department of Transportation.

The first study explains the economic, fiscal and community benefits of the waterfront project. The study focuses on the larger waterfront Project and does not differentiate between the larger Project and the incremental value increase associated with or without the LID improvements. It simply is a study discussing the economic benefits from the Project. It also confirms that the improvements in their entirety reflect general benefits to the community and region, not special benefits by citing a $1.1B one-time economic impact because of the construction of the Project, $288M ongoing economic impact, 2,385 permanent jobs and $10M in ongoing local taxes. These accrue to the community and region, and are general, not special benefits.

The second study compares neighborhoods with and without a park, a more definitive distinction than the Study is trying to identify. The primary focus of this second study is to measure increases in sales revenue resulting from these new park projects. While it also considers other elements such as storm water runoff, air quality and health benefits, there is no documentation that these benefits directly lead to increases in property values. Further, the study additionally appears to imply these benefits accrue to the larger community rather than properties specifically adjacent to the park. This is support that the benefits generated from these park improvements are general, not special benefits.

The last study considered focuses on road improvements or street beautification projects in New York. The study compares unwelcoming, traffic-dominated corridors to safer, more attractive public spaces that better accommodate all users. The study focuses on safety, access/mobility, economic vitality, public health, environmental quality and livability/quality of life. The economic component is based on full availability of retail sales tax filings, limited data on commercial leases and rents, along with data on assessed market values. It is not based on real estate transactions and market sales. And while the results imply general increases in retail sales, it does not substantiate that this directly results in increases in property value. Again, there is no support that these result in special benefits, and in fact they are general benefits.

8. Summary

As stated in the accompanying appraisal review, it is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place. The appraiser has failed to provide the proper support to conclude that the LID improvements provide special benefits to the properties in the LID boundary area, in contrast to the more common general benefits that park improvements typically create for the larger community and region.

The Study determines special benefits based on case studies that represent completely different neighborhood settings. As explained in the attached exhibit, every case study considered was in a significantly inferior condition before the project improvements were installed. Most are significant urban renewal projects that have changed the landscape of surrounding neighborhoods and communities. This contrasts the Seattle waterfront that even today, is a very desirable community asset with views to the west towards the Puget Sound and the Olympic Mountains. As part of the Viaduct removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements regardless of the LID improvements. The LID improvements marginally add to what would already have been a very desirable property condition before the improvements. The case studies in the Study starkly contrast with the level of benefit that the LID improvements will provide.

Further, the economic studies considered in the Study focus on the overall benefit of the project rather than the incremental impact that the LID improvements provide. None represent a fair representation of incremental property value impacts as it relates to those contemplated from the LID improvements. And the studies focus on benefits to a larger study area than those established in the LID boundary area.

The estimate of value increases are so small it is virtually impossible to estimate at the level of precision implied in the Study. The value increase estimates of 0.5% to 4.0% are below the margin of error typically accepted within real estate appraisal practice.

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0233, et al. 49

Supplement to Appraisal Reviews

Waterfront Seattle Project Special Benefit Study

as of October 1, 2019 (Study Date)

Prepared for

Perkins Coie
Gerald Lutz

Prepared by

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KM Job A20-0300

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March 10, 2020

Gerald Lutz
Perkins Coie
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Bellevue, WA

Dear Mr. Lutz:

This letter supplements the appraisal reviews of the Final Special Benefit/ Proportionate Assessment Study (Study) for the Waterfront Seattle Project (Waterfront Project) Local Improvement District (LID) prepared for the following properties:

Appeal No.	Property Name	KM Job No.	Parcel No.
CWF-0318	ALEXIS HOTEL	A20-0187	1974600025&35
CWF-0413	HYATT REGENCY	A20-0048c	0660000708
CWF-0414	HYATT LOT B	A20-0048f	0660000740
CWF-0415	SOUND HOTEL AND ARRIVE APARTMENTS	A20-0185	0696000015
CWF-0417	FOSTER & MARSHALL BUILDING – UNITED WAY	A20-0083	0939000240
CWF-0418	HYATT RENAISSANCE	A20-0048d	0942000430
CWF-0429	HYATT AT OLIVE 8	A20-0048b	2285130010
CWF-0430	1521 SECOND AVENUE CONDOMINIUM	A20-0125	2538831460
CWF-0431	1521 SECOND AVENUE CONDOMINIUM	A20-0125	2538831480
CWF-0432	FOUR SEASONS HOTEL	A19-1335	6094670010
CWF-0433	FOUR SEASONS HOTEL	A19-1335	6094670020
CWF-0434	FOUR SEASONS HOTEL	A19-1335	6094670030
CWF-0435	99 UNION STREET PRIVATE RESIDENCES	A19-1335	6094680050
CWF-0436	GRAND HYATT HOTEL	A20-0048a	6195000030
CWF-0437	GRAND HYATT HOTEL	A20-0048a	6792120010
CWF-0438	7TH AND PINE RETAIL GARAGE	A20-0048e	6792120020
CWF-0439	SEATTLE MARRIOTT WATERFRONT	A20-0090	7666202345

Since those appraisal reviews were prepared, additional information was obtained regarding the appropriateness, or lack thereof, of data, analysis and conclusions in the Study.

This supplement comment and observations to the appraisal reviews prepared for the owners of the properties shown above. This supplement is to be used in conjunction with those individual reviews.

The additional information supplements Exhibit 1 attached to each of the appraisal review that explained how the Study fails to sufficiently enable the users of the appraisal to understand the report under USPAP Standards Rule 6-1 for the 6,238 properties within the LID Boundary area. The following provides a more detail analysis of how the Study fails to support the opinions rendered specific to hotel and residential condominium units that are the predominant uses for the properties reviewed.

Standard 5 or the Uniform Standards of Professional Appraisal Practice (USPAP) speaks to the development of a mass appraisal and states that *"In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals."* Standard 6 guides how the results are to be reported. It is my opinion that the appraiser has failed to provide the necessary evidence to provide a credible appraisal.

USPAP Standards Rule 6-1 states that:

Each written report of a mass appraisal must:

(b) contain sufficient information to enable the intended users of the appraisal to understand the report properly

The extent of research and projects used to formulate the appraisers opinions are described on page 44 of the Study. It includes consideration of impacts on property values of and the geographic radius of special *probable* benefit created by such projects of other properties around the country, research of published studies and interviews with real estate brokers and appraisers in many of the affected neighborhoods.

However, the appraisal states:

1. While aspects of the projects are discussed and used for comparison, none of the projects are highly similar to the Waterfront Seattle Project LID (i.e., differences in view amenity, specific improvements, neighborhood and parcel characteristics, etc.), and
2. *Ongoing and proposed construction will have profound impacts on market value of individual subject properties, the magnitude of such impacts, considering the current strength of the local market demand, is the major influence on property values with waterfront projects* (the subject and others, including removal of the viaduct) contribution in varying degrees.

These statements imply a low level of precision to the estimates in the Study. As stated in the report, the projects considered are neither "highly similar" and are influenced by "external factors" and impact the project element studied. These statements simply confirm that determining any value increase from the LID Improvements beyond those that would have otherwise been in place in the before condition is remote and speculative. Again, the appraiser fails to employ the most relevant metric for determining special benefits for this specific property type – matched pair analysis.

The Study considers six case studies in the report. However, none of the case examples are in anyway similar to the nominal level of improvement that the LID Improvements provide above the base condition assumed in the "before" condition.
The following explains why the case examples in the ABS report are not relevant for the study of value increases from the LID Improvements.

Case Studies

None of the case studies offer comparison discussion or provide analysis specific to the value of high-end residential condominium units, or for that matter, hotel properties along with most the other property types within the LID Boundary Area. They simply fail to provide the necessary support for the increase in value for a nominal change in condition from the LID Improvements.

Tom McCall Waterfront Park, Portland

This case study only references office and retail uses. The narrative states that interviews were conducted with area brokers for residential, commercial and office uses, but the report only comments on value influences for office and retail uses. There are no statements about how the multifamily residential (apartments), residential condominium units or hospitality (hotel) markets are affected. A statement on page 50 says research from CoStar shows a 16% increase in property values, but the report fails to explain if this is for office, retail, or other property type, or for what time period.

Further, there is no date stamp on the events and associate value increases reported in the Study. It notes that renovation of the existing park began in 2003 and continued into 2011, a nine-year time frame when economic conditions were changing rapidly. It is not clear if the reported value increases are related to the economic growth incurred leading to the great recession in late 2008, or after it was named one of America's greatest public spaces in late 2012 when the economy was well underway with its economic rebound.

There is no compelling evidence in this case study, as reported, that residential condominium values like the property being appraised would increase from the proposed LID Improvements. The same is true for hotel properties.

Kidder Mathews has had an office overlooking the park for many years. Steven Klein, Executive Vice President and Managing Director of the Portland office states: "In my opinion, having been in the KM office directly across the street from the Park for 14 years and one block off for the past

2 years, I have seen no difference in activity in the park. The biggest benefit is a *better view looking east*, and that's about it. Over the last 2 years they have closed one of the two north bound lanes of Naito Parkway and created a bike lane, which has frustrated many of the drivers who use NP to get to those buildings closer to the park. Traffic gets pretty backed up at times. I really don't see much, if any, rent premium for buildings closer to the park. In fact, the space that we moved out of in the Umpqua Plaza, directly across from the park, with exceptional view, sat vacant for two years until it was just recently leased. Some would say that being located closer to the core downtown area or the streetcar would be more of a benefit."

Rose Kennedy Greenway, Boston

This is a completely different redevelopment scenario than the proposed LID Improvements. The Rose Kennedy Greenway results from moving elevated Interstate 93 underground that opened 17 acres of what was a physical barrier separating East and West Boston. It is the byproduct of the Big Dig, the underground tunnel megaproject completed in 2007 for over $8.08 billion.

Rose Kennedy Greenway, Boston MA Above, Before (left) and After (right)

This redevelopment opened the surface right of way that was turned into a 15-acre greenway with substantial surface improvements for neighborhood connectivity. Improvements include water attractions, beer and wine gardens, plants and landscapes, carousel and food trucks along with the bike and walking trails. The difference before and after the project completion is substantial.

The Study does reference increases in residential values, which is not surprising given the magnitude of this project compared with the minimal impact that the LID Improvements will provide compared to the condition of the Seattle Waterfront without these improvements in place.

Hudson River Park, New York, NY

This land before the Hudson River Park is described on the internet as wasteland with warehouses of no value demolished to make way for the Federal and State funded park. It was a complete transformation of underutilized land into a thriving regional park. Construction of the park began in the 1990's and was complete over serval stages through the 2010's.

The park was improved with sports fields, mini golf, a carousel, a promenade, dog parks, play areas, bike paths and other waterfront amenities. Like the Rose Kennedy Gardens Greenway, this project is a dramatic change in land use and complete redevelopment of the area. It is such a vastly more impactful project than the LID Improvements for the Seattle waterfront it spurred new residential condominium construction.

Embarcadero, San Francisco, CA

The Embarcadero was destroyed during the 1989 Loma Prieta earthquake requiring demolition and replacement transportation improvement alternatives as it was a main transportation link into the City of San Francisco. Demolition of the ruined viaduct was completed by 1991 and a new transportation grid and project improvements were completed in early 1990's. This project was developed by necessity, but the City did have input on it design and used the opportunity to better a waterfront once separated by the elevated Embarcadero viaduct structure. It opened access to the waterfront from the City along with desirable views east towards San Francisco Bay.

Ferry Building, San Francisco. Before Loma Prieta Earthquake and after.

The study appropriately states there were no special benefits to residential and retail properties beyond 1 to 2 block radius from the expressway, the views east towards the Bay are still blocked for those properties.

<u>Millennium Park, Chicago, Il</u>

Like the Rose Kennedy Greenway and Hudson River Park, Millennium Park was a total transformation of an underutilized large Former rail yard. The 24.5 acre former rail yard was transformed into one of the most accessible and innovative public spaces. It was completed in 2004 for nearly $500 million paid through taxpayers and private donors. As the reader can see, this is an extraordinary renovation not even close to the magnitude of the LID Improvements.

The citations in the Study indicate that the renovation resulted in new construction and housing stock. It is also reported that "To be sure, some of the building would have occurred to the degree and not with the speed it has". And while the Study touts the economic benefit to the City of Chicago, it only cites a study that measured increases in value from better views, not because of the redevelopment project.

Southeast False Creek Conceptual Plan/Stanley Park, Vancouver B.C.

Much like the three previous case studies, the Southeast False Creek redevelopment is a complete transformation of a neighborhood that far exceeds the scale of development contemplated for the LID Improvements. The 80-acre site has been in redevelopment since the mid 1990's and was the site of the Vancouver 2010 Olympic and Paralympic Village. The photos below show a complete transformation of the neighborhood from what was once underutilized industrial land.

The only real findings from these studies for multifamily projects are:

- Redevelopment of an under improved area will likely result in gentrification and new residential construction.
- Premiums are paid for properties with superior view orientations and waterfront amenities.

The performance of this redevelopment project is not comparable to possible value increases resulting from the LID Improvements.

Olympic Sculpture Park

The Study discusses this public improvement, which is about one half mile northwest of Pike Place Market, and the location of the Overlook Walk. The Study talks about how the park was built on a contaminated brownfield, that it is a locational amenity, remains a draw to occupants of multifamily property, but is not a deciding factor in overall asking rental rates and vacancy percentages. Absent the park and with the continued existence of an abandoned and hazardous industrial area, it was the opinion of most brokers and managers that this would be a negative factor affecting overall rental and vacancy rates. From the interviews, an aesthetically pleasing open space amenity is perceived as a positive influence for the surrounding market area.

The condition of the surrounding properties to the Olympic Sculpture Park before and after are really no different than the case studies examined above. Why there are no implied increase in property values reported in the Study is not clear, maybe there are none. The impacts to properties around this project are no different from in the other renovation examples.

Conclusion

There is no empirical evidence to support property value increases for high end, west facing, residential condominium units from these case studies in the before and after condition assumed in the Study. To do draw such a conclusion is misleading.

Economic Studies

2019 HR&A Economic Study

In Exhibit 1 to this appraisal review, the HR&A Economic Study analyzes the entire regional waterfront project, including a geographical area far greater than the LID Boundaries used in the Special Benefit Study. If further analyzes the project in its entirety, and does not differentiate between the incremental difference between the "before" and "after" conditions assumed in the ABS report. Therefore, the results of the report overstate the economic impacts to properties because of the LID Improvements.

The ABS report errors in referencing that the enhanced waterfront has the potential to add 1.5 million new net visitors generating $191 million in annual visitor spending, among other statistics noted in the report, without disclosing that this data is not specific to the LID Improvements and that the actual impacts of these improvements were not within the scope of the HR&A Study. Reliance on the HR&A report by ABS is misleading.

Crompton

Exhibit 1 to the appraisal review outlines the relevance (or lack thereof) of John L. Crompton's economic analysis 2001 (updated 2014) study entitled "The Impact of Parks on Property Values: A Review of the Empirical Evidence" referenced on pages 45 – 47 of the ABS report on how it relates to property values with and without nearby parks. The report fails to cite the actual study used in the ABS analysis - "THE PROXIMATE PRINCIPLE: The Impacts of Parks, Open Space and Water Features on Residential Property Values and the Property Tax Base". This is the source for the statistical data used in the ABS appraisal (PDF pages 19, 20 & 21).

It is important to understand that the results of the studies are specific to residential uses and does not quantify or qualify the economic benefits for other property types such as office, hotel, retail, special purpose or government use properties.

Further, the study measures the premium that people are willing to pay for a property located close to parks and open space areas compared with a home that does not have this amenity. But it does not measure the granular difference between what would already be considered a park like setting of the Seattle Waterfront in the before condition to that with the LID improvements in place.

Last, the study determines the incremental amount of taxes that would be generated by each property to pay the annual debt charges required to retire the bonds use to acquire and develop the park. The purpose of the study has nothing to do with the assessment of special benefits.

From this study, ABS estimates that condominium values will increase by 5% within a 3 blocks of the new amenities. However, this opinion implies a linear or straight-line benefit for these three blocks. This contradicts the Crompton study results that show the most benefit is within the first block immediately adjacent to the park, diminishing exponentially with distance to the amenity.

Crompton concludes that 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 most the premium from small neighborhood parks and 75% of the premium from relatively large parks. The remaining 25% will dissipate over properties between 500 and 2,000 feet from the amenity as shown on the graphic below (page 85).

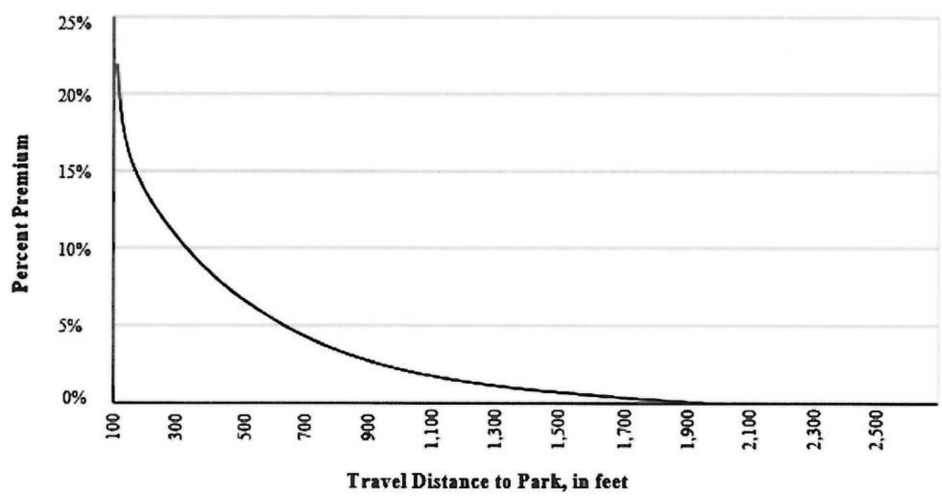
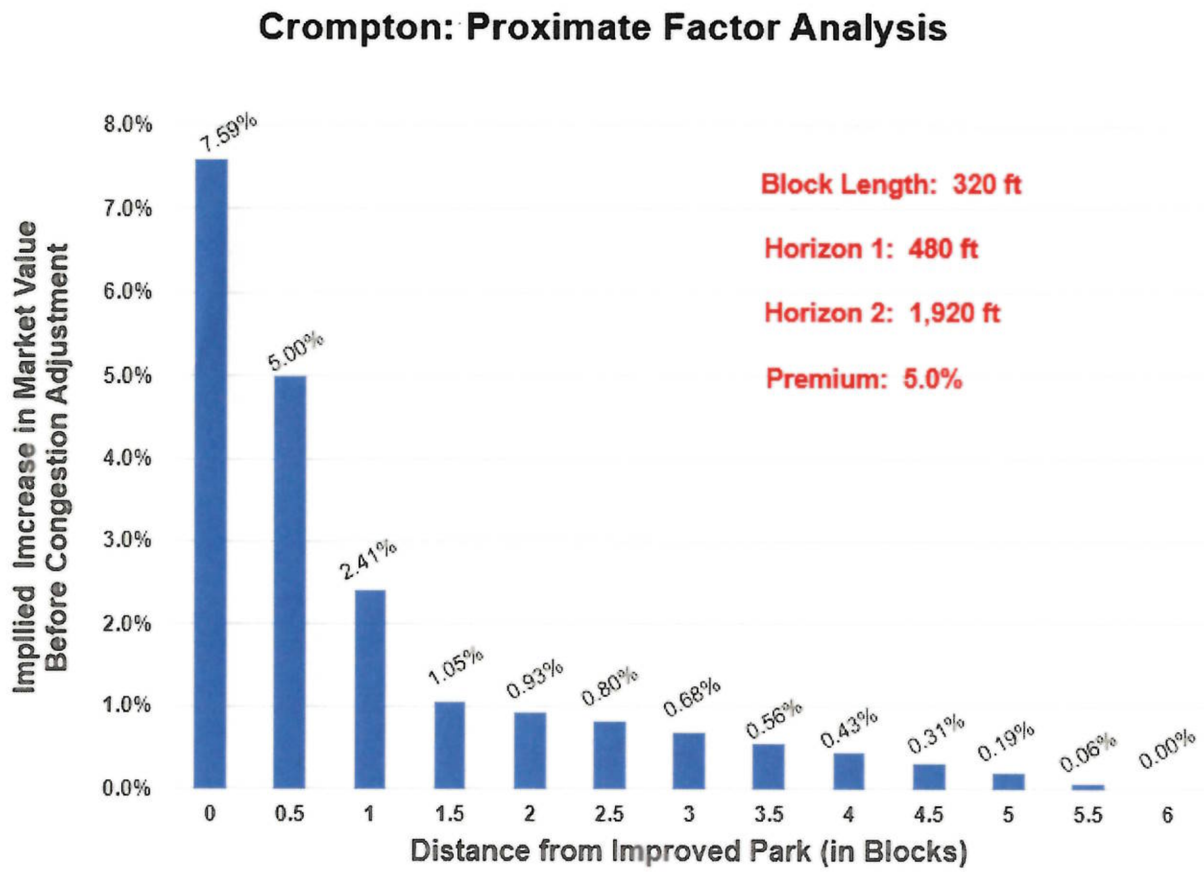


Exhibit 3-5 Impact of Proximity to Parks (14 Neighborhood Parks, Dallas-Fort Worth Metroplex)

The 99 Union Street Residences and 1521 Second Avenue Condominiums are approximately 600 feet and 1,000 feet from the primary park improvements or roughly two or three city blocks city blocks from the waterfront park respectively.

Had ABS more accurately applied the principles of Crompton's research for a large park adapted to Seattle city blocks, benefit estimated for these condominium unit would be 1.0% and 0.68%

respectively, well below the 3.0% and 2.7% for the two properties respectively as estimated in the ABS appraisal.



Summary

This supplement provides additional detail on why the case studies considered in the ABS appraisal are so substantially different that their relevance to the LID Improvements is not compelling and provides misleading results. Further, the relevance and use of the economic studies is anecdotal at best and are not properly used.

Respectfully submitted,

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Certification

I certify that, to the best of my knowledge and belief:

1) The statements of fact contained in this report are true and correct.
2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7) My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8) Peter K. Shorett has not made a personal inspection of the property that is the subject of this report.
9) I have not previously appraised the property within the three years preceding our acceptance of this engagement.
10) Jesse Baker provided significant real property appraisal assistance to the persons signing this certification.
11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Practice* of the Appraisal Institute.
12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13) As of the date of this report, Peter K. Shorett have completed the continuing education program for Designated Members of the Appraisal Institute.

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Limiting Conditions

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3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5) The appraiser is are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
6) The allocation of total value to land, buildings, or any fractional part or interest, if shown in this report, is invalidated if used separately in conjunction with any other appraisal.
7) The appraiser is competent and qualified to perform the appraisal assignment.
8) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

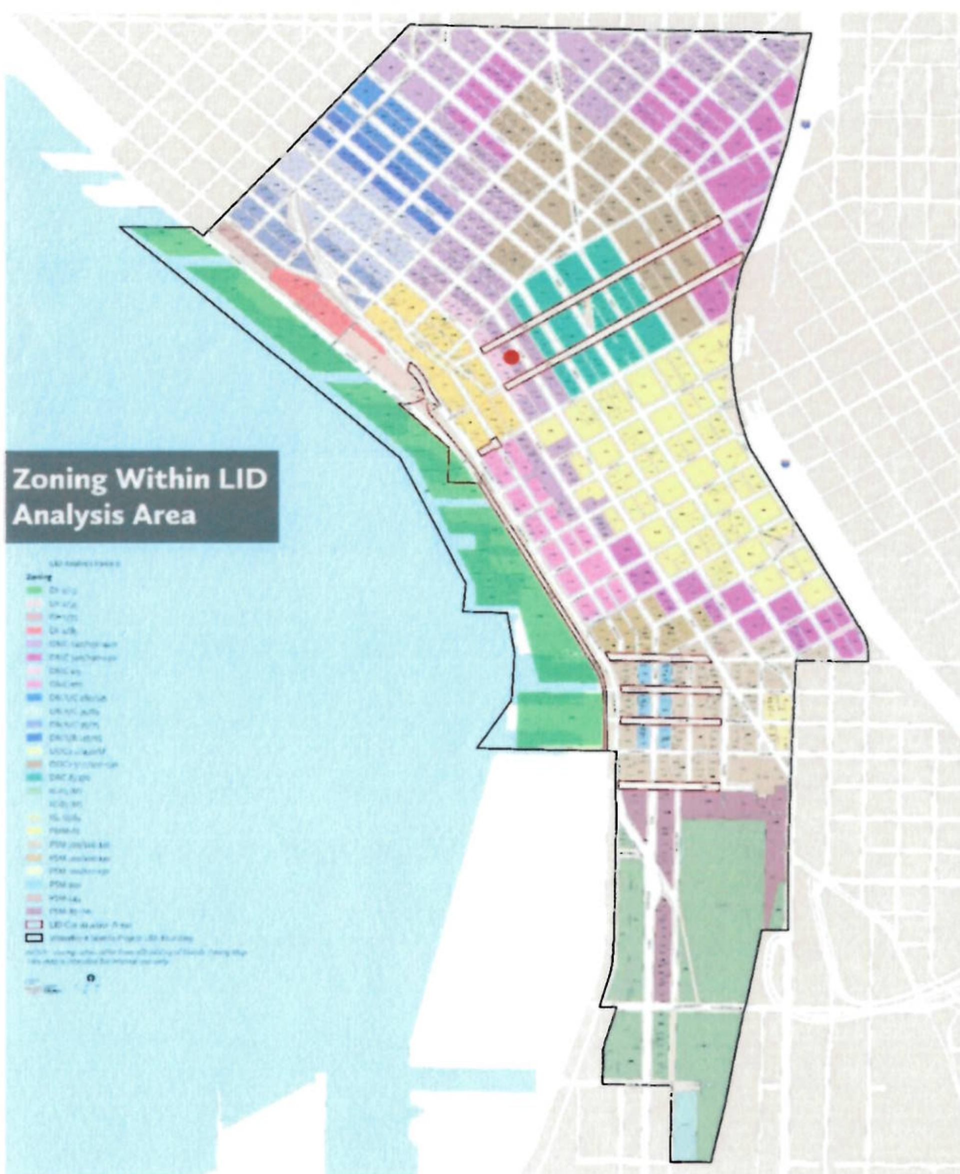
SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED —
DENIED
50
FILE# CWF-0233, et al.

Appeal Nos.: CWF-0430 & CWF-0431
Building: Fifteen Twenty-One Second Avenue Condominiums
Owner: RRRR Investments, LLC
Parcel(s): 2538831460, 2538831480
Address: 1521 2nd Avenue, Units 3800 and 3802, Seattle, WA 98101

Property Description: Unit 3800 is a 2,999 SF residential condominium unit located on the 38th floor with excellent mountain and territorial views and good Puget Sound views. Unit 3802 is a 2,778 SF residential condominium unit located on the 38th floor with excellent mountain, territorial, and Puget Sound views.

2538831460 CWF-0430		2538831480 CWF-0431	
Pre-LID Value:	$3,898,700	**Pre-LID Value:**	$4,279,509
Post-LID Value:	$4,003,965	**Post-LID Value:**	$4,395,056
LID Value %:	2.7%	**LID Value %:**	2.7%
Special Benefit:	$105,265	**Special Benefit:**	$115,547
Assessment %:	39.2%	**Assessment %:**	38.2%
Final LID Assessment:	$41,425	**Final LID Assessment:**	$44,084



City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
51
FILE# CWF-0233, et al.

km

Appraisal Review

Waterfront Seattle Project Special Benefit Study
RRRR Investments Condominium

as of October 1, 2019 (Study Date)

Prepared for

Bryon Madsen
RRRR Investments, LLC

Prepared by

Peter K. Shorett, MAI, CRE, FRICS
KM Job A20-0125

Kidder Mathews
Valuation Advisory Services
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Seattle, WA 98101
206.205.0200 I Fax 206.205.0220
peter.shorett@kidder.com

Kidder
Mathews

KIDDER.COM

Kidder Mathews

February 3, 2020

Bryon Madsen
RRRR Investments, LLC
520 Pike Street, Suite
Seattle, WA 98101

Dear Mr. Madsen:

At your request, we have performed an appraisal review of the Final Special Benefit/ Proportionate Assessment Study (Study) for the Waterfront Seattle Project (Waterfront Project) Local Improvement District (LID). This review was conducted in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) for performing Appraisal Reviews. These services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. A summary of the appraisal reviewed and our conclusions are contained in this report.

The Study concludes that 6,238 properties within a defined LID boundary will benefit from LID improvements that are part of the larger Waterfront Project. The Study provides opinion and analysis that form the basis for the formation of the LID boundary area and then applies value estimates for each of the 6,238 properties before and after completion of the Project.

This review provides an opinion of the appropriateness of the conclusions reached in the Study. We consider the appropriateness of the LID boundary conclusions, the estimates of benefit to the properties in the study, then a review of the value appropriateness before and after the Project for the property that is the subject of this review.

Respectfully submitted,

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Certification

I certify that, to the best of my knowledge and belief:

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Summary

Property Appraised in Study	RRRR Investments Condominium 1521 2nd Avenue, Units 3800 & 3802 Seattle, WA
Study Prepared By	ABS Valuation Robert J. Macaulay, MAI 2927 Colby Avenue, Suite 100 Everett, WA 98201
Study Reviewed By	Peter K. Shorett, MAI, CRE, FRICS Kidder Mathews Valuation Advisory Services 601 Union St., Suite 4720 Seattle, WA 98101
Intended Users	This appraisal review is prepared for you, the client, your legal counsel Jerry Lutz with Perkins Coie, City of Seattle Hearing Examiner Ryan Vancil, the Seattle City Council members, and Robert J. Macaulay, MAI, appraiser with ABS Valuation
Intended Use	To be used in support of the property owners appeal of the Special Benefit Assessment proposed to be levied against the property.
Purpose of the Assignment	To determine the appropriateness of the conclusions reached in the Final Special Benefit/Proportionate Assessment Study (Study) for the Waterfront Seattle Project Local Improvement District (LID).
Date of Appraisal Under Review	Prepared – November 18, 2019 Date of Value – October 1, 2019
Date of Reviewer's Opinion	Prepared – February 3, 2020 Date of Value – October 1, 2019

Extraordinary Assumptions or Hypothetical Conditions to this Review

None

Scope of the Review

This is a review and critique of the value methodologies and conclusions in the Study and the estimate of value increase for the property before and after the LID improvements are in place.

The scope of work included a review of the Study, its Addendum, a general inspection of properties within the LID boundary area, location where the LID improvements will be made, additional research on the case study examples used in the Study and interviews with market participants in those markets.

The results of the review are contained in this report.

Value Conclusion of Study Under Review

Unit #	Parcel No.	Value Before	Increase	Value After	Special Benefit	LID Assessment
Unit 3800	253883 1460	$3,898,700	2.7%	$4,003,965	$105,265	$41,245
Unit 3802	253883 1480	$4,167,000	2.7%	$4,279,509	$112,509	$44,084

Reviewer's Conclusions

It is concluded that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place. The appraiser has failed to provide the proper support to conclude that the LID improvements provide special benefits to the properties in the LID boundary area, in contrast to the more common general benefits that park improvements typically create for the benefit of the larger community and region.

The Study determines special benefits based on case studies that represent completely different neighborhood settings. As explained in the attached exhibit, every case study considered was in a significantly inferior condition before the project improvements were installed. Most are significant urban renewal projects that have changed the landscape of surrounding neighborhoods and communities, and dramatically changed the way locals and visitors interact with those communities. Those case studies starkly contrast with the Seattle waterfront that even today, is a very desirable community asset with views to the west towards the Puget Sound and the Olympic Mountains. As part of the Viaduct removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements regardless of the LID improvements. The LID improvements marginally add to what would already have been a very desirable property condition before the improvements. The case studies contained in the Study illustrate benefits received in those communities well beyond the level that the LID improvements will provide.

Further, the economic studies considered in the Study focus on the overall benefit of the projects rather than the incremental impact such as the LID improvements provide. None fairly represent incremental property value impacts such as those contemplated from the LID improvements. And the results of the studies focus on benefits to a larger study area than those established in the LID boundary area.

The estimated value increases are so small that it is virtually impossible to estimate at the level of precision implied in the Study. The value increase estimates of 0.5% to 4.0% are below the margin of error typically accepted within real estate appraisal practice.

The waterfront project does not enhance the waterfront access. In fact, the project could make access to the site more difficult.

The project does nothing to preserve any views. The building already has a protected view shed, and the view could be impaired for the next five years during construction.

The increase in value reported in the appraisal is not credible and is not reliable.

Attached to this review is Exhibit 1 that provides further support and explanation for these opinions.

Kidder Mathews

EXHIBIT 1 – ATTACHMENT TO APPRAISAL REVIEW

This attachment provides support for the opinions in the accompanying appraisal review. It is not intended to be a standalone document and can only be used in conjunction with that appraisal review report.

This letter provides a descriptive overview of the Waterfront Seattle Project (Project) proposed by the City of Seattle and the appropriateness of the Special Benefit/Proportionate Assessment Study (Study) prepared by ABS Valuation for assigning assessments to properties for partial funding of the Project through a Local Improvement District (LID) special assessment.

Executive Summary

Following the removal of the Alaskan Way Viaduct, the City of Seattle plans to construct a park promenade along the water, construct a new surface street along Alaskan Way, rebuild Pier 58 and Pier 62, build an elevated connection from Pike Place Market to the waterfront, and improve east-west connections between downtown and Elliott Bay. The Project will be a $724M investment planned for completion by 2024.

The City adopted the ordinance to create the formation of the LID for partial payment of the Project. ABS Valuation prepared their Study with an October 1, 2019 date of value released to the public on or about January 10, 2020. The Study estimates the before and after value of property within a defined LID boundary area. The report includes 6,238 properties within the LID boundary and concludes a value increase because of the Project equal to $447M. The City has allocated $175.5M of the Project cost to these properties through the formation of the LID.

A LID is an unusual funding mechanism, especially for a project of this magnitude. The last major LID formed in the region was for the South Lake Union Streetcar in 2007. Funding for the park projects noted in the Study and accompanying reports was from tax incremental financing, transportation funds, City, State or Federal funds and grants, public, private, or philanthropy. None were funded with a LID.

It is important to understand the property conditions before and after the LID improvements that the Study is attempting to value. The Project is a component of a larger effort to restore the Seattle waterfront following the removal of the Alaskan Way Viaduct. As part of its removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements to current design standards regardless of the LID improvements. The LID improvements add on to a project that is already schedule for construction.

Up to the release of the Study, the condition of the property before the LID improvements was largely unknown because the City had not prepared drawings and exhibits showing the difference in the property before and after with the LID improvements in place. These conditions were just provided as an addendum to the Study and help explain the marginal difference between the property condition before and after the LID improvements.

From this, the Study attempts to determine the value increase from these LID improvements for a very large grouping of properties from what would already have been a very desirable property condition without the LID improvements.

It is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place.

1. The difference in the property condition before and after the LID improvements are in place is overstated.
2. The LID improvements provide a general, not special benefit. There is insufficient evidence in the Study to conclude that the LID improvements provide special benefits to the properties in the LID boundary.
3. The LID boundary area is too large.
4. The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals, and therefore is remote and speculative.
5. There is inequitable analysis between property types and uses.
6. Many values are overstated.
7. The Study relies on a report prepared by HR&A Advisors that fails to consider the economic impacts if the LID improvements were not funded.

1. <u>Difference in the Before and After Condition</u>

The Study gives the impression that the LID improvements will transform the Project to a greater level of improvement than will actually be realized.

The LID improvements will convert public space to a dedicated park, but it does not bring better connectivity to Pioneer Square, north towards Colman Dock and the retail piers (54 through 57) to Union Street. Those connections already exist.

The Study states: "... With the LID project completed, accessibility to the waterfront from nearby areas including the Pike Place Market, downtown business district and Pioneer Square will vastly improve. On an overall basis, referring the economic studies and rating system discussed herein, *the waterfront area in general improves from a subjective quality rating of <u>average in the "before" scenario to excellent with the LID project completed</u>*."

The Overlook Walk will provide a grand entrance from the Market to the waterfront, but for decades, tourists and visitors have found their way to the waterfront. Access to the waterfront from downtown Seattle will improve near Pike Place Market in the after condition, but the improvement is not such that it creates a special benefit.

Properties around the Project will still enjoy the spectacular views west towards Puget Sound, the Olympic Mountains to the south towards Mount Rainer, some of the many reasons visitors are *attracted* to Seattle. Adding the LID improvements marginally enhances that experience above and beyond what would be in place without the LID improvements. Even today, with all the construction from the removal of the Alaskan Way Viaduct, Sea Wall replacement and Washington State Ferry Terminal construction, the waterfront remains an active and vibrant

tourist destination. There is no market evidence in the report that waterfront access would change from average to excellent because of the LID improvements.

There are too many other amenities in the region attracting tourism to suggest that the LID improvements singularly will cause property values to increase. Seattle is already blessed with attractions like the Pike Place Market, Pioneer Square, International District, Seattle Center, Space Needle, Chihuly Garden and Glass, Seattle Monorail, Seattle Art Museum, Washington State Ferries, the Great Wheel, T-Mobile Park, CenturyLink Field, Hiram Chittenden Locks, Discovery and Myrtle Edwards Parks. There is competition for tourist dollars from these area attractions. It's virtually impossible to identify a percentage of value increase from the LID improvements, and to conclude that the LID improvements will substantively change visitor preferences is remote and speculative.

There are consequences from the LID improvements not considered in the report, such as losing street parking. The renderings show a loss of at least 60 parking stalls along Alaskan Way in a market already short of parking. Also not considered are the impacts to properties where tree density will increase, and views will be lost from the lower level of some buildings.

The Study also ignores the impacts for development not expected to be completed until 2023/2024. Work will be ongoing including the completion of Pier 62, construction of a new pedestrian bridge, stairs and an elevator on Union Street from Western Avenue to Alaskan Way. In 2021, the Overlook Walk, a main park promenade along the water and piers with a bike bath, a new park on Pier 58 and additional connections to Colman Dock will be built. The new Seattle Aquarium Ocean Pavilion will not be completed until 2024. The Study also ignores the uncertainty of completing a five-year project on time, nor does it consider changes in project scope or cost overruns, real elements in any development the magnitude of the Project.

It also ignores the impacts of construction over the next five years in its analysis. The construction along the waterfront has been disruptive and has negatively affected property value. Retail sales are down and will expect to be soft during project construction.

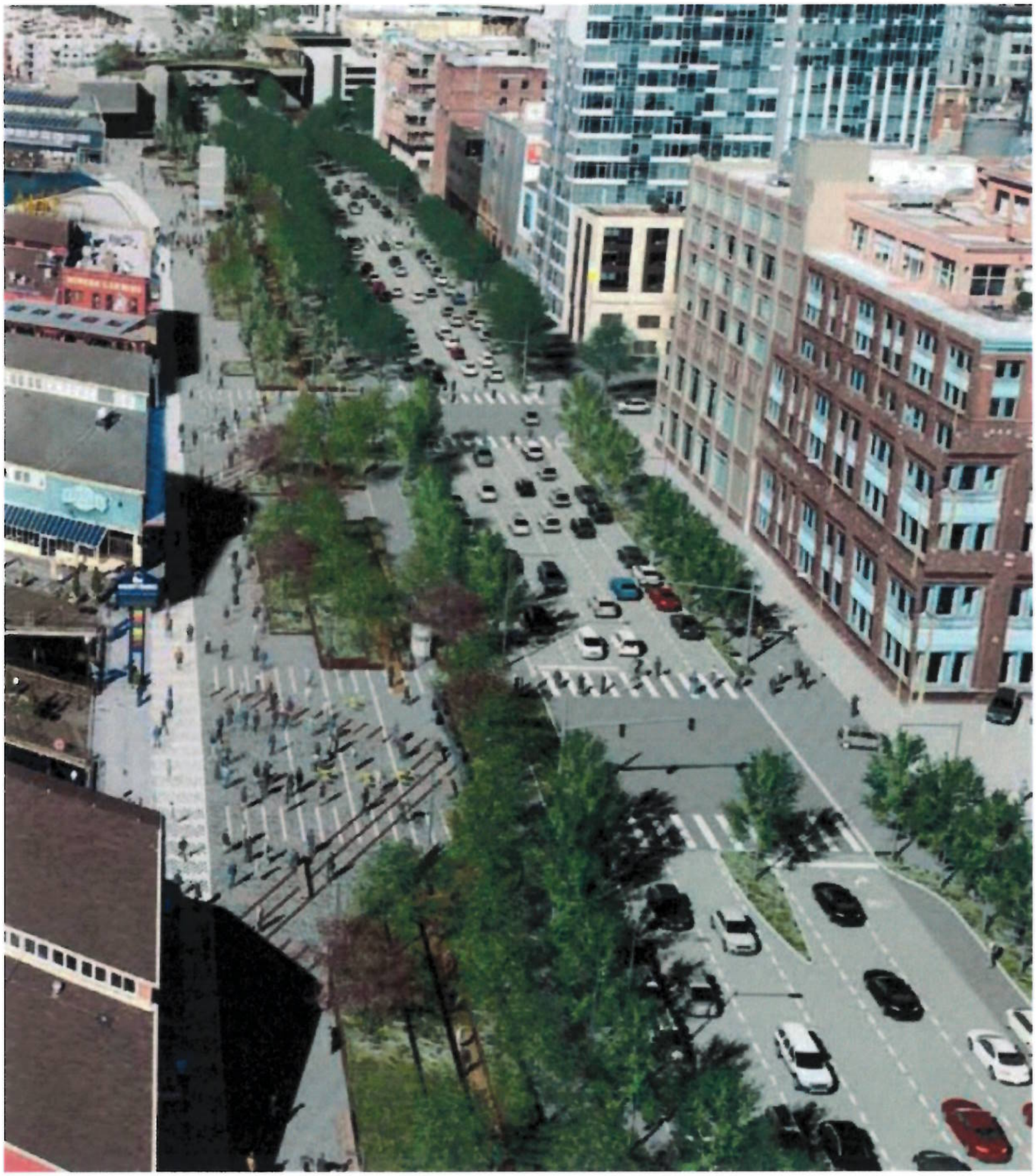
The following exhibits present a better visual of the difference before and after the LID improvements. The most impactful consist of the Promenade, Pier 58 decking, Union Street Staircase and Overlook Walk. While the LID improvements create a more park like setting, the condition of the roads, bike trails, landscaping and streetscape after completion is marginally improved from the condition before. The reader can see the marginal increase in property condition that visitors will experience because of the LID improvements.

Promenade

Before

After

The area along Elliott Bay stretching from about Pine Street south to Dearborn Street will add landscaping, pedestrian corridors, bike paths, and park elements (benches, artwork, etc.).



Before

After

Kidder Mathews

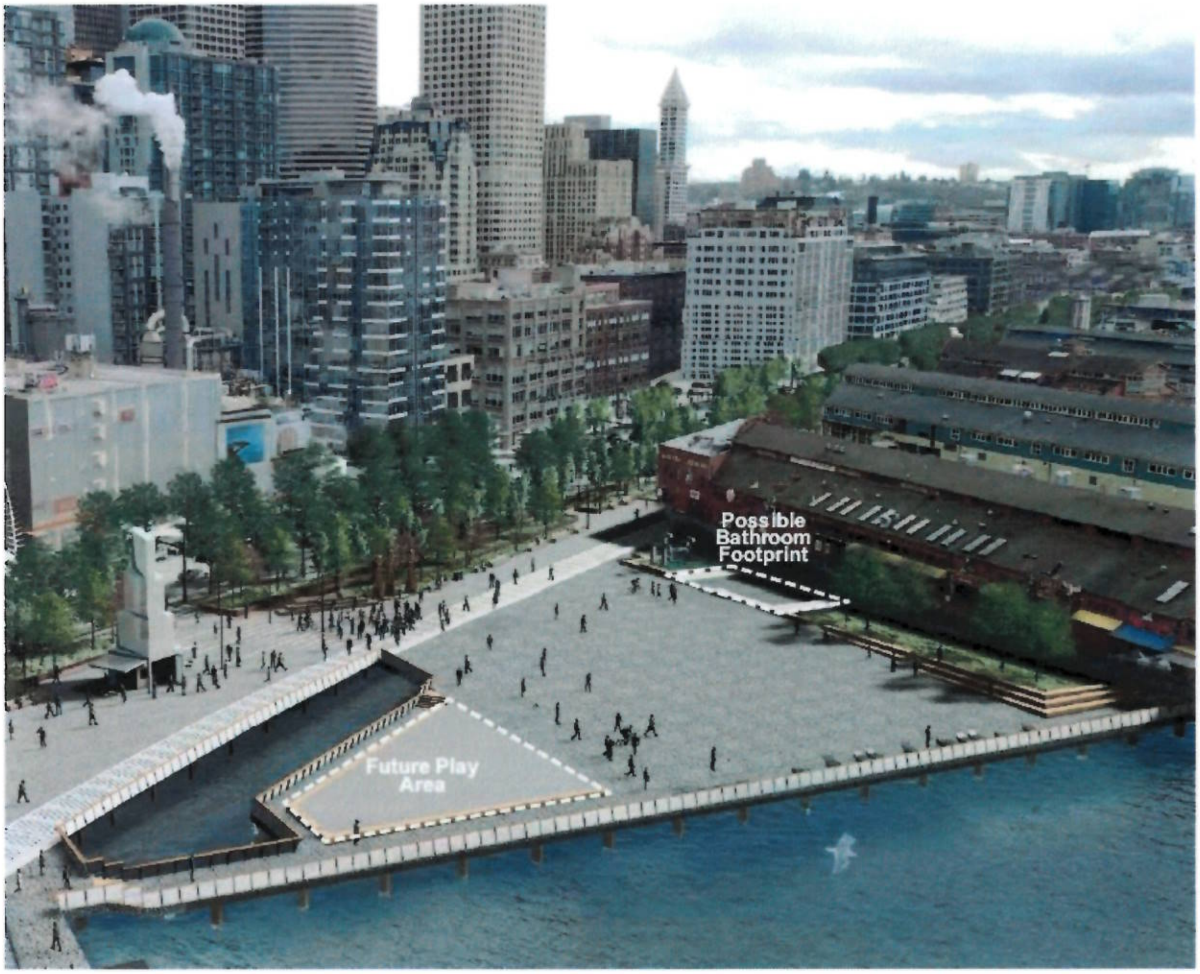
Pier 58

Waterfront Park is improved with a boardwalk & a pair of sculptures, plus views of the skyline & ships in dry-dock. There is a mix of plantings, public gathering areas and concrete amphitheater, fountain and seating areas.

Before

After

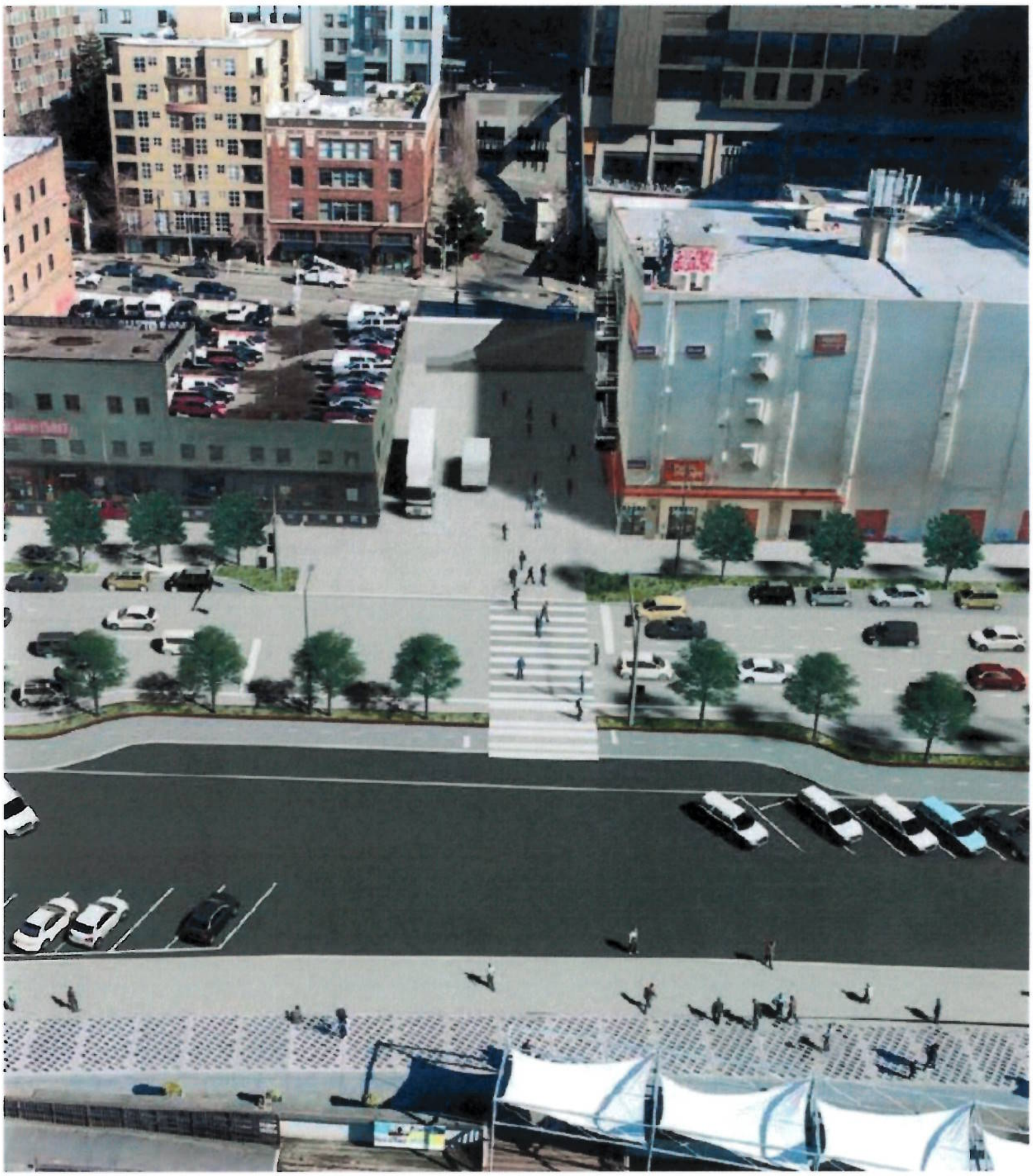
The LID improvements will create a larger platform with children's play area and raised lawn area. The possible bathroom would not be funded by the LID.



Union Street Pedestrian Extension

Present access from downtown Seattle is along a staircase leading down from the Four Seasons Hotel, to another staircase from Western Avenue to Alaskan Way.

Before



Kidder Mathews

After

Improvements will include a new staircase, pedestrian areas, benches and artwork.

Overlook Walk

Current access to the waterfront from the Pike Place Market is the Pike Street Hill Climb, a series of steps or by elevators from the Skybridge to the Market Garage. These access points remain unchanged in the after condition.

Before and After


SEATTLE WATERFRONT
SEATTLE AQUARIUM
Alaskan Way
Restore zone
Work zone
Hillclimb
Market Garage
Market Garage
Desimone Bridge
Skybridge
Western Avenue
PUBLIC MARKET CENTER
PIKE PLACE MARKET
Pike Place
To Waterfront

The rendering for the property in the before condition after the Alaskan Way realignment is shown below. The Pike Street Hill Climb and Skybridge/Market Garage elevators would remain as the primary points of access to and from the market. The rendering is a little misleading because it does not include the new $113M Seattle Aquarium pavilion in the before condition. The Project will include $34M in already identified City of Seattle funding as part of the Project outside of the LID improvement cost. The remaining costs will be funded by $60M in private donations and $19M from King County, Washington State and Federal sources. It is expected to be completed by 2024. The rendering shows a "no aquarium" alternative when in reality, it should be in place around the time the LID improvements are completed.

After

The Overlook Walk is the most significant improvement of the project. A pedestrian bridge and landscaped public space will cross over the Elliott Way surface street. It will include substantial public open space connecting the north end of the Pike Place Market with the waterfront. The Pike Street Hill Climb and Skybridge elevators are still in place in the after condition, and the aquarium improvements are shown as completed.

2. General versus Special Benefits

General benefits are easy to recognize such as an improved system of highways, or regional airport or new ferry terminal, since everybody in a community benefits from that improvement. General benefits are those that accrue to an entire neighborhood, community or region.

Special benefits are more difficult to define. They add value to a property because of a specific improvement as distinguished from those enjoyed by the public. Special benefits are easy to recognize when there is an actual physical improvement to a property, such as when water or sewer lines are installed, or a storm water retention system to keep a property from flooding is added, or a new freeway off-ramp serving an area once distant from freeway access is built. The benefit must result directly, uniquely and specifically from the public project to individual parcels.

The Study fails to properly determine that the LID improvements create special benefits to the properties within the LID boundary area. The case examples in the Study provide only anecdotal information about the project's general benefits. It does not employ a traditional "matched pair" analysis that would provide discrete value increase metrics from sale transactions for properties near these projects compared with those removed from the project influence. The proper measure of benefit is to compare like property transactions with and without the variable that is the project.

Moreover, the value increases noted in case studies contained in the report are not reflective of conditions even close to the LID improvement component of the project and are misleading. Virtually every case example cited in the Study are substantially more impactful than the LID improvement project. The High Line in New York City, for example, was an abandoned and unused elevated railroad that was a barrier and blight to the adjoining properties. The project improvements were so substantial, that it is now one of the more noted gentrification initiatives in the country. The Rose Kennedy Greenway in Boston also brought a major change to the area. The surface interstate highway was put underground and converted to a regional park. Not only had the interstate generated noise, it had posed a physical barrier that separated neighborhoods, whereas the project eliminated the noise and allowed for recreation and walking between neighborhoods.

We researched the case studies cited in both the Study and referenced HR&A reports. The changes in the condition before and after were so substantial that they dwarf the difference between the condition of the property before and after the LID improvements, and are not credible sources for opinions of value. Examples of the case studies used in the Study are discussed below.

Tom McCall Waterfront Park, Portland OR

Before
The original 37-acre park was completed in 1984. The park was doubled in size following its southern expansion in 1999, resulting in a public space that spans about 1.5 miles on the west side of Willamette River. While the park offered water views, the park itself and the immediate neighborhoods adjacent to the park, and extending north and south from Burnside, were considered unsafe and not attractive. Upgrades were needed to the seawall. Public events such as the Saturday Market and the Portland Blues Festival were established.

After
Redevelopment of the park was completed in 2011. The primary arterial, Naito Parkway, was reconfigured and overall improvements to the park included new pathways, public gardens, fountain upgrades, and construction of three plazas for events. Salmon Springs Plaza on the north end allowed for the expansion of the Saturday Market. A waterfront esplanade extends the full length of the park from RiverPlace Hotel on the south end to the Japanese-American Historical Plaza on the north. Coinciding with park renovation were new housing development projects (The Yards) and upgrades to trees, sidewalks, and signage on adjacent access streets. Perception has changed from unsafe and limited upside to a marketable destination. While these improvements are superior to the condition of the property before, it's not clear that values have increased because of them.

Rose Kennedy Greenway, Boston MA

Before
Elevated JFK Expressway separated the east and west portions of town for 1.5 miles. Downtown was disconnected from the Waterfront. The expressway was demolished and I-93 was relocated underground following the Big Dig that started in 1991. The result was a cleared, graded site, with gravel and no enhancement factor, but the neighborhoods were at least connected.

After
Independent non-profit, The Greenway Conservancy was established in 2004 to guide development and raise funds via endowment. The 17-acre park opened in October 2008 and can be best described as a linear park that spans over one mile across several Downtown Boston neighborhoods (Chinatown, Fi-Di, Waterfront, and Northend). Only a small eastern portion of the park has waterfront view or access; however, the park did connect Downtown with the Waterfront. Park features include gardens, promenade, sculptures, seating, trees, and greenspace. In 2008, State Legislation established a 50/50 Public-Private-Partnership (PPP), with Greenway Conservancy being appointed steward and operator in 2009. A new agreement was announced in 2017 dictating operational financing. The breakdown includes State/City 20%, New Greenway Business Improvement District (BID) 20%, and Greenway Conservancy 60% generated through private donations.

Hudson River Park, New York NY

Before
500+ acres of West Manhattan with water view but considered as wasteland.

After
After 30 years of planning, Friends of Hudson River Park were behind the effort to redevelop. Completed in the early 2000s, this project led to the complete redevelopment of the neighborhood. Park features included sports fields, recreation, walking and bike paths, waterfront promenade, and other amenities. Dramatic change in land use, private investment, and politics were required to make this project so. The project magnitude was well beyond the Seattle project.

The Embarcadero, San Francisco, CA

Before
Post-Earthquake (1989), the city demolished the highway in 1991. The Bayfront was disconnected from Downtown San Francisco and considered under-utilized. This area of San Francisco was considered an industrial service corridor.

After
Complete transformation; however the park project coincided with demolition opening once blocked waterfront view. This was around the time of the economic boom associated with the 1990's economy and Dot-Com era. All work was completed by early 2000's. City streets connected to the Embarcadero, a boulevard that runs along the waterfront, and sidewalks offered immediate waterfront and park access. Led to easier access to southern bay front and redevelopment of SOMA, (south of market), AT&T Park, and the new Arena, etc. This is a dramatically different level of improvement than those that will be realized from the LID improvements.

Millennium Park, Chicago Il

Before
Existing Grant Park and location in between downtown and major highway. This area was home to the Illinois Central rail yards, parking lots, and vacant underutilized land.

After
The rail yard was converted to one of the world's largest green roofs. New park features include significant green space, major art installations such as the Bean, skating rink, pedestrian bridge, theatre, promenade, and an outdoor auditorium. The park is operated by the Chicago Department of Cultural Affairs and managed by MB Real Estate. The total cost of the park was $475MM, equating to three times its original $150MM budget; however, it has become the number one tourist attraction in the Midwest, as of 2015.

False Creek Viaduct Replacement, Vancouver BC

Before
The Southeast False Creek project is the third and final segment of the waterfront revitalization plan. The City owned 80-acre area has historically been industrial with significant areas of undeveloped land. It is also the location of the aging Georgia and Dunsmuir Viaducts.

After
The City plans to demolish the viaducts and through private and public funding rezone and designate the entire area for redevelopment including new road infrastructure, opens space and development sites. There will be defined districts – Events and Entertainment District, Park District and Main Street District, each with development expected to provide the development of several million square feet of office and hundreds of multifamily housing, along with supporting retail uses. This redevelopment will have a dramatically different scale of impact to property values when compared with the LID improvement component of the larger Project.

High Line, New York City, NY

Before
Elevated rail infrastructure built in 1930's. The southern section was demolished in the 1960's, with last portion of demo in 1991. Remaining section spans from Meatpacking District, extending north through West Chelsea. Abandoned warehouses, lots of graffiti and area considered an eyesore. By 2006, an area of West Chelsea was rezoned to a special district to accommodate a public park. CSX, a supplier of rail-based freight transportation in North America, donated the right-of-way and infrastructure in 2005. Ground broke in 2006, first segment opened in 2009. In 2012, the second segment was completed (20th - 30th) and zoning changes were approved to allow the third segment to open in 2014 (30th - 40th).

After
The completed product is a 1.45-mile long greenway maintained and operated through a public/private partnership between Friends of the Highline and NYC. The space is considered a tourist destination. In addition, the High Line is used to support many public programs including teen-engagement, art, and performance.
From an economic standpoint, real estate values near the park were driven up by speculators during the planning and development phases. The park is now an anchor and tourist attraction in the West Chelsea and Meatpacking Districts. Property values and retail/condo markets have experienced significant positive benefits.

According to Friends of the High Line co-founder Robert Hammond, the High Line "gets too much credit and too much blame" for the redevelopment of West Chelsea. The park development coincided with the rezoning of West Chelsea, with no affordable housing mandates. This led to gentrification and outpricing of the local community, including art galleries and businesses, due to people moving in from Manhattan. These issues led to an extended debate over income

inequality etc. Many cities have followed and completed or proposed elevated parks due to the overall positive impact of the High Line (Jersey City, Chicago, Philly).

Buffalo Bayou Park, Houston TX

Before
Buffalo Bayou Promenade was completed in 2006, establishing a 23-acre recreation area with 1.4 miles of hiking and biking trails that connects from West of Downtown to the Theater District.

After
Buffalo Bayou Park was completed in 2015 and established the new park immediately west of the promenade. This project added 160 acres of new parkland stretching 2.3 miles. Park features include a dog park, greenspace, gardens, restaurants, and an art space. Since 2015, this area has experienced three significant flood events. In 2017, Hurricane Harvey caused devastation and significant damages to property in the adjacent neighborhoods.

Atlanta Beltline, Atlanta Georgia, GA

Before
Vacant land including parking lots, demolished buildings or what remained of old foundations, vacant land, crime, and considered an eye sore. Some trails (The Westside Trail) and bridges that spanned the topography.

After
Partnership formed in 2005 to transform the area into a destination. First portion opened in 2012, with completion in 2014. The completed park offers a major pedestrian path for walking, running, and biking, and trails that connect to other areas of the city. Notably, the Eastside Trail extension broke ground in 2016 and was completed in 2017, which connected two disconnected railways. Funding sources for this portion included a $3MM Woodruff Foundation grant, Beltline Tax Allocation District, The Kendeda Fund, and Waterfall Foundation. The redevelopment of this area has resulted in significant multifamily development around the trails and recreation space, including the "Edge" project near the new proposed Edgewood Avenue Bridge, which is to be added following the project. This project essentially is continuous.

11th Street Bridge, Washington DC

Before:
Existing 11th Street Bridges. Construction began in 2009 on replacement bridges, new ramps, and interchanges. Phase 1 completed in 2013; Phase II completed in 2015.

After:
Breaking ground in 2021, the elevated park is proposed for construction atop the existing piers of the former 11th Street Bridge. This project is designed after the High Line in NYC. The finalized product will include art and performance spaces, recreation areas, plazas, urban farming plots, an amphitheater, and greenspace. The completed park will help connect Wards 7 and 8 to the rest of the city. Much of the hype is over the bridge design of the superstructure. Other issues have arisen over potential gentrification.

Willoughby Plaza, New York City NY

Before
Vacant land owned by Marriott. There was significant traffic congestion near Downtown Brooklyn and the Brooklyn Bridge. The project area included an active use shared pedestrian/bike/vehicle street, parking lot underutilized vacant land.

After
Land was donated by Marriott as part of the renovation to their south tower completed in 2013. Street access was eliminated and this area designated an outdoor plaza. Marriott retains the ability to use the space as additional function space. Pedestrian traffic and access increased. Storefront retail businesses and restaurants saw positive impact. There was no revenue impact to Marriott from the project.

3. LID Boundary Area

There is no justifiable basis or support for the LID boundary areas as they have been determined. The primary improvements of the Project will be along the waterfront and near Pike Place Market, not away from the water. LID improvements, as identified by the City of Seattle, extend up the Pike/Pine corridor, and from Alaskan Way into Pioneer Square. But these improvements appear to be more of an improvement program to neglected streets, not part of the larger LID project.

It is unreasonable to conclude that properties in the north end of the boundary area will receive any benefit from the LID improvements. On the south end, neither T-Mobile Park (Mariners) nor Century Link Field (Seahawks & Sounders) will ever realize an increase in value from any part of the Project, let alone the LID improvements. Stadiums like these are bound to contracts that will not allow the property value to increase. The Seahawks games sell out every year, and fans will not pay more for a ticket or be drawn to the area because of these improvements.

Even if one were to accept there are special benefits, they would only accrue to properties closest to the Promenade and Overlook walk. However, the Study fails to provide sufficient evidence that even those properties would receive any special benefit from the LID improvements. The formation of the LID boundary in the study is arbitrary with the incremental value increase along boundaries so nominal that their inclusion to the study is well beyond the margin of error in rounding.


Waterfront Seattle
Project LID Boundary
LID Construction Areas

4. Inequitable Analysis

The property uses within the LID boundary area are diverse and the Study fails to provide equitable value allocations. Vacant redevelopment site values are significantly lower than improved property value estimates passing the assessment burden to these higher value properties. This creates inequities on how the assessments are allocated as shown in three examples presented below. The sites should instead be analyzed on the common denominator of assessment per sq ft of land area.

The first example of the inequitable valuations is two nearly identical sites between Alaskan Way and Western Ave. Cyrene Apartments is a recently completed 17-story mid-rise apartment complex along the better part of the Seattle waterfront. One block south is a redevelopment site with nearly identical site characteristics that could be developed with a similar mid-rise apartment complex. The difference between the values and assessment allocation between the two properties is substantial. The improved property will be burdened with an assessment of $932,361 or over four times the assessment of the development site.

Example #1	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Cyrene Apartments 50 University 7666202450	15,413	DMC 170	$101,209,000	$104,242,000	$3,033,000	3.0%	$1,188,396	$77.10
Surface Parking 1101 Western Ave 7666202506	14,156	DMC 170	$18,757,000	$19,413,000	$656,000	3.5%	$257,035	$18.16

The next example is for property in the northern portion of the LID boundary area. The Amazon Office property is an older but functional 7-story office building. Directly across the street are three parcels that combine for the equivalent of a similar sized redevelopment site. The assessment for the Amazon Office property is three times that of the development site.

Example #2	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Amazon Office 1903 Terry Ave 0660001255	42,360	DMC 340/ 290-400	$127,103,000	$127,303,000	$200,000	0.16%	$78,364	$1.85
Development Site	13,334	DMC 340/	$21,334,000	$21,356,000	$22,000	0.1%	$8,620	
1906 Terry Ave to	14,160	290-400	22,656,000	22,679,000	23,000	0.1%	9,012	
1001 Virgina St	14,160		22,656,000	22,679,000	23,000	0.1%	9,012	
0660001512, 25, 30	41,654		$66,646,000	$66,714,000	$68,000		$26,644	$0.64

The last example is the comparison of sites closer to the downtown core where the highest densities are allowed. The 27-story Olivian Apartments were built about 10 years ago. Immediately south are two nearly identical parcels, one interior and the other a corner lot. A comparison of these properties show that the Olivian Apartments are burdened with an assessment nearly four times that of the two redevelopment sites.

Example #3	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Olivian Apartments 809 Olive Way 0660000835	13,160	DOC2 500/ 300-550	$160,493,000	$161,295,000	($802,000)	0.5%	$314,241	$23.88
Old Bldg/Surface Pkg 1618 8th Ave 0660000820	14,160	DOC2 500/	$25,488,000	$25,679,000	($191,000)	0.75%	$74,838	$5.29
Surface Parking 802 Pine St 0660000804	13,200	300-550	$23,976,000	$24,156,000	($180,000)	0.75%	$70,528	$5.34

It is very apparent there is a disparity between how the study has treated properties already improved with those that will likely be developed in the near term. There is an inequitable allocation of the LID assessment. The owner of the development site will enjoy a significant value advantage into perpetuity compared with the owner of the improved property.

Moreover, there are no latecomer fee provisions in the analysis. These are often used to help reimburse the agency or funding source for the cost of a development. They are very common in utility infrastructure improvements. It allows the property owner to defer the cost of paying for the improvement to when the benefit is actually realized.

An alternative and more equitable value allocation approach would have been to measure the value increase based on the underlying land value, a common denominator for all properties in the LID boundary area. Under that approach, it is doubtful that the Study would conclude that there are value increases due to the LID improvements anywhere near the $447M conclusion in the report.

5. Mass Appraisal Margin of Error

The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals. ABS Appraisal includes 6,238 properties in their study area with a before value of $56,359,239,000. The overall increase in value of all the properties is $447,908,000 or an overall increase of less than 0.8%. The estimated value increases fall within the standard margin of error not only for a mass appraisal, but also for a single property being valued by appraisers armed with all the necessary data not using mass appraisal techniques. It's simply impossible to adjust changes in property values with this level of precision. There are so many impactful elements requiring adjustment such as building age, location or site characteristics that would overwhelm and more than offset the implied value increases estimated in the Study. Determining such small value increases with this level of precision is simply impossible in the realm of traditional appraisal practice. The increases in value estimated in the appraisal are so small they are remote and speculative.

6. Values are overstated

We analyzed about a dozen hotel properties in the Study area. The properties are overvalued, some by as much as almost 100%.

There are other examples where the Study fails to consider certain deed restrictions, or title encumbrances. We know of a site that has a small commercial building in the downtown core

that has sold the development rights thus preventing development, yet the property was valued much higher as a redevelopment site. There is another property along Pine St. valued as a redevelopment site, apparently with no development restrictions. However, it is above the Sound Transit light rail tunnel. That prohibits excavation for below grade and requires extraordinary foundation construction that will limit development height to somewhere around ten stories, well below the site's maximum development potential of up to 550 feet, which was used in the Study.

These omissions bring question to the reliability of the other property value conclusions in the Study.

7. Economic Studies

The Study relies on three economic studies as support of property value increases because of the LID improvements. These include an updated study "Beyond Real Estate Increment: The Value of the Central Seattle Waterfront" prepared by HR&A Advisors, "The Impact of Parks on Property Values: A Review of the Empirical Evidence" study by the Department of Recreation, Park and Tourism Sciences at Texas A & M University", and "The Economic Benefits of Sustainable Streets" published in 2014 by the New York City Department of Transportation.

The first study explains the economic, fiscal and community benefits of the waterfront project. The study focuses on the larger waterfront Project and does not differentiate between the larger Project and the incremental value increase associated with or without the LID improvements. It simply is a study discussing the economic benefits from the Project. It also confirms that the improvements in their entirety reflect general benefits to the community and region, not special benefits by citing a $1.1B one-time economic impact because of the construction of the Project, $288M ongoing economic impact, 2,385 permanent jobs and $10M in ongoing local taxes. These accrue to the community and region, and are general, not special benefits.

The second study compares neighborhoods with and without a park, a more definitive distinction than the Study is trying to identify. The primary focus of this second study is to measure increases in sales revenue resulting from these new park projects. While it also considers other elements such as storm water runoff, air quality and health benefits, there is no documentation that these benefits directly lead to increases in property values. Further, the study additionally appears to imply these benefits accrue to the larger community rather than properties specifically adjacent to the park. This is support that the benefits generated from these park improvements are general, not special benefits.

The last study considered focuses on road improvements or street beautification projects in New York. The study compares unwelcoming, traffic-dominated corridors to safer, more attractive public spaces that better accommodate all users. The study focuses on safety, access/mobility, economic vitality, public health, environmental quality and livability/quality of life. The economic component is based on full availability of retail sales tax filings, limited data on commercial leases and rents, along with data on assessed market values. It is not based on real estate transactions and market sales. And while the results imply general increases in retail sales, it does not substantiate that this directly results in increases in property value. Again, there is no support that these result in special benefits, and in fact they are general benefits.

8. Summary

As stated in the accompanying appraisal review, it is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place. The appraiser has failed to provide the proper support to conclude that the LID improvements provide special benefits to the properties in the LID boundary area, in contrast to the more common general benefits that park improvements typically create for the larger community and region.

The Study determines special benefits based on case studies that represent completely different neighborhood settings. As explained in the attached exhibit, every case study considered was in a significantly inferior condition before the project improvements were installed. Most are significant urban renewal projects that have changed the landscape of surrounding neighborhoods and communities. This contrasts the Seattle waterfront that even today, is a very desirable community asset with views to the west towards the Puget Sound and the Olympic Mountains. As part of the Viaduct removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements regardless of the LID improvements. The LID improvements marginally add to what would already have been a very desirable property condition before the improvements. The case studies in the Study starkly contrast with the level of benefit that the LID improvements will provide.

Further, the economic studies considered in the Study focus on the overall benefit of the project rather than the incremental impact that the LID improvements provide. None represent a fair representation of incremental property value impacts as it relates to those contemplated from the LID improvements. And the studies focus on benefits to a larger study area than those established in the LID boundary area.

The estimate of value increases are so small it is virtually impossible to estimate at the level of precision implied in the Study. The value increase estimates of 0.5% to 4.0% are below the margin of error typically accepted within real estate appraisal practice.

Appraisers' Experience Data

PETER K. SHORETT, MAI, CRE, FRICS

President
Valuation Advisory Services

Peter Shorett entered private appraisal practice with Shorett & Riely in 1980 and was promoted to manager of the office in San Jose, California in 1985 and returned to practice at the Seattle office in 1990. He founded the Valuation Advisory Services division of Kidder Mathews in 1995.

In 1985 Mr. Shorett was awarded his MAI designation by the American Institute of Real Estate Appraisers (now known as the Appraisal Institute) and earned his CRE (Counselor of Real Estate) designation in 1999. He is a certified member of the Commercial Investment Real Estate Institute (CCIM) and has completed the requirements under the continuing education program of the Appraisal Institute. He has served as a Director of the Seattle Chapter of the Appraisal Institute and has served or led on the Candidates Guidance, Finance and Public Relation Committees. He also was appointed Chairman of the Seattle Chapter of the Counselors of Real Estate. In 2008 he became a Fellow of the Royal Institute of Chartered Surveyors (FRICS), the European equivalent of MAI. He serves on the Board of the Runstad Center for Real Estate Research at the University of Washington.

Mr. Shorett specializes in providing valuation and consultation for mediation, arbitration, litigation support and expert witness testimony. He has a wide diversified background in appraisal, market analysis and counseling for the development, acquisition, sale, leasing and financing of major urban real estate throughout the continental Western United States, including the cities of Seattle, Portland, San Francisco and Los Angeles.

Property types studied include apartments, churches, shopping centers, office and industrial buildings, marinas, condominiums, convention hotels, motels, golf courses, parking garages, medical clinics, service stations, residential subdivisions, nursing homes, retirement apartments, vacant land and numerous special-purpose and single-use properties. Mr. Shorett has extensive experience in working with owners whose property is acquired by condemning agencies such as Sound Transit or Local Improvement Districts (LID). Other assignments have included the valuation of leasehold interests, market analysis and lease-up studies for various investors and business groups.

PROFESSIONAL AFFILIATIONS

MEMBER OF Appraisal Institute (MAI)

COUNSELORS of Real Estate (CRE)

CERTIFIED Commercial Investment Member Designee (CCIM)

FELLOW of the Royal Institute of Chartered Surveyors (FRICS)

SELECT CLIENT LIST

Attorney/Law Firms

Bush Kornfeld
Cairncross & Hemplemann
Davis Wright Tremaine
Dorsey Whitney
Drumheller
Ellis Li & McKinstry
Foster Pepper
Hansen Baker
Karr Tuttle Campbell
K&L Gates
Lane Powell
Lasher Holzapfel Sperry & Ebberson
Miller Nash Graham & Dunn
Perkins Coie
Pillsbury Winthrop Shaw Pittman
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United States Bankruptcy Court

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Kitsap County, Washington Superior Court

Pierce County, Washington Superior Court

Snohomish County, Washington Superior Court

Santa Cruz County, California Superior Court

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STATE OF OREGON Certified General Real Estate Appraiser (No. C000599)

STATE OF CALIFORNIA Real Estate Appraiser License (AG014564)

STATE OF IDAHO Real Estate Appraiser License (CGA-3932)

Reciprocal agreements with other states as needed

ADDITIONAL CLIENTS

Corporations/Property Owners

- 3M Corporation
- Albertsons, Inc.
- Bekins Company
- Bristol Meyers Squibb
- City University
- Clise Properties
- Consolidated Restaurants, Inc.
- Delta Airlines
- Fred Hutchinson
- Gai's Bakery
- Goodale & Barbieri
- Goodman Financial
- Health Science Properties
- Hertz Corporation
- International Paper Company
- KCTS Channel 9
- Kilroy Industries
- KMPG
- Lindal Cedar Homes
- Lone Star Northwest
- McDonalds Corporation
- Miller Brewing Company
- Nitze-Stagen
- Nobel House Hotels & Resorts
- Northwest Airlines
- Northwestern Trust
- Olympic Resource Management
- PACCAR
- Pine Street Associates
- Portac, Inc.
- Rayonier

Attorney/Law Firms Continued

- Stokes Lawrence
- Stoel Rives
- Tousley Brain Stephens
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Corporations/Property Owners Cont'd

- Seattle Seahawks
- Skokomish Tribal Community
- Southland Corporation
- Swinomish Tribal Community
- The Boeing Company
- Unigard Security Insurance
- Union Carbide
- Vulcan, Inc.
- Wesley Homes
- YWCA

Development Companies

- Bentall Corporation
- Lincoln Property Co.
- Opus
- Quadrant
- Sobrato Development Co.
- Trammell Crow
- Wright Runstad & Co

Financial Institutions/Life Insurance Companies

- AETNA Life Ins. Co.
- Amresco
- Allstate Life Ins. Co.
- Bank of America
- CitiCorp
- Coldwell Banker Financial
- Collateral Mortgage
- Crown Life Ins. Co.
- First Horizon
- Frontier Bank
- GE Capital
- Glaser Financial
- Group
- Home Street Bank
- InterWest
- Key Bank
- L.J. Melody & Co.
- Manufacturer's Hanover Trust Co.
- Mellon Financial
- Merrill Lynch
- Morgan Stanley
- New York Life
- Pacific NW Bank
- Sterling Savings
- T. Rowe Price
- The Union Bank of California
- TIAA-CREF
- Transamerica Insurance Co.
- US Bancorp
- Washington Capital Management
- Washington Mutual
- Washington Trust Bank
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- City of Bainbridge Island
- City of Half Moon Bay
- City of Kirkland
- City of Santa Cruz
- City of Seattle
- Dept. of Natural Resources (WA State)
- General Services Administration
- Internal Revenue Service
- King County Dept. of Transportation
- King County Property Services
- King County Prosecutor's Office
- Port of Anacortes
- Port of Chelan
- Port of Friday Harbor
- Port of Port Townsend
- Port of Renton
- Port of Seattle
- Port of Tacoma
- Sound Transit
- The Nature Conservancy
- Trust for Public Land
- United States Postal Service
- Washington State Attorney General's Office

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DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

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License Number	Issued Date	Expiration Date	Teresa Berntsen, Director

PL-630-159 (R/3/16)

JOHN D. GORDON, MAI, AI-GRS

Senior Vice President, Shareholder
Valuation Advisory Services

John Gordon has over 30 years experience in the analysis and appraisal of complex income property. He has served as a staff appraiser, as a regional appraisal manager for a national accounting and consulting firm, and as a principal of an independent appraisal company. Prior to joining Kidder Mathews' Valuation Advisory Services, he was Special Properties Manager in the Commercial Appraisal Department of Washington Mutual Bank (now JP Morgan Chase), where he oversaw the valuation of their national portfolio of hotels and other special purpose properties.

John's educational background includes a BA in Economics from the University of California, and an MBA, with an emphasis in finance, from the University of Washington. He was awarded his MAI designation in 1989, and is certified as a commercial real estate appraiser in the states of Washington, Oregon, Idaho, and California.

John brings special expertise to the valuation and analysis of lodging properties. He has appraised over 600 hotels in 13 states, including small motels, large full service hotels, and some of the finest boutique resort properties in the region. In addition to hotels, John has extensive expertise in the valuation of senior living communities and affordable multifamily housing.

John is a Past President of the Seattle Chapter of the Appraisal Institute. He served for several years as an instructor in the real estate program at North Seattle Community College, and has been a guest lecturer at the Fachhochschule Munchen in Munich, Germany.

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- Bank of the Pacific
- Bank of the West
- Banner Bank
- BECU
- Coast Hotels
- First Federal
- Heritage Bank
- HomeStreet Bank
- JP Morgan Chase
- Key Bank
- Kitsap Bank
- Mereté
- Mountain Pacific Bank
- Numerica Credit Union
- Pacific Northwest Bank
- Peoples Bank
- Pacific Premiere Bank

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HOTEL MARKETS

WASHINGTON

Aberdeen	Edmonds	Mukilteo	Sekiu
Allyn	Ellensburg	Oak Harbor	Sequim
Anacortes	Everett	Ocean Shores	Silverdale
Ashford	Fall City	Olympia	Spokane
Auburn	Federal Way	Orcas Island	Spokane Valley
Belfair	Fife	Pacific Beach	Sumner
Bellevue	Forks	Pacific	Tacoma
Bellingham	Issaquah	Pasco	Toppenish
Blaine	Kennewick	Port Angeles	Touchet
Bothell	Kent	Port Hadlock	Tukwila
Bremerton	Kirkland	Port Townsend	Tumwater
Brewster	Lacey	Pullman	Union Gap
Burlington	Lakewood	Puyallup	Vancouver
Chehalis	Langley	Quincy	Vashon
Chelan	Leavenworth	Redmond	Walla Walla
Clarkston	Long Beach	Renton	Wenatchee
Cle Elum	Longview	Richland	Westport
Des Moines	Lynnwood	Ritzville	Woodinville
Dupont	Marysville	San Juan Island	Yakima
Eastsound	Monroe	SeaTac	Zillah
East Wentachee	Moses Lake	Seattle	

OREGON

Ashland	Gresham	Newberg	The Dalles
Baker	Hermiston	Newport	Tigard
Bandon	Hillsboro	Ontario	Tillamook
Bend	Hood River	Pendleton	Troutdale
Beaverton	Klamath Falls	Portland	Tualatin
Boardman	La Grande	Redmond	West Linn
Coos Bay	Lake Oswego	Salem	Woodburn
Eugene	Lincoln City	Seaside	
Forest Grove	Madras	Sisters	
Grants Pass	Medford	Springfield	

IDAHO

Boise	Idaho Falls	Nampa	Sandpoint
Bonners Ferry	Lewiston	Pocatello	Twin Falls
Caldwell	Meridian	Post Falls	
Coeur d'Alene	Moscow	Rexburg	

HOTEL BRANDS

Aloft	Embassy	La Quinta	Silver Cloud
Baymont	EVEN	McMenamins	Sleep
Best Western	FairBridge	Microtel	SpringHill
Candlewood	Fairfield	Motel 6	Staybridge
Clarion	Four Points	Oxford	Super 8
Coast	Four Seasons	Quality	TownePlace
Comfort	Guesthouse	Radisson	Travelodge
Country	Hampton	Ramada	Vagabond
Courtyard	Hilton	Red Lion	W
Crowne Plaza	Hilton Garden	Residence	WestCoast
Days	Holiday	Rodeway	WoodSpring
Doubletree	Home2	Sheraton	
EconoLodge	Hyatt	Shilo	

Red Lion Hotels
SaviBank
Seattle Bank
Shilo Inns
Silver Cloud Inns
Symetra Insurance
Tacoma Housing Authority
Timberland Bank
Travel Tacoma
Umpqua Bank
US Bancorp
Washington Capital
Washington Federal
Washington Trust Bank
Wells Fargo Bank
Yakima Convention Center
Zions Bank

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Kidder Mathews

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

JOHN DAVID GORDON
KIDDER MATHEWS
500 108TH AVENUE NE, STE 2400
BELLEVUE WA 98004

1100661	07/25/1991	03/27/2021	Teresa Berntsen
License Number	Issued Date	Expiration Date	Teresa Berntsen, Director

PL-630-159 (R/3/16)

JESSE L. BAKER

Associate
Valuation Advisory Services

Jesse Baker joined the Valuation Advisory Services department of Kidder Mathews in September 2014. Prior to joining the firm, he spent five years in leadership roles with the Cintas Corporation. He graduated the Management Trainee Program (2010), and was promoted to Service Manager (2011) and Operations Manager (2013). Mr. Baker also served as an integral member of the acquisition due-diligence team, providing analysis and recommendations as the Cintas Document Management Division pursued an aggressive growth strategy in Northern California markets.

With an educational background from the Cornell Hotel School, Mr. Baker is developing an expertise in the valuation and analysis of lodging properties. In his first 18 months with Kidder Mathews, he has appraised or provided consulting services on over 20 hotels across Washington. In addition to lodging, Jesse has appraised senior living properties (IL/AL/MC), multifamily, and LIHTC affordable housing.

STATE CERTIFICATION

Jesse is actively pursing the educational requirements for Washington State Certification. He is currently registered as a Washington State Real Estate Appraiser Trainee under Registration No. 1001777.

EDUCATION

BS in Hospitality Management, The Hotel School at Cornell University

REAL ESATE MINOR, The Hotel School at Cornell University

Cornell Varsity Football; WR, 4yr Member, 2005-2008, All-Ivy 2008

WASHINGTON STATE QUALIFYING EDUCATION

Basic Appraisal Principles

Basic Appraisal Procedures

2014-2015 National USPAP

2016-2017 National USPAP Update

General Appraiser Market Analysis & HBU

Statistics, Modeling & Finance

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STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

STATE REGISTERED REAL ESTATE APPRAISER TRAINEE

JESSE LEE BAKER
1346 S PEARL STREET
SEATTLE WA 98108

1001777	08/28/2014	03/05/2020
License Number	Issued Date	Expiration Date

Pat Kohler

Pat Kohler, Director

PL-630-159 (R/3/16)

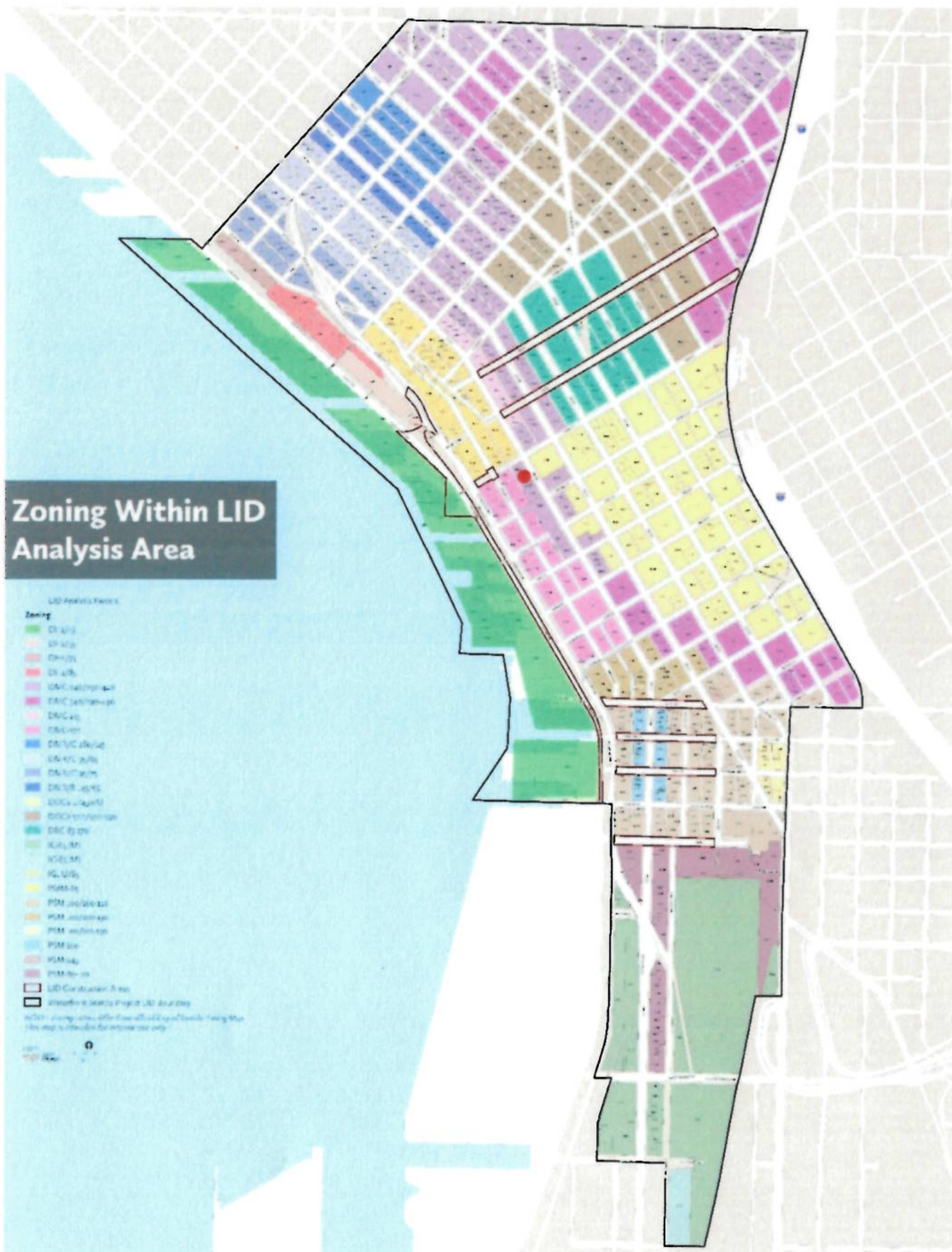
SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
52
FILE# CWF-0233, et al.

Appeal No.: CWF-0435
Building: 99 Union Street Private Residences
Owner/Rep: Sound Vista Properties, LLC
Parcel(s): 6094680050
Address: 99 Union Street, Seattle, WA 98101

Property Description: Unit 1602 is a 7,714 SF residential condominium with excellent Puget sound views and good mountain and territorial views.

Pre-LID Value:	$10,413,900	**Assessment %:**	39.2%
LID Value %:	3%	**Final LID Assessment:**	$122,412
Special Benefit:	$312,417		



City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
53
FILE# CWF-0233, et al.

Appraisal Review

Waterfront Seattle Project Special Benefit Study
Sound Vista Condominium

as of October 1, 2019 (Study Date)

Prepared for

Greg Vik, Manager
Seattle Hotel Group

Prepared by

Peter K. Shorett, MAI, CRE, FRICS
Jesse L. Baker
KM Job A19-1335d

Kidder Mathews
Valuation Advisory Services
601 Union Street, Suite 4720
Seattle, WA 98101
206.205.0200 I Fax 206.205.0220
peter.shorett@kidder.com

Kidder Mathews

February 3, 2020

Greg Vik, Manager
Seattle Hotel Group
P.O. Box 334
Bellevue, Washington 98009

Dear Mr. Vik:

At your request, we have performed an appraisal review of the Final Special Benefit/ Proportionate Assessment Study (Study) for the Waterfront Seattle Project (Waterfront Project) Local Improvement District (LID). This review was conducted in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) for performing Appraisal Reviews. These services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. A summary of the appraisal reviewed and our conclusions are contained in this report.

The Study concludes that 6,238 properties within a defined LID boundary will benefit from LID improvements that are part of the larger Waterfront Project. The Study provides opinion and analysis that form the basis for the formation of the LID boundary area and then applies value estimates for each of the 6,238 properties before and after completion of the Project.

This review provides an opinion of the appropriateness of the conclusions reached in the Study. We consider the appropriateness of the LID boundary conclusions, the estimates of benefit to the properties in the study, then a review of the value appropriateness before and after the Project for the property that is the subject of this review.

Respectfully submitted,

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Jesse L. Baker
State Registered Real Estate Appraiser Trainee
WA License 1001777, exp 3/5/2020

Certification

We certify that, to the best of our knowledge and belief:

1) The statements of fact contained in this report are true and correct.
2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3) We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5) Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6) Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7) Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8) John D. Gordon has made a personal inspection of the property that is the subject of this report.
9) We have not previously appraised the property within the three years preceding our acceptance of this engagement.
10) John D. Gordon (Kidder Mathews, Bellevue) provided significant real property appraisal assistance to the persons signing this certification.
11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Practice* of the Appraisal Institute.
12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13) As of the date of this report, Peter K. Shorett and John D. Gordon have completed the continuing education program for Designated Members of the Appraisal Institute.
14) As of the date of this report, Jesse L. Baker has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Jesse L. Baker
State Registered Real Estate Appraiser Trainee
WA License 1001777, exp 3/5/2020

Limiting Conditions

Limiting conditions specific to this appraisal are as follows:

1) The appraisers have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.

2) It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures (including asbestos, soil contamination or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.

3) No responsibility is assumed for the legal description or for matters including legal or title considerations.

4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5) The appraisers are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.

6) The allocation of total value to land, buildings, or any fractional part or interest, if shown in this report, is invalidated if used separately in conjunction with any other appraisal.

7) The appraisers are competent and qualified to perform the appraisal assignment.

8) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraisers.

Summary

Property Appraised in Study	Sound Vista Condominium 99 Union Street, Unit 1602 Seattle, Washington 98101
Study Prepared By	ABS Valuation Robert J. Macaulay, MAI 2927 Colby Avenue, Suite 100 Everett, WA 98201
Study Reviewed By	Peter K. Shorett, MAI, CRE, FRICS John D. Gordon, MAI, AI-GRS Jesse L. Baker Kidder Mathews Valuation Advisory Services 601 Union St., Suite 4720 Seattle, WA 98101
Intended Users	This appraisal review is prepared for you, the client, your legal counsel Jerry Lutz with Perkins Coie, City of Seattle Hearing Examiner Ryan Vancil, the Seattle City Council members, and Robert J. Macaulay, MAI, appraiser with ABS Valuation
Intended Use	To be used in support of the property owners appeal of the Special Benefit Assessment proposed to be levied against the property.
Purpose of the Assignment	To determine the appropriateness of the conclusions reached in the Final Special Benefit/Proportionate Assessment Study (Study) for the Waterfront Seattle Project Local Improvement District (LID).
Date of Appraisal Under Review	Prepared – November 18, 2019 Date of Value – October 1, 2019
Date of Reviewer's Opinion	Prepared – January 30, 2020 Date of Value – October 1, 2019

Extraordinary Assumptions or Hypothetical Conditions to this Review	None
Scope of the Review	This is a review and critique of the value methodologies and conclusions in the Study and the estimate of value increase for the property before and after the LID improvements are in place. We will be providing our opinion of value before the LID improvements in a separate Restricted Appraisal report. The scope of work included a review of the Study, its Addendum, a general inspection of properties within the LID boundary area, location where the LID improvements will be made, additional research on the case study examples used in the Study and interviews with market participants in those markets. The results of the review are contained in this report.
Study Conclusions	Before $10,413,900 After 10,726,317 Special Benefit $312,417 LID Assessment $122,412
Review Conclusion	The increase in value opined in the appraisal is not credible and should not be relied on.

Reviewer's Conclusions

It is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place. The appraiser has failed to provide the proper support to conclude that the LID improvements provide special benefits to all of the properties in the LID boundary area, in contrast to the more common general benefits that park improvements typically create for the benefit of the larger community and region.

The Study determines special benefits based on case studies that represent completely different neighborhood settings. As explained in the attached exhibit, every case study considered was in a significantly inferior condition before the project improvements were installed. Most are significant urban renewal projects that have changed the landscape of surrounding neighborhoods and communities, and dramatically changed the way locals and visitors interact with those communities. Those case studies are in stark contrast to the Seattle waterfront that even today, is a very desirable community asset with views to the west towards the Puget Sound and the Olympic Mountains. As part of the Viaduct removal, the City is obligated to restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements regardless of the LID improvements. The LID improvements marginally add to what would already have been a very desirable property condition before the improvements. The case studies contained in the Study illustrate benefits received in those communities well beyond the level that the LID improvements will provide.

Further, the economic studies considered in the Study focus on the overall benefit of the projects rather than the incremental impact such as the LID improvements provide. None of them fairly represent incremental property value impacts such as those contemplated from the LID improvements. And the results of the studies tend to focus on benefits to a larger study area than those established in the LID boundary area.

The estimated value increases are so small that it is virtually impossible to estimate at the level of precision implied in the Study. The value increase estimates of 0.5% to 4.0% are below the margin of error typically accepted within real estate appraisal practice.

When compared on the basis of unit area, the estimate of current value in the study is within the range demonstrated in recent sales of units in the same complex. However, there is insufficient support for the 3.0% projected increase in value. The units in this building already are among the most expensive in the city, and further increases would lift them beyond the market range. Furthermore, buyers of luxury residences are unlikely to perceive a benefit from new parks and street improvements targeted to the general population.

Attached to this review is Exhibit 1 that provides further support and explanation for these opinions.

Kidder Mathews

EXHIBIT 1 – ATTACHMENT TO APPRAISAL REVIEW

This attachment provides support for the opinions in the accompanying appraisal review. It is not intended to be a standalone document and can only be used in conjunction with that appraisal review report.

This letter provides a descriptive overview of the Waterfront Seattle Project (Project) proposed by the City of Seattle and the appropriateness of the Special Benefit/Proportionate Assessment Study (Study) prepared by ABS Valuation for assigning assessments to properties for partial funding of the Project through a Local Improvement District (LID) special assessment.

Executive Summary

Following the removal of the Alaskan Way Viaduct, the City of Seattle plans to construct a park promenade along the water, construct a new surface street along Alaskan Way, rebuild Pier 58 and Pier 62, build an elevated connection from Pike Place Market to the waterfront, and improve east-west connections between downtown and Elliott Bay. The Project will be a $724M investment planned for completion by 2024.

The City adopted the ordinance to create the formation of the LID for partial payment of the Project. ABS Valuation prepared their Study with an October 1, 2019 date of value released to the public on or about January 10, 2020. The Study estimates the before and after value of property within a defined LID boundary area. The report includes 6,238 properties within the LID boundary and concludes a value increase because of the Project equal to $447M. The City has allocated $175.5M of the Project cost to these properties through the formation of the LID.

A LID is an unusual funding mechanism, especially for a project of this magnitude. The last major LID formed in the region was for the South Lake Union Streetcar in 2007. Funding for the park projects noted in the Study and accompanying reports was from tax incremental financing, transportation funds, City, State or Federal funds and grants, public, private, or philanthropy. None were funded with a LID.

It is important to understand the property conditions before and after the LID improvements that the Study is attempting to value. The Project is a component of a larger effort to restore the Seattle waterfront following the removal of the Alaskan Way Viaduct. As part of its removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements to current design standards regardless of the LID improvements. The LID improvements add on to a project that is already schedule for construction.

Up to the release of the Study, the condition of the property before the LID improvements was largely unknown because the City had not prepared drawings and exhibits showing the difference in the property before and after with the LID improvements in place. These conditions were just provided as an addendum to the Study and help explain the marginal difference between the property condition before and after the LID improvements.

From this, the Study attempts to determine the value increase from these LID improvements for a very large grouping of properties from what would already have been a very desirable property condition without the LID improvements.

It is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place.

1. The difference in the property condition before and after the LID improvements are in place is overstated.
2. The LID improvements provide a general, not special benefit. There is insufficient evidence in the Study to conclude that the LID improvements provide special benefits to the properties in the LID boundary.
3. The LID boundary area is too large.
4. The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals, and therefore is remote and speculative.
5. There is inequitable analysis between property types and uses.
6. Many values are overstated.
7. The Study relies on a report prepared by HR&A Advisors that fails to consider the economic impacts if the LID improvements were not funded.

1. <u>Difference in the Before and After Condition</u>

The Study gives the impression that the LID improvements will transform the Project to a greater level of improvement than will actually be realized.

The LID improvements will convert public space to a dedicated park, but it does not bring better connectivity to Pioneer Square, north towards Colman Dock and the retail piers (54 through 57) to Union Street. Those connections already exist.

The Study states: "… With the LID project completed, accessibility to the waterfront from nearby areas including the Pike Place Market, downtown business district and Pioneer Square will vastly improve. On an overall basis, referring the economic studies and rating system discussed herein, *the waterfront area in general improves from a subjective quality rating of <u>average in the "before" scenario to excellent with the LID project completed</u>*."

The Overlook Walk will provide a grand entrance from the Market to the waterfront, but for decades, tourists and visitors have found their way to the waterfront. Access to the waterfront from downtown Seattle will improve near Pike Place Market in the after condition, but the improvement is not such that it creates a special benefit.

Properties around the Project will still enjoy the spectacular views west towards Puget Sound, the Olympic Mountains to the south towards Mount Rainer, some of the many reasons visitors are *attracted* to Seattle. Adding the LID improvements marginally enhances that experience above and beyond what would be in place without the LID improvements. Even today, with all the construction from the removal of the Alaskan Way Viaduct, Sea Wall replacement and Washington State Ferry Terminal construction, the waterfront remains an active and vibrant

tourist destination. There is no market evidence in the report that waterfront access would change from average to excellent because of the LID improvements.

There are too many other amenities in the region attracting tourism to suggest that the LID improvements singularly will cause property values to increase. Seattle is already blessed with attractions like the Pike Place Market, Pioneer Square, International District, Seattle Center, Space Needle, Chihuly Garden and Glass, Seattle Monorail, Seattle Art Museum, Washington State Ferries, the Great Wheel, T-Mobile Park, CenturyLink Field, Hiram Chittenden Locks, Discovery and Myrtle Edwards Parks. There is competition for tourist dollars from these area attractions. It's virtually impossible to identify a percentage of value increase from the LID improvements, and to conclude that the LID improvements will substantively change visitor preferences is remote and speculative.

There are consequences from the LID improvements not considered in the report, such as losing street parking. The renderings show a loss of at least 60 parking stalls along Alaskan Way in a market already short of parking. Also not considered are the impacts to properties where tree density will increase, and views will be lost from the lower level of some buildings.

The Study also ignores the impacts for development not expected to be completed until 2023/2024. Work will be ongoing including the completion of Pier 62, construction of a new pedestrian bridge, stairs and an elevator on Union Street from Western Avenue to Alaskan Way. In 2021, the Overlook Walk, a main park promenade along the water and piers with a bike bath, a new park on Pier 58 and additional connections to Colman Dock will be built. The new Seattle Aquarium Ocean Pavilion will not be completed until 2024. The Study also ignores the uncertainty of completing a five-year project on time, nor does it consider changes in project scope or cost overruns, real elements in any development the magnitude of the Project.

It also ignores the impacts of construction over the next five years in its analysis. The construction along the waterfront has been disruptive and has negatively affected property value. Retail sales are down and will expect to be soft during project construction.

The following exhibits present a better visual of the difference before and after the LID improvements. The most impactful consist of the Promenade, Pier 58 decking, Union Street Staircase and Overlook Walk. While the LID improvements create a more park like setting, the condition of the roads, bike trails, landscaping and streetscape after completion is marginally improved from the condition before. The reader can see the marginal increase in property condition that visitors will experience because of the LID improvements.

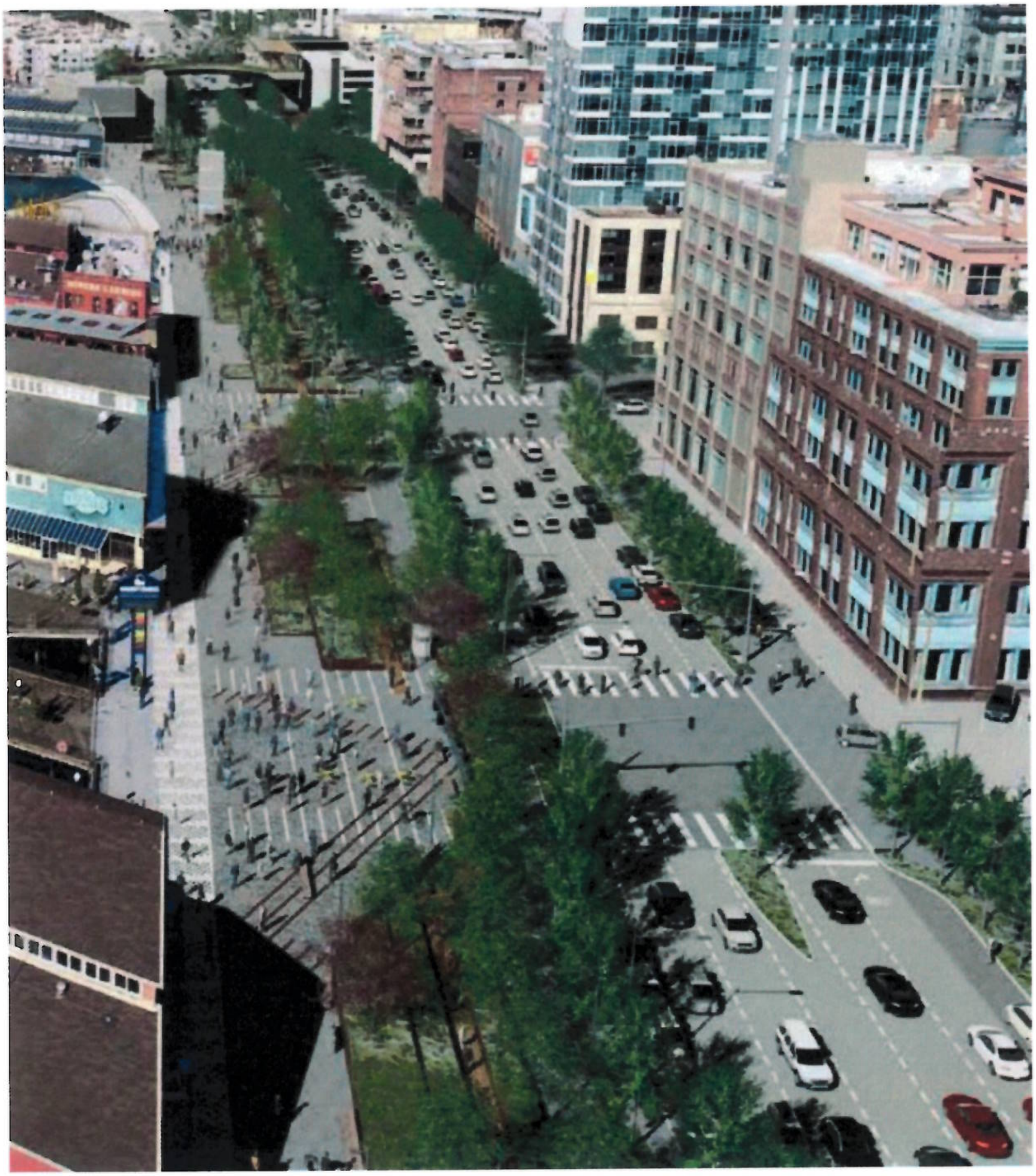
Kidder Mathews

Promenade

Before

After

The area along Elliott Bay stretching from about Pine Street south to Dearborn Street will add landscaping, pedestrian corridors, bike paths, and park elements (benches, artwork, etc.).



Kidder Mathews

Before

After

Kidder Mathews

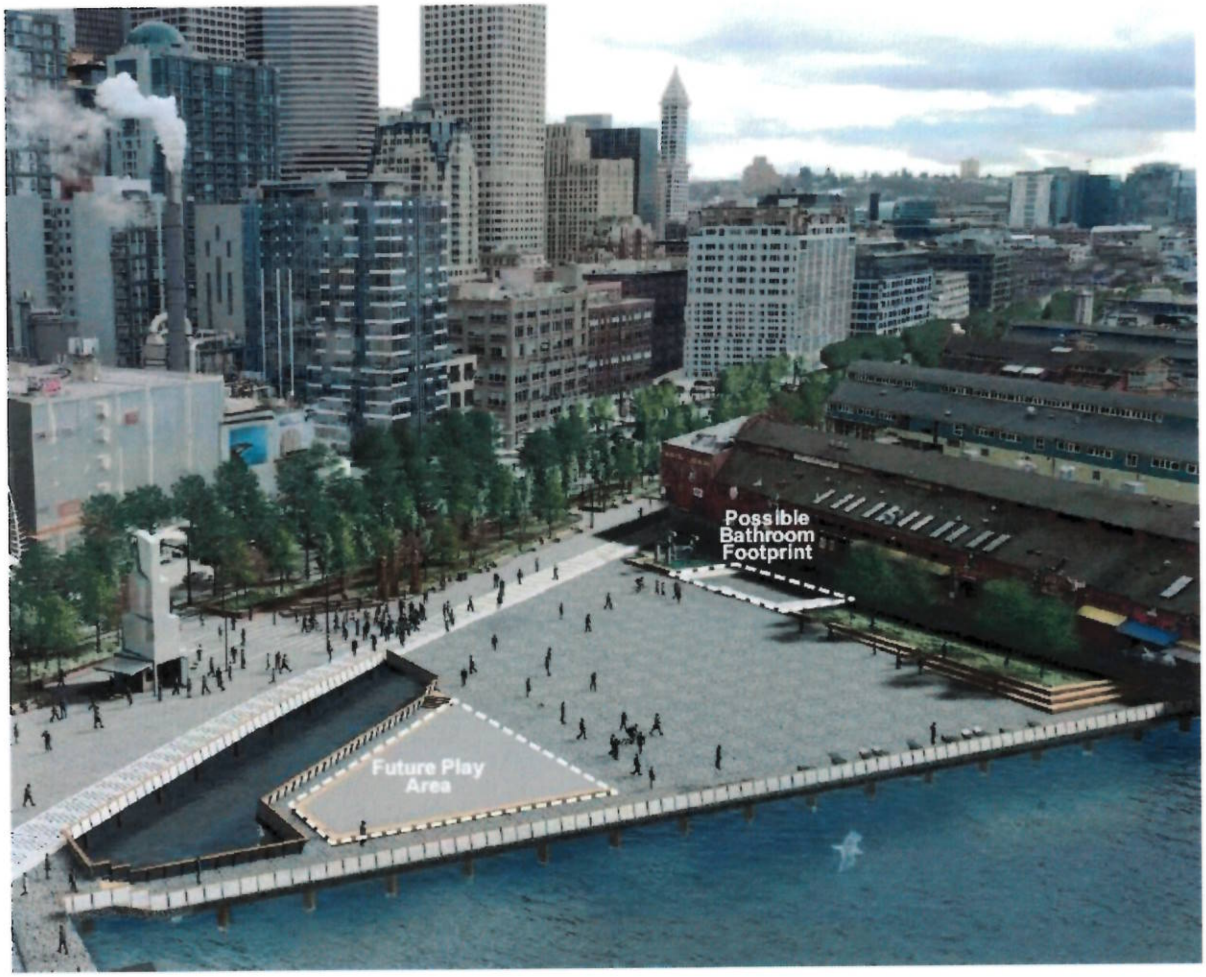
Pier 58

Waterfront Park is improved with a boardwalk & a pair of sculptures, plus views of the skyline & ships in dry-dock. There is a mix of plantings, public gathering areas and concrete amphitheater, fountain and seating areas.

Before

After

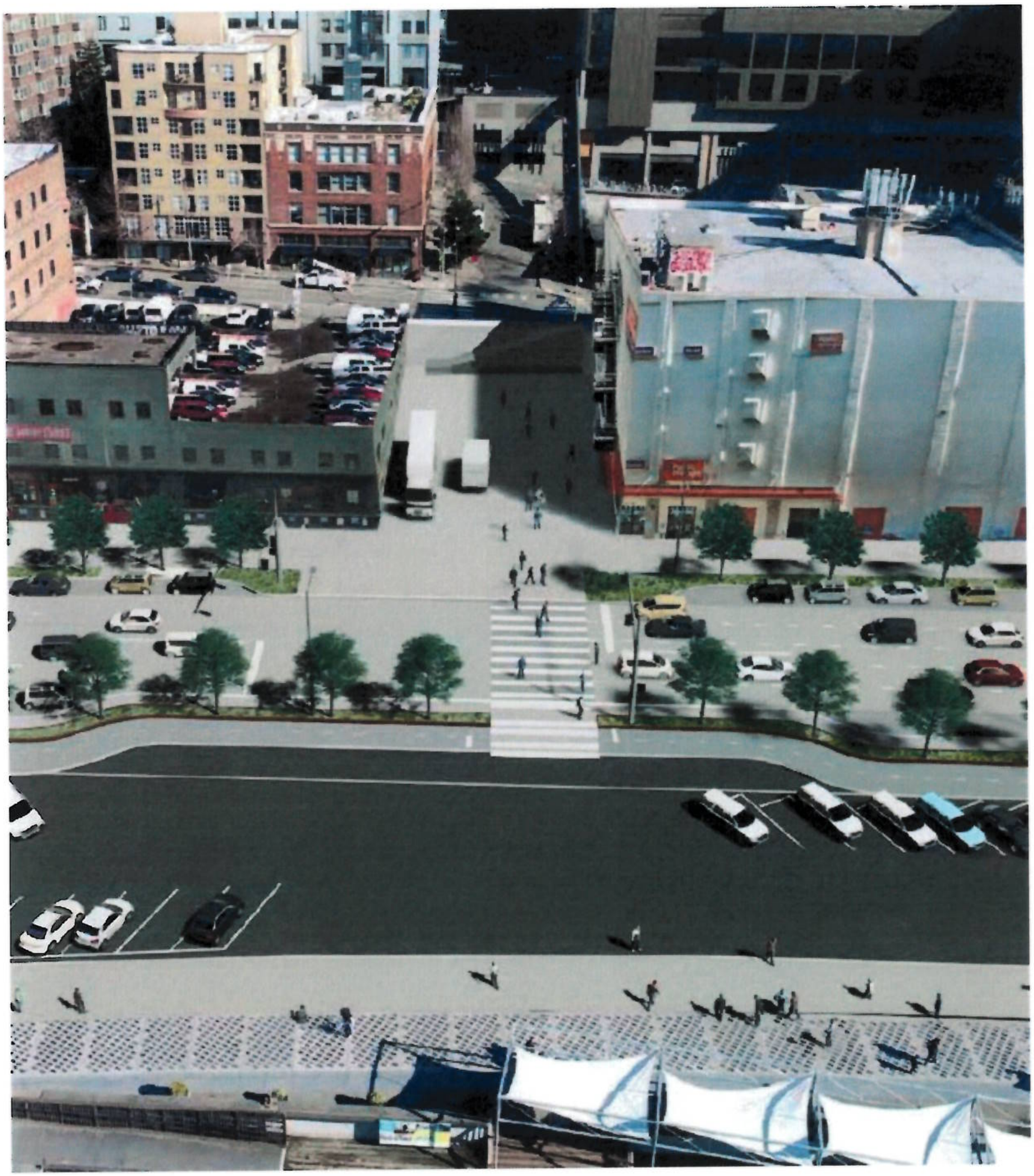
The LID improvements will create a larger platform with children's play area and raised lawn area. The possible bathroom would not be funded by the LID.



Union Street Pedestrian Extension

Present access from downtown Seattle is along a staircase leading down from the Four Seasons Hotel, to another staircase from Western Avenue to Alaskan Way.

Before



Kidder Mathews

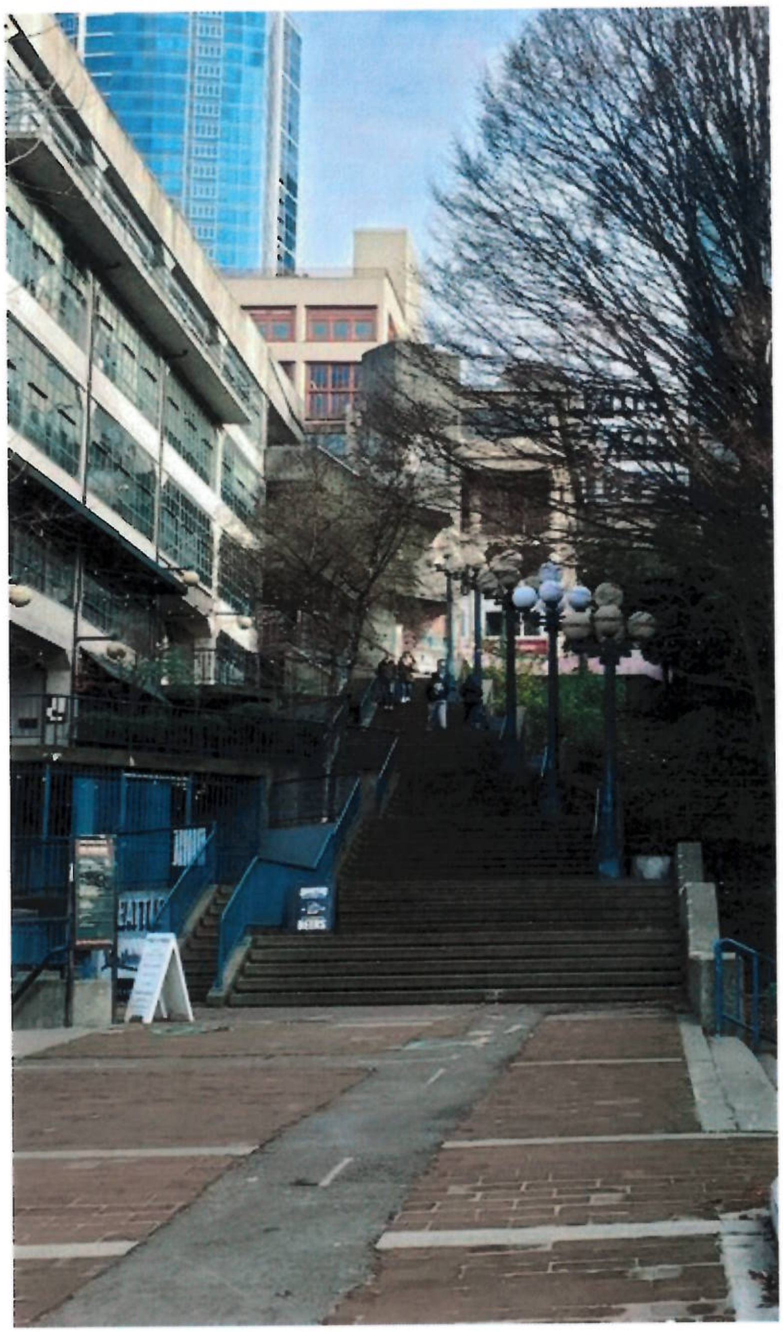
After

Improvements will include a new staircase, pedestrian areas, benches and artwork.

Overlook Walk

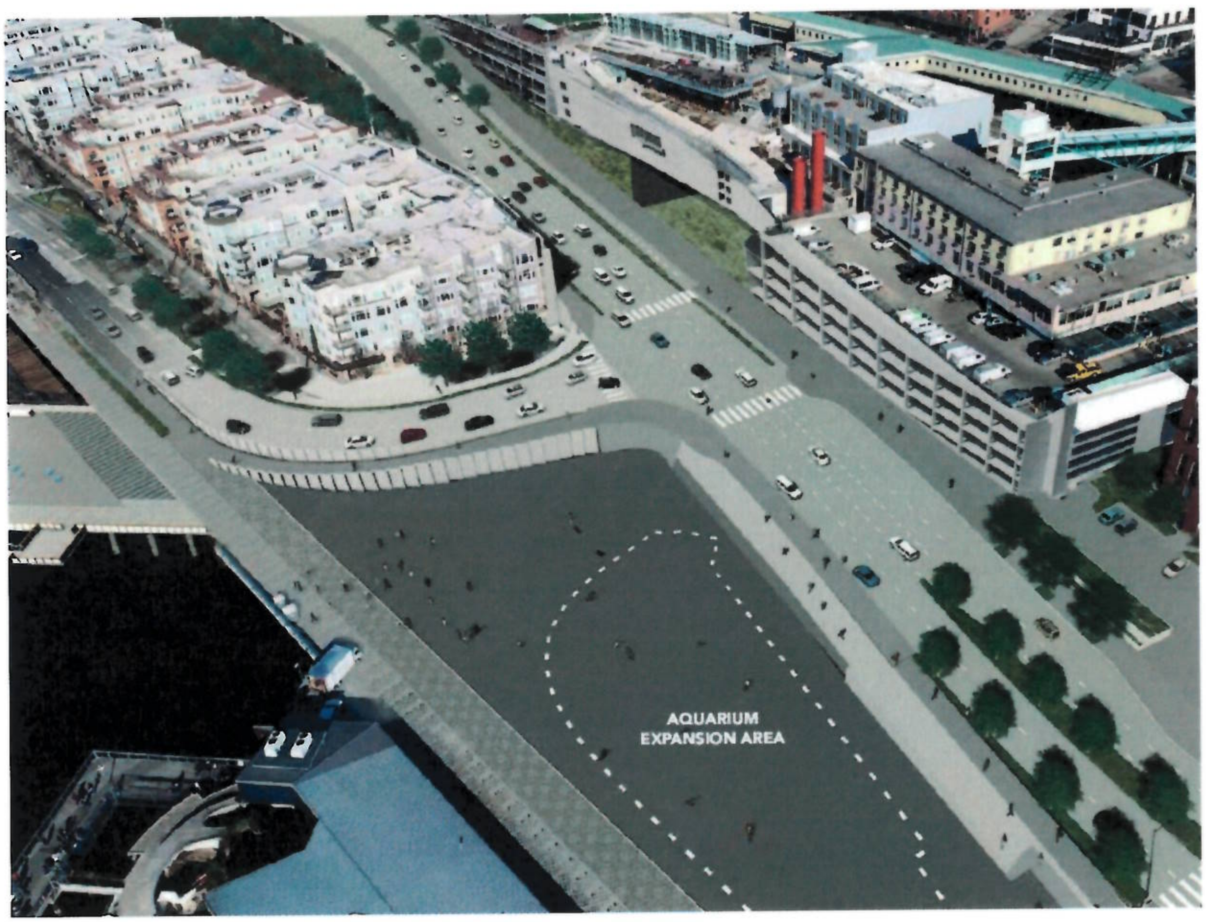
Current access to the waterfront from the Pike Place Market is the Pike Street Hill Climb, a series of steps or by elevators from the Skybridge to the Market Garage. These access points remain unchanged in the after condition.

Before and After




SEATTLE WATERFRONT
SEATTLE AQUARIUM
Alaskan Way
Restore zone
Work zone
Hillclimb
Market Garage
Market Garage
Skybridge
Desimone Bridge
Western Avenue
PUBLIC MARKET CENTER
PIKE PLACE MARKET
Pike Place
To Waterfront

The rendering for the property in the before condition after the Alaskan Way realignment is shown below. The Pike Street Hill Climb and Skybridge/Market Garage elevators would remain as the primary points of access to and from the market. The rendering is a little misleading because it does not include the new $113M Seattle Aquarium pavilion in the before condition. The Project will include $34M in already identified City of Seattle funding as part of the Project outside of the LID improvement cost. The remaining costs will be funded by $60M in private donations and $19M from King County, Washington State and Federal sources. It is expected to be completed by 2024. The rendering shows a "no aquarium" alternative when in reality, it should be in place around the time the LID improvements are completed.



After

The Overlook Walk is the most significant improvement of the project. A pedestrian bridge and landscaped public space will cross over the Elliott Way surface street. It will include substantial public open space connecting the north end of the Pike Place Market with the waterfront. The Pike Street Hill Climb and Skybridge elevators are still in place in the after condition, and the aquarium improvements are shown as completed.

2. <u>General versus Special Benefits</u>

General benefits are easy to recognize such as an improved system of highways, or regional airport or new ferry terminal, since everybody in a community benefits from that improvement. General benefits are those that accrue to an entire neighborhood, community or region.

Special benefits are more difficult to define. They add value to a property because of a specific improvement as distinguished from those enjoyed by the public. Special benefits are easy to recognize when there is an actual physical improvement to a property, such as when water or sewer lines are installed, or a storm water retention system to keep a property from flooding is added, or a new freeway off-ramp serving an area once distant from freeway access is built. The benefit must result directly, uniquely and specifically from the public project to individual parcels.

The Study fails to properly determine that the LID improvements create special benefits to the properties within the LID boundary area. The case examples in the Study provide only anecdotal information about the project's general benefits. It does not employ a traditional "matched pair" analysis that would provide discrete value increase metrics from sale transactions for properties near these projects compared with those removed from the project influence. The proper measure of benefit is to compare like property transactions with and without the variable that is the project.

Moreover, the value increases noted in case studies contained in the report are not reflective of conditions even close to the LID improvement component of the project and are misleading. Virtually every case example cited in the Study are substantially more impactful than the LID improvement project. The High Line in New York City, for example, was an abandoned and unused elevated railroad that was a barrier and blight to the adjoining properties. The project improvements were so substantial, that it is now one of the more noted gentrification initiatives in the country. The Rose Kennedy Greenway in Boston also brought a major change to the area. The surface interstate highway was put underground and converted to a regional park. Not only had the interstate generated noise, it had posed a physical barrier that separated neighborhoods, whereas the project eliminated the noise and allowed for recreation and walking between neighborhoods.

We researched the case studies cited in both the Study and referenced HR&A reports. The changes in the condition before and after were so substantial that they dwarf the difference between the condition of the property before and after the LID improvements, and are not credible sources for opinions of value. Examples of the case studies used in the Study are discussed below.

Tom McCall Waterfront Park, Portland OR

Before
The original 37-acre park was completed in 1984. The park was doubled in size following its southern expansion in 1999, resulting in a public space that spans about 1.5 miles on the west side of Willamette River. While the park offered water views, the park itself and the immediate neighborhoods adjacent to the park, and extending north and south from Burnside, were considered unsafe and not attractive. Upgrades were needed to the seawall. Public events such as the Saturday Market and the Portland Blues Festival were established.

After
Redevelopment of the park was completed in 2011. The primary arterial, Naito Parkway, was reconfigured and overall improvements to the park included new pathways, public gardens, fountain upgrades, and construction of three plazas for events. Salmon Springs Plaza on the north end allowed for the expansion of the Saturday Market. A waterfront esplanade extends the full length of the park from RiverPlace Hotel on the south end to the Japanese-American Historical Plaza on the north. Coinciding with park renovation were new housing development projects (The Yards) and upgrades to trees, sidewalks, and signage on adjacent access streets. Perception has changed from unsafe and limited upside to a marketable destination. While these improvements are superior to the condition of the property before, it's not clear that values have increased because of them.

Rose Kennedy Greenway, Boston MA

Before
Elevated JFK Expressway separated the east and west portions of town for 1.5 miles. Downtown was disconnected from the Waterfront. The expressway was demolished and I-93 was relocated underground following the Big Dig that started in 1991. The result was a cleared, graded site, with gravel and no enhancement factor, but the neighborhoods were at least connected.

After
Independent non-profit, The Greenway Conservancy was established in 2004 to guide development and raise funds via endowment. The 17-acre park opened in October 2008 and can be best described as a linear park that spans over one mile across several Downtown Boston neighborhoods (Chinatown, Fi-Di, Waterfront, and Northend). Only a small eastern portion of the park has waterfront view or access; however, the park did connect Downtown with the Waterfront. Park features include gardens, promenade, sculptures, seating, trees, and greenspace. In 2008, State Legislation established a 50/50 Public-Private-Partnership (PPP), with Greenway Conservancy being appointed steward and operator in 2009. A new agreement was announced in 2017 dictating operational financing. The breakdown includes State/City 20%, New Greenway Business Improvement District (BID) 20%, and Greenway Conservancy 60% generated through private donations.

Hudson River Park, New York NY

Before
500+ acres of West Manhattan with water view but considered as wasteland.

After
After 30 years of planning, Friends of Hudson River Park were behind the effort to redevelop. Completed in the early 2000s, this project led to the complete redevelopment of the neighborhood. Park features included sports fields, recreation, walking and bike paths, waterfront promenade, and other amenities. Dramatic change in land use, private investment, and politics were required to make this project so. The project magnitude was well beyond the Seattle project.

The Embarcadero, San Francisco, CA

Before
Post-Earthquake (1989), the city demolished the highway in 1991. The Bayfront was disconnected from Downtown San Francisco and considered under-utilized. This area of San Francisco was considered an industrial service corridor.

After
Complete transformation; however the park project coincided with demolition opening once blocked waterfront view. This was around the time of the economic boom associated with the 1990's economy and Dot-Com era. All work was completed by early 2000's. City streets connected to the Embarcadero, a boulevard that runs along the waterfront, and sidewalks offered immediate waterfront and park access. Led to easier access to southern bay front and redevelopment of SOMA, (south of market), AT&T Park, and the new Arena, etc. This is a dramatically different level of improvement than those that will be realized from the LID improvements.

Millennium Park, Chicago Il

Before
Existing Grant Park and location in between downtown and major highway. This area was home to the Illinois Central rail yards, parking lots, and vacant underutilized land.

After
The rail yard was converted to one of the world's largest green roofs. New park features include significant green space, major art installations such as the Bean, skating rink, pedestrian bridge, theatre, promenade, and an outdoor auditorium. The park is operated by the Chicago Department of Cultural Affairs and managed by MB Real Estate. The total cost of the park was $475MM, equating to three times its original $150MM budget; however, it has become the number one tourist attraction in the Midwest, as of 2015.

False Creek Viaduct Replacement, Vancouver BC

Before
The Southeast False Creek project is the third and final segment of the waterfront revitalization plan. The City owned 80-acre area has historically been industrial with significant areas of undeveloped land. It is also the location of the aging Georgia and Dunsmuir Viaducts.

After
The City plans to demolish the viaducts and through private and public funding rezone and designate the entire area for redevelopment including new road infrastructure, opens space and development sites. There will be defined districts – Events and Entertainment District, Park District and Main Street District, each with development expected to provide the development of several million square feet of office and hundreds of multifamily housing, along with supporting retail uses. This redevelopment will have a dramatically different scale of impact to property values when compared with the LID improvement component of the larger Project.

High Line, New York City, NY

Before
Elevated rail infrastructure built in 1930's. The southern section was demolished in the 1960's, with last portion of demo in 1991. Remaining section spans from Meatpacking District, extending north through West Chelsea. Abandoned warehouses, lots of graffiti and area considered an eyesore. By 2006, an area of West Chelsea was rezoned to a special district to accommodate a public park. CSX, a supplier of rail-based freight transportation in North America, donated the right-of-way and infrastructure in 2005. Ground broke in 2006, first segment opened in 2009. In 2012, the second segment was completed (20th - 30th) and zoning changes were approved to allow the third segment to open in 2014 (30th - 40th).

After
The completed product is a 1.45-mile long greenway maintained and operated through a public/private partnership between Friends of the Highline and NYC. The space is considered a tourist destination. In addition, the High Line is used to support many public programs including teen-engagement, art, and performance.
From an economic standpoint, real estate values near the park were driven up by speculators during the planning and development phases. The park is now an anchor and tourist attraction in the West Chelsea and Meatpacking Districts. Property values and retail/condo markets have experienced significant positive benefits.

According to Friends of the High Line co-founder Robert Hammond, the High Line "gets too much credit and too much blame" for the redevelopment of West Chelsea. The park development coincided with the rezoning of West Chelsea, with no affordable housing mandates. This led to gentrification and outpricing of the local community, including art galleries and businesses, due to people moving in from Manhattan. These issues led to an extended debate over income

inequality etc. Many cities have followed and completed or proposed elevated parks due to the overall positive impact of the High Line (Jersey City, Chicago, Philly).

Buffalo Bayou Park, Houston TX

Before
Buffalo Bayou Promenade was completed in 2006, establishing a 23-acre recreation area with 1.4 miles of hiking and biking trails that connects from West of Downtown to the Theater District.

After
Buffalo Bayou Park was completed in 2015 and established the new park immediately west of the promenade. This project added 160 acres of new parkland stretching 2.3 miles. Park features include a dog park, greenspace, gardens, restaurants, and an art space. Since 2015, this area has experienced three significant flood events. In 2017, Hurricane Harvey caused devastation and significant damages to property in the adjacent neighborhoods.

Atlanta Beltline, Atlanta Georgia, GA

Before
Vacant land including parking lots, demolished buildings or what remained of old foundations, vacant land, crime, and considered an eye sore. Some trails (The Westside Trail) and bridges that spanned the topography.

After
Partnership formed in 2005 to transform the area into a destination. First portion opened in 2012, with completion in 2014. The completed park offers a major pedestrian path for walking, running, and biking, and trails that connect to other areas of the city. Notably, the Eastside Trail extension broke ground in 2016 and was completed in 2017, which connected two disconnected railways. Funding sources for this portion included a $3MM Woodruff Foundation grant, Beltline Tax Allocation District, The Kendeda Fund, and Waterfall Foundation. The redevelopment of this area has resulted in significant multifamily development around the trails and recreation space, including the "Edge" project near the new proposed Edgewood Avenue Bridge, which is to be added following the project. This project essentially is continuous.

11th Street Bridge, Washington DC

Before:
Existing 11th Street Bridges. Construction began in 2009 on replacement bridges, new ramps, and interchanges. Phase 1 completed in 2013; Phase II completed in 2015.

After:
Breaking ground in 2021, the elevated park is proposed for construction atop the existing piers of the former 11th Street Bridge. This project is designed after the High Line in NYC. The finalized product will include art and performance spaces, recreation areas, plazas, urban farming plots, an amphitheater, and greenspace. The completed park will help connect Wards 7 and 8 to the rest of the city. Much of the hype is over the bridge design of the superstructure. Other issues have arisen over potential gentrification.

Willoughby Plaza, New York City NY

Before
Vacant land owned by Marriott. There was significant traffic congestion near Downtown Brooklyn and the Brooklyn Bridge. The project area included an active use shared pedestrian/bike/vehicle street, parking lot underutilized vacant land.

After
Land was donated by Marriott as part of the renovation to their south tower completed in 2013. Street access was eliminated and this area designated an outdoor plaza. Marriott retains the ability to use the space as additional function space. Pedestrian traffic and access increased. Storefront retail businesses and restaurants saw positive impact. There was no revenue impact to Marriott from the project.

3. LID Boundary Area

There is no justifiable basis or support for the LID boundary areas as they have been determined. The primary improvements of the Project will be along the waterfront and near Pike Place Market, not away from the water. LID improvements, as identified by the City of Seattle, extend up the Pike/Pine corridor, and from Alaskan Way into Pioneer Square. But these improvements appear to be more of an improvement program to neglected streets, not part of the larger LID project.

It is unreasonable to conclude that properties in the north end of the boundary area will receive any benefit from the LID improvements. On the south end, neither T-Mobile Park (Mariners) nor Century Link Field (Seahawks & Sounders) will ever realize an increase in value from any part of the Project, let alone the LID improvements. Stadiums like these are bound to contracts that will not allow the property value to increase. The Seahawks games sell out every year, and fans will not pay more for a ticket or be drawn to the area because of these improvements.

Even if one were to accept there are special benefits, they would only accrue to properties closest to the Promenade and Overlook walk. However, the Study fails to provide sufficient evidence that even those properties would receive any special benefit from the LID improvements. The formation of the LID boundary in the study is arbitrary with the incremental value increase along boundaries so nominal that their inclusion to the study is well beyond the margin of error in rounding.


Waterfront Seattle
Project LID Boundary
LID Construction Areas

4. Inequitable Analysis

The property uses within the LID boundary area are diverse and the Study fails to provide equitable value allocations. Vacant redevelopment site values are significantly lower than improved property value estimates passing the assessment burden to these higher value properties. This creates inequities on how the assessments are allocated as shown in three examples presented below. The sites should instead be analyzed on the common denominator of assessment per sq ft of land area.

The first example of the inequitable valuations is two nearly identical sites between Alaskan Way and Western Ave. Cyrene Apartments is a recently completed 17-story mid-rise apartment complex along the better part of the Seattle waterfront. One block south is a redevelopment site with nearly identical site characteristics that could be developed with a similar mid-rise apartment complex. The difference between the values and assessment allocation between the two properties is substantial. The improved property will be burdened with an assessment of $932,361 or over four times the assessment of the development site.

Example #1	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Cyrene Apartments 50 University 7666202450	15,413	DMC 170	$101,209,000	$104,242,000	$3,033,000	3.0%	$1,188,396	$77.10
Surface Parking 1101 Western Ave 7666202506	14,156	DMC 170	$18,757,000	$19,413,000	$656,000	3.5%	$257,035	$18.16

The next example is for property in the northern portion of the LID boundary area. The Amazon Office property is an older but functional 7-story office building. Directly across the street are three parcels that combine for the equivalent of a similar sized redevelopment site. The assessment for the Amazon Office property is three times that of the development site.

Example #2	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Amazon Office 1903 Terry Ave 0660001255	42,360	DMC 340/ 290-400	$127,103,000	$127,303,000	$200,000	0.16%	$78,364	$1.85
Development Site	13,334	DMC 340/	$21,334,000	$21,356,000	$22,000	0.1%	$8,620	
1906 Terry Ave to	14,160	290-400	22,656,000	22,679,000	23,000	0.1%	9,012	
1001 Virgina St	14,160		22,656,000	22,679,000	23,000	0.1%	9,012	
0660001512, 25, 30	41,654		$66,646,000	$66,714,000	$68,000		$26,644	$0.64

The last example is the comparison of sites closer to the downtown core where the highest densities are allowed. The 27-story Olivian Apartments were built about 10 years ago. Immediately south are two nearly identical parcels, one interior and the other a corner lot. A comparison of these properties show that the Olivian Apartments are burdened with an assessment nearly four times that of the two redevelopment sites.

Example #3	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Olivian Apartments 809 Olive Way 0660000835	13,160	DOC2 500/ 300-550	$160,493,000	$161,295,000	($802,000)	0.5%	$314,241	$23.88
Old Bldg/Surface Pkg 1618 8th Ave 0660000820	14,160	DOC2 500/	$25,488,000	$25,679,000	($191,000)	0.75%	$74,838	$5.29
Surface Parking 802 Pine St 0660000804	13,200	300-550	$23,976,000	$24,156,000	($180,000)	0.75%	$70,528	$5.34

It is very apparent there is a disparity between how the study has treated properties already improved with those that will likely be developed in the near term. There is an inequitable allocation of the LID assessment. The owner of the development site will enjoy a significant value advantage into perpetuity compared with the owner of the improved property.

Moreover, there are no latecomer fee provisions in the analysis. These are often used to help reimburse the agency or funding source for the cost of a development. They are very common in utility infrastructure improvements. It allows the property owner to defer the cost of paying for the improvement to when the benefit is actually realized.

An alternative and more equitable value allocation approach would have been to measure the value increase based on the underlying land value, a common denominator for all properties in the LID boundary area. Under that approach, it is doubtful that the Study would conclude that there are value increases due to the LID improvements anywhere near the $447M conclusion in the report.

5. Mass Appraisal Margin of Error

The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals. ABS Appraisal includes 6,238 properties in their study area with a before value of $56,359,239,000. The overall increase in value of all the properties is $447,908,000 or an overall increase of less than 0.8%. The estimated value increases fall within the standard margin of error not only for a mass appraisal, but also for a single property being valued by appraisers armed with all the necessary data not using mass appraisal techniques. It's simply impossible to adjust changes in property values with this level of precision. There are so many impactful elements requiring adjustment such as building age, location or site characteristics that would overwhelm and more than offset the implied value increases estimated in the Study. Determining such small value increases with this level of precision is simply impossible in the realm of traditional appraisal practice. The increases in value estimated in the appraisal are so small they are remote and speculative.

6. Values are overstated

We analyzed about a dozen hotel properties in the Study area. The properties are overvalued, some by as much as almost 100%.

There are other examples where the Study fails to consider certain deed restrictions, or title encumbrances. We know of a site that has a small commercial building in the downtown core

that has sold the development rights thus preventing development, yet the property was valued much higher as a redevelopment site. There is another property along Pine St. valued as a redevelopment site, apparently with no development restrictions. However, it is above the Sound Transit light rail tunnel. That prohibits excavation for below grade and requires extraordinary foundation construction that will limit development height to somewhere around ten stories, well below the site's maximum development potential of up to 550 feet, which was used in the Study.

These omissions bring question to the reliability of the other property value conclusions in the Study.

7. Economic Studies

The Study relies on three economic studies as support of property value increases because of the LID improvements. These include an updated study "Beyond Real Estate Increment: The Value of the Central Seattle Waterfront" prepared by HR&A Advisors, "The Impact of Parks on Property Values: A Review of the Empirical Evidence" study by the Department of Recreation, Park and Tourism Sciences at Texas A & M University", and "The Economic Benefits of Sustainable Streets" published in 2014 by the New York City Department of Transportation.

The first study explains the economic, fiscal and community benefits of the waterfront project. The study focuses on the larger waterfront Project and does not differentiate between the larger Project and the incremental value increase associated with or without the LID improvements. It simply is a study discussing the economic benefits from the Project. It also confirms that the improvements in their entirety reflect general benefits to the community and region, not special benefits by citing a $1.1B one-time economic impact because of the construction of the Project, $288M ongoing economic impact, 2,385 permanent jobs and $10M in ongoing local taxes. These accrue to the community and region, and are general, not special benefits.

The second study compares neighborhoods with and without a park, a more definitive distinction than the Study is trying to identify. The primary focus of this second study is to measure increases in sales revenue resulting from these new park projects. While it also considers other elements such as storm water runoff, air quality and health benefits, there is no documentation that these benefits directly lead to increases in property values. Further, the study additionally appears to imply these benefits accrue to the larger community rather than properties specifically adjacent to the park. This is support that the benefits generated from these park improvements are general, not special benefits.

The last study considered focuses on road improvements or street beautification projects in New York. The study compares unwelcoming, traffic-dominated corridors to safer, more attractive public spaces that better accommodate all users. The study focuses on safety, access/mobility, economic vitality, public health, environmental quality and livability/quality of life. The economic component is based on full availability of retail sales tax filings, limited data on commercial leases and rents, along with data on assessed market values. It is not based on real estate transactions and market sales. And while the results imply general increases in retail sales, it does not substantiate that this directly results in increases in property value. Again, there is no support that these result in special benefits, and in fact they are general benefits.

8. Summary

As stated in the accompanying appraisal review, it is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place. The appraiser has failed to provide the proper support to conclude that the LID improvements provide special benefits to the properties in the LID boundary area, in contrast to the more common general benefits that park improvements typically create for the larger community and region.

The Study determines special benefits based on case studies that represent completely different neighborhood settings. As explained in the attached exhibit, every case study considered was in a significantly inferior condition before the project improvements were installed. Most are significant urban renewal projects that have changed the landscape of surrounding neighborhoods and communities. This contrasts the Seattle waterfront that even today, is a very desirable community asset with views to the west towards the Puget Sound and the Olympic Mountains. As part of the Viaduct removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements regardless of the LID improvements. The LID improvements marginally add to what would already have been a very desirable property condition before the improvements. The case studies in the Study starkly contrast with the level of benefit that the LID improvements will provide.

Further, the economic studies considered in the Study focus on the overall benefit of the project rather than the incremental impact that the LID improvements provide. None represent a fair representation of incremental property value impacts as it relates to those contemplated from the LID improvements. And the studies focus on benefits to a larger study area than those established in the LID boundary area.

The estimate of value increases are so small it is virtually impossible to estimate at the level of precision implied in the Study. The value increase estimates of 0.5% to 4.0% are below the margin of error typically accepted within real estate appraisal practice.

Appraisers' Experience Data

PETER K. SHORETT, MAI, CRE, FRICS

President
Valuation Advisory Services

Peter Shorett entered private appraisal practice with Shorett & Riely in 1980 and was promoted to manager of the office in San Jose, California in 1985 and returned to practice at the Seattle office in 1990. He founded the Valuation Advisory Services division of Kidder Mathews in 1995.

In 1985 Mr. Shorett was awarded his MAI designation by the American Institute of Real Estate Appraisers (now known as the Appraisal Institute) and earned his CRE (Counselor of Real Estate) designation in 1999. He is a certified member of the Commercial Investment Real Estate Institute (CCIM) and has completed the requirements under the continuing education program of the Appraisal Institute. He has served as a Director of the Seattle Chapter of the Appraisal Institute and has served or led on the Candidates Guidance, Finance and Public Relation Committees. He also was appointed Chairman of the Seattle Chapter of the Counselors of Real Estate. In 2008 he became a Fellow of the Royal Institute of Chartered Surveyors (FRICS), the European equivalent of MAI. He serves on the Board of the Runstad Center for Real Estate Research at the University of Washington.

Mr. Shorett specializes in providing valuation and consultation for mediation, arbitration, litigation support and expert witness testimony. He has a wide diversified background in appraisal, market analysis and counseling for the development, acquisition, sale, leasing and financing of major urban real estate throughout the continental Western United States, including the cities of Seattle, Portland, San Francisco and Los Angeles.

Property types studied include apartments, churches, shopping centers, office and industrial buildings, marinas, condominiums, convention hotels, motels, golf courses, parking garages, medical clinics, service stations, residential subdivisions, nursing homes, retirement apartments, vacant land and numerous special-purpose and single-use properties. Mr. Shorett has extensive experience in working with owners whose property is acquired by condemning agencies such as Sound Transit or Local Improvement Districts (LID). Other assignments have included the valuation of leasehold interests, market analysis and lease-up studies for various investors and business groups.

PROFESSIONAL AFFILIATIONS

MEMBER OF Appraisal Institute (MAI)

COUNSELORS of Real Estate (CRE)

CERTIFIED Commercial Investment Member Designee (CCIM)

FELLOW of the Royal Institute of Chartered Surveyors (FRICS)

SELECT CLIENT LIST

Attorney/Law Firms

- Bush Kornfeld
- Cairncross & Hemplemann
- Davis Wright Tremaine
- Dorsey Whitney
- Drumheller
- Ellis Li & McKinstry
- Foster Pepper
- Hansen Baker
- Karr Tuttle Campbell
- K&L Gates
- Lane Powell
- Lasher Holzapfel Sperry & Ebberson
- Miller Nash Graham & Dunn
- Perkins Coie
- Pillsbury Winthrop Shaw Pittman
- Schwabe Williamson & Wyatt
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United States Bankruptcy Court

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Pierce County, Washington Superior Court

Snohomish County, Washington Superior Court

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EDUCATION

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STATE OF OREGON Certified General Real Estate Appraiser (No. C000599)

STATE OF CALIFORNIA Real Estate Appraiser License (AG014564)

STATE OF IDAHO Real Estate Appraiser License (CGA-3932)

Reciprocal agreements with other states as needed

ADDITIONAL CLIENTS

Corporations/Property Owners

3M Corporation	Goodman Financial	Miller Brewing Company
Albertsons, Inc.	Health Science Properties	Nitze-Stagen
Bekins Company	Hertz Corporation	Nobel House Hotels & Resorts
Bristol Meyers Squibb	International Paper Company	Northwest Airlines
City University	KCTS Channel 9	Northwestern Trust
Clise Properties	Kilroy Industries	Olympic Resource Management
Consolidated Restaurants, Inc.	KMPG	PACCAR
Delta Airlines	Lindal Cedar Homes	Pine Street Associates
Fred Hutchinson	Lone Star Northwest	Portac, Inc.
Gai's Bakery	McDonalds Corporation	Rayonier
Goodale & Barbieri		

Attorney/Law Firms Continued

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Corporations/Property Owners Cont'd

- Seattle Seahawks
- Skokomish Tribal Community
- Southland Corporation
- Swinomish Tribal Community
- The Boeing Company
- Unigard Security Insurance
- Union Carbide
- Vulcan, Inc.
- Wesley Homes
- YWCA

Development Companies

- Bentall Corporation
- Lincoln Property Co.
- Opus
- Quadrant
- Sobrato Development Co.
- Trammell Crow
- Wright Runstad & Co

Financial Institutions/Life Insurance Companies

- AETNA Life Ins. Co.
- Amresco
- Allstate Life Ins. Co.
- Bank of America
- CitiCorp
- Coldwell Banker Financial
- Collateral Mortgage
- Crown Life Ins. Co.
- First Horizon
- Frontier Bank
- GE Capital
- Glaser Financial
- Group
- Home Street Bank
- InterWest
- Key Bank
- L.J. Melody & Co.
- Manufacturer's Hanover Trust Co.
- Mellon Financial
- Merrill Lynch
- Morgan Stanley
- New York Life
- Pacific NW Bank
- Sterling Savings
- T. Rowe Price
- The Union Bank of California
- TIAA-CREF
- Transamerica Insurance Co.
- US Bancorp
- Washington Capital Management
- Washington Mutual
- Washington Trust Bank
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- City of Half Moon Bay
- City of Kirkland
- City of Santa Cruz
- City of Seattle
- Dept. of Natural Resources (WA State)
- General Services Administration
- Internal Revenue Service
- King County Dept. of Transportation
- King County Property Services
- King County Prosecutor's Office
- Port of Anacortes
- Port of Chelan
- Port of Friday Harbor
- Port of Port Townsend
- Port of Renton
- Port of Seattle
- Port of Tacoma
- Sound Transit
- The Nature Conservancy
- Trust for Public Land
- United States Postal Service
- Washington State Attorney General's Office

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STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

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License Number	Issued Date	Expiration Date	Teresa Berntsen, Director

PL-630-159 (R/3/16)

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JOHN D. GORDON, MAI, AI-GRS

Senior Vice President, Shareholder
Valuation Advisory Services

John Gordon has over 30 years experience in the analysis and appraisal of complex income property. He has served as a staff appraiser, as a regional appraisal manager for a national accounting and consulting firm, and as a principal of an independent appraisal company. Prior to joining Kidder Mathews' Valuation Advisory Services, he was Special Properties Manager in the Commercial Appraisal Department of Washington Mutual Bank (now JP Morgan Chase), where he oversaw the valuation of their national portfolio of hotels and other special purpose properties.

John's educational background includes a BA in Economics from the University of California, and an MBA, with an emphasis in finance, from the University of Washington. He was awarded his MAI designation in 1989, and is certified as a commercial real estate appraiser in the states of Washington, Oregon, Idaho, and California.

John brings special expertise to the valuation and analysis of lodging properties. He has appraised over 600 hotels in 13 states, including small motels, large full service hotels, and some of the finest boutique resort properties in the region. In addition to hotels, John has extensive expertise in the valuation of senior living communities and affordable multifamily housing.

John is a Past President of the Seattle Chapter of the Appraisal Institute. He served for several years as an instructor in the real estate program at North Seattle Community College, and has been a guest lecturer at the Fachhochschule Munchen in Munich, Germany.

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- Bank of the Pacific
- Bank of the West
- Banner Bank
- BECU
- Coast Hotels
- First Federal
- Heritage Bank
- HomeStreet Bank
- JP Morgan Chase
- Key Bank
- Kitsap Bank
- Mereté
- Mountain Pacific Bank
- Numerica Credit Union
- Pacific Northwest Bank
- Peoples Bank
- Pacific Premiere Bank

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HOTEL MARKETS

WASHINGTON

Aberdeen	Edmonds	Mukilteo	Sekiu
Allyn	Ellensburg	Oak Harbor	Sequim
Anacortes	Everett	Ocean Shores	Silverdale
Ashford	Fall City	Olympia	Spokane
Auburn	Federal Way	Orcas Island	Spokane Valley
Belfair	Fife	Pacific Beach	Sumner
Bellevue	Forks	Pacific	Tacoma
Bellingham	Issaquah	Pasco	Toppenish
Blaine	Kennewick	Port Angeles	Touchet
Bothell	Kent	Port Hadlock	Tukwila
Bremerton	Kirkland	Port Townsend	Tumwater
Brewster	Lacey	Pullman	Union Gap
Burlington	Lakewood	Puyallup	Vancouver
Chehalis	Langley	Quincy	Vashon
Chelan	Leavenworth	Redmond	Walla Walla
Clarkston	Long Beach	Renton	Wenatchee
Cle Elum	Longview	Richland	Westport
Des Moines	Lynnwood	Ritzville	Woodinville
Dupont	Marysville	San Juan Island	Yakima
Eastsound	Monroe	SeaTac	Zillah
East Wentachee	Moses Lake	Seattle	

OREGON

Ashland	Gresham	Newberg	The Dalles
Baker	Hermiston	Newport	Tigard
Bandon	Hillsboro	Ontario	Tillamook
Bend	Hood River	Pendleton	Troutdale
Beaverton	Klamath Falls	Portland	Tualatin
Boardman	La Grande	Redmond	West Linn
Coos Bay	Lake Oswego	Salem	Woodburn
Eugene	Lincoln City	Seaside	
Forest Grove	Madras	Sisters	
Grants Pass	Medford	Springfield	

IDAHO

Boise	Idaho Falls	Nampa	Sandpoint
Bonners Ferry	Lewiston	Pocatello	Twin Falls
Caldwell	Meridian	Post Falls	
Coeur d'Alene	Moscow	Rexburg	

HOTEL BRANDS

Aloft	Embassy	La Quinta	Silver Cloud
Baymont	EVEN	McMenamins	Sleep
Best Western	FairBridge	Microtel	SpringHill
Candlewood	Fairfield	Motel 6	Staybridge
Clarion	Four Points	Oxford	Super 8
Coast	Four Seasons	Quality	TownePlace
Comfort	Guesthouse	Radisson	Travelodge
Country	Hampton	Ramada	Vagabond
Courtyard	Hilton	Red Lion	W
Crowne Plaza	Hilton Garden	Residence	WestCoast
Days	Holiday	Rodeway	WoodSpring
Doubletree	Home2	Sheraton	
EconoLodge	Hyatt	Shilo	

Red Lion Hotels
SaviBank
Seattle Bank
Shilo Inns
Silver Cloud Inns
Symetra Insurance
Tacoma Housing Authority
Timberland Bank
Travel Tacoma
Umpqua Bank
US Bancorp
Washington Capital
Washington Federal
Washington Trust Bank
Wells Fargo Bank
Yakima Convention Center
Zions Bank

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C 206.913.3374
john.gordon@kidder.com
500 108th Ave NE
Suite 2400
Bellevue, WA 98004

Kidder Mathews

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

JOHN DAVID GORDON
KIDDER MATHEWS
500 108TH AVENUE NE, STE 2400
BELLEVUE WA 98004

1100661	**07/25/1991**	**03/27/2021**	Teresa Berntsen
License Number	Issued Date	Expiration Date	Teresa Berntsen, Director

PL-630-159 (R/3/16)

JESSE L. BAKER

Associate
Valuation Advisory Services

Jesse Baker joined the Valuation Advisory Services department of Kidder Mathews in September 2014. Prior to joining the firm, he spent five years in leadership roles with the Cintas Corporation. He graduated the Management Trainee Program (2010), and was promoted to Service Manager (2011) and Operations Manager (2013). Mr. Baker also served as an integral member of the acquisition due-diligence team, providing analysis and recommendations as the Cintas Document Management Division pursued an aggressive growth strategy in Northern California markets.

With an educational background from the Cornell Hotel School, Mr. Baker is developing an expertise in the valuation and analysis of lodging properties. In his first 18 months with Kidder Mathews, he has appraised or provided consulting services on over 20 hotels across Washington. In addition to lodging, Jesse has appraised senior living properties (IL/AL/MC), multifamily, and LIHTC affordable housing.

STATE CERTIFICATION

Jesse is actively pursing the educational requirements for Washington State Certification. He is currently registered as a Washington State Real Estate Appraiser Trainee under Registration No. 1001777.

EDUCATION

BS in Hospitality Management, The Hotel School at Cornell University

REAL ESATE MINOR, The Hotel School at Cornell University

Cornell Varsity Football; WR, 4yr Member, 2005-2008, All-Ivy 2008

WASHINGTON STATE QUALIFYING EDUCATION

Basic Appraisal Principles

Basic Appraisal Procedures

2014-2015 National USPAP

2016-2017 National USPAP Update

General Appraiser Market Analysis & HBU

Statistics, Modeling & Finance

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Kidder Mathews

STATE OF WASHINGTON
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

STATE REGISTERED REAL ESTATE APPRAISER TRAINEE

JESSE LEE BAKER
1346 S PEARL STREET
SEATTLE WA 98108

1001777	**08/28/2014**	**03/05/2020**
License Number	Issued Date	Expiration Date

Pat Kohler
Pat Kohler, Director

PL-630-159 (R/3/16)

SEATTLE WATERFRONT LID ASSESSMENT HEARING PROPERTY SUMMARY

City of Seattle Hearing Examiner
EXHIBIT 54
ADMITTED √
DENIED
FILE# CWF-0233, et al.

Appeal No.: CWF-417
Building: Foster & Marshall Building
Owner/Rep: United Way of King County
Parcel(s): 0939000240
Address: 720 2nd Avenue, Seattle, WA
Expert(s): Peter Shorett, Kidder Matthews

Property Description: The United Way Building, constructed in 1921, is the former Seattle First National Bank (Seafirst Bank) and is an office building of historic significance. It is fully occupied by United Way.

Pre-LID Value:	$23,664,000
Post-LID Value:	$24,018,960
LID Value %:	1.5%
Special Benefit:	$354,960
Assessment %:	39.2%
Final LID Assessment:	$139,097

City of Seattle Hearing Examiner
EXHIBIT
55
ADMITTED ✓
DENIED
FILE# CWF-0 733, et al.

Exhibit 5

Appraisal Review

Waterfront Seattle Project Special Benefit Study

as of October 1, 2019 (Study Date)

Prepared for

David Brown
United Way of King County

Prepared by

Peter K. Shorett, MAI, CRE, FRICS

KM Job A20-0083

Kidder Mathews
Valuation Advisory Services
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Seattle, WA 98101
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peter.shorett@kidder.com

Kidder Mathews

KIDDER.COM

Kidder Mathews

January 31, 2020

David Brown
United Way of King County
720 2nd Ave.
Seattle, WA 98104

Dear Mr. Brown:

At your request, we have performed an appraisal review of the Final Special Benefit/ Proportionate Assessment Study (Study) for the Waterfront Seattle Project (Waterfront Project) Local Improvement District (LID). This review was conducted in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) for performing Appraisal Reviews. These services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. A summary of the appraisal reviewed and our conclusions are contained in this report.

The Study concludes that 6,238 properties within a defined LID boundary will benefit from LID improvements that are part of the larger Waterfront Project. The Study provides opinion and analysis that form the basis for the formation of the LID boundary area and then applies value estimates for each of the 6,238 properties before and after completion of the Project.

This review provides an opinion of the appropriateness of the conclusions reached in the Study. We consider the appropriateness of the LID boundary conclusions, the estimates of benefit to the properties in the study, then a review of the value appropriateness before and after the Project for the property that is the subject of this review.

Respectfully submitted,

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Certification

I certify that, to the best of my knowledge and belief:

1) The statements of fact contained in this report are true and correct.
2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7) My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8) Peter K. Shorett has made a personal inspection of the property that is the subject of this report.
9) I have not previously appraised the property within the three years preceding our acceptance of this engagement.
10) Jesse L. Baker provided significant real property appraisal assistance to the persons signing this certification.
11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Practice* of the Appraisal Institute.
12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13) As of the date of this report, Peter K. Shorett have completed the continuing education program for Designated Members of the Appraisal Institute.

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Limiting Conditions

Limiting conditions specific to this appraisal are as follows:

1) The appraiser has made no survey of the property and assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
2) It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures (including asbestos, soil contamination or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5) The appraiser is are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
6) The allocation of total value to land, buildings, or any fractional part or interest, if shown in this report, is invalidated if used separately in conjunction with any other appraisal.
7) The appraiser is competent and qualified to perform the appraisal assignment.
8) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

Summary

Property Appraised in Study	United Way Building 720 2nd Avenue Seattle, Washington 98104
Study Prepared By	ABS Valuation Robert J. Macaulay, MAI 2927 Colby Avenue, Suite 100 Everett, WA 98201
Study Reviewed By	Peter K. Shorett, MAI, CRE, FRICS Kidder Mathews Valuation Advisory Services 601 Union St., Suite 4720 Seattle, WA 98101
Intended Users	This appraisal review is prepared for you, the client, your legal counsel Jerry Lutz with Perkins Coie, City of Seattle Hearing Examiner Ryan Vancil, the Seattle City Council members, and Robert J. Macaulay, MAI, appraiser with ABS Valuation
Intended Use	To be used in support of the property owners appeal of the Special Benefit Assessment proposed to be levied against the property.
Purpose of the Assignment	To determine the appropriateness of the conclusions reached in the Final Special Benefit/Proportionate Assessment Study (Study) for the Waterfront Seattle Project Local Improvement District (LID).
Date of Appraisal Under Review	Prepared – November 18, 2019 Date of Value – October 1, 2019
Date of Reviewer's Opinion	Prepared – January 31, 2020 Date of Value – October 1, 2019

Extraordinary Assumptions or Hypothetical Conditions to this Review	None
Scope of the Review	This is a review and critique of the value methodologies and conclusions in the Study and the estimate of value increase for the property before and after the LID improvements are in place. We will be providing our opinion of value before the LID improvements in a separate Restricted Appraisal report. The scope of work included a review of the Study, its Addendum, a general inspection of properties within the LID boundary area, location where the LID improvements will be made, additional research on the case study examples used in the Study and interviews with market participants in those markets. The results of the review are contained in this report.
Value Conclusion of Study Under Review	Before $23,664,000 After 24,019,000 Special Benefit $355,000 LID Assessment $139,097

Reviewer's Conclusions

It is concluded that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place. The appraiser has failed to provide the proper support to conclude that the LID improvements provide special benefits to the properties in the LID boundary area, in contrast to the more common general benefits that park improvements typically create for the benefit of the larger community and region.

The Study determines special benefits based on case studies that represent completely different neighborhood settings. As explained in the attached exhibit, every case study considered was in a significantly inferior condition before the project improvements were installed. Most are significant urban renewal projects that have changed the landscape of surrounding neighborhoods and communities, and dramatically changed the way locals and visitors interact with those communities. Those case studies starkly contrast with the Seattle waterfront that even today, is a very desirable community asset with views to the west towards the Puget Sound and the Olympic Mountains. As part of the Viaduct removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements regardless of the LID improvements. The LID improvements marginally add to what would already have been a very desirable property condition before the improvements. The case studies contained in the Study illustrate benefits received in those communities well beyond the level that the LID improvements will provide.

Further, the economic studies considered in the Study focus on the overall benefit of the projects rather than the incremental impact such as the LID improvements provide. None fairly represent incremental property value impacts such as those contemplated from the LID improvements. And the results of the studies focus on benefits to a larger study area than those established in the LID boundary area.

The estimated value increases are so small that it is virtually impossible to estimate at the level of precision implied in the Study. The value increase estimates of 0.5% to 4.0% are below the margin of error typically accepted within real estate appraisal practice.

The increase in value in the appraisal is not credible and is not accepted.

Attached to this review is Exhibit 1 that provides further support and explanation for these opinions.

Kidder Mathews

EXHIBIT 1 – ATTACHMENT TO APPRASIAL REVIEW OF UNITED WAY BUILDING

This attachment provides support for the appraisal review opinions for the United Way Building property. It is not intended to be a standalone document and can only be used in conjunction with that appraisal review report.

This letter provides a descriptive overview of the Waterfront Seattle Project (Project) proposed by the City of Seattle and the appropriateness of the Special Benefit/Proportionate Assessment Study (Study) prepared by ABS Valuation for assigning assessments to properties for partial funding of the Project through a Local Improvement District (LID) special assessment.

Executive Summary

Following the removal of the Alaskan Way Viaduct, the City of Seattle plans to construct a park promenade along the water, construct a new surface street along Alaskan Way, rebuild Pier 58 and Pier 62, build an elevated connection from Pike Place Market to the waterfront, and improve east-west connections between downtown and Elliott Bay. The Project will be a $724M investment planned for completion by 2024.

The City adopted the ordinance to create the formation of the LID for partial payment of the Project. ABS Valuation prepared their Study with an October 1, 2019 date of value released to the public on or about January 10, 2020. The Study estimates the before and after value of property within a defined LID boundary area. The report includes 6,238 properties within the LID boundary and concludes a value increase because of the Project equal to $447M. The City has allocated $175.5M of the Project cost to these properties through the formation of the LID.

A LID is an unusual funding mechanism, especially for a project of this magnitude. The last major LID formed in the region was for the South Lake Union Streetcar in 2007. Funding for the park projects noted in the Study and accompanying reports was from tax incremental financing, transportation funds, City, State or Federal funds and grants, public, private, or philanthropy. None were funded with a LID.

It is important to understand the property conditions before and after the LID improvements that the Study is attempting to value. The Project is a component of a larger effort to restore the Seattle waterfront following the removal of the Alaskan Way Viaduct. As part of its removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements to current design standards regardless of the LID improvements. The LID improvements add on to a project that is already schedule for construction.

Up to the release of the Study, the condition of the property before the LID improvements was largely unknown because the City had not prepared drawings and exhibits showing the difference in the property before and after with the LID improvements in place. These conditions were just provided as an addendum to the Study and help explain the marginal difference between the property condition before and after the LID improvements.

From this, the Study attempts to determine the value increase from these LID improvements for a very large grouping of properties from what would already have been a very desirable property condition without the LID improvements.

It is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place.

1. The difference in the property condition before and after the LID improvements are in place is overstated.
2. The LID improvements provide a general, not special benefit. There is insufficient evidence in the Study to conclude that the LID improvements provide special benefits to the properties in the LID boundary.
3. The LID boundary area is too large.
4. The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals, and therefore is remote and speculative.
5. There is inequitable analysis between property types and uses.
6. Many values are overstated.
7. The Study relies on a report prepared by HR&A Advisors that fails to consider the economic impacts if the LID improvements were not funded.

1. <u>Difference in the Before and After Condition</u>

The Study gives the impression that the LID improvements will transform the Project to a greater level of improvement than will actually be realized.

The LID improvements will convert public space to a dedicated park, but it does not bring better connectivity to Pioneer Square, north towards Colman Dock and the retail piers (54 through 57) to Union Street. Those connections already exist.

The Study states: "... With the LID project completed, accessibility to the waterfront from nearby areas including the Pike Place Market, downtown business district and Pioneer Square will vastly improve. On an overall basis, referring the economic studies and rating system discussed herein, *the waterfront area in general improves from a subjective quality rating of <u>average in the "before" scenario to excellent with the LID project completed</u>.*"

The Overlook Walk will provide a grand entrance from the Market to the waterfront, but for decades, tourists and visitors have found their way to the waterfront. Access to the waterfront from downtown Seattle will improve near Pike Place Market in the after condition, but the improvement is not such that it creates a special benefit.

Properties around the Project will still enjoy the spectacular views west towards Puget Sound, the Olympic Mountains to the south towards Mount Rainer, some of the many reasons visitors are *attracted* to Seattle. Adding the LID improvements marginally enhances that experience above and beyond what would be in place without the LID improvements. Even today, with all the construction from the removal of the Alaskan Way Viaduct, Sea Wall replacement and Washington State Ferry Terminal construction, the waterfront remains an active and vibrant tourist destination. There is no market evidence in the report that waterfront access would change from average to excellent because of the LID improvements.

There are too many other amenities in the region attracting tourism to suggest that the LID improvements singularly will cause property values to increase. Seattle is already blessed with attractions like the Pike Place Market, Pioneer Square, International District, Seattle Center, Space Needle, Chihuly Garden and Glass, Seattle Monorail, Seattle Art Museum, Washington State Ferries, the Great Wheel, T-Mobile Park, CenturyLink Field, Hiram Chittenden Locks, Discovery and Myrtle Edwards Parks. There is competition for tourist dollars from these area attractions. It's virtually impossible to identify a percentage of value increase from the LID improvements, and to conclude that the LID improvements will substantively change visitor preferences is remote and speculative.

There are consequences from the LID improvements not considered in the report, such as losing street parking. The renderings show a loss of at least 60 parking stalls along Alaskan Way in a market already short of parking. Also not considered are the impacts to properties where tree density will increase, and views will be lost from the lower level of some buildings.

The Study also ignores the impacts for development not expected to be completed until 2023/2024. Work will be ongoing including the completion of Pier 62, construction of a new pedestrian bridge, stairs and an elevator on Union Street from Western Avenue to Alaskan Way. In 2021, the Overlook Walk, a main park promenade along the water and piers with a bike bath, a new park on Pier 58 and additional connections to Colman Dock will be built. The new Seattle Aquarium Ocean Pavilion will not be completed until 2024. The Study also ignores the uncertainty of completing a five-year project on time, nor does it consider changes in project scope or cost overruns, real elements in any development the magnitude of the Project.

It also ignores the impacts of construction over the next five years in its analysis. The construction along the waterfront has been disruptive and has negatively affected property value. Retail sales are down and will expect to be soft during project construction.

The following exhibits present a better visual of the difference before and after the LID improvements. The most impactful consist of the Promenade, Pier 58 decking, Union Street Staircase and Overlook Walk. While the LID improvements create a more park like setting, the condition of the roads, bike trails, landscaping and streetscape after completion is marginally improved from the condition before. The reader can see the marginal increase in property condition that visitors will experience because of the LID improvements.

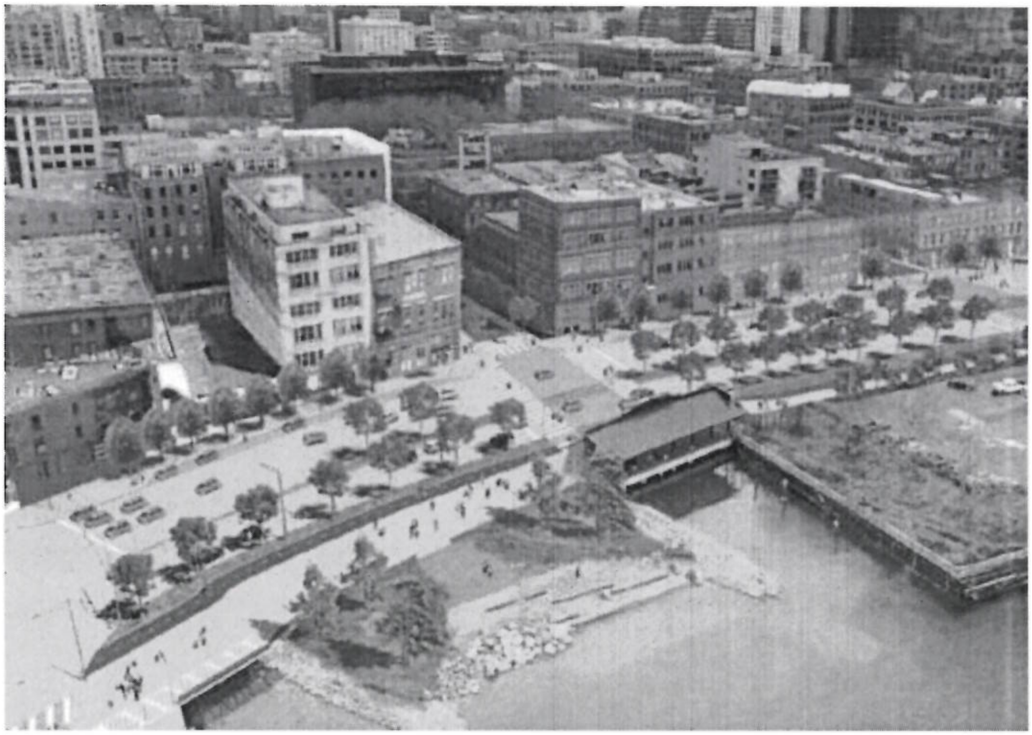
Promenade

Before

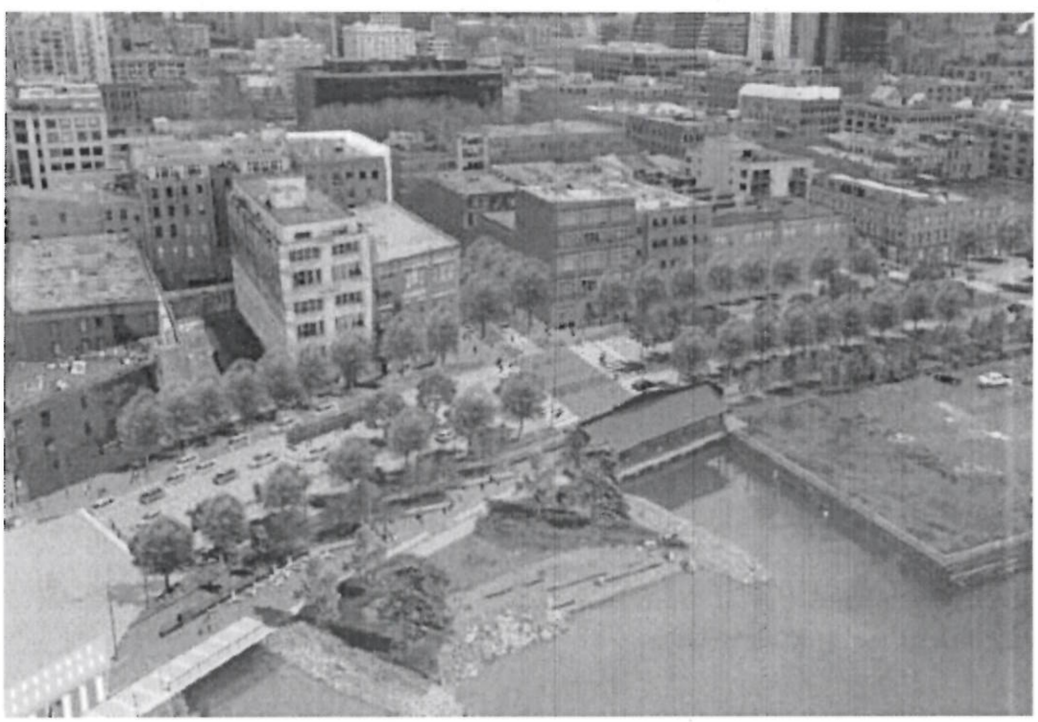
After

The area along Elliott Bay stretching from about Pine Street south to Dearborn Street will add landscaping, pedestrian corridors, bike paths, and park elements (benches, artwork, etc.).

Before



After



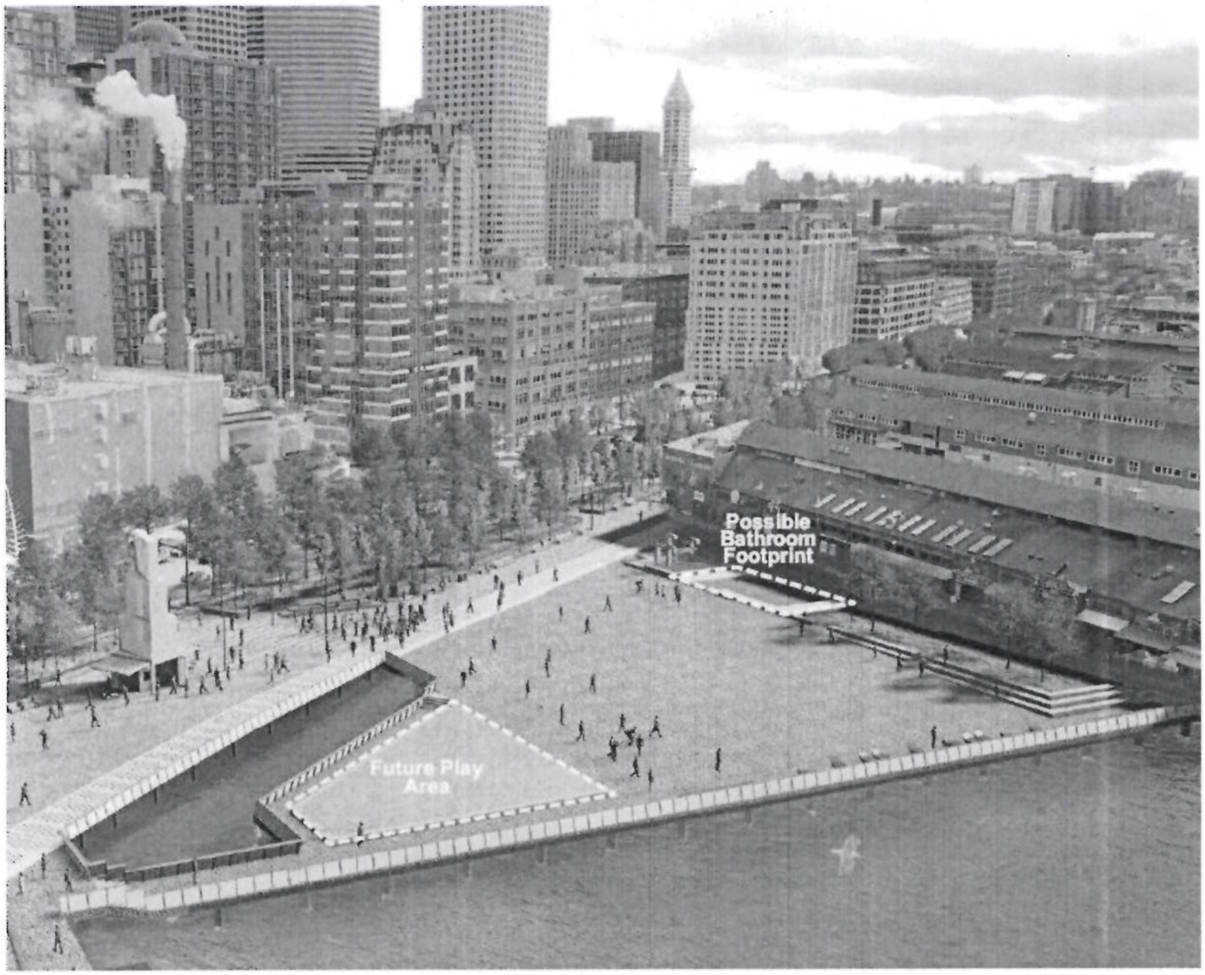
Pier 58

Waterfront Park is improved with a boardwalk & a pair of sculptures, plus views of the skyline & ships in dry-dock. There is a mix of plantings, public gathering areas and concrete amphitheater, fountain and seating areas.

Before

After

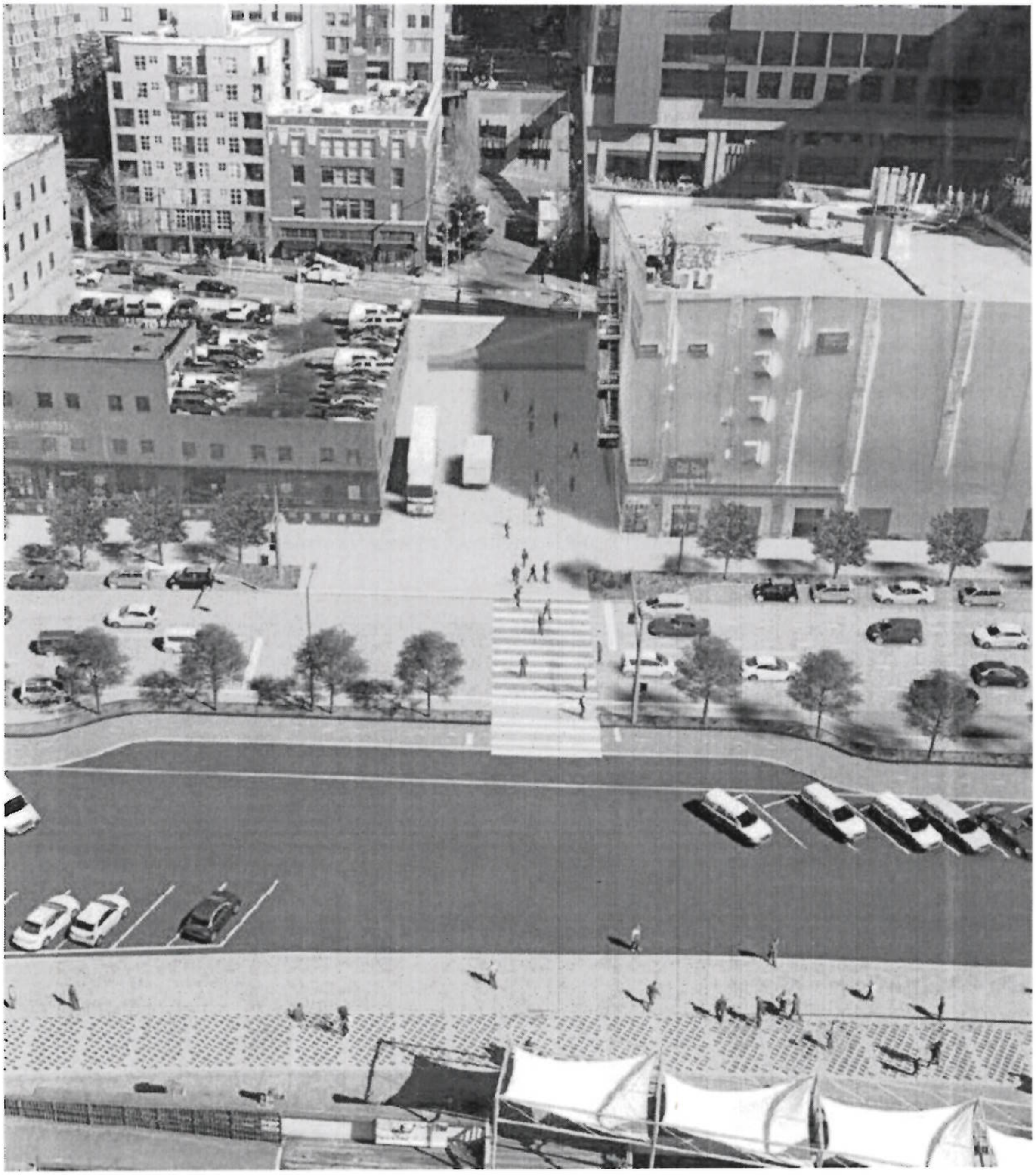
The LID improvements will create a larger platform with children's play area and raised lawn area. The possible bathroom would not be funded by the LID.



Union Street Pedestrian Extension

Present access from downtown Seattle is along a staircase leading down from the Four Seasons Hotel, to another staircase from Western Avenue to Alaskan Way.

Before



After

Improvements will include a new staircase, pedestrian areas, benches and artwork.

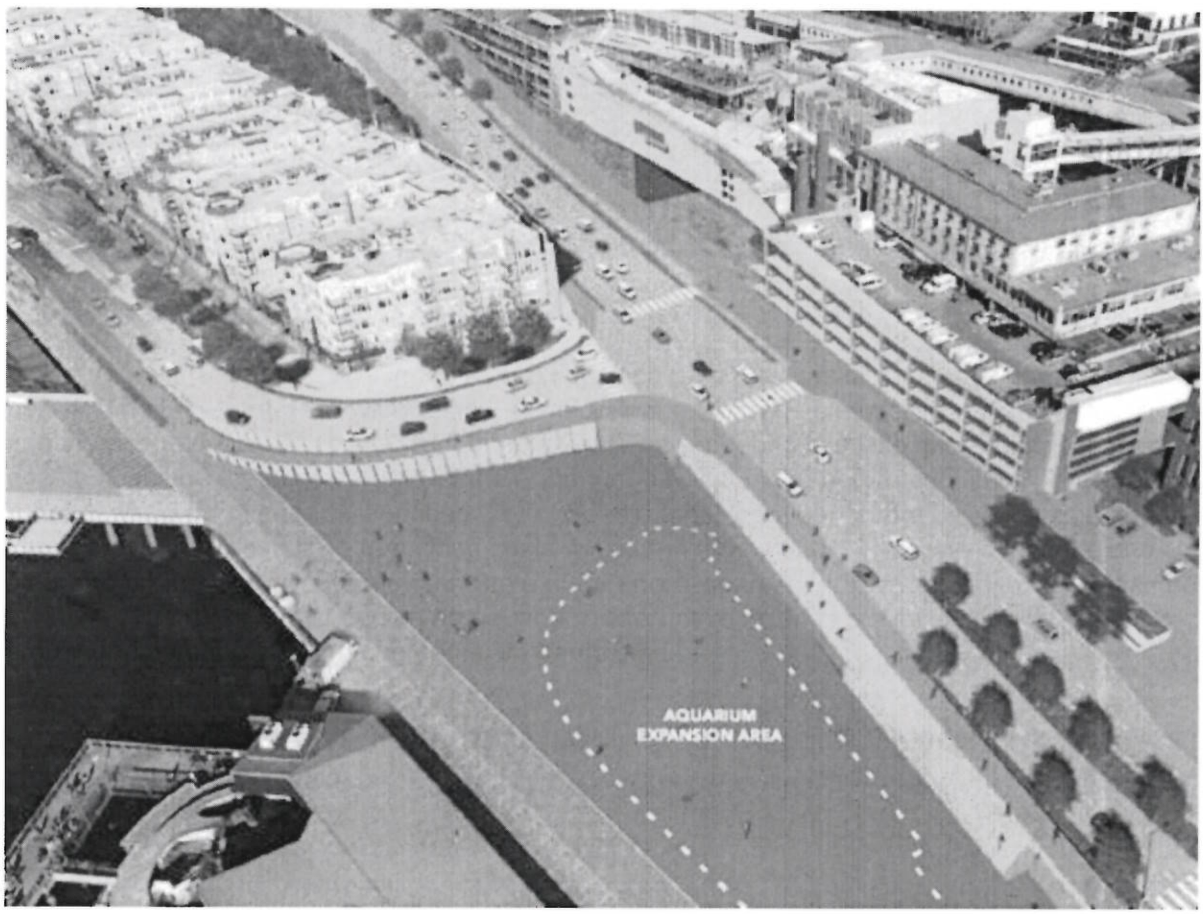
Overlook Walk

Current access to the waterfront from the Pike Place Market is the Pike Street Hill Climb, a series of steps or by elevators from the Skybridge to the Market Garage. These access points remain unchanged in the after condition.

Before and After

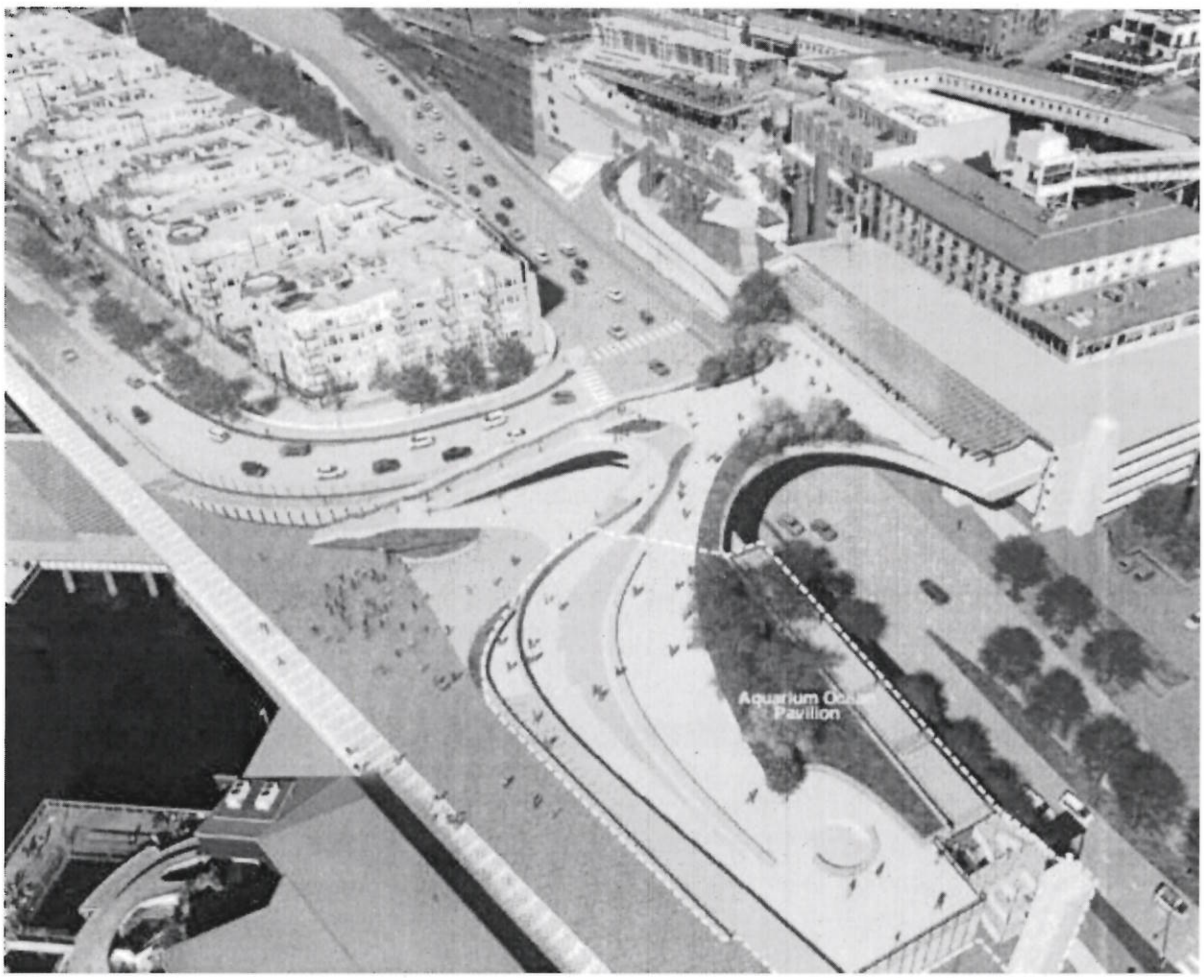
Kidder Mathews

The rendering for the property in the before condition after the Alaskan Way realignment is shown below. The Pike Street Hill Climb and Skybridge/Market Garage elevators would remain as the primary points of access to and from the market. The rendering is a little misleading because it does not include the new $113M Seattle Aquarium pavilion in the before condition. The Project will include $34M in already identified City of Seattle funding as part of the Project outside of the LID improvement cost. The remaining costs will be funded by $60M in private donations and $19M from King County, Washington State and Federal sources. It is expected to be completed by 2024. The rendering shows a "no aquarium" alternative when in reality, it should be in place around the time the LID improvements are completed.



After

The Overlook Walk is the most significant improvement of the project. A pedestrian bridge and landscaped public space will cross over the Elliott Way surface street. It will include substantial public open space connecting the north end of the Pike Place Market with the waterfront. The Pike Street Hill Climb and Skybridge elevators are still in place in the after condition, and the aquarium improvements are shown as completed.



2. General versus Special Benefits

General benefits are easy to recognize such as an improved system of highways, or regional airport or new ferry terminal, since everybody in a community benefits from that improvement. General benefits are those that accrue to an entire neighborhood, community or region.

Special benefits are more difficult to define. They add value to a property because of a specific improvement as distinguished from those enjoyed by the public. Special benefits are easy to recognize when there is an actual physical improvement to a property, such as when water or sewer lines are installed, or a storm water retention system to keep a property from flooding is added, or a new freeway off-ramp serving an area once distant from freeway access is built. The benefit must result directly, uniquely and specifically from the public project to individual parcels.

The Study fails to properly determine that the LID improvements create special benefits to the properties within the LID boundary area. The case examples in the Study provide only anecdotal information about the project's general benefits. It does not employ a traditional "matched pair" analysis that would provide discrete value increase metrics from sale transactions for properties near these projects compared with those removed from the project influence. The proper measure of benefit is to compare like property transactions with and without the variable that is the project.

Moreover, the value increases noted in case studies contained in the report are not reflective of conditions even close to the LID improvement component of the project and are misleading. Virtually every case example cited in the Study are substantially more impactful than the LID improvement project. The High Line in New York City, for example, was an abandoned and unused elevated railroad that was a barrier and blight to the adjoining properties. The project improvements were so substantial, that it is now one of the more noted gentrification initiatives in the country. The Rose Kennedy Greenway in Boston also brought a major change to the area. The surface interstate highway was put underground and converted to a regional park. Not only had the interstate generated noise, it had posed a physical barrier that separated neighborhoods, whereas the project eliminated the noise and allowed for recreation and walking between neighborhoods.

We researched the case studies cited in both the Study and referenced HR&A reports. The changes in the condition before and after were so substantial that they dwarf the difference between the condition of the property before and after the LID improvements, and are not credible sources for opinions of value. Examples of the case studies used in the Study are discussed below.

Tom McCall Waterfront Park, Portland OR

Before

The original 37-acre park was completed in 1984. The park was doubled in size following its southern expansion in 1999, resulting in a public space that spans about 1.5 miles on the west side of Willamette River. While the park offered water views, the park itself and the immediate neighborhoods adjacent to the park, and extending north and south from Burnside, were considered unsafe and not attractive. Upgrades were needed to the seawall. Public events such as the Saturday Market and the Portland Blues Festival were established.

After
Redevelopment of the park was completed in 2011. The primary arterial, Naito Parkway, was reconfigured and overall improvements to the park included new pathways, public gardens, fountain upgrades, and construction of three plazas for events. Salmon Springs Plaza on the north end allowed for the expansion of the Saturday Market. A waterfront esplanade extends the full length of the park from RiverPlace Hotel on the south end to the Japanese-American Historical Plaza on the north. Coinciding with park renovation were new housing development projects (The Yards) and upgrades to trees, sidewalks, and signage on adjacent access streets. Perception has changed from unsafe and limited upside to a marketable destination. While these improvements are superior to the condition of the property before, it's not clear that values have increased because of them.

Rose Kennedy Greenway, Boston MA

Before
Elevated JFK Expressway separated the east and west portions of town for 1.5 miles. Downtown was disconnected from the Waterfront. The expressway was demolished and I-93 was relocated underground following the Big Dig that started in 1991. The result was a cleared, graded site, with gravel and no enhancement factor, but the neighborhoods were at least connected.

After
Independent non-profit, The Greenway Conservancy was established in 2004 to guide development and raise funds via endowment. The 17-acre park opened in October 2008 and can be best described as a linear park that spans over one mile across several Downtown Boston neighborhoods (Chinatown, Fi-Di, Waterfront, and Northend). Only a small eastern portion of the park has waterfront view or access; however, the park did connect Downtown with the Waterfront. Park features include gardens, promenade, sculptures, seating, trees, and greenspace. In 2008, State Legislation established a 50/50 Public-Private-Partnership (PPP), with Greenway Conservancy being appointed steward and operator in 2009. A new agreement was announced in 2017 dictating operational financing. The breakdown includes State/City 20%, New Greenway Business Improvement District (BID) 20%, and Greenway Conservancy 60% generated through private donations.

Hudson River Park, New York NY

Before
500+ acres of West Manhattan with water view but considered as wasteland.

After
After 30 years of planning, Friends of Hudson River Park were behind the effort to redevelop. Completed in the early 2000s, this project led to the complete redevelopment of the neighborhood. Park features included sports fields, recreation, walking and bike paths, waterfront promenade, and other amenities. Dramatic change in land use, private investment, and politics were required to make this project so. The project magnitude was well beyond the Seattle project.

The Embarcadero, San Francisco, CA

Before
Post-Earthquake (1989), the city demolished the highway in 1991. The Bayfront was disconnected from Downtown San Francisco and considered under-utilized. This area of San Francisco was considered an industrial service corridor.

After
Complete transformation; however the park project coincided with demolition opening once blocked waterfront view. This was around the time of the economic boom associated with the 1990's economy and Dot-Com era. All work was completed by early 2000's. City streets connected to the Embarcadero, a boulevard that runs along the waterfront, and sidewalks offered immediate waterfront and park access. Led to easier access to southern bay front and redevelopment of SOMA, (south of market), AT&T Park, and the new Arena, etc. This is a dramatically different level of improvement than those that will be realized from the LID improvements.

Millennium Park, Chicago Il

Before
Existing Grant Park and location in between downtown and major highway. This area was home to the Illinois Central rail yards, parking lots, and vacant underutilized land.

After
The rail yard was converted to one of the world's largest green roofs. New park features include significant green space, major art installations such as the Bean, skating rink, pedestrian bridge, theatre, promenade, and an outdoor auditorium. The park is operated by the Chicago Department of Cultural Affairs and managed by MB Real Estate. The total cost of the park was $475MM, equating to three times its original $150MM budget; however, it has become the number one tourist attraction in the Midwest, as of 2015.

False Creek Viaduct Replacement, Vancouver BC

Before
The Southeast False Creek project is the third and final segment of the waterfront revitalization

plan. The City owned 80-acre area has historically been industrial with significant areas of undeveloped land. It is also the location of the aging Georgia and Dunsmuir Viaducts.

After
The City plans to demolish the viaducts and through private and public funding rezone and designate the entire area for redevelopment including new road infrastructure, opens space and development sites. There will be defined districts – Events and Entertainment District, Park District and Main Street District, each with development expected to provide the development of several million square feet of office and hundreds of multifamily housing, along with supporting retail uses. This redevelopment will have a dramatically different scale of impact to property values when compared with the LID improvement component of the larger Project.

High Line, New York City, NY

Before
Elevated rail infrastructure built in 1930's. The southern section was demolished in the 1960's, with last portion of demo in 1991. Remaining section spans from Meatpacking District, extending north through West Chelsea. Abandoned warehouses, lots of graffiti and area considered an eyesore. By 2006, an area of West Chelsea was rezoned to a special district to accommodate a public park. CSX, a supplier of rail-based freight transportation in North America, donated the right-of-way and infrastructure in 2005. Ground broke in 2006, first segment opened in 2009. In 2012, the second segment was completed (20th - 30th) and zoning changes were approved to allow the third segment to open in 2014 (30th - 40th).

After
The completed product is a 1.45-mile long greenway maintained and operated through a public/private partnership between Friends of the Highline and NYC. The space is considered a tourist destination. In addition, the High Line is used to support many public programs including teen-engagement, art, and performance.
From an economic standpoint, real estate values near the park were driven up by speculators during the planning and development phases. The park is now an anchor and tourist attraction in the West Chelsea and Meatpacking Districts. Property values and retail/condo markets have experienced significant positive benefits.

According to Friends of the High Line co-founder Robert Hammond, the High Line "gets too much credit and too much blame" for the redevelopment of West Chelsea. The park development coincided with the rezoning of West Chelsea, with no affordable housing mandates. This led to gentrification and outpricing of the local community, including art galleries and businesses, due to people moving in from Manhattan. These issues led to an extended debate over income inequality etc. Many cities have followed and completed or proposed elevated parks due to the overall positive impact of the High Line (Jersey City, Chicago, Philly).

Buffalo Bayou Park, Houston TX

Before
Buffalo Bayou Promenade was completed in 2006, establishing a 23-acre recreation area with 1.4 miles of hiking and biking trails that connects from West of Downtown to the Theater District.

After
Buffalo Bayou Park was completed in 2015 and established the new park immediately west of the promenade. This project added 160 acres of new parkland stretching 2.3 miles. Park features include a dog park, greenspace, gardens, restaurants, and an art space. Since 2015, this area has experienced three significant flood events. In 2017, Hurricane Harvey caused devastation and significant damages to property in the adjacent neighborhoods.

Atlanta Beltline, Atlanta Georgia, GA

Before
Vacant land including parking lots, demolished buildings or what remained of old foundations, vacant land, crime, and considered an eye sore. Some trails (The Westside Trail) and bridges that spanned the topography.

After
Partnership formed in 2005 to transform the area into a destination. First portion opened in 2012, with completion in 2014. The completed park offers a major pedestrian path for walking, running, and biking, and trails that connect to other areas of the city. Notably, the Eastside Trail extension broke ground in 2016 and was completed in 2017, which connected two disconnected railways. Funding sources for this portion included a $3MM Woodruff Foundation grant, Beltline Tax Allocation District, The Kendeda Fund, and Waterfall Foundation. The redevelopment of this area has resulted in significant multifamily development around the trails and recreation space, including the "Edge" project near the new proposed Edgewood Avenue Bridge, which is to be added following the project. This project essentially is continuous.

11th Street Bridge, Washington DC

Before:
Existing 11th Street Bridges. Construction began in 2009 on replacement bridges, new ramps, and interchanges. Phase 1 completed in 2013; Phase II completed in 2015.

After:
Breaking ground in 2021, the elevated park is proposed for construction atop the existing piers of the former 11th Street Bridge. This project is designed after the High Line in NYC. The finalized product will include art and performance spaces, recreation areas, plazas, urban farming plots, an amphitheater, and greenspace. The completed park will help connect Wards 7 and 8 to the rest

of the city. Much of the hype is over the bridge design of the superstructure. Other issues have arisen over potential gentrification.

Willoughby Plaza, New York City NY

Before
Vacant land owned by Marriott. There was significant traffic congestion near Downtown Brooklyn and the Brooklyn Bridge. The project area included an active use shared pedestrian/bike/vehicle street, parking lot underutilized vacant land.

After
Land was donated by Marriott as part of the renovation to their south tower completed in 2013. Street access was eliminated and this area designated an outdoor plaza. Marriott retains the ability to use the space as additional function space. Pedestrian traffic and access increased. Storefront retail businesses and restaurants saw positive impact. There was no revenue impact to Marriott from the project.

3. LID Boundary Area

There is no justifiable basis or support for the LID boundary areas as they have been determined. The primary improvements of the Project will be along the waterfront and near Pike Place Market, not away from the water. LID improvements, as identified by the City of Seattle, extend up the Pike/Pine corridor, and from Alaskan Way into Pioneer Square. But these improvements appear to be more of an improvement program to neglected streets, not part of the larger LID project.

It is unreasonable to conclude that properties in the north end of the boundary area will receive any benefit from the LID improvements. On the south end, neither T-Mobile Park (Mariners) nor Century Link Field (Seahawks & Sounders) will ever realize an increase in value from any part of the Project, let alone the LID improvements. Stadiums like these are bound to contracts that will not allow the property value to increase. The Seahawks games sell out every year, and fans will not pay more for a ticket or be drawn to the area because of these improvements.

Even if one were to accept there are special benefits, they would only accrue to properties closest to the Promenade and Overlook walk. However, the Study fails to provide sufficient evidence that even those properties would receive any special benefit from the LID improvements. The formation of the LID boundary in the study is arbitrary with the incremental value increase along boundaries so nominal that their inclusion to the study is well beyond the margin of error in rounding.


Waterfront Seattle
Project LID Boundary

4. Inequitable Analysis

The property uses within the LID boundary area are diverse and the Study fails to provide equitable value allocations. Vacant redevelopment site values are significantly lower than improved property value estimates passing the assessment burden to these higher value properties. This creates inequities on how the assessments are allocated as shown in three examples presented below. The sites should instead be analyzed on the common denominator of assessment per sq ft of land area.

The first example of the inequitable valuations is two nearly identical sites between Alaskan Way and Western Ave. Cyrene Apartments is a recently completed 17-story mid-rise apartment complex along the better part of the Seattle waterfront. One block south is a redevelopment site with nearly identical site characteristics that could be developed with a similar mid-rise apartment complex. The difference between the values and assessment allocation between the two properties is substantial. The improved property will be burdened with an assessment of $932,361 or over four times the assessment of the development site.

Example #1	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Cyrene Apartments 50 University 7666202450	15,413	DMC 170	$101,209,000	$104,242,000	$3,033,000	3.0%	$1,188,396	$77.10
Surface Parking 1101 Western Ave 7666202506	14,156	DMC 170	$18,757,000	$19,413,000	$656,000	3.5%	$257,035	$18.16

The next example is for property in the northern portion of the LID boundary area. The Amazon Office property is an older but functional 7-story office building. Directly across the street are three parcels that combine for the equivalent of a similar sized redevelopment site. The assessment for the Amazon Office property is three times that of the development site.

Example #2	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Amazon Office 1903 Terry Ave 0660001255	42,360	DMC 340/ 290-400	$127,103,000	$127,303,000	$200,000	0.16%	$78,364	$1.85
Development Site	13,334	DMC 340/	$21,334,000	$21,356,000	$22,000	0.1%	$8,620	
1906 Terry Ave to	14,160	290-400	22,656,000	22,679,000	23,000	0.1%	9,012	
1001 Virgina St	14,160		22,656,000	22,679,000	23,000	0.1%	9,012	
0660001512, 25, 30	41,654		$66,646,000	$66,714,000	$68,000		$26,644	$0.64

The last example is the comparison of sites closer to the downtown core where the highest densities are allowed. The 27-story Olivian Apartments were built about 10 years ago. Immediately south are two nearly identical parcels, one interior and the other a corner lot. A comparison of these properties show that the Olivian Apartments are burdened with an assessment nearly four times that of the two redevelopment sites.

Example #3	Land SF	Zoning	Value Before	Value After	Value Increase		Assessment	$/SF Land
Olivian Apartments 809 Olive Way 0660000835	13,160	DOC2 500/ 300-550	$160,493,000	$161,295,000	($802,000)	0.5%	$314,241	$23.88
Old Bldg/Surface Pkg 1618 8th Ave 0660000820	14,160	DOC2 500/	$25,488,000	$25,679,000	($191,000)	0.75%	$74,838	$5.29
Surface Parking 802 Pine St 0660000804	13,200	300-550	$23,976,000	$24,156,000	($180,000)	0.75%	$70,528	$5.34

It is very apparent there is a disparity between how the study has treated properties already improved with those that will likely be developed in the near term. There is an inequitable allocation of the LID assessment. The owner of the development site will enjoy a significant value advantage into perpetuity compared with the owner of the improved property.

Moreover, there are no latecomer fee provisions in the analysis. These are often used to help reimburse the agency or funding source for the cost of a development. They are very common in utility infrastructure improvements. It allows the property owner to defer the cost of paying for the improvement to when the benefit is actually realized.

An alternative and more equitable value allocation approach would have been to measure the value increase based on the underlying land value, a common denominator for all properties in the LID boundary area. Under that approach, it is doubtful that the Study would conclude that there are value increases due to the LID improvements anywhere near the $447M conclusion in the report.

5. Mass Appraisal Margin of Error

The value increase from the LID related improvements opined in the Study of 4% or less is within a margin of error for mass appraisals. ABS Appraisal includes 6,238 properties in their study area with a before value of $56,359,239,000. The overall increase in value of all the properties is $447,908,000 or an overall increase of less than 0.8%. The estimated value increases fall within the standard margin of error not only for a mass appraisal, but also for a single property being valued by appraisers armed with all the necessary data not using mass appraisal techniques. It's simply impossible to adjust changes in property values with this level of precision. There are so many impactful elements requiring adjustment such as building age, location or site characteristics that would overwhelm and more than offset the implied value increases estimated in the Study. Determining such small value increases with this level of precision is simply impossible in the realm of traditional appraisal practice. The increases in value estimated in the appraisal are so small they are remote and speculative.

6. Values are overstated

We analyzed about a dozen hotel properties in the Study area. The properties are overvalued, some by as much as almost 100%.

There are other examples where the Study fails to consider certain deed restrictions, or title encumbrances. We know of a site that has a small commercial building in the downtown core

that has sold the development rights thus preventing development, yet the property was valued much higher as a redevelopment site. There is another property along Pine St. valued as a redevelopment site, apparently with no development restrictions. However, it is above the Sound Transit light rail tunnel. That prohibits excavation for below grade and requires extraordinary foundation construction that will limit development height to somewhere around ten stories, well below the site's maximum development potential of up to 550 feet, which was used in the Study.

These omissions bring question to the reliability of the other property value conclusions in the Study.

7. Economic Studies

The Study relies on three economic studies as support of property value increases because of the LID improvements. These include an updated study "Beyond Real Estate Increment: The Value of the Central Seattle Waterfront" prepared by HR&A Advisors, "The Impact of Parks on Property Values: A Review of the Empirical Evidence" study by the Department of Recreation, Park and Tourism Sciences at Texas A & M University", and "The Economic Benefits of Sustainable Streets" published in 2014 by the New York City Department of Transportation.

The first study explains the economic, fiscal and community benefits of the waterfront project. The study focuses on the larger waterfront Project and does not differentiate between the larger Project and the incremental value increase associated with or without the LID improvements. It simply is a study discussing the economic benefits from the Project. It also confirms that the improvements in their entirety reflect general benefits to the community and region, not special benefits by citing a $1.1B one-time economic impact because of the construction of the Project, $288M ongoing economic impact, 2,385 permanent jobs and $10M in ongoing local taxes. These accrue to the community and region, and are general, not special benefits.

The second study compares neighborhoods with and without a park, a more definitive distinction than the Study is trying to identify. The primary focus of this second study is to measure increases in sales revenue resulting from these new park projects. While it also considers other elements such as storm water runoff, air quality and health benefits, there is no documentation that these benefits directly lead to increases in property values. Further, the study additionally appears to imply these benefits accrue to the larger community rather than properties specifically adjacent to the park. This is support that the benefits generated from these park improvements are general, not special benefits.

The last study considered focuses on road improvements or street beautification projects in New York. The study compares unwelcoming, traffic-dominated corridors to safer, more attractive public spaces that better accommodate all users. The study focuses on safety, access/mobility, economic vitality, public health, environmental quality and livability/quality of life. The economic component is based on full availability of retail sales tax filings, limited data on commercial leases and rents, along with data on assessed market values. It is not based on real estate transactions and market sales. And while the results imply general increases in retail sales, it does not substantiate that this directly results in increases in property value. Again, there is no support that these result in special benefits, and in fact they are general benefits.

8. Summary

As stated in the accompanying appraisal review, it is our conclusion that the assignment results in the Study are misleading and do not provide the necessary evidence to provide credible opinions of property value increases before and after the LID improvements are in place. The appraiser has failed to provide the proper support to conclude that the LID improvements provide special benefits to the properties in the LID boundary area, in contrast to the more common general benefits that park improvements typically create for the larger community and region.

The Study determines special benefits based on case studies that represent completely different neighborhood settings. As explained in the attached exhibit, every case study considered was in a significantly inferior condition before the project improvements were installed. Most are significant urban renewal projects that have changed the landscape of surrounding neighborhoods and communities. This contrasts the Seattle waterfront that even today, is a very desirable community asset with views to the west towards the Puget Sound and the Olympic Mountains. As part of the Viaduct removal, the City must restore the waterfront with roads, sidewalks, landscaping and other streetscape improvements regardless of the LID improvements. The LID improvements marginally add to what would already have been a very desirable property condition before the improvements. The case studies in the Study starkly contrast with the level of benefit that the LID improvements will provide.

Further, the economic studies considered in the Study focus on the overall benefit of the project rather than the incremental impact that the LID improvements provide. None represent a fair representation of incremental property value impacts as it relates to those contemplated from the LID improvements. And the studies focus on benefits to a larger study area than those established in the LID boundary area.

The estimate of value increases are so small it is virtually impossible to estimate at the level of precision implied in the Study. The value increase estimates of 0.5% to 4.0% are below the margin of error typically accepted within real estate appraisal practice.

Appraiser's Experience Data

PETER K. SHORETT, MAI, CRE, FRICS

President
Valuation Advisory Services

Peter Shorett entered private appraisal practice with Shorett & Riely in 1980 and was promoted to manager of the office in San Jose, California in 1985 and returned to practice at the Seattle office in 1990. He founded the Valuation Advisory Services division of Kidder Mathews in 1995.

In 1985 Mr. Shorett was awarded his MAI designation by the American Institute of Real Estate Appraisers (now known as the Appraisal Institute) and earned his CRE (Counselor of Real Estate) designation in 1999. He is a certified member of the Commercial Investment Real Estate Institute (CCIM) and has completed the requirements under the continuing education program of the Appraisal Institute. He has served as a Director of the Seattle Chapter of the Appraisal Institute and has served or led on the Candidates Guidance, Finance and Public Relation Committees. He also was appointed Chairman of the Seattle Chapter of the Counselors of Real Estate. In 2008 he became a Fellow of the Royal Institute of Chartered Surveyors (FRICS), the European equivalent of MAI. He serves on the Board of the Runstad Center for Real Estate Research at the University of Washington.

Mr. Shorett specializes in providing valuation and consultation for mediation, arbitration, litigation support and expert witness testimony. He has a wide diversified background in appraisal, market analysis and counseling for the development, acquisition, sale, leasing and financing of major urban real estate throughout the continental Western United States, including the cities of Seattle, Portland, San Francisco and Los Angeles.

Property types studied include apartments, churches, shopping centers, office and industrial buildings, marinas, condominiums, convention hotels, motels, golf courses, parking garages, medical clinics, service stations, residential subdivisions, nursing homes, retirement apartments, vacant land and numerous special-purpose and single-use properties. Mr. Shorett has extensive experience in working with owners whose property is acquired by condemning agencies such as Sound Transit or Local Improvement Districts (LID). Other assignments have included the valuation of leasehold interests, market analysis and lease-up studies for various investors and business groups.

PROFESSIONAL AFFILIATIONS

MEMBER OF Appraisal Institute (MAI)

COUNSELORS of Real Estate (CRE)

CERTIFIED Commercial Investment Member Designee (CCIM)

FELLOW of the Royal Institute of Chartered Surveyors (FRICS)

SELECT CLIENT LIST

Attorney/Law Firms

Bush Kornfeld

Cairncross & Hemplemann

Davis Wright Tremaine

Dorsey Whitney

Drumheller

Ellis Li & McKinstry

Foster Pepper

Hansen Baker

Karr Tuttle Campbell

K&L Gates

Lane Powell

Lasher Holzapfel Sperry & Ebberson

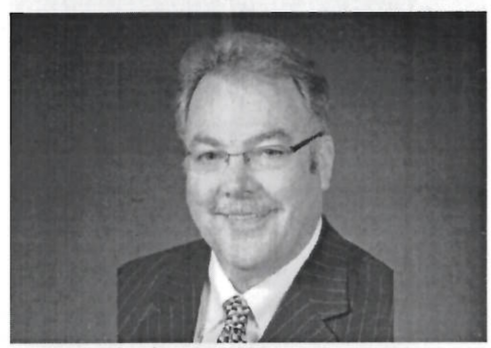
Miller Nash Graham & Dunn

Perkins Coie

Pillsbury Winthrop Shaw Pittman

Schwabe Williamson & Wyatt

Stafford Frey Cooper



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Kidder Mathews

COURT EXPERIENCE

United States Bankruptcy Court

United States Federal Court

King County, Washington Superior Court

Kitsap County, Washington Superior Court

Pierce County, Washington Superior Court

Snohomish County, Washington Superior Court

Santa Cruz County, California Superior Court

EDUCATION

BUSINESS ADMINISTRATION, Western Washington University (1980)

PROFESSIONAL LICENSES

STATE OF WASHINGTON Certified General Real Estate Appraiser (No. 1100389)

STATE OF OREGON Certified General Real Estate Appraiser (No. C000599)

STATE OF CALIFORNIA Real Estate Appraiser License (AG014564)

STATE OF IDAHO Real Estate Appraiser License (CGA-3932)

Reciprocal agreements with other states as needed

ADDITIONAL CLIENTS

Corporations/Property Owners

- 3M Corporation
- Albertsons, Inc.
- Bekins Company
- Bristol Meyers Squibb
- City University
- Clise Properties
- Consolidated Restaurants, Inc.
- Delta Airlines
- Fred Hutchinson
- Gai's Bakery
- Goodale & Barbieri
- Goodman Financial
- Health Science Properties
- Hertz Corporation
- International Paper Company
- KCTS Channel 9
- Kilroy Industries
- KMPG
- Lindal Cedar Homes
- Lone Star Northwest
- McDonalds Corporation
- Miller Brewing Company
- Nitze-Stagen
- Nobel House Hotels & Resorts
- Northwest Airlines
- Northwestern Trust
- Olympic Resource Management
- PACCAR
- Pine Street Associates
- Portac, Inc.
- Rayonier

Attorney/Law Firms Continued

- Stokes Lawrence
- Stoel Rives
- Tousley Brain Stephens
- Williams Kastner

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Corporations/Property Owners Cont'd

- Seattle Seahawks
- Skokomish Tribal Community
- Southland Corporation
- Swinomish Tribal Community
- The Boeing Company
- Unigard Security Insurance
- Union Carbide
- Vulcan, Inc.
- Wesley Homes
- YWCA

Development Companies

- Bentall Corporation
- Lincoln Property Co.
- Opus
- Quadrant
- Sobrato Development Co.
- Trammell Crow
- Wright Runstad & Co

Financial Institutions/Life Insurance Companies

- AETNA Life Ins. Co.
- Amresco
- Allstate Life Ins. Co.
- Bank of America
- CitiCorp
- Coldwell Banker Financial
- Collateral Mortgage
- Crown Life Ins. Co.
- First Horizon
- Frontier Bank
- GE Capital
- Glaser Financial
- Group
- Home Street Bank
- InterWest
- Key Bank
- L.J. Melody & Co.
- Manufacturer's Hanover Trust Co.
- Mellon Financial
- Merrill Lynch
- Morgan Stanley
- New York Life
- Pacific NW Bank
- Sterling Savings
- T. Rowe Price
- The Union Bank of California
- TIAA-CREF
- Transamerica Insurance Co.
- US Bancorp
- Washington Capital Management
- Washington Mutual
- Washington Trust Bank
- Wells Fargo Bank

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Governmental Agencies/Port Authorities/Nonprofits

- City of Bainbridge Island
- City of Half Moon Bay
- City of Kirkland
- City of Santa Cruz
- City of Seattle
- Dept. of Natural Resources (WA State)
- General Services Administration
- Internal Revenue Service
- King County Dept. of Transportation
- King County Property Services
- King County Prosecutor's Office
- Port of Anacortes
- Port of Chelan
- Port of Friday Harbor
- Port of Port Townsend
- Port of Renton
- Port of Seattle
- Port of Tacoma
- Sound Transit
- The Nature Conservancy
- Trust for Public Land
- United States Postal Service
- Washington State Attorney General's Office

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Kidder
Mathews

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

PETER K SHORETT
601 UNION STREET #4720
SEATTLE WA 98101

1100389	**01/06/1992**	**04/10/2021**	Teresa Berntsen
License Number	Issued Date	Expiration Date	Teresa Berntsen, Director

PL-630-159 (R/3/16)

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0253, et al
56

Exhibit 7

Restricted Appraisal Report

United Way Building | Seattle, Washington

as of January 24, 2020

Prepared for

David Brown
United Way of King County

Prepared by

Peter K. Shorett, MAI, CRE, FRICS

KM Job A20-0083

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Kidder Mathews

Kidder Mathews

January 31, 2020

David Brown
United Way of King County
720 2nd Ave.
Seattle, WA 98104

Re: United Way Building / KM Job A20-0083

Dear Mr. Brown:

At your request, a restricted appraisal has been prepared of the United Way Building of King County at 720 Second Avenue in Seattle, King County, Washington. Constructed in 1921, this is the former Seattle First National Bank building, a building of historic significance, now owned and occupied by United Way of King County. The purpose of the appraisal is to estimate the current market value of the property. Besides the building's historical significance, an important consideration for this valuation is the commercial development rights that United Way sold to a third party developer eliminating its commercial development potential.

This is an appraisal of the fee simple interest in the property. The intended use of the appraisal is to provide support for an appeal of taxes to be levied through a local improvement district. The client of record is United Way of King County. Intended users include the client and their legal counsel, City of Seattle Hearing Examiner Ryan Vancil, Robert J. Macaulay, MAI (ABS Valuation), and the Seattle City Council.

This restricted appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice. It is presented in an abbreviated format suitable only for the intended users. Our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

It is my opinion that the current market value of the United Way of King County Building, as of January 31, 2020, is $16,700,000.

Respectfully submitted,

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Certification

I certify that, to the best of my knowledge and belief:

1) The statements of fact contained in this report are true and correct.
2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7) My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8) Peter K. Shorett has made a personal inspection of the property that is the subject of this report.
9) I have not previously appraised the property within the three years preceding our acceptance of this engagement.
10) No one provided significant real property appraisal assistance to the persons signing this certification.
11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Practice* of the Appraisal Institute.
12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13) As of the date of this report, Peter K. Shorett has have completed the continuing education program for Designated Members of the Appraisal Institute.

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

Limiting Conditions

Limiting conditions specific to this appraisal are as follows:

1) The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.

2) It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures (including asbestos, soil contamination or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.

3) No responsibility is assumed for the legal description or for matters including legal or title considerations.

4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.

6) The allocation of total value to land, buildings, or any fractional part or interest, if shown in this report, is invalidated if used separately in conjunction with any other appraisal.

7) The appraiser is competent and qualified to perform the appraisal assignment.

8) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he/she is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

Summary

Property	United Way Building of King County constructed in 1921 is the former Seattle First National Bank (Seafirst Bank) building, a building of historic significance.
ADDRESS	720 Second Avenue Seattle, WA 98104
TAX PARCEL NUMBER	093900-0240
OWNERSHIP HISTORY	United Way of King County acquired the property in 2002 for $5,880,000. The building was substantially remodeled for its current use United Way had a total of 69,600 sq ft of Landmark Transferable Development Rights (TDR's). They sold commercial development rights to a third-party developer eliminating its commercial development potential. 28,896 sq ft of TDR's sold to Seattle Downtown Hotel and Residences, LLC for a price of $664,608 in April 2019. 5,674 sq ft sold to Seattle Tower 1, LLC in December 2016 for $103,500. Acorn Development purchased 35,000 sq ft in December 2015 for $639,000. Tilt 47 purchased the remaining 30 sq ft in July 2015 for $525. No TDR's remain under control of the United Way.

Appraisal Parameters

PURPOSE	The purpose of the appraisal is to estimate the current market value of the property.
PROPERTY RIGHTS	The interest appraised is the fee simple interest in the property.
INTENDED USE	The intended use of the appraisal is to provide support for an appeal of taxes to be levied through a local improvement district.
INTENDED USERS	The client of record is David Brown, Facilities Manager at United Way. Intended users include the client and their legal counsel, City of Seattle Hearing Examiner Ryan Vancil, Robert J. Macaulay, MAI (ABS Valuation), and the Seattle City Council.
SCOPE OF WORK	This appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice. These services comply with

and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

The scope of work included evaluating features of the region, neighborhood, site, and improvements; researching conditions in the local real estate market and preparing a forecast of operating performance.

Components of our regional analysis included geography, transportation, demographics, and economic trends. Distinguishing features of the various districts in Downtown Seattle were also researched. Information on the site was compiled from public records.

The scope of work did include a thorough inspection of the property.

The owner provided building drawings and representation of the renovation that occurred in 2002.

Direct income capitalization is the primary method of value. Market rents based upon a comparable rental survey. Rates of return to determine the value of the property as an income producing investment are based on recent sale transactions and published surveys. This data has been retained in our files.

APPRAISAL DATES	Effective Date of Value	January 24, 2020
	Report Issued	January 31, 2020

DEFINITIONS

The term "Market Value" is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:

a. *the buyer and seller are typically motivated;*
b. *both parties are well informed or well advised, and acting in what they consider their own best interests;*
c. *a reasonable time is allowed for exposure in the open market;*

d. *payment is made in terms of cash in U.S. dollars or in term of financial arrangements comparable thereto; and*

e. *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: Code of Federal Regulations, Title 12, Part 34C, Section 34.42 [g].

The term "As Is Market Value" is defined as:

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Source: Dictionary of Real Estate Appraisal, 6th edition, 2015

The term "Fee Simple Estate" is defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Source: Dictionary of Real Estate Appraisal, 6th edition, 2015

Description

PUGET SOUND REGION

Seattle is in the central portion of the Puget Sound region. Dominant economic drivers include aerospace, software development, computer technology, health care, education, military bases, and tourism. The regional economy has been strong for at least five years, particularly in and near the Seattle metropolitan area.

DOWNTOWN SEATTLE

Downtown Seattle encompasses the central business district and peripheral neighborhoods to the north, south, and east. These areas have an array of retail stores, apartments, office buildings, theaters, and hotels. The market continues to be exceptionally strong with a short supply and strong demand for office space.

SITE

This is a corner 13,920 sq ft site zoned DMC 340/290-440.

IMPROVEMENTS

This is a 3- story over basement general-purpose office building constructed in 1921 that contains 50,175 sq ft of gross building area or 42,650 sq ft of rentable area base on an 85% efficiency ratio.

Seafirst National Bank occupied the property as a branch bank until its sale. The 3-story building had an open atrium from the first floor that opened to an ornamental dome skylight. Mezzanine offices perimeter the atrium. The basement had been used by the bank for the bank vault, office and storage.

Following the purchase in 2002, United Way built out the atrium areas for full floor office occupancy and remodeled the interior of the building, but kept most of the prior bank office buildout, including the granite staircase leading to the basement. The center of the third floor that was the open atrium is now used as a large conference room with surrounding offices. Mechanical and electrical systems were upgraded during the remodel.

The building is designated historic by the City of Seattle ordinance number 124716. The building cannot be demolished. To change the building to expand the square footage for residential use, the owner would have to secure a Certificate of Approval from the Landmarks Board. While the Landmarks Board might approve adding residential floors on top of the existing structure, it would be extremely challenging to secure that approval.

Valuation

HIGHEST & BEST USE

The building's historic designation and inability to redevelop the site limit the use of the property to its current use as a general-purpose office building.

INCOME CAPITALIZATION

Comparable rental data for similar office space like the United Way Building ranges from $35.00 to $45.00 sq ft full service with annual rent increases of $1.00 sq ft. This would include tenant improvement allowances from $30 to $50 sq ft on a lease term of 5 to 7 years with nominal free rent. Recognizing the building condition as configured, a tenant improvement allowance is unnecessary, but this would cause rent at the lower end of the range. Market rent for floors 1 thru 3 is estimated at $37.50 sq ft. The basement space will be lower because of the lack of windows and is estimated at a rate equal to 70% of the base rate or $26.25 sq ft. This produces a blended rent average of $34.58 sq ft per year.

Deducting for a vacancy allowance of 5% and operating expenses of $12.00 sq ft, the resulting income capitalized at a rate of return of 5.5% produces a value for the property of $16,170,000.

Capitalization of Income

Income	Rentable Area	$/SF	$Annual
Basement	11,054	$26.25	$290,173
Floor 1	10,532	$37.50	394,931
Floor 2	10,532	$37.50	394,931
Floor 3	10,532	$37.50	394,931
Gross Building Income	42,649	$34.58	1,474,967
Vacancy		5%	(73,748)
Gross Effective Income			$1,401,219
Operating Expenses		$12.00	($511,785)
Net Operating Income			$889,434
	Capitalized @	5.5%	$16,171,529
		Rounded	**$16,170,000**

CURRENT MARKET VALUE

The current market value of the United Way property, as of January 24, 2020, is $16,170,000.

Appraiser's Experience Data

PETER K. SHORETT, MAI, CRE, FRICS

President
Valuation Advisory Services

Peter Shorett entered private appraisal practice with Shorett & Riely in 1980 and was promoted to manager of the office in San Jose, California in 1985 and returned to practice at the Seattle office in 1990. He founded the Valuation Advisory Services division of Kidder Mathews in 1995.

In 1985 Mr. Shorett was awarded his MAI designation by the American Institute of Real Estate Appraisers (now known as the Appraisal Institute) and earned his CRE (Counselor of Real Estate) designation in 1999. He is a certified member of the Commercial Investment Real Estate Institute (CCIM) and has completed the requirements under the continuing education program of the Appraisal Institute. He has served as a Director of the Seattle Chapter of the Appraisal Institute and has served or led on the Candidates Guidance, Finance and Public Relation Committees. He also was appointed Chairman of the Seattle Chapter of the Counselors of Real Estate. In 2008 he became a Fellow of the Royal Institute of Chartered Surveyors (FRICS), the European equivalent of MAI. He serves on the Board of the Runstad Center for Real Estate Research at the University of Washington.

Mr. Shorett specializes in providing valuation and consultation for mediation, arbitration, litigation support and expert witness testimony. He has a wide diversified background in appraisal, market analysis and counseling for the development, acquisition, sale, leasing and financing of major urban real estate throughout the continental Western United States, including the cities of Seattle, Portland, San Francisco and Los Angeles.

Property types studied include apartments, churches, shopping centers, office and industrial buildings, marinas, condominiums, convention hotels, motels, golf courses, parking garages, medical clinics, service stations, residential subdivisions, nursing homes, retirement apartments, vacant land and numerous special-purpose and single-use properties. Mr. Shorett has extensive experience in working with owners whose property is acquired by condemning agencies such as Sound Transit or Local Improvement Districts (LID). Other assignments have included the valuation of leasehold interests, market analysis and lease-up studies for various investors and business groups.

PROFESSIONAL AFFILIATIONS

MEMBER OF Appraisal Institute (MAI)

COUNSELORS of Real Estate (CRE)

CERTIFIED Commercial Investment Member Designee (CCIM)

FELLOW of the Royal Institute of Chartered Surveyors (FRICS)

SELECT CLIENT LIST

Attorney/Law Firms

Bush Kornfeld

Cairncross & Hemplemann

Davis Wright Tremaine

Dorsey Whitney

Drumheller

Ellis Li & McKinstry

Foster Pepper

Hansen Baker

Karr Tuttle Campbell

K&L Gates

Lane Powell

Lasher Holzapfel Sperry & Ebberson

Miller Nash Graham & Dunn

Perkins Coie

Pillsbury Winthrop Shaw Pittman

Schwabe Williamson & Wyatt

Stafford Frey Cooper

T 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101

Kidder Mathews

COURT EXPERIENCE

United States Bankruptcy Court

United States Federal Court

King County, Washington Superior Court

Kitsap County, Washington Superior Court

Pierce County, Washington Superior Court

Snohomish County, Washington Superior Court

Santa Cruz County, California Superior Court

EDUCATION

BUSINESS ADMINISTRATION, Western Washington University (1980)

PROFESSIONAL LICENSES

STATE OF WASHINGTON Certified General Real Estate Appraiser (No. 1100389)

STATE OF OREGON Certified General Real Estate Appraiser (No. C000599)

STATE OF CALIFORNIA Real Estate Appraiser License (AG014564)

STATE OF IDAHO Real Estate Appraiser License (CGA-3932)

Reciprocal agreements with other states as needed

ADDITIONAL CLIENTS

Corporations/Property Owners

- 3M Corporation
- Albertsons, Inc.
- Bekins Company
- Bristol Meyers Squibb
- City University
- Clise Properties
- Consolidated Restaurants, Inc.
- Delta Airlines
- Fred Hutchinson
- Gai's Bakery
- Goodale & Barbieri
- Goodman Financial
- Health Science Properties
- Hertz Corporation
- International Paper Company
- KCTS Channel 9
- Kilroy Industries
- KMPG
- Lindal Cedar Homes
- Lone Star Northwest
- McDonalds Corporation
- Miller Brewing Company
- Nitze-Stagen
- Nobel House Hotels & Resorts
- Northwest Airlines
- Northwestern Trust
- Olympic Resource Management
- PACCAR
- Pine Street Associates
- Portac, Inc.
- Rayonier

Attorney/Law Firms Continued

Stokes Lawrence

Stoel Rives

Tousley Brain Stephens

Williams Kastner

T 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101

Corporations/Property Owners Cont'd

- Seattle Seahawks
- Skokomish Tribal Community
- Southland Corporation
- Swinomish Tribal Community
- The Boeing Company
- Unigard Security Insurance
- Union Carbide
- Vulcan, Inc.
- Wesley Homes
- YWCA

Development Companies

- Bentall Corporation
- Lincoln Property Co.
- Opus
- Quadrant
- Sobrato Development Co.
- Trammell Crow
- Wright Runstad & Co

Financial Institutions/Life Insurance Companies

- AETNA Life Ins. Co.
- Amresco
- Allstate Life Ins. Co.
- Bank of America
- CitiCorp
- Coldwell Banker Financial
- Collateral Mortgage
- Crown Life Ins. Co.
- First Horizon
- Frontier Bank
- GE Capital
- Glaser Financial
- Group
- Home Street Bank
- InterWest
- Key Bank
- L.J. Melody & Co.
- Manufacturer's Hanover Trust Co.
- Mellon Financial
- Merrill Lynch
- Morgan Stanley
- New York Life
- Pacific NW Bank
- Sterling Savings
- T. Rowe Price
- The Union Bank of California
- TIAA-CREF
- Transamerica Insurance Co.
- US Bancorp
- Washington Capital Management
- Washington Mutual
- Washington Trust Bank
- Wells Fargo Bank

T 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101

km

Governmental Agencies/Port Authorities/Nonprofits

- City of Bainbridge Island
- City of Half Moon Bay
- City of Kirkland
- City of Santa Cruz
- City of Seattle
- Dept. of Natural Resources (WA State)
- General Services Administration
- Internal Revenue Service
- King County Dept. of Transportation
- King County Property Services
- King County Prosecutor's Office
- Port of Anacortes
- Port of Chelan
- Port of Friday Harbor
- Port of Port Townsend
- Port of Renton
- Port of Seattle
- Port of Tacoma
- Sound Transit
- The Nature Conservancy
- Trust for Public Land
- United States Postal Service
- Washington State Attorney General's Office

T 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

PETER K SHORETT
601 UNION STREET #4720
SEATTLE WA 98101

1100389	01/06/1992	04/10/2021	Teresa Berntsen
License Number	Issued Date	Expiration Date	Teresa Berntsen, Director

PL-630-159 (R/3/16)

Instrument Number: 20190416000168 Document:WD Rec: $106.00 Page-1 of 8
Excise Docs: 2982491 Selling Price: $664,608.00 Tax Amount: $11,835.02 Record Date:4/16/2019 9:52 AM
Electronically Recorded King County, WA

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0 233, et al.
57

When recorded return to:
McCullough Hill Leary, P.S.
701 Fifth Avenue, Suite 6600
Seattle, WA 98104
Attn.: Courtney E. Flora

1ST AM (8)

SPECIAL WARRANTY DEED

NCS-945467-WA

Grantor:	United Way of King County, a Washington nonprofit corporation
Grantee:	Seattle Downtown Hotel & Residences LLC, a Delaware limited liability company
Legal–Sending Property:	Lots 1 and 4, Blk 6, Town of Seattle, C.D. Boren & A.A. Denny, Vol. 1, Pg. 27 Complete legal on Exhibit A
Legal–Receiving Property:	Lots 11 and 12, Block 9, Heirs of Sarah A. Bell Add. to City of Seattle, Vol. 1, Page 103, King County Complete legal on Exhibit B
Tax Parcel ID #:	093900-0240 (development rights only)

THE GRANTOR, United Way of King County, a Washington nonprofit corporation, for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration in hand paid, grants, bargains, sells and confirms to GRANTEE, Seattle Downtown Hotel & Residences LLC, a Delaware limited liability company, Twenty-Eight Thousand Eight Hundred Ninety-Six square feet (28,896 sq. ft.) of Landmark Transferable Development Rights ("Landmark TDRs") pursuant to Seattle Municipal Code Chapter 23.49, from the real property legally described on Exhibit A hereto ("TDR Sending Property"), as certified by the City of Seattle Department of Planning and Development by letter from Lucas de Herrera, Senior Land Use Planner, which letter is attached to the Covenants for Landmark Transferable Development Rights recorded under King County Recording No. 20150327000369.

For purposes of Seattle Municipal Code Ch. 23.49, by acceptance of this Deed, Grantee designates the real property legally described on Exhibit B hereto as the TDR Receiving Property with respect to the Landmark TDRs conveyed and transferred to Grantee by this Deed.

Grantor for itself and for its successors in interest expressly limits the covenants of this Deed to those herein expressed, and excludes all covenants arising or to arise by statutory or other implication, and does hereby covenant that against all persons whomsoever lawfully claiming or to claim by, through or under Grantor and not otherwise, will forever warrant and defend the Landmark TDRs conveyed to Grantee by this Deed.

[SIGNATURES ARE ON FOLLOWING PAGE]

This instrument may be signed in counterparts all of which together shall constitute one and the same document.

DATED this 15 day of April, 2019.

GRANTOR:

UNITED WAY OF KING COUNTY, a
Washington nonprofit corporation

By: L. Darrell Powell
L. Darrell Powell
Chief Operations Officer

APPROVED AS TO FORM BY GRANTEE:

SEATTLE DOWNTOWN HOTEL & RESIDENCES LLC, a Delaware limited liability company

By: ______________________________
J. L. Helvey, Treasurer

This instrument may be signed in counterparts all of which together shall constitute one and the same document.

DATED this 15 day of April, 2019.

GRANTOR:

UNITED WAY OF KING COUNTY, a
Washington nonprofit corporation

By: ______________________________
L. Darrell Powell
Chief Operations Officer

APPROVED AS TO FORM BY GRANTEE:

SEATTLE DOWNTOWN HOTEL &
RESIDENCES LLC, a Delaware limited liability
company

By: ______________________________
J. L. Helvey, Treasurer

GRANTOR ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

I certify that I know or have satisfactory evidence that L. Darrell Powell is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Chief Operations Officer of United Way of King County, a Washington nonprofit corporation, to be the free and voluntary act of such nonprofit corporation, for the uses and purposes mentioned in the instrument.

DATED: April 9, 2019.

MIKE E BRANDEBERRY
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
MAY 27, 2021

Mike E Brandeberry

Notary Public for the State of Washington
residing in Seattle, WA
(City) (State)
Print name: Mike E Brandeberry
Commission expires: 5/27/21

GRANTEE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
County of SAN FRANCISCO }

On APR 11, 2019 before me, YUCHUAN XIAO, NOTARY PUBLIC
Date (insert name and title of the officer)

personally appeared Julius Luis III Helvey
who proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(~~ies~~), and that by his/her/their signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

YUCHUAN XIAO
Notary Public – California
San Francisco County
Commission # 2219705
My Comm. Expires Nov 22, 2021

Signature: ______________

Seal

DO NOT WRITE OR PLACE SEAL WITHIN ONE-INCH OUTSIDE MARGIN

EXHIBIT A

LEGAL DESCRIPTION – TDR SENDING PROPERTY

THE LAND REFERRED TO IS SITUATED IN THE STATE OF WASHINGTON, AND DESCRIBED AS FOLLOWS:

LOTS 1 AND 4, BLOCK 6, TOWN OF SEATTLE, AS LAID OUT ON THE CLAIMS OF C D BOREN AND A A DENNY (COMMONLY KNOWN AS BOREN & DENNY'S ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 27, IN KING COUNTY, WASHINGTON,

TOGETHER WITH THE SOUTHWESTERLY ONE-HALF OF THE VACATED ALLEY IN SAID BLOCK ADJOINING SAID LOTS 1 AND 4,

EXCEPT THE SOUTHWESTERLY 12 FEET OF SAID LOTS 1 AND 4 CONDEMNED BY THE CITY OF SEATTLE IN UNITED STATES DISTRICT COURT CAUSE NUMBER 7097 FOR WIDENING SECOND AVENUE.

Assessor Parcel Number 093900-0240

EXHIBIT B

LEGAL DESCRIPTION – TDR RECEIVING PROPERTY

LOTS 11 AND 12, BLOCK 9, ADDITION TO THE TOWN OF SEATTLE AS LAID OFF BY THE HEIRS OF SARAH A. BELL, DECEASED (COMMONLY KNOWN AS THE HEIRS OF SARAH A. BELL ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT RECORDED IN VOLUME 1 OF PLATS, PAGE 103, IN KING COUNTY, WASHINGTON.

EXCEPT THE NORTHEASTERLY 12 FEET THEREOF CONDEMNED BY THE CITY OF SEATTLE UNDER ORDINANCE NO. 13776 FOR WIDENING OF 5TH AVENUE.

EXCEPT PORTION THEREOF DEDICATED TO THE CITY OF SEATTLE FOR ALLEY PURPOSES BY DEED FOR ALLEY PURPOSES RECORDED UNDER KING COUNTY RECORDING NUMBER 20170726000418.

Assessor Parcel Number: 065900-0455

1ST AM 757642
(6)

When Recorded Return to:
McCullough Hill Leary, P.S.
701 Fifth Avenue, Suite 6600
Seattle, WA 98104
Attn.: Katie J. Kendall

20161229001435
FIRST AMERICAN WD 78.00
PAGE-001 OF 006
12/29/2016 15:50
KING COUNTY, WA

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
58
FILE# CWF-0433, et al.

E2842140
12/29/2016 15:48
KING COUNTY, WA
TAX $1,848.20
SALE $103,550.50
PAGE-001 OF 001

STATUTORY WARRANTY DEED

Grantor:	United Way of King County
Grantee:	Seattle Tower I, LLC
Abbrev. Legal – Sending Property:	Lots 1 and 4, Blk 6, Town of Seattle of C.D. Boren & A.A. Denny, Vol. 1, Pg. 27 Complete legal on Exhibit A
Abbrev. Legal – Receiving Property:	Portion of Lots 3 and 4, Blk J, Bells 5th Add, Vol. 1, Pg. 191 Complete legal on Exhibit B
Assessor Tax Parcel Number:	093900-0240

United Way of King County, a Washington nonprofit corporation ("Grantor"), for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, conveys and warrants to Seattle Tower I, LLC, a Delaware limited liability company ("Grantee"), Five Thousand Six Hundred Seventy-Four square feet (5,674 s.f.) of Landmark Transferable Development Rights pursuant to Seattle Municipal Code Chapter 23.48 from the real property and improvements in Seattle, King County, Washington, legally described in Exhibit A hereto ("Sending Property").

This conveyance is made in accordance with the terms of that certain Second Amended and Restated Agreement for Purchase and Sale of Transferable Development Rights dated on or about October 2, 2015, between Grantor as Seller and Grantee as Buyer, as amended by First Amendment to Second Amended and Restated Purchase and Sale Agreement dated as of August 24, 2016, regarding the sale and purchase of Landmark Transferable Development Rights from the Sending Property to the real property legally described in Exhibit B ("Receiving Property"), the terms of which are not merged into this transfer document and which survive the delivery of this transfer document to Grantee.

This instrument may be executed in counterparts, all of which taken together shall constitute one instrument.

DATED: December 29, 2016.

GRANTOR:

United Way of King County,
a Washington nonprofit corporation

By: TW Mitchell
Name: Tom Mitchell
Title: Chief Operating Officer

Date signed: 12/28/2016

APPROVED AS TO FORM BY GRANTEE:

Seattle Tower I, LLC,
a Delaware limited liability company

By:____________________
Name: Bradley J. Sher
Title: Authorized Agent

Date signed:____________________

This instrument may be executed in counterparts, all of which taken together shall constitute one instrument.

DATED: December 29, 2016.

GRANTOR:	APPROVED AS TO FORM BY GRANTEE:
United Way of King County, a Washington nonprofit corporation	Seattle Tower I, LLC, a Delaware limited liability company
By:________________________	By: [signature]
Name: Tom Mitchell	Name: Bradley J. Sher
Title: Chief Operating Officer	Title: Authorized Agent
Date signed:________________	Date signed: 12-28-16

GRANTOR'S ACKNOWLEDGMENT:

STATE OF King)
) ss
COUNTY OF Washington)

I certify that I know or have satisfactory evidence that Tom Mitchell is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Chief Operating Officer of United Way of King County, a Washington nonprofit corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

DATED: December 28, 2016.

MISTY JACKSON
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
AUGUST 21, 2019

Notary Public in and for the State of Washington
residing in Seattle WA
City *State*
Print name: Misty Jackson
Commission expires: 8/21/2019

EXHIBIT A

SENDING PROPERTY

The land referred to is situated in the State of Washington, and described as follows:

Lots 1 and 4, Block 6, Town of Seattle, as laid out on the claims of C D Boren and A A Denny (commonly known as Boren & Denny's Addition to the city of Seattle), according to the plat thereof recorded in Volume 1 of Plats, page 27, in King County, Washington,

TOGETHER WITH the southwesterly one-half of the vacated alley in said block adjoining said Lots 1 and 4,

EXCEPT the southwesterly 12 feet of said Lots 1 and 4 condemned by the City of Seattle in United States District Court Cause Number 7097 for widening Second Avenue.

Tax Parcel ID # : 093900-0240

EXHIBIT B

RECEIVING PROPERTY

LOTS 3 AND 4, BLOCK J, BELLS 5TH ADDITION TO THE CITY OF SEATTLE, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 191, IN KING COUNTY, WASHINGTON; EXCEPT THAT PORTION THEREOF CONDEMNED IN KING COUNTY SUPERIOR COURT CAUSE NUMBER 52280 FOR WIDENING FOURTH AVENUE, AS PROVIDED BY ORDINANCE NUMBER 13766 OF THE CITY OF SEATTLE.

Tax Parcel ID #: 069600-0015

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
59
FILE# CWF-0933, et al

Return Address:
Steven R. Rovig
Hillis Clark Martin & Peterson P.S.
999 Third Avenue, Suite 4600
Seattle, WA 98104

Please print or type information **WASHINGTON STATE RECORDER'S Cover Sheet** (RCW 65.04)

Document Title(s) (or transactions contained therein): (all areas applicable to your document **must** be filled in)
1. Special Warranty Deed-Development Rights 2. ______
3. re-record to Correct scrivener's error on page 5 4. ______

Reference Number(s) of Documents assigned or released: 20151221001195
Additional reference #'s on page ______ of document

Grantor(s) Exactly as name(s) appear on document
1. United Way of King County , ______
2. ______ , ______
Additional names on page ______ of document.

Grantee(s) Exactly as name(s) appear on document
1. Acorn Development LLC , ______
2. ______ , ______
Additional names on page ______ of document.

Legal description (abbreviated: i.e. lot, block, plat or section, township, range)
TDR Sending Property: Lots 1 and 4, Block 6, Vol. 1 of Plats, p.27
TDR Receiving Property: Lots 1-12, Block 21, Vol. 1 of Plats, p. 121
Additional legal is on page _____ of document. Exhibit A and Exhibit B

Assessor's Property Tax Parcel/Account Number assigned: not applicable - development rights only, previously severed (portion of 093900-0240) ☐ Assessor Tax # not yet

The Auditor/Recorder will rely on the information provided on this form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.

"I am signing below and paying an additional $50 recording fee (as provided in RCW 36.18.010 and referred to as an emergency nonstandard document), because this document does not meet margin and formatting requirements. Furthermore, I hereby understand that the recording process may cover up or otherwise obscure some part of the text of the original document as a result of this request."

______________________________ Signature of Requesting Party

Note to submitter: Do not sign above nor pay additional $50 fee if the document meets margin/formatting requirements

When Recorded, Return to:
Hillis Clark Martin & Peterson P.S.
Attn: Steven R. Rovig
1221 Second Avenue, Suite 500
Seattle, WA 98101-2925

20151221001195
FIRST AMERICAN WD 78.00
PAGE-001 OF 008
12/21/2015 16:22
KING COUNTY, WA

E2772647
12/21/2015 14:40
KING COUNTY, WA
TAX $7,151.70
SALE $401,500.00 PAGE-001 OF 001

SPECIAL WARRANTY DEED-DEVELOPMENT RIGHTS

Re-record to correct scrivener's error on page 2

Grantor: UNITED WAY OF KING COUNTY

Grantee: ACORN DEVELOPMENT LLC

Legal Description (abbreviated): TDR Sending Property: LOTS 1 AND 4, BLOCK 6, VOL. 1 OF PLATS, P. 27

TDR Receiving Property: LOTS 1-12, BLOCK 21, VOL. 1 OF PLATS, P. 121

☑ Additional on : EXHIBIT A and EXHIBIT B

Assessor's Tax Parcel ID #: Not Applicable – Development Rights only, previously severed (Portion of 093900-0240)

Reference Nos.: Not Applicable

The Grantor, UNITED WAY OF KING COUNTY, a Washington nonprofit corporation, for and in consideration of $10.00 and other good and valuable consideration, bargains, sells and conveys to ACORN DEVELOPMENT LLC, a Delaware limited liability company, as Grantee, the following Transferable Development Rights ("TDR") pursuant to Seattle Municipal Code ("SMC") ch. 23.49:

> 22,000 square feet of TDR attributable to the real property ("Sending Property") described on the attached EXHIBIT A and as determined in a Certification Letter dated April 3, 2014, from the City of Seattle's Department of Planning and Development to be available for transfer.

This conveyance is made in accordance with that certain Covenants for Landmark Transferrable Development Rights dated March 5, 2015 as recorded under King County Recording No. 20150327000369.

Grantor covenants that it will forever warrant and defend title to the TDR conveyed hereunder against all persons lawfully claiming or to claim the same TDR by, through or under Grantor but not otherwise. Grantor hereby expressly limits the covenants and warranties of this deed to those herein expressed, and does hereby exclude all covenants and warranties arising or to arise by statutory or other implication.

2200

The Grantee hereby designates the property located at ~~2101~~ Seventh Avenue, Seattle, Washington and legally described on the attached **EXHIBIT B**, as the receiving lot for 22,000 square feet of TDR, for purposes of SMC ch. 23.49. Pursuant to SMC Section 23.49.014 D2, notice is hereby given by Grantee that the above TDR are intended to be used for the project that received a Master Use Permit issued by the City of Seattle Department of Planning and Development under Permit No. ~~3013154, as revised by No. 3015022~~, and 3018578 therefore, are not available for retransfer, unless such project shall be abandoned, except to the extent that such project may be modified to require fewer than all the TDR conveyed hereunder, as determined by such Department.

[Signatures appear on following pages.]

Dated this 25th day of November, 2015.

GRANTOR:

UNITED WAY OF KING COUNTY,
a Washington nonprofit corporation

By:
Name: Jon Fine
Its: President & CEO

STATE OF WASHINGTON)
ss.
COUNTY OF KING)

On this day personally appeared before me Jon Fine, to me known to be the President and CEO of UNITED WAY OF KING COUNTY, a Washington nonprofit corporation, that executed the foregoing instrument, and acknowledged such instrument to be the free and voluntary act and deed of such nonprofit corporation, for the uses and purposes therein mentioned, and on oath stated that he was duly authorized to execute such instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 25th day of November, 2015.

MISTY JACKSON
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
AUGUST 21, 2019

Misty Jackson
Printed Name

NOTARY PUBLIC in and for the State of Washington,
residing at
720 Second Ave, Seattle, King County 98104
My Commission Expires
8/21/2019

GRANTEE: ACORN DEVELOPMENT LLC,
a Delaware limited liability company

By: [signature]
Name: John Schoettler
Title: Vice President
Date: 12.10.15

STATE OF WASHINGTON)
ss.
COUNTY OF KING)

On this day personally appeared before me John Schoettler, to me known to be the Vice President of ACORN DEVELOPMENT LLC, a Delaware limited liability company that executed the foregoing instrument, and acknowledged such instrument to be the free and voluntary act and deed of such company, for the uses and purposes therein mentioned, and on oath stated that he/she was duly authorized to execute such instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 10th day of ~~[illegible]~~ December ARSP, 2015.

ASHLEY SHERWOOD PARK
COMMISSION EXPIRES
NOTARY
PUBLIC
2-26-19
STATE OF WASHINGTON

Ashley Sherwood Park
Printed Name
[signature]
NOTARY PUBLIC in and for the State of Washington,
residing at
Seattle, WA
My Commission Expires
February 26, 2019

EXHIBIT A

SENDING PROPERTY LEGAL DESCRIPTION

LOTS 1 AND 4, BLOCK 6, TOWN OF SEATTLE, AS LAID OUT ON THE CLAIMS OF C.D. BOREN AND A.A. DENNY (COMMONLY KNOWN AS BOREN & DENNY'S ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 27, IN KING COUNTY, WASHINGTON;

TOGETHER WITH THE SOUTHWESTERLY ONE-HALF OF THE VACATED ALLEY IN SAID BLOCK ADJOINING SAID LOTS 1 AND 4;

EXCEPT THE SOUTHWESTERLY 12 FEET OF SAID LOTS 1 AND 4 CONDEMNED BY THE CITY OF SEATTLE IN UNITED STATES DISTRICT COURT CAUSE NUMBER 7097 FOR WIDENING SECOND AVENUE.

EXHIBIT B

RECEIVING PROPERTY LEGAL DESCRIPTION

BLOCK 21:

LOTS 1-12, BLOCK 21, SECOND ADDITION TO THE TOWN OF SEATTLE, AS LAID OFF BY THE HEIRS OF SARAH A. BELL, DECEASED (COMMONLY KNOWN AS HEIRS OF SARAH A. BELL'S SECOND ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 121, IN KING COUNTY, WASHINGTON;.

EXCEPT THOSE PORTIONS CONDEMNED IN KING COUNTY SUPERIOR COURT CAUSE NUMBER 193437 FOR THE WIDENING OF 7TH AVENUE AND 8TH AVENUE, AS PROVIDED BY ORDINANCE NUMBER 50890 OF THE CITY OF SEATTLE.

KING COUNTY EXECUTIVE
King County
WASHINGTON

The Director of Records & Licensing, King County, State of Washington do hereby certify the foregoing document is a true and correct copy of the document recorded in our office.

Director of Records & Licensing,
By ____________
Deputy
PDOUGHERTY

On this Day of 1/9/2018 at 12:17 PM

City of Seattle Hearing Examiner
EXHIBIT

ADMITTED ___
DENIED ___
60

FILE# CWF-0233, et al.

When Recorded, Return to:
Hillis Clark Martin & Peterson P.S.
Attn: Steven R. Rovig
1221 Second Avenue, Suite 500
Seattle, WA 98101-2925

20151221001194
FIRST AMERICAN WD 78.00
PAGE-001 OF 006
12/21/2015 16:22
KING COUNTY, WA

E2772643
12/21/2015 14:36
KING COUNTY, WA
TAX $4,228.05
SALE $237,250.00
PAGE-001 OF 001

SPECIAL WARRANTY DEED-DEVELOPMENT RIGHTS

Grantor:	UNITED WAY OF KING COUNTY
Grantee:	ACORN DEVELOPMENT LLC
Legal Description (abbreviated):	TDR Sending Property: LOTS 1 AND 4, BLOCK 6, VOL. 1 OF PLATS, P. 27 TDR Receiving Property: ALL OF BLOCK 20, VOL. 1 OF PLATS, P. 121
☑ Additional on :	**EXHIBIT A and EXHIBIT B**
Assessor's Tax Parcel ID #:	Not Applicable – Development Rights only, previously severed (Portion of 093900-0240)
Reference Nos.:	Not Applicable

The Grantor, UNITED WAY OF KING COUNTY, a Washington nonprofit corporation, for and in consideration of $10.00 and other good and valuable consideration, bargains, sells and conveys to ACORN DEVELOPMENT LLC, a Delaware limited liability company, as Grantee, the following Transferable Development Rights ("TDR") pursuant to Seattle Municipal Code ("SMC") ch. 23.49:

> 13,000 square feet of TDR attributable to the real property ("Sending Property") described on the attached EXHIBIT A and as determined in a Certification Letter dated April 3, 2014, from the City of Seattle's Department of Planning and Development to be available for transfer.

This conveyance is made in accordance with that certain Covenants for Landmark Transferrable Development Rights dated March 5, 2015 as recorded under King County Recording No. 20150327000369.

Grantor covenants that it will forever warrant and defend title to the TDR conveyed hereunder against all persons lawfully claiming or to claim the same TDR by, through or under Grantor but not otherwise. Grantor hereby expressly limits the covenants and warranties of this deed to those herein expressed, and does hereby exclude all covenants and warranties arising or to arise by statutory or other implication.

The Grantee hereby designates the property located at 2100 Seventh Avenue, Seattle, Washington and legally described on the attached **EXHIBIT B**, as the receiving lot for 13,000 square feet of TDR, for purposes of SMC ch. 23.49. Pursuant to SMC Section 23.49.014 D2, notice is hereby given by Grantee that the above TDR are intended to be used for the project that received a Master Use Permit issued by the City of Seattle Department of Planning and Development under Permit No. 3013153 and therefore, are not available for retransfer, unless such project shall be abandoned, except to the extent that such project may be modified to require fewer than all the TDR conveyed hereunder, as determined by such Department.

[Signatures appear on following pages.]

Dated this 25th day of November, 2015.

GRANTOR:

UNITED WAY OF KING COUNTY,
a Washington nonprofit corporation

By: [signature]
Name: Jon Fine
Its: President & CEO

STATE OF WASHINGTON)
ss.
COUNTY OF KING)

On this day personally appeared before me Jon Fine, to me known to be the President and CEO of UNITED WAY OF KING COUNTY, a Washington nonprofit corporation, that executed the foregoing instrument, and acknowledged such instrument to be the free and voluntary act and deed of such nonprofit corporation, for the uses and purposes therein mentioned, and on oath stated that he was duly authorized to execute such instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 25th day of November, 2015.

MISTY JACKSON
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
AUGUST 21, 2019

Misty Jackson
Printed Name
[signature]
NOTARY PUBLIC in and for the State of Washington,
residing at 720 Second Ave, Seattle, King County 98104
My Commission Expires
8/21/2019

GRANTEE: ACORN DEVELOPMENT LLC,
a Delaware limited liability company

By: John Schoettler
Name: John Schoettler
Title: Vice President
Date: 12.10.15

STATE OF WASHINGTON)
ss.
COUNTY OF KING)

On this day personally appeared before me John Schoettler, to me known to be the Vice President of ACORN DEVELOPMENT LLC, a Delaware limited liability company that executed the foregoing instrument, and acknowledged such instrument to be the free and voluntary act and deed of such company, for the uses and purposes therein mentioned, and on oath stated that he/she was duly authorized to execute such instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 10th day of December, 2015.

Ashley Sherwood Park
Printed Name
AWK
NOTARY PUBLIC in and for the State of Washington,
residing at
Seattle, Washington
My Commission Expires
February 26, 2019

EXHIBIT A

SENDING PROPERTY LEGAL DESCRIPTION

LOTS 1 AND 4, BLOCK 6, TOWN OF SEATTLE, AS LAID OUT ON THE CLAIMS OF C.D. BOREN AND A.A. DENNY (COMMONLY KNOWN AS BOREN & DENNY'S ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 27, IN KING COUNTY, WASHINGTON;

TOGETHER WITH THE SOUTHWESTERLY ONE-HALF OF THE VACATED ALLEY IN SAID BLOCK ADJOINING SAID LOTS 1 AND 4;

EXCEPT THE SOUTHWESTERLY 12 FEET OF SAID LOTS 1 AND 4 CONDEMNED BY THE CITY OF SEATTLE IN UNITED STATES DISTRICT COURT CAUSE NUMBER 7097 FOR WIDENING SECOND AVENUE.

EXHIBIT B

RECEIVING PROPERTY LEGAL DESCRIPTION

BLOCK 20:

ALL OF BLOCK 20, SECOND ADDITION TO THE TOWN OF SEATTLE, AS LAID OFF BY THE HEIRS OF SARAH A. BELL, DECEASED (COMMONLY KNOWN AS HEIRS OF SARAH A. BELL'S SECOND ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF, RECORDED IN VOL. 1 OF PLATS, PAGE 121, IN KING COUNTY, WASHINGTON;

EXCEPT FOR THOSE PORTIONS CONDEMNED IN KING COUNTY SUPERIOR COURT CAUSE NUMBER 36118 AND KING COUNTY SUPERIOR COURT CAUSE NUMBER 193437, AS PROVIDED BY ORDINANCE NUMBERS 7733 AND 50890.

1ST AM 743075 (9)

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ___
DENIED ___
61
FILE# CWF-0233, et al.

When Recorded Return to:
McCullough Hill Leary, P.S.
701 Fifth Avenue, Suite 6600
Seattle, WA 98104
Attn.: G. Richard Hill

20150727002023
FIRST AMERICAN WD 82.00
PAGE-001 OF 011
07/27/2015 16:40
KING COUNTY, WA

E2745805
07/27/2015 16:32
KING COUNTY, WA
TAX $14.35
SALE $525.00
PAGE-001 OF 001

STATUTORY WARRANTY DEED - DEVELOPMENT RIGHTS

Grantor:	United Way of King County
Grantee:	Tilt49 Office Developers LLC
Abbrev. Legal – Sending Property:	Lots 1 and 4, Blk 6, Town of Seattle, C.D. Boren & A.A. Denny, Vol. 1, Pg. 27 Complete legal on Exhibit A
Abbrev. Legal – Receiving Property:	Office Unit, Tilt49, a Condominium, rec. #20150526000478, Vol. 283, Pgs. 74-84 Complete legal on Exhibit B
Tax Parcel ID # - Sending Property:	093900-0240 (development rights only)
Tax Parcel ID# - Receiving Property	8647700020 (a portion of Parcel Nos. 0660002105, 0660002100, 0660002094, 0660002095, and 0660002085)

United Way of King County, a Washington nonprofit corporation ("Grantor"), for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, conveys and warrants to TILT49 OFFICE DEVELOPERS LLC, a Delaware limited liability company ("Grantee"), thirty square feet (30 s.f.) of Landmark Transferable Development Rights pursuant to Seattle Municipal Code Chapter 23.48 from the real property and improvements in Seattle, King County, Washington legally described in Exhibit A hereto ("Sending Property").

This conveyance is made in accordance with the terms of that certain Agreement for Purchase and Sale of Transferable Development Rights dated July 27, 2015 between Grantor as Seller and Grantee as Buyer regarding the sale and purchase of Landmark Transferable Development Rights from the Sending Property to the real property legally described in Exhibit B ("Receiving Property"), the terms of which are not merged into this transfer document and which survive the delivery of this transfer document to Grantee.

This instrument may be executed in counterparts, all of which taken together shall constitute one instrument.

DATED: July 27, 2015.

GRANTOR:

UNITED WAY OF KING COUNTY,
a Washington nonprofit corporation

By: TW Mitchell 07/22/15
Tom Mitchell, Chief Operating Officer

APPROVED AS TO FORM BY GRANTEE:

TILT49 OFFICE DEVELOPERS LLC, a Delaware limited liability company

By: Tilt49 Member, LLC, a Delaware limited liability company, its Co-Managing Member

By: Principal Real Estate Investors, LLC, a Delaware limited liability company, its Authorized Signatory

By:____________________________
Print name:____________________________
Title:____________________________

By:____________________________
Print name:____________________________
Title:____________________________

By: Touchstone – URG Tilt49 LLC, a Washington limited liability company, its Managing Member

By:____________________________
James D. O'Hanlon, its
Authorized Representative

When Recorded Return to:
McCullough Hill Leary, P.S.
701 Fifth Avenue, Suite 6600
Seattle, WA 98104
Attn.: G. Richard Hill

STATUTORY WARRANTY DEED - DEVELOPMENT RIGHTS

Grantor:	United Way of King County
Grantee:	Tilt49 Office Developers LLC
Abbrev. Legal – Sending Property:	Lots 1 and 4, Blk 6, Town of Seattle, C.D. Boren & A.A. Denny, Vol. 1, Pg. 27 Complete legal on Exhibit A
Abbrev. Legal – Receiving Property:	Office Unit, Tilt49, a Condominium, rec. #20150526000478, Vol. 283, Pgs. 74-84 Complete legal on Exhibit B
Tax Parcel ID # - Sending Property:	093900-0240 (development rights only)
Tax Parcel ID# - Receiving Property	8647700020 (a portion of Parcel Nos. 0660002105, 0660002100, 0660002094, 0660002095, and 0660002085)

United Way of King County, a Washington nonprofit corporation ("Grantor"), for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, conveys and warrants to TILT49 OFFICE DEVELOPERS LLC, a Delaware limited liability company ("Grantee"), thirty square feet (30 s.f.) of Landmark Transferable Development Rights pursuant to Seattle Municipal Code Chapter 23.48 from the real property and improvements in Seattle, King County, Washington legally described in Exhibit A hereto ("Sending Property").

This conveyance is made in accordance with the terms of that certain Agreement for Purchase and Sale of Transferable Development Rights dated July ____, 2015 between Grantor as Seller and Grantee as Buyer regarding the sale and purchase of Landmark Transferable Development Rights from the Sending Property to the real property legally described in Exhibit B ("Receiving Property"), the terms of which are not merged into this transfer document and which survive the delivery of this transfer document to Grantee.

This instrument may be executed in counterparts, all of which taken together shall constitute one instrument.

DATED: July 27, 2015.

GRANTOR:

UNITED WAY OF KING COUNTY,
a Washington nonprofit corporation

By:________________________________
Tom Mitchell, Chief Operating Officer

APPROVED AS TO FORM BY GRANTEE:

TILT49 OFFICE DEVELOPERS LLC, a Delaware limited liability company

By: Tilt49 Member, LLC, a Delaware limited liability company, its Co-Managing Member

By: Principal Real Estate Investors, LLC, a Delaware limited liability company, its Authorized Signatory

By: [signature]
Print name: Jay Fisher
Title: Assistant [illegible] Director Asset Management

By: [signature]
Print name: Linda J. Woofter
Title: Senior Development Manager

By: Touchstone – URG Tilt49 LLC, a Washington limited liability company, its Managing Member

By:________________________________
James D. O'Hanlon, its
Authorized Representative

This instrument may be executed in counterparts, all of which taken together shall constitute one instrument.

DATED: July 27, 2015.

GRANTOR:

UNITED WAY OF KING COUNTY,
a Washington nonprofit corporation

By:______________________________
Tom Mitchell, Chief Operating Officer

APPROVED AS TO FORM BY GRANTEE:

TILT49 OFFICE DEVELOPERS LLC, a Delaware limited liability company

By: Tilt49 Member, LLC, a Delaware limited liability company, its Co-Managing Member

By: Principal Real Estate Investors, LLC, a Delaware limited liability company, its Authorized Signatory

By:______________________________
Print name:______________________________
Title:______________________________

By:______________________________
Print name:______________________________
Title:______________________________

By: Touchstone – URG Tilt49 LLC, a Washington limited liability company, its Managing Member

By:______________________________
James D. O'Hanlon, its
Authorized Representative

GRANTOR'S ACKNOWLEDGMENT:

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Tom Mitchell is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Chief Operating Officer of UNITED WAY OF KING COUNTY, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: July 23, 2015.

Anne-Marie S. Elia
Notary Public in and for the State of Washington
residing at King County
Print name: Anne-Marie S. Elia
Commission expires: November 29, 2015

ANNE-MARIE S. ELIA
COMMISSION EXPIRES
NOTARY
PUBLIC
11-29-15
STATE OF WASHINGTON

EXHIBIT A

SENDING PROPERTY

Assessor Parcel Number 093900-0240

The land referred to is situated in the State of Washington, and described as follows:

Lots 1 and 4, Block 6, Town of Seattle, as laid out on the claims of C D Boren and A A Denny (commonly known as Boren & Denny's Addition to the City of Seattle), according to the plat thereof recorded in Volume 1 of Plats, page 27, in King County, Washington,

TOGETHER WITH the southwesterly one-half of the vacated alley in said block adjoining said Lots 1 and 4,

EXCEPT the southwesterly 12 feet of said Lots 1 and 4 condemned by the City of Seattle in United States District Court Cause Number 7097 for widening Second Avenue.

STATE OF IOWA)
)
COUNTY OF POLK)

On this 24th day of July, 2015, before me, the undersigned, a Notary Public in and for the said State, personally appeared Jay Fisher and Linda J. Wooster, to me personally known to be the identical persons whose names are subscribed to the foregoing instrument, who being by me duly sworn, did say that they are the Asst. Managing Director Asset Management and Sr. Development Mgr, respectively, of PRINCIPAL REAL ESTATE INVESTORS, LLC, a Delaware limited liability company, authorized signatory of TILT49 MEMBER, LLC, a Delaware limited liability company, Co-Managing Member of TILT49 OFFICE DEVELOPERS, LLC, a Delaware limited liability company, and that the instrument was signed on behalf of the company by PRINCIPAL REAL ESTATE INVESTORS, LLC, as authorized signatory of TILT49 MEMBER, LLC, a Delaware limited liability company, Co-Managing Member of TILT49 OFFICE DEVELOPERS, LLC, a Delaware limited liability company, and that the aforesaid individuals each acknowledged the execution of the foregoing instrument to be the voluntary act and deed of PRINCIPAL REAL ESTATE INVESTORS, LLC, as authorized signatories of said company, by it and by them voluntarily executed.

Shawna Murphy
Notary Public in and for Polk County, Iowa
My Commission Expires: 2/11/2017
[Affix Notarial Stamp or Seal]

NOTARIAL SEAL IOWA
SHAWNA MURPHY
Commission Number 766661
My Commission Expires
February 11, 2017

[NOTARY BLOCK FOR JV PARTNER TO BE PROVIDED BY JV PARTNER]

STATE OF WASHINGTON }
} *SS.*
County of King }

I certify that I know or have satisfactory evidence that **James D. O'Hanlon** is the person(s) who appeared before me, and said person(s) acknowledged that they signed this instrument, on oath stated that he is are authorized to execute the instrument and acknowledged it as the authorized representative of Tilt49 Office Developers LLC to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: 7/27/16

Name (typed or printed): Chantale Stiller-Anderson
NOTARY PUBLIC in and for the State of WA
Residing at Seattle
My appointment expires:6-25-2016

CHANTALE STILLER-ANDERSON
STATE OF WASHINGTON
NOTARY PUBLIC
MY COMMISSION EXPIRES
08-25-16

EXHIBIT A

SENDING PROPERTY LEGAL DESCRIPTION

Assessor Parcel Number 093900-0240

THE LAND REFERRED TO IS SITUATED IN THE STATE OF WASHINGTON, AND DESCRIBED AS FOLLOWS:

LOTS 1 AND 4, BLOCK 6, TOWN OF SEATTLE, AS LAID OUT ON THE CLAIMS OF C D BOREN AND A A DENNY (COMMONLY KNOWN AS BOREN & DENNY'S ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 27, IN KING COUNTY, WASHINGTON,

TOGETHER WITH THE SOUTHWESTERLY ONE-HALF OF THE VACATED ALLEY IN SAID BLOCK ADJOINING SAID LOTS 1 AND 4,

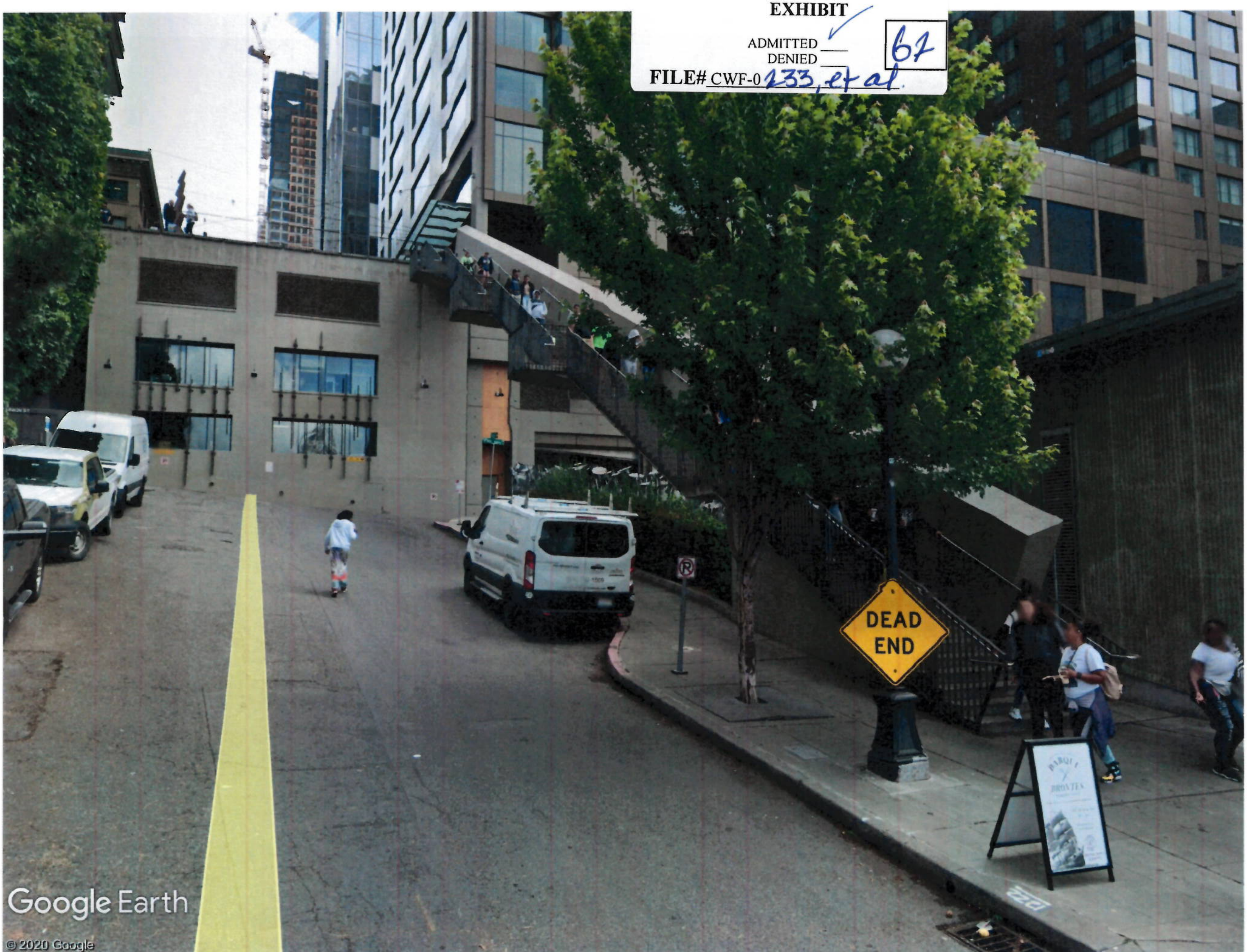
EXCEPT THE SOUTHWESTERLY 12 FEET OF SAID LOTS 1 AND 4 CONDEMNED BY THE CITY OF SEATTLE IN UNITED STATES DISTRICT COURT CAUSE NUMBER 7097 FOR WIDENING SECOND AVENUE.

EXHIBIT B

RECEIVING PROPERTY LEGAL DESCRIPTION

Assessor Parcel Number 864770-0020

OFFICE UNIT, INCLUDING ALL COMMON ELEMENTS AND LIMITED COMMON ELEMENTS ALLOCATED THERETO, OF TILT49, A CONDOMINIUM, ACCORDING TO DECLARATION THEREOF RECORDED MAY 26, 2015, UNDER RECORDING NO. 20150526000478 AND AMENDMENT(S) THERETO; SAID UNIT IS LOCATED ON SURVEY MAP AND PLANS FILED IN VOLUME 283 OF CONDOMINIUMS, AT PAGES 74 THROUGH 84, IN KING COUNTY, WASHINGTON.



City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
67
FILE# CWF-0233, et al.

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
63
FILE# CWF-0233, et al.

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
64
FILE# CWF-0233, et al.

Exhibit 7

Kidder Mathews

February 3, 2020

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company
217 Pine Street. Suite 200
Seattle, Washington 98101

Re: Renaissance Hotel, Seattle / KM Job A20-0048d

Dear Mr. Ahmed:

At your request, we have prepared this restricted appraisal of the Renaissance Hotel, a 557-room full service hotel located at 515 Madison Street in Seattle, King County, Washington.

The interest appraised is the fee simple estate. The intended use of the appraisal is to provide support for an appeal of taxes to be levied through a local improvement district. The client of record is Zahoor Ahmed, R. C. Hedreen Company. Intended users include the client and their legal counsel, City of Seattle Hearing Examiner Ryan Vancil, Robert J. Macaulay, MAI (ABS Valuation), and the Seattle City Council.

This restricted appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice. It is presented in an abbreviated format suitable only for the intended users. Our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

In our opinion, the current market value of the Renaissance Hotel, as of January 1, 2020, is $206,300,000, with $200,700,000 for the real estate and $5,600,000 for personal property.

Respectfully submitted,

Peter K. Shorett, MAI, CRE, FRICS
Certified General Real Estate Appraiser
WA License 1100389, exp 4/10/2021

John D. Gordon, MAI, AI-GRS
Certified General Real Estate Appraiser
WA License 1100661, exp 3/27/2021

Limiting Conditions

Limiting conditions specific to this appraisal are as follows:

1) The appraisers have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
2) It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures (including asbestos, soil contamination or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5) The appraisers are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
6) The allocation of total value to land, buildings, or any fractional part or interest, if shown in this report, is invalidated if used separately in conjunction with any other appraisal.
7) The appraisers are competent and qualified to perform the appraisal assignment.
8) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:
Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraisers.

Appraisal Parameters

PURPOSE The purpose of this appraisal is to estimate the current market value of the hotel.

PROPERTY RIGHTS The interest appraised is the fee simple estate.

INTENDED USE The intended use of the appraisal is to provide support for an appeal of taxes to be levied through a local improvement district.

INTENDED USERS The client of record is Zahoor Ahmed, R. C. Hedreen Company. Intended users include the client and their legal counsel, City of Seattle Hearing Examiner Ryan Vancil, Robert J. Macaulay, MAI (ABS Valuation), and the Seattle City Council.

SCOPE OF WORK This appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice. Our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

Our scope of work included evaluating features of the region, neighborhood, site, and improvements; researching conditions in the lodging market; preparing a forecast of operating performance; and compiling information on sales of comparable properties.

Components of our regional analysis included geography, transportation, demographics, economic trends. We identified distinguishing features of the various districts in Downtown Seattle. Information on the site was compiled from public records.

Our scope of work did not include a thorough inspection of the hotel. At least one of the participating appraisers inspected the property on a prior occasion. For the current engagement, we made a brief visit to the hotel and noted the condition of the lobby, restaurant, meeting rooms (as available), and recreational amenities.

The owner provided us with recent STAR reports showing the monthly occupancy rate, average room rate, and daily RevPAR for the hotel and its primary competitors (as selected by management). We used this data to develop a forecast of market occupancy and revenue.

DEFINITIONS

The term “Market Value” is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:

a. *the buyer and seller are typically motivated;*
b. *both parties are well informed or well advised, and acting in what they consider their own best interests;*
c. *a reasonable time is allowed for exposure in the open market;*
d. *payment is made in terms of cash in U.S. dollars or in term of financial arrangements comparable thereto; and*
e. *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: Code of Federal Regulations, Title 12, Part 34C, Section 34.42 [g].

The term “As Is Market Value” is defined as:

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Source: Dictionary of Real Estate Appraisal, 6th edition, 2015

The term “Fee Simple Estate” is defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Source: Dictionary of Real Estate Appraisal, 6th edition, 2015

Valuation

HIGHEST & BEST USE

Given the proximity of the site to the office district and the convention center, the most productive and probable use of the land if vacant would be a hotel. The highest and best use of the property as improved is the continued operation of the Renaissance Hotel.

PROJECTED PERFORMANCE

For purposes of confidentiality, we are not disclosing the historical operating results of the hotel. We are projecting annual occupancy rates of 81.8% to 85.1%, with a long-term average of 84.0%. For a future stabilized year, stated in current dollars, we are projecting an average room rate of $209, total revenue of $47.1MM, operating expenses of $32.4MM, and net operating income of $14.7MM.

RISK & RETURN

Positive risk factors include the central location of the site within the Seattle CBD, the good condition of the improvements, and the sustained strength of the local lodging market. The primary negative risk factor is the impact of new competition. The risk of investment was recognized in our selection of an overall capitalization rate of 7.25% and a yield rate of 9.00%.

INCOME CAPITALIZATION

For our direct capitalization analysis, we divided the stabilized NOI by the selected overall cap rate and made an adjustment for near-term fluctuation, for an indicated value of $206,200,000. In our yield analysis, we discounted the projected income and net reversion, for an indicated value of $206,400,000.

SALES COMPARISON

We analyzed eight recent sales of hotels in Downtown Seattle. The sales closed between January 2016 and August 2019. The hotels range in size from 76 guestrooms to 297 guestrooms. Each has a restaurant, meeting rooms, and recreational amenities. In terms of both price per room and price per square foot, the sale data brackets the results of our income analysis. We did not use this approach to develop independent indications of value.

CURRENT MARKET VALUE

In our opinion, the current market value of the Renaissance Hotel, as of January 1, 2020, is $206,300,000. The contributory value of tangible personal property is estimated at $20,000/room less 50% depreciation, or $5,600,000. The remaining value, $200,700,000, is allocated to real estate.

PETER K. SHORETT, MAI, CRE, FRICS

President
Valuation Advisory Services

Peter Shorett entered private appraisal practice with Shorett & Riely in 1980 and was promoted to manager of the office in San Jose, California in 1985 and returned to practice at the Seattle office in 1990. He founded the Valuation Advisory Services division of Kidder Mathews in 1995.

In 1985 Mr. Shorett was awarded his MAI designation by the American Institute of Real Estate Appraisers (now known as the Appraisal Institute) and earned his CRE (Counselor of Real Estate) designation in 1999. He is a certified member of the Commercial Investment Real Estate Institute (CCIM) and has completed the requirements under the continuing education program of the Appraisal Institute. He has served as a Director of the Seattle Chapter of the Appraisal Institute and has served or led on the Candidates Guidance, Finance and Public Relation Committees. He also was appointed Chairman of the Seattle Chapter of the Counselors of Real Estate. In 2008 he became a Fellow of the Royal Institute of Chartered Surveyors (FRICS), the European equivalent of MAI. He serves on the Board of the Runstad Center for Real Estate Research at the University of Washington.

Mr. Shorett specializes in providing valuation and consultation for mediation, arbitration, litigation support and expert witness testimony. He has a wide diversified background in appraisal, market analysis and counseling for the development, acquisition, sale, leasing and financing of major urban real estate throughout the continental Western United States, including the cities of Seattle, Portland, San Francisco and Los Angeles.

Property types studied include apartments, churches, shopping centers, office and industrial buildings, marinas, condominiums, convention hotels, motels, golf courses, parking garages, medical clinics, service stations, residential subdivisions, nursing homes, retirement apartments, vacant land and numerous special-purpose and single-use properties. Mr. Shorett has extensive experience in working with owners whose property is acquired by condemning agencies such as Sound Transit or Local Improvement Districts (LID). Other assignments have included the valuation of leasehold interests, market analysis and lease-up studies for various investors and business groups.

PROFESSIONAL AFFILIATIONS

MEMBER OF Appraisal Institute (MAI)

COUNSELORS of Real Estate (CRE)

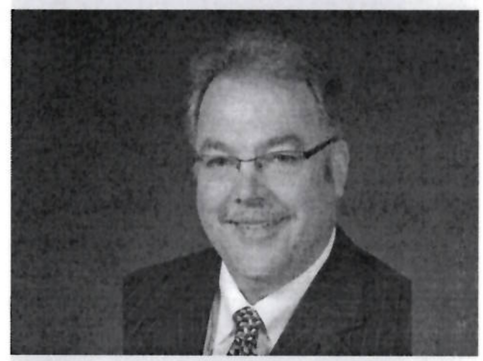
CERTIFIED Commercial Investment Member Designee (CCIM)

FELLOW of the Royal Institute of Chartered Surveyors (FRICS)

SELECT CLIENT LIST

Attorney/Law Firms

- Bush Kornfeld
- Cairncross & Hemplemann
- Davis Wright Tremaine
- Dorsey Whitney
- Drumheller
- Ellis Li & McKinstry
- Foster Pepper
- Hansen Baker
- Karr Tuttle Campbell
- K&L Gates
- Lane Powell
- Lasher Holzapfel Sperry & Ebberson
- Miller Nash Graham & Dunn
- Perkins Coie
- Pillsbury Winthrop Shaw Pittman
- Schwabe Williamson & Wyatt
- Stafford Frey Cooper



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Corporations/Property Owners Cont'd

Seattle Seahawks	Swinomish Tribal Community	Union Carbide
Skokomish Tribal Community	The Boeing Company	Vulcan, Inc.
Southland Corporation	Unigard Security Insurance	Wesley Homes
		YWCA

Development Companies

Bentall Corporation	Quadrant	Trammell Crow
Lincoln Property Co.	Sobrato Development Co.	Wright Runstad & Co
Opus		

Financial Institutions/Life Insurance Companies

AETNA Life Ins. Co.	Group	T. Rowe Price
Amresco	Home Street Bank	The Union Bank of California
Allstate Life Ins. Co.	InterWest	TIAA-CREF
Bank of America	Key Bank	Transamerica Insurance Co.
CitiCorp	L.J. Melody & Co.	US Bancorp
Coldwell Banker Financial	Manufacturer's Hanover Trust Co.	Washington Capital Management
Collateral Mortgage	Mellon Financial	Washington Mutual
Crown Life Ins. Co.	Merrill Lynch	Washington Trust Bank
First Horizon	Morgan Stanley	Wells Fargo Bank
Frontier Bank	New York Life	
GE Capital	Pacific NW Bank	
Glaser Financial	Sterling Savings	

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Kidder Mathews

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

PETER K SHORETT
601 UNION STREET #4720
SEATTLE WA 98101

1100389	**01/06/1992**	**04/10/2021**	
License Number	Issued Date	Expiration Date	Teresa Berntsen, Director

PL-630-159 (R/3/16)

HOTEL MARKETS

WASHINGTON

Aberdeen	Edmonds	Mukilteo	Sekiu
Allyn	Ellensburg	Oak Harbor	Sequim
Anacortes	Everett	Ocean Shores	Silverdale
Ashford	Fall City	Olympia	Spokane
Auburn	Federal Way	Orcas Island	Spokane Valley
Belfair	Fife	Pacific Beach	Sumner
Bellevue	Forks	Pacific	Tacoma
Bellingham	Issaquah	Pasco	Toppenish
Blaine	Kennewick	Port Angeles	Touchet
Bothell	Kent	Port Hadlock	Tukwila
Bremerton	Kirkland	Port Townsend	Tumwater
Brewster	Lacey	Pullman	Union Gap
Burlington	Lakewood	Puyallup	Vancouver
Chehalis	Langley	Quincy	Vashon
Chelan	Leavenworth	Redmond	Walla Walla
Clarkston	Long Beach	Renton	Wenatchee
Cle Elum	Longview	Richland	Westport
Des Moines	Lynnwood	Ritzville	Woodinville
Dupont	Marysville	San Juan Island	Yakima
Eastsound	Monroe	SeaTac	Zillah
East Wentachee	Moses Lake	Seattle	

OREGON

Ashland	Gresham	Newberg	The Dalles
Baker	Hermiston	Newport	Tigard
Bandon	Hillsboro	Ontario	Tillamook
Bend	Hood River	Pendleton	Troutdale
Beaverton	Klamath Falls	Portland	Tualatin
Boardman	La Grande	Redmond	West Linn
Coos Bay	Lake Oswego	Salem	Woodburn
Eugene	Lincoln City	Seaside	
Forest Grove	Madras	Sisters	
Grants Pass	Medford	Springfield	

IDAHO

Boise	Idaho Falls	Nampa	Sandpoint
Bonners Ferry	Lewiston	Pocatello	Twin Falls
Caldwell	Meridian	Post Falls	
Coeur d'Alene	Moscow	Rexburg	

HOTEL BRANDS

Aloft	Embassy	La Quinta	Silver Cloud
Baymont	EVEN	McMenamins	Sleep
Best Western	FairBridge	Microtel	SpringHill
Candlewood	Fairfield	Motel 6	Staybridge
Clarion	Four Points	Oxford	Super 8
Coast	Four Seasons	Quality	TownePlace
Comfort	Guesthouse	Radisson	Travelodge
Country	Hampton	Ramada	Vagabond
Courtyard	Hilton	Red Lion	W
Crowne Plaza	Hilton Garden	Residence	WestCoast
Days	Holiday	Rodeway	WoodSpring
Doubletree	Home2	Sheraton	
EconoLodge	Hyatt	Shilo	

Red Lion Hotels

SaviBank

Seattle Bank

Shilo Inns

Silver Cloud Inns

Symetra Insurance

Tacoma Housing Authority

Timberland Bank

Travel Tacoma

Umpqua Bank

US Bancorp

Washington Capital

Washington Federal

Washington Trust Bank

Wells Fargo Bank

Yakima Convention Center

Zions Bank

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Kidder Mathews

JESSE L. BAKER

Associate
Valuation Advisory Services

Jesse Baker joined the Valuation Advisory Services department of Kidder Mathews in September 2014. Prior to joining the firm, he spent five years in leadership roles with the Cintas Corporation. He graduated the Management Trainee Program (2010), and was promoted to Service Manager (2011) and Operations Manager (2013). Mr. Baker also served as an integral member of the acquisition due-diligence team, providing analysis and recommendations as the Cintas Document Management Division pursued an aggressive growth strategy in Northern California markets.

With an educational background from the Cornell Hotel School, Mr. Baker is developing an expertise in the valuation and analysis of lodging properties. In his first 18 months with Kidder Mathews, he has appraised or provided consulting services on over 20 hotels across Washington. In addition to lodging, Jesse has appraised senior living properties (IL/AL/MC), multifamily, and LIHTC affordable housing.

STATE CERTIFICATION

Jesse is actively pursing the educational requirements for Washington State Certification. He is currently registered as a Washington State Real Estate Appraiser Trainee under Registration No. 1001777.

EDUCATION

BS in Hospitality Management, The Hotel School at Cornell University

REAL ESATE MINOR, The Hotel School at Cornell University

Cornell Varsity Football; WR, 4yr Member, 2005-2008, All-Ivy 2008

WASHINGTON STATE QUALIFYING EDUCATION

Basic Appraisal Principles

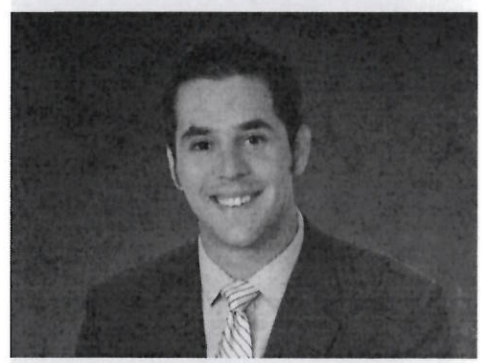
Basic Appraisal Procedures

2014-2015 National USPAP

2016-2017 National USPAP Update

General Appraiser Market Analysis & HBU

Statistics, Modeling & Finance



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City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
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FILE# CWF-0

Renaissance Hotel

Restricted Appraisal – Supplemental Tables

LID Hearing Case CWF-0418

Tax Parcel 0942000430

ABS Valuation Property D-245

Kidder Mathews Job A20-0048d

Kidder Mathews

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Table 1
Competitive Set

Property Name Street Address City, State	Built Affil Eff Age	Standard Suite Total	Land Area Bldg Area Mtg Space	Land/Rm Bldg/Rm Mtg/Rm	Type Corridors Height	Rack Rates Amenities AAA
Westin Seattle Hotel 1900 5th Avenue Seattle, WA 98101	1969 1982 25	883 8 891	71,888 743,192 55,567	81 834 62	Full Interior 47 Stories	$129-$429 A B E F ◆◆◆◆
Renaissance Seattle Hotel 515 Madison Street Seattle, WA 98104	1983 1995 15	*507* *50* 557	21,600 342,472 26,781	39 615 48	Full Interior 28 Stories	$159-$300 A B C E ◆◆◆◆
Grand Hyatt Hotel 721 Pine Street Seattle, WA 98101	2001 2001 10	393 64 457	87,790 322,551 25,000	192 706 55	Full Interior 30 Stories	$179-$419 A B D E ◆◆◆◆
W Hotel Seattle 1112 4th Avenue Seattle, WA 98101	1999 1999 10	415 9 424	18,315 272,015 9,674	43 642 23	Full Interior 26 Stories	$199-$559 A B E ◆◆◆
Crowne Plaza Seattle 1113 6th Avenue Seattle, WA 98101	1980 1980 20	392 26 418	14,400 258,352 9,551	34 618 23	Full Interior 34 Stories	$99-$259 A B C E ◆◆◆
Hyatt at Olive 8 1635 8th Avenue Seattle, WA 98101	2009 2009 5	331 15 346	29,160 287,065 12,000	84 830 35	Full Interior 17 Stories	$159-$429 A B C D E F ◆◆◆◆
Motif Seattle 1415 5th Avenue Seattle, WA 98101	Jun-96 Jun-14 10	313 6 319	29,640 272,787 18,333	93 855 57	Full Interior 20 Stories	$197-$635 A B C E ◆◆◆◆

Sources: Hotel Management
County Assessors
AAA Tourbook

A = Restaurant/Lounge
B = Meeting Rooms
C = Refridge/MW

D = Health Spa
E = Fitness Center
F = Swimming Pool

Table 2
Market Supply & Demand, Historical

	2017	2018	2019
Market Supply			
Existing Hotels	3,412	3,412	3,412
505 Madison			
1520 5th Avenue			
Average Daily Rooms	3,412	3,412	3,412
Available Room Nights	1,245,380	1,245,380	1,245,380
Percentage Change	-	0.0%	0.0%
Market Demand			
Base Demand			
Underlying Growth			
Trended Demand			
Induced Demand			
Occupied Room Nights	1,052,443	1,048,812	1,048,963
Percentage Change	-	-0.3%	0.0%
Market Occupancy	84.5%	84.2%	84.2%
Market Room Rate	$222.01	$229.36	$215.11
Percentage Change	-	3.3%	-6.2%
Market RevPAR	$187.62	$193.16	$181.18
Percentage Change	-	3.0%	-6.2%
Market Revenue (000)	$233,655	$240,556	$225,641
Percentage Change	-	3.0%	-6.2%

Table 3
Market Supply & Demand, Projected

	2020	2021	2022	2023	2024
Market Supply					
Existing Hotels	3,412	3,412	3,412	3,412	3,412
505 Madison		184	184	184	184
1520 5th Avenue				245	245
Average Daily Rooms	3,412	3,596	3,596	3,841	3,841
Available Room Nights	1,245,380	1,312,540	1,312,540	1,401,965	1,401,965
Percentage Change	0.0%	5.4%	0.0%	6.8%	0.0%
Market Demand					
Base Demand	1,048,963	1,059,453	1,087,342	1,115,789	1,147,004
Underlying Growth	1.0%	2.0%	2.0%	2.0%	1.9%
Trended Demand	1,059,453	1,080,642	1,109,089	1,138,104	1,168,751
Induced Demand	0	6,700	6,700	8,900	8,900
Occupied Room Nights	1,059,453	1,087,342	1,115,789	1,147,004	1,177,651
Percentage Change	1.0%	2.6%	2.6%	2.8%	2.7%
Market Occupancy	85.1%	82.8%	85.0%	81.8%	84.0%
Market Room Rate	$220.49	$226.00	$231.65	$237.44	$243.38
Percentage Change	2.5%	2.5%	2.5%	2.5%	2.5%
Market RevPAR	$187.57	$187.22	$196.92	$194.26	$204.44
Percentage Change	3.5%	-0.2%	5.2%	-1.4%	5.2%
Market Revenue (000)	$233,595	$245,738	$258,471	$272,345	$286,612
Percentage Change	3.5%	5.2%	5.2%	5.4%	5.2%

Table 4
Market Position, Historical

	2017	2018	2019
Supply Ratio			
Subject Room Supply	557	557	557
Market Room Supply	3,412	3,412	3,412
Subject Supply Ratio	16.3%	16.3%	16.3%
Room Occupancy			
Market Supply	1,245,380	1,245,380	1,245,380
Market Occupancy	84.5%	84.2%	84.2%
Market Demand	1,052,443	1,048,812	1,048,963
Subject Supply Ratio	16.3%	16.3%	16.3%
Proportionate Demand	171,809	171,216	171,240
Occupancy Index	99.7%	97.7%	103.0%
Subject Demand	171,333	167,292	176,352
Subject Supply	203,305	203,305	203,305
Subject Occupancy	84.3%	82.3%	86.7%
Room Rate			
Market Room Rate	$222.01	$229.36	$215.11
Room Rate Index	91.5%	91.5%	95.0%
Subject Room Rate	$203.19	$209.86	$204.26
Room Revenue			
Market RevPAR	$190.81	$197.15	$181.96
RevPAR Index	89.7%	87.6%	97.4%
Subject RevPAR	$171.23	$172.69	$177.18
Subject Revenue	$34,812,894	$35,107,906	$36,020,978

Table 5
Market Position, Projected

	Projected					Stabilized
	2020	2021	2022	2023	2024	2020 $
Supply Ratio						
Subject Room Supply	557	557	557	557	557	557
Market Room Supply	3,412	3,596	3,596	3,841	3,841	3,841
Subject Supply Ratio	16.3%	15.5%	15.5%	14.5%	14.5%	14.5%
Room Occupancy						
Market Supply	1,245,380	1,312,540	1,312,540	1,401,965	1,401,965	1,401,965
Market Occupancy	85.1%	82.8%	85.0%	81.8%	84.0%	84.0%
Market Demand	1,059,453	1,087,342	1,115,789	1,147,004	1,177,651	1,177,651
Subject Supply Ratio	16.3%	15.5%	15.5%	14.5%	14.5%	14.5%
Proportionate Demand	172,953	168,423	172,829	166,332	170,776	170,776
Occupancy Index	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subject Demand	172,953	168,423	172,829	166,332	170,776	170,776
Subject Supply	203,305	203,305	203,305	203,305	203,305	203,305
Subject Occupancy	85.1%	82.8%	85.0%	81.8%	84.0%	84.0%
Room Rate						
Market Room Rate	$220.49	$226.00	$231.65	$237.44	$243.38	$220.49
Room Rate Index	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Subject Room Rate	$209.46	$214.70	$220.07	$225.57	$231.21	$209.46
Room Revenue						
Market RevPAR	$187.57	$187.22	$196.92	$194.26	$204.44	$185.21
RevPAR Index	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Subject RevPAR	$178.19	$177.86	$187.08	$184.55	$194.21	$175.95
Subject Revenue	$36,227,092	$36,160,229	$38,033,903	$37,519,176	$39,484,675	$35,771,167

Table 6
Historical Operating Performance

	2017				2018			
	Total	Ratio	Per Rm	Per ORN	Total	Ratio	Per Rm	Per ORN
Available Rooms	557				557			
Occupancy Rate	83.7%				81.7%			
Average Room Rate	$204.52				$211.46			
Daily RevPAR	$171.25				$172.67			
Revenue								
Rooms	$34,816,677	79.0%	$62,507	$204.52	$35,105,683	77.5%	$63,026	$211.46
Food & Beverage	$7,564,440	17.2%	$13,581	$44.44	$8,560,586	18.9%	$15,369	$51.56
Ancillary	$1,496,321	3.4%	$2,686	$8.79	$1,401,451	3.1%	$2,516	$8.44
Other Income	$187,338	0.4%	$336	$1.10	$210,864	0.5%	$379	$1.27
Total	$44,064,776	100.0%	$79,111	$258.85	$45,278,584	100.0%	$81,290	$272.73
Departmental Expenses								
Rooms	$8,350,875	24.0%	$14,993	$49.06	$8,418,968	24.0%	$15,115	$50.71
Food & Beverage	$6,399,265	84.6%	$11,489	$37.59	$6,905,196	80.7%	$12,397	$41.59
Ancillary	$575,781	38.5%	$1,034	$3.38	$583,876	41.7%	$1,048	$3.52
Total	$15,325,921	34.8%	$27,515	$90.03	$15,908,040	35.1%	$28,560	$95.82
Undistributed Expenses								
Administration	$3,551,544	8.1%	$6,376	$20.86	$3,645,143	8.1%	$6,544	$21.96
Info & Telecomm	$0	0.0%	$0	$0.00	$0	0.0%	$0	$0.00
Marketing	$2,664,133	6.0%	$4,783	$15.65	$2,718,778	6.0%	$4,881	$16.38
Maintenance	$1,597,455	3.6%	$2,868	$9.38	$1,657,567	3.7%	$2,976	$9.98
Utilities	$1,112,436	2.5%	$1,997	$6.53	$1,115,142	2.5%	$2,002	$6.72
Total	$8,925,568	20.3%	$16,024	$52.43	$9,136,630	20.2%	$16,403	$55.03
Fixed Charges								
Taxes	$1,661,892	3.8%	$2,984	$9.76	$1,872,106	4.1%	$3,361	$11.28
Insurance	$357,960	0.8%	$643	$2.10	$337,915	0.7%	$607	$2.04
Total	$2,019,852	4.6%	$3,626	$11.87	$2,210,021	4.9%	$3,968	$13.31
Direct Expenses	$26,271,341	59.6%	$47,166	$154.33	$27,254,691	60.2%	$48,931	$164.17
Operating Profit	$17,793,435	40.4%	$31,945	$104.52	$18,023,893	39.8%	$32,359	$108.57

Table 7
Stabilized Operating Performance

	Total	Ratio	Per Room	Per ORN
Guestrooms	557			
Room Occupancy Rate	84.0%			
Average Daily Room Rate	$209.46			
Daily RevPAR	$175.95			
Revenue				
Rooms	$35,771,167	75.9%	$64,221	$209.46
Food & Beverage	$9,538,810	20.3%	$17,125	$55.86
Ancillary	$1,536,986	3.3%	$2,759	$9.00
Other Income	$256,164	0.5%	$460	$1.50
Total	$47,103,127	100.0%	$84,566	$275.82
Departmental Expenses				
Rooms	$8,585,080	24.0%	$15,413	$50.27
Food & Beverage	$7,821,824	82.0%	$14,043	$45.80
Ancillary	$614,794	40.0%	$1,104	$3.60
Total	$17,021,699	36.1%	$30,560	$99.67
Undistributed Expenses				
Administration	$3,752,494	8.0%	$6,737	$21.97
Info & Telecomm	$0	0.0%	$0	$0.00
Marketing	$2,791,158	5.9%	$5,011	$16.34
Maintenance	$1,671,000	3.5%	$3,000	$9.78
Utilities	$1,114,000	2.4%	$2,000	$6.52
Total	$9,328,652	19.8%	$16,748	$54.63
Fixed Charges				
Property Taxes	$1,909,897	4.1%	$3,429	$11.18
Insurance	$362,050	0.8%	$650	$2.12
Total	$2,271,947	4.8%	$4,079	$13.30
Direct Expenses	$28,622,298	60.8%	$51,387	$167.60
Operating Profit	$18,480,829	39.2%	$33,179	$108.22
Other Charges				
Management Fees	$1,413,094	3.0%	$2,537	$8.27
Capital Replacement	$2,355,156	5.0%	$4,228	$13.79
Total	$3,768,250	8.0%	$6,765	$22.07
Total Expenses	$32,390,548	68.8%	$58,152	$189.67
Net Operating Income	$14,712,579	31.2%	$26,414	$86.15

Table 8
Projected Operating Performance

	2020	2021	2022	2023	2024
Room Occupancy Rate	85.1%	82.8%	85.0%	81.8%	84.0%
Average Daily Room Rate	$209.46	$214.70	$220.07	$225.57	$231.21
Daily RevPAR	$178.19	$177.86	$187.08	$184.55	$194.21
Revenue					
Rooms	$36,227,092	$36,160,229	$38,033,903	$37,519,176	$39,484,675
Food & Beverage	$9,647,642	$9,656,682	$10,129,565	$10,032,962	$10,529,061
Ancillary	$1,556,576	$1,553,703	$1,634,209	$1,612,093	$1,696,545
Other Income	$259,429	$258,950	$272,368	$268,682	$282,757
Total	$47,690,740	$47,629,564	$50,070,045	$49,432,912	$51,993,039
Departmental Expenses					
Rooms	$8,672,618	$8,702,705	$9,106,449	$9,052,720	$9,476,322
Food & Beverage	$7,881,641	$7,951,087	$8,277,082	$8,291,729	$8,633,830
Ancillary	$621,847	$622,349	$652,907	$646,560	$678,618
Total	$17,176,105	$17,276,141	$18,036,438	$17,991,009	$18,788,770
Undistributed Expenses					
Administration	$3,770,122	$3,826,772	$3,959,933	$4,002,265	$4,142,051
Info & Telecomm	$0	$0	$0	$0	$0
Marketing	$1,002,600	$1,027,665	$2,955,052	$2,955,649	$3,080,917
Maintenance	$1,677,389	$1,705,695	$1,761,926	$1,785,436	$1,844,471
Utilities	$1,115,420	$1,140,277	$1,171,803	$1,196,534	$1,229,648
Total	$7,565,531	$7,700,408	$9,848,715	$9,939,885	$10,297,087
Fixed Charges					
Property Taxes	$1,912,665	$1,954,578	$2,009,328	$2,050,665	$2,108,169
Insurance	$362,050	$371,101	$380,379	$389,888	$399,635
Total	$2,274,715	$2,325,679	$2,389,707	$2,440,553	$2,507,805
Other Charges					
Management Fees	$1,430,722	$1,428,887	$1,502,101	$1,482,987	$1,559,791
Capital Replacement	$2,384,537	$2,381,478	$2,503,502	$2,471,646	$2,599,652
Total	$3,815,259	$3,810,365	$4,005,604	$3,954,633	$4,159,443
Total Expenses	$30,831,610	$31,112,594	$34,280,464	$34,326,080	$35,753,104
Net Operating Income	$16,859,129	$16,516,970	$15,789,581	$15,106,832	$16,239,934

Table 9
Income Capitalization

Direct Capitalization	**Projected NOI**	**Overall Cap Rate**	**Present Value**
Stabilized NOI (2020 $)	$14,712,579	7.25%	$202,900,000
Near-Term Surplus/Shortfall			$3,300,000
Indicated Value			$206,200,000

Yield Capitalization	**Projected NOI**	**9.00% PV Factor**	**Present Value**
2020	$16,859,129	0.917431	$15,467,091
2021	$16,516,970	0.841680	$13,902,004
2022	$15,789,581	0.772183	$12,192,454
2023	$15,106,832	0.708425	$10,702,061
2024	$16,239,934	0.649931	$10,554,843
2025	$16,645,933	0.596267	$9,925,426
2026	$17,062,081	0.547034	$9,333,543
2027	$17,488,633	0.501866	$8,776,955
2028	$17,925,849	0.460428	$8,253,559
2029	$18,373,995	0.422411	$7,761,374
Reversion			
NOI After Reversion	$18,833,345		
Reversion Capitalization Rate	7.75%		
Fee Simple Value At Reversion	$243,010,000		
Less Selling Costs @ 3.0%	$7,290,000		
Net Cash At Reversion	$235,720,000	0.422411	$99,570,675
Indicated Value			$206,400,000
Current Market Value As Is			$206,300,000

Table 10
Near-Term Income Variance

	2020	2021	2022	2023	2024
Stabilized NOI	$14,712,579	$14,712,579	$14,712,579	$14,712,579	$14,712,579
Trending Factor	1.000000	1.025000	1.050625	1.076891	1.103813
Trended NOI	$14,712,579	$15,080,393	$15,457,403	$15,843,838	$16,239,934
Projected NOI	$16,859,129	$16,516,970	$15,789,581	$15,106,832	$16,239,934
Annual Variance	$2,146,550	$1,436,577	$332,178	-$737,006	$0
Discount Factor	0.917431	0.841680	0.772183	0.708425	
Discounted Variance	$1,969,312	$1,209,138	$256,502	-$522,114	
Cumulative Variance	$2,912,839				
Profit Incentive	$436,926				
Variance & Incentive (rd)	$3,300,000				

Table 11
Allocation of Value

Total	Personal Property				Real
Asset	Per Room	Total	Deprec	Net	Estate
$206,300,000	$20,000	$11,140,000	50%	$5,600,000	$200,700,000