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BEFORE THE HEARING EXAMINER OF THE CITY OF SEATTLE

In re Proposed Final Assessment Roll for
Local Improvement District No. 6751
("Waterfront LID")

Parcel Nos.:

6094670010; 6094670020; 6094670030;
6094680050; 0660000740; 0660000708;
2285130010; 6792120010; 6195000030;
0942000430; 6792120020; 7683890010;
1976200070; 1976200075; 1976200076;
7666202465; 7666202345; 1975700365;
0696000015; 1974700175; 1117080020;
1975700235; 0696000055; 0660000540
0660000545; 066000-0575; 2538831460;
2538831480; 0939000240; 1974600025;
1974600035

Case Nos. CWF-0318, 0410, 0411, 0412, 0413,
0414, 0415, 0416, 0417, 0418, 0420, 0421, 0422,
0423, 0425, 0426, 0427, 0429, 0430, 0431, 0432,
0433, 0434, 0435, 0436, 0437, 0438, 0439, 0440,
0441

WITNESS AND EXHIBIT LIST FOR
HEARING ON APRIL 13, 2020

Witness List – April 13, 2020

Name	Description	Email Address
John Gordon	Appraiser expert for Case Nos. CWF-0432, 0433, 0434, 0413, 0414, 0418, 0429, 0436, 0437, 0438, 0439, 0415, 0318.	John.gordon@kidder.com

Exhibit List – April 13, 2020

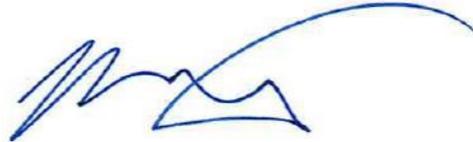
Exhibit	Description
64	Restricted Appraisal for the Renaissance Hotel, Case No. CWF-0418
65	Supplemental tables prepared by John Gordon for the Renaissance Hotel restricted appraisal, Case No. CWF-0418
66	Table prepared by John Gordon comparing his analysis with the analysis done by ABS Valuation for the Renaissance Hotel, Case No. CWF-0418
67	Restricted Appraisal for the Hyatt Regency, Case No. CWF-0413
68	Supplemental tables prepared by John Gordon for the Hyatt Regency restricted appraisal, Case No. CWF-0413
69	Table prepared by John Gordon comparing his analysis with the analysis done by ABS Valuation for the Hyatt Regency, Case No. CWF-0413
70	Restricted Appraisal for the Hyatt at Olive 8, Case No. CWF-0429
71	Supplemental tables prepared by John Gordon for the Hyatt at Olive 8 restricted appraisal, Case No. CWF-0429
72	Table prepared by John Gordon comparing his analysis with the analysis done by ABS Valuation for the Hyatt at Olive 8, Case No. CWF-0429
73	Restricted Appraisal for the Grand Hyatt, Case Nos. CWF-0436, -0437
74	Supplemental tables prepared by John Gordon for the Grand Hyatt restricted appraisal, Case Nos. CWF-0436, -0437
75	Table prepared by John Gordon comparing his analysis with the analysis done by ABS Valuation for the Grand Hyatt Hotel, Case Nos. CWF-0436, -0437
76	Restricted Appraisal for the Alexis Hotel, Case No. CWF-0318
77	Appraisal Review for the Alexis Hotel, Case No. CWF-0318
78	Supplemental tables prepared by John Gordon for the Alexis Hotel restricted appraisal, Case No. CWF-0318
79	Table prepared by John Gordon comparing his analysis with the analysis done by ABS Valuation for the Alexis Hotel, Case No. CWF-0318

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80	Oxford Economic Study, Impact on Hotel Room Demand and Total Job Loss: Comparison Between 9/11, Recession and Early Stage of Coronavirus Pandemic
81	John Gordon, The Hotel Market and COVID-19 (March 16, 2020)
82	STR, TOP 25: RevPAR Falls Off a Cliff (Week end March 14)
83	Brian Hatcher and John Gordon, Market Trends, Seattle Hotels (Q1 2020)

DATED: April 13, 2020

Perkins Coie LLP



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Attorneys for Objectors



Restricted Appraisal Report

Renaissance Hotel | Seattle, Washington

as of January 1, 2020



Prepared for

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company

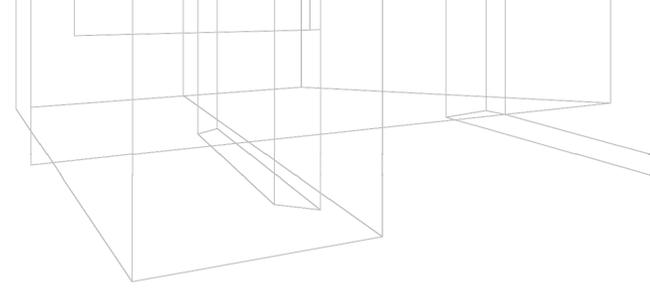
Prepared by

Peter K. Shorett, MAI, CRE, FRICS
John D. Gordon, MAI, AI-GRS
Jesse L. Baker
KM Job A20-0048d

Kidder Mathews

Valuation Advisory Services

500 108th Avenue NE, Suite 2400
Bellevue, WA 98004
425.283.5783 | Fax 425.450.1179
john.gordon@kidder.com



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,

A handwritten signature in blue ink, appearing to read 'PKS'.

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

A handwritten signature in blue ink, appearing to read 'John D. Gordon'.

John D. Gordon, MAI, AI-GRS
Certified General Real Estate Appraiser
WA License 1100661, exp 3/27/2021



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) Jesse L. Baker (Kidder Mathews, Seattle) 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

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.



Summary

Property	The subject of this appraisal is the Renaissance Hotel, a 557-room full service hotel in Seattle, Washington.
ADDRESS	515 Madison Street Seattle, WA 98104
TAX PARCEL	094200-0430
CENSUS TRACT	Tract 82, Block 1033, King County
LEGAL DESCRIPTION	As shown in the assessor's records, an abbreviated legal description of the property is BORENS C D ADD, Plat Block 23, Plat Lots 2 & 3 & 6
OWNERSHIP & DEVELOPMENT	The hotel opened in 1983. It was developed by R. C. Hedreen Company. Since 2013, title has been held by a related entity and the current owner, Madison Hotel LLC. No subsequent transactions have been recorded.
AFFILIATION & MANAGEMENT	The hotel is operated as a Renaissance Hotel under a franchise agreement with the brand parent, Marriott International. It is managed by an affiliate of the owner.



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.



We also were provided with a three-year history of operating performance. The position of the hotel within the competitive set formed the basis for our forecast of room occupancy and room revenue. Revenue from the restaurant and other sources was projected near recent levels, taking into account any projected fluctuation in occupancy. Estimates of operating expenses were based on the historical results, the results reported by similar hotels, and published industry averages.

To ensure confidentiality, the historical results of the hotel are not disclosed in this appraisal.

Under the income capitalization approach, we choose appropriate rates of return based on recent sales and published surveys. Indications of value were developed using direct capitalization and yield capitalization. The results were reconciled to our opinion of current market value.

For our sales analysis, we identified and considered recent sales of upscale and luxury hotels in Downtown Seattle. Due to the very significant differences in facilities and performance, we did not use this approach to develop a specific indication of value.

A third valuation approach, analysis of replacement cost, was not applied, due to the minimal reliance accorded to this approach by typical investors.

Our opinion of value for the total asset was allocated among real estate, tangible personal property, and intangible business value (if any). Our conclusions are presented subject to our certification and to general assumptions and limiting conditions. This appraisal is not subject to any extraordinary assumptions or hypothetical conditions.

APPRAISAL DATES	Effective Date of Value	January 1, 2020
	Report Issued	February 3, 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 quite 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 a wide array of retail stores, apartments, office buildings, theaters, and hotels. Amazon headquarters, the state convention center, and two sports stadiums are significant sources of lodging demand.
SITE	The site is a rectangular corner parcel with a land area of 21,600 sq ft (0.496 acres). The site has a significant downward slope to the west. The land is zoned DOC1 U/450/U (Downtown Office Core 1), a classification intended to promote high-density commercial and residential development. The site is immediately west of the interstate highway, five blocks south of the convention center, and seven blocks east of the waterfront.
IMPROVEMENTS	The site is improved with a 28-story full service hotel. The hotel has 557 guestrooms. Amenities include a restaurant and lounge, a fitness center, and 26,781 sq ft of dedicated meeting space. The hotel opened in 1983, has undergone some renovation, and is in good condition.
MARKET SUPPLY	The management of the hotel identified six upscale and convention hotels as primary competitors. The current market supply is 3,412 guestrooms. During the next four years, we are projecting the opening of two new hotels with 429 guestrooms. The projected increase is 13%.
MARKET DEMAND	According to the STAR reports, the annual market occupancy rate was 84.5% in 2017, 84.2% in 2018, and 84.2% in 2019. The mix of demand is 69% transient (business and leisure), 24% group, and 7% contract. We are projecting that occupancy will increase slightly in the coming year, decline temporarily with the opening of the new hotels, and recover to 84.0% by 2024. The market average daily room rate was \$222 in 2017, \$229 in 2018, and \$215 in 2019. The recent dip in room prices was a response to the opening of several new secondary competitors. We are projecting that the market ADR will increase by 2.5% annually through the forecast period.



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.

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

Stafford Frey Cooper



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peter.shorett@kidder.com

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 Seattle, WA 98101



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	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
Clise Properties	KCTS Channel 9	Northwestern Trust
Consolidated Restaurants, Inc.	Kilroy Industries	Olympic Resource Management
Delta Airlines	KMPG	PACCAR
Fred Hutchinson	Lindal Cedar Homes	Pine Street Associates
Gai's Bakery	Lone Star Northwest	Portac, Inc.
Goodale & Barbieri	McDonalds Corporation	Rayonier

Attorney/Law Firms Continued

Stokes Lawrence

Stoel Rives

Tousley Brain Stephens

Williams Kastner

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 Seattle, WA 98101


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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Governmental Agencies/Port Authorities/Nonprofits

City of Bainbridge Island	King County Dept. of Transportation	Port of Seattle
City of Half Moon Bay	King County Property Services	Port of Tacoma
City of Kirkland	King County Prosecutor's Office	Sound Transit
City of Santa Cruz	Port of Anacortes	The Nature Conservancy
City of Seattle	Port of Chelan	Trust for Public Land
Dept. of Natural Resources (WA State)	Port of Friday Harbor	United States Postal Service
General Services Administration	Port of Port Townsend	Washington State Attorney General's Office
Internal Revenue Service	Port of Renton	

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601 Union St
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 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 License Number	01/06/1992 Issued Date	04/10/2021 Expiration Date
----------------------------------	----------------------------------	--------------------------------------

Teresa Berntsen
Teresa Berntsen, Director





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 Kidd 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.

PROFESSIONAL LICENSES

STATE OF WASHINGTON, Certified General Real Estate Appraiser
(No. 1100661)

STATE OF OREGON, State Certified General Appraiser
(No. C000237)

STATE OF IDAHO, Certified General Appraiser
(No. CGA-2519)

STATE OF CALIFORNIA, Certified General Real Estate Appraiser
(No. AG 004565)

SELECT CLIENT LIST

Bank of America

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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Bellevue, WA 98004



HOTEL MARKETS

WASHINGTON

Aberdeen	Edmonds	Mukilteo	Seki
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	Medford	Sisters	
Grants Pass		Springfield	

IDAHO

Boise	Idaho Falls	Nampa	Sandpoint
Bonnets 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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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 License Number	07/25/1991 Issued Date	03/27/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 pursuing 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
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SEATTLE WA 98108

1001777 License Number	08/28/2014 Issued Date	03/05/2020 Expiration Date
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Pat Kohler, Director





Renaissance Hotel

Restricted Appraisal – Supplemental Tables

LID Hearing Case CWF-0418

Tax Parcel 0942000430

ABS Valuation Property D-245

Kidder Mathews Job A20-0048d



**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
<hr/>			
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
<hr/>			
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 Asset	Personal Property			Real Estate
	Per Room	Total	Deprec Net	
\$206,300,000	\$20,000	\$11,140,000	50%	\$5,600,000
				\$200,700,000

Renaissance Hotel	Actual 2018		ABS Prelim		ABS Final		KM Stabilized	
	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio
Guestrooms	557		557		557		557	
Available Room Nights	203,305		203,305		203,305		203,305	
Occupancy Rate	81.7%		80.0%		80.0%		84.0%	
Occupied Room Nights	166,018		162,644		162,644		170,776	
Average Room Rate	\$211		\$435		\$300		\$209	
Room Revenue	\$35,105,683	77.5%	\$70,750,140	96.6%	\$48,793,200	85.0%	\$35,771,167	75.9%
Other Revenue	\$10,172,901	22.5%	\$2,481,000	3.4%	\$8,605,240	15.0%	\$11,331,960	24.1%
Total Revenue	\$45,278,584	100.0%	\$73,231,140	100.0%	\$57,398,440	100.0%	\$47,103,127	100.0%
Operating Expenses	\$30,876,978	68.2%	\$58,968,507	80.5%	\$40,356,669	70.3%	\$32,390,548	68.8%
Net Operating Income	\$14,401,606	31.8%	\$14,262,633	19.5%	\$17,041,771	29.7%	\$14,712,579	31.2%
Capitalization Rate			8.00%		7.50%		7.33%	
Current Value			\$178,283,000		\$227,224,000		\$200,700,000	
Lift Ratio			1.01%		0.50%		0.50%	
Special Benefit			\$1,796,000		\$1,136,000		\$1,003,394	
LID Levy			\$704,032		\$445,110		\$393,330	



Restricted Appraisal Report

Hyatt Regency Hotel | Seattle, Washington

as of January 1, 2020



Prepared for

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company

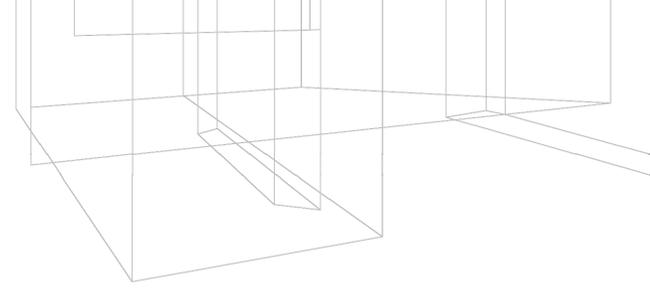
Prepared by

Peter K. Shorett, MAI, CRE, FRICS
John D. Gordon, MAI, AI-GRS
Jesse L. Baker
KM Job A20-0048c

Kidder Mathews

Valuation Advisory Services

500 108th Avenue NE, Suite 2400
Bellevue, WA 98004
425.283.5783 | Fax 425.450.1179
john.gordon@kidder.com



February 3, 2020

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company
217 Pine Street, Suite 200
Seattle, Washington 98101

Re: Hyatt Regency Hotel, Seattle / KM Job A20-0048c

Dear Mr. Ahmed:

At your request, we have prepared this restricted appraisal of the Hyatt Regency Hotel, a 1,260-room convention hotel located at 808 Howell 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 Hyatt Regency Hotel, as of January 1, 2020, is \$507,400,000, with \$494,800,000 for the real estate and \$12,600,000 for personal property.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'PKS'.

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

A handwritten signature in blue ink, appearing to read 'John D. Gordon'.

John D. Gordon, MAI, AI-GRS
Certified General Real Estate Appraiser
WA License 1100661, exp 3/27/2021



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) Jesse L. Baker (Kidder Mathews, Seattle) 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

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.



Summary

Property	The subject of this appraisal is the Hyatt Regency Hotel, a 1,260-room convention hotel in Seattle, Washington.
ADDRESS	808 Howell Street Seattle, WA 98101
TAX PARCEL	066000-0708
CENSUS TRACT	Tract 73, Block 3030, King County
LEGAL DESCRIPTION	As shown in the assessor's records, an abbreviated legal description of the property is BELL HEIRS OF S A 2ND ADD LOTS 1 THRU 8 & NWLY 14 FT OF LOT 9 TGV VAC ALLEY ADJ TO LOTS 5 THRU 8 PER SEA ORDINANCE # 52344 & EXCEPT POR LOTS 6 & 7 FOR RD PER KC COURT CASE #58229, Plat Block 27, Plat Lots 1 THRU 9
OWNERSHIP & DEVELOPMENT	The subject site was assembled in several transactions between 1995 and 2012. By 2016, the ownership had been consolidated under the current owner, HT-Seattle Owner LLC. No subsequent transactions have been recorded. The hotel was completed and began operation in December 2018.
AFFILIATION & MANAGEMENT	The hotel is operated as a franchise affiliate of Hyatt Hotels Corporation. It is managed by an affiliate of the owner.



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.



We also were provided with a history of the operating performance from the opening date to the present. The position of the hotel within the competitive set formed the basis for our forecast of room occupancy and room revenue. Revenue from the restaurant and other sources was projected near recent levels, taking into account any projected fluctuation in occupancy. Estimates of operating expenses were based on the historical results, the results reported by similar hotels, and published industry averages.

To ensure confidentiality, the historical results of the hotel are not disclosed in this appraisal.

Under the income capitalization approach, we choose appropriate rates of return based on recent sales and published surveys. Indications of value were developed using direct capitalization and yield capitalization. The results were reconciled to our opinion of current market value.

For our sales analysis, we identified and considered recent sales of upscale and luxury hotels in Downtown Seattle. Due to the very significant differences in facilities and performance, we did not use this approach to develop a specific indication of value.

A third valuation approach, analysis of replacement cost, was not applied, due to the minimal reliance accorded to this approach by typical investors.

Our opinion of value for the total asset was allocated among real estate, tangible personal property, and intangible business value (if any). Our conclusions are presented subject to our certification and to general assumptions and limiting conditions. This appraisal is not subject to any extraordinary assumptions or hypothetical conditions.

APPRAISAL DATES	Effective Date of Value	January 1, 2020
	Report Issued	February 3, 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 quite 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 a wide array of retail stores, apartments, office buildings, theaters, and hotels. Amazon headquarters, the state convention center, and two sports stadiums are significant sources of lodging demand.
SITE	The site is an “L” shaped parcel that encompasses three-quarters of a city block. The land area is 63,883 sq ft (1.467 acres). The site is level and at grade with adjoining roadways. The land is zoned DOC2 500/300-550 (Downtown Office Core 2), a classification intended to promote high-density commercial and residential development. The site is within two blocks of the interstate highway and the convention center, and nine blocks east of the waterfront.
IMPROVEMENTS	The site is improved with a 45-story convention hotel. The hotel has 1,260 guestrooms. Amenities include restaurants and lounges, a fitness center, and over 100,000 sq ft of dedicated meeting space. The hotel opened in December 2018 and is in excellent condition.
MARKET SUPPLY	The management of the hotel identified eight upscale and convention hotels as primary competitors. The current market supply is 5,851 guestrooms. During the next four years, we are projecting the opening of two new hotels with 429 guestrooms. The projected increase is 7%.
MARKET DEMAND	According to the STAR reports, the annual market occupancy rate was 80.9% in 2017, 79.1% in 2018, and 77.8% in 2019. The mix of demand is 63% transient (business and leisure), 31% group, and 6% contract. We are projecting that occupancy will increase slightly in the coming year, decline temporarily with the opening of the new hotels, and recover to 80.0% by 2024. The market average daily room rate was \$226 in 2017, \$233 in 2018, and \$217 in 2019. The recent dip in room prices was a response to the opening of the subject hotel and several new secondary competitors. We are projecting that the market ADR will increase by 2.5% annually through the forecast period.



Valuation

HIGHEST & BEST USE

Given the proximity of the site to 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 Hyatt Regency 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 71.4% to 76.6%, with a long-term average of 76.0%. For a future stabilized year, stated in current dollars, we are projecting an average room rate of \$222, total revenue of \$119.7MM, operating expenses of \$83.5MM, and net operating income of \$36.2MM.

RISK & RETURN

Positive risk factors include the central location of the site within the Seattle CBD, the excellent 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 7.0% and a yield rate of 8.75%.

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 \$509,200,000. In our yield analysis, we discounted the projected income and net reversion, for an indicated value of \$505,500,000.

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 Hyatt Regency Hotel, as of January 1, 2020, is \$507,400,000. The contributory value of tangible personal property is estimated at \$20,000/room less 50% depreciation, or \$12,600,000. The remaining value, \$494,800,000, is allocated to real estate.

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

Stafford Frey Cooper



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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	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
Clise Properties	KCTS Channel 9	Northwestern Trust
Consolidated Restaurants, Inc.	Kilroy Industries	Olympic Resource Management
Delta Airlines	KMPG	PACCAR
Fred Hutchinson	Lindal Cedar Homes	Pine Street Associates
Gai's Bakery	Lone Star Northwest	Portac, Inc.
Goodale & Barbieri	McDonalds Corporation	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	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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Governmental Agencies/Port Authorities/Nonprofits

City of Bainbridge Island	King County Dept. of Transportation	Port of Seattle
City of Half Moon Bay	King County Property Services	Port of Tacoma
City of Kirkland	King County Prosecutor's Office	Sound Transit
City of Santa Cruz	Port of Anacortes	The Nature Conservancy
City of Seattle	Port of Chelan	Trust for Public Land
Dept. of Natural Resources (WA State)	Port of Friday Harbor	United States Postal Service
General Services Administration	Port of Port Townsend	Washington State Attorney General's Office
Internal Revenue Service	Port of Renton	

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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 License Number	01/06/1992 Issued Date	04/10/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 Kidd 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.

PROFESSIONAL LICENSES

STATE OF WASHINGTON, Certified General Real Estate Appraiser
(No. 1100661)

STATE OF OREGON, State Certified General Appraiser
(No. C000237)

STATE OF IDAHO, Certified General Appraiser
(No. CGA-2519)

STATE OF CALIFORNIA, Certified General Real Estate Appraiser
(No. AG 004565)

SELECT CLIENT LIST

Bank of America

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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Bellevue, WA 98004



HOTEL MARKETS

WASHINGTON

Aberdeen	Edmonds	Mukilteo	Seki
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
Bonniers 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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Bellevue, WA 98004

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 License Number	07/25/1991 Issued Date	03/27/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 pursuing 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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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

STATE REGISTERED REAL ESTATE APPRAISER TRAINEE

JESSE LEE BAKER
1346 S PEARL STREET
SEATTLE WA 98108

1001777 License Number	08/28/2014 Issued Date	03/05/2020 Expiration Date
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Pat Kohler, Director





Hyatt Regency Hotel

Restricted Appraisal – Supplemental Tables

LID Hearing Case CWF-0413

Tax Parcel 0660000708

ABS Valuation Property D-146

Kidder Mathews Job A20-0048c



**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
Hyatt Regency 808 Howell Street Seattle, WA 98101	2018 2018 1	1,231 29 1,260	63,192 1,229,696 100,242	50 976 80	Full Interior 45 Stories	\$180-\$305 A B C E Not Yet Rated
Sheraton Seattle Hotel 1400 6th Avenue Seattle, WA 98101	1982 1982 15	1,218 18 1,236	88,425 926,614 75,000	72 750 61	Full Interior 35 Stories	\$149-\$299 A B E F ◆◆◆◆
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 ◆◆◆◆
Fairmont Olympic Hotel 411 University Street Seattle, WA 98101	1924 2003 20	251 199 450	55,000 544,174 25,010	122 1,209 56	Full Interior 12 Stories	\$199-\$449 A B E F ◆◆◆◆
Motif Seattle 1415 5th Avenue Seattle, WA 98101	1996 2014 10	313 6 319	29,640 272,787 18,333	93 855 57	Full Interior 20 Stories	\$197-\$635 A B C E ◆◆◆◆
Hilton Hotel 1301 6th Avenue Seattle, WA 98101	1970 1970 30	256 0 256	21,600 126,240 4,307	84 493 17	Full Interior 29 Stories	\$129-\$499 B C E ◆◆◆
Thompson Hotel 110 Stewart Street Seattle, WA 98101	2016 2016 2	145 5 150	13,080 101,165 2,895	84 653 19	Select Interior 12 Stories	\$279-\$569 A B E ◆◆◆
Hyatt Regency 900 Bellevue Way NE Bellevue, WA 98004	1989 1989 10	683 49 732	99,943 670,650 53,321	137 916 73	Full Interior 24 Stories	\$159-\$429 A B C E F ◆◆◆◆
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	4,591	4,667	5,851
505 Madison 1520 5th Avenue			
Average Daily Rooms	4,591	4,667	5,851
Available Room Nights	1,675,715	1,703,435	2,135,615
Percentage Change	-	1.7%	25.4%
Market Demand			
Base Demand			
Underlying Growth			
Trended Demand			
Induced Demand			
Occupied Room Nights	1,356,162	1,347,504	1,661,407
Percentage Change	-	-0.6%	23.3%
Market Occupancy	80.9%	79.1%	77.8%
Market Room Rate	\$226.01	\$232.79	\$216.82
Percentage Change	-	3.0%	-6.9%
Market RevPAR	\$182.91	\$184.15	\$168.67
Percentage Change	-	0.7%	-8.4%
Market Revenue (000)	\$306,508	\$313,688	\$360,219
Percentage Change	-	2.3%	14.8%



Table 3
Market Supply & Demand, Projected

	2020	2021	2022	2023	2024
Market Supply					
Existing Hotels	5,851	5,851	5,851	5,851	5,851
505 Madison		184	184	184	184
1520 5th Avenue				245	245
Average Daily Rooms	5,851	6,035	6,035	6,280	6,280
Available Room Nights	2,135,615	2,202,775	2,202,775	2,292,200	2,292,200
Percentage Change	0.0%	3.1%	0.0%	4.1%	0.0%
Market Demand					
Base Demand	1,661,407	1,694,635	1,735,228	1,776,633	1,821,065
Underlying Growth	2.0%	2.0%	2.0%	2.0%	0.2%
Trended Demand	1,694,635	1,728,528	1,769,933	1,812,165	1,824,860
Induced Demand	0	6,700	6,700	8,900	8,900
Occupied Room Nights	1,694,635	1,735,228	1,776,633	1,821,065	1,833,760
Percentage Change	2.0%	2.4%	2.4%	2.5%	0.7%
Market Occupancy	79.4%	78.8%	80.7%	79.4%	80.0%
Market Room Rate	\$222.24	\$227.79	\$233.49	\$239.32	\$245.31
Percentage Change	2.5%	2.5%	2.5%	2.5%	2.5%
Market RevPAR	\$176.35	\$179.44	\$188.32	\$190.13	\$196.25
Percentage Change	4.6%	1.8%	4.9%	1.0%	3.2%
Market Revenue (000)	\$376,609	\$395,271	\$414,820	\$435,824	\$449,834
Percentage Change	4.6%	5.0%	4.9%	5.1%	3.2%



Table 4
Market Position, Historical

	2018	2019
Supply Ratio		
Subject Room Supply	76	1,260
Market Room Supply	4,667	5,851
Subject Supply Ratio	1.6%	21.5%
Room Occupancy		
Market Supply	1,703,435	2,135,615
Market Occupancy	79.1%	77.8%
Market Demand	1,347,504	1,661,407
Subject Supply Ratio	1.6%	21.5%
Proportionate Demand	21,928	357,780
Occupancy Index	14.2%	87.1%
Subject Demand	3,112	311,804
Subject Supply	27,720	459,900
Subject Occupancy	11.2%	67.8%
Room Rate		
Market Room Rate	\$232.79	\$216.82
Room Rate Index	78.3%	94.4%
Subject Room Rate	\$182.36	\$204.78
Room Revenue		
Market RevPAR	\$186.86	\$176.86
RevPAR Index	11.0%	78.5%
Subject RevPAR	\$20.47	\$138.83
Subject Revenue	\$567,511	\$63,849,981



Table 5
Market Position, Projected

	Projected					Stabilized
	2020	2021	2022	2023	2024	2020 \$
Supply Ratio						
Subject Room Supply	1,260	1,260	1,260	1,260	1,260	1,260
Market Room Supply	5,851	6,035	6,035	6,280	6,280	6,280
Subject Supply Ratio	21.5%	20.9%	20.9%	20.1%	20.1%	20.1%
Room Occupancy						
Market Supply	2,135,615	2,202,775	2,202,775	2,292,200	2,292,200	2,292,200
Market Occupancy	79.4%	78.8%	80.7%	79.4%	80.0%	80.0%
Market Demand	1,694,635	1,735,228	1,776,633	1,821,065	1,833,760	1,833,760
Subject Supply Ratio	21.5%	20.9%	20.9%	20.1%	20.1%	20.1%
Proportionate Demand	364,936	362,285	370,929	365,373	367,920	367,920
Occupancy Index	90.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Subject Demand	328,442	344,170	352,383	347,104	349,524	349,524
Subject Supply	459,900	459,900	459,900	459,900	459,900	459,900
Subject Occupancy	71.4%	74.8%	76.6%	75.5%	76.0%	76.0%
Room Rate						
Market Room Rate	\$222.24	\$227.79	\$233.49	\$239.32	\$245.31	\$222.24
Room Rate Index	95.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subject Room Rate	\$211.12	\$227.79	\$233.49	\$239.32	\$245.31	\$222.24
Room Revenue						
Market RevPAR	\$176.35	\$179.44	\$188.32	\$190.13	\$196.25	\$177.79
RevPAR Index	85.5%	95.0%	95.0%	95.0%	95.0%	95.0%
Subject RevPAR	\$150.78	\$170.47	\$178.90	\$180.63	\$186.43	\$168.90
Subject Revenue	\$69,342,112	\$78,399,184	\$82,276,627	\$83,070,314	\$85,740,633	\$77,676,781



Table 6
Historical Operating Performance

	2019			
	Total	Ratio	Per Rm	Per ORN
Available Rooms	1,260			
Occupancy Rate	67.8%			
Average Room Rate	\$204.78			
Daily RevPAR	\$138.83			
Revenue				
Rooms	\$63,849,981	62.8%	\$50,675	\$204.78
Food & Beverage	\$34,446,893	33.9%	\$27,339	\$110.48
Ancillary	\$2,399,605	2.4%	\$1,904	\$7.70
Other Income	\$936,646	0.9%	\$743	\$3.00
Total	<u>\$101,633,125</u>	<u>100.0%</u>	<u>\$80,661</u>	<u>\$325.95</u>
Departmental Expenses				
Rooms	\$19,192,743	30.1%	\$15,232	\$61.55
Food & Beverage	\$21,904,021	63.6%	\$17,384	\$70.25
Ancillary	\$1,027,050	42.8%	\$815	\$3.29
Total	<u>\$42,123,814</u>	<u>41.4%</u>	<u>\$33,432</u>	<u>\$135.10</u>
Undistributed Expenses				
Administration	\$7,026,999	6.9%	\$5,577	\$22.54
Info & Telecomm	\$1,790,458	1.8%	\$1,421	\$5.74
Marketing	\$7,690,332	7.6%	\$6,103	\$24.66
Maintenance	\$3,771,328	3.7%	\$2,993	\$12.10
Utilities	\$2,435,912	2.4%	\$1,933	\$7.81
Total	<u>\$22,715,029</u>	<u>22.4%</u>	<u>\$18,028</u>	<u>\$72.85</u>
Fixed Charges				
Taxes	\$4,463,968	4.4%	\$3,543	\$14.32
Insurance	\$794,503	0.8%	\$631	\$2.55
Total	<u>\$5,258,471</u>	<u>5.2%</u>	<u>\$4,173</u>	<u>\$16.86</u>
Direct Expenses	<u>\$70,097,314</u>	<u>69.0%</u>	<u>\$55,633</u>	<u>\$224.81</u>
Operating Profit	<u>\$31,535,811</u>	<u>31.0%</u>	<u>\$25,028</u>	<u>\$101.14</u>



Table 7
Stabilized Operating Performance

	Total	Ratio	Per Room	Per ORN
Guestrooms	1,260			
Room Occupancy Rate	76.0%			
Average Daily Room Rate	\$222.24			
Daily RevPAR	\$168.90			
Revenue				
Rooms	\$77,676,781	64.9%	\$61,648	\$222.24
Food & Beverage	\$38,214,300	31.9%	\$30,329	\$109.33
Ancillary	\$2,796,192	2.3%	\$2,219	\$8.00
Other Income	\$1,048,572	0.9%	\$832	\$3.00
Total	\$119,735,845	100.0%	\$95,028	\$342.57
Departmental Expenses				
Rooms	\$20,195,963	26.0%	\$16,029	\$57.78
Food & Beverage	\$22,928,580	60.0%	\$18,197	\$65.60
Ancillary	\$1,118,477	40.0%	\$888	\$3.20
Total	\$44,243,020	37.0%	\$35,114	\$126.58
Undistributed Expenses				
Administration	\$7,372,075	6.2%	\$5,851	\$21.09
Info & Telecomm	\$1,890,000	1.6%	\$1,500	\$5.41
Marketing	\$8,923,839	7.5%	\$7,082	\$25.53
Maintenance	\$3,780,000	3.2%	\$3,000	\$10.81
Utilities	\$2,520,000	2.1%	\$2,000	\$7.21
Total	\$24,485,914	20.4%	\$19,433	\$70.06
Fixed Charges				
Property Taxes	\$4,354,313	3.6%	\$3,456	\$12.46
Insurance	\$882,000	0.7%	\$700	\$2.52
Total	\$5,236,313	4.4%	\$4,156	\$14.98
Direct Expenses	\$73,965,247	61.8%	\$58,703	\$211.62
Operating Profit	\$45,770,598	38.2%	\$36,326	\$130.95
Other Charges				
Management Fees	\$3,592,075	3.0%	\$2,851	\$10.28
Capital Replacement	\$5,986,792	5.0%	\$4,751	\$17.13
Total	\$9,578,868	8.0%	\$7,602	\$27.41
Total Expenses	\$83,544,115	69.8%	\$66,305	\$239.02
Net Operating Income	\$36,191,730	30.2%	\$28,724	\$103.55



Table 8
Projected Operating Performance

	2020	2021	2022	2023	2024
Room Occupancy Rate	71.4%	74.8%	76.6%	75.5%	76.0%
Average Daily Room Rate	\$211.12	\$227.79	\$233.49	\$239.32	\$245.31
Daily RevPAR	\$150.78	\$170.47	\$178.90	\$180.63	\$186.43
Revenue					
Rooms	\$69,342,112	\$78,399,184	\$82,276,627	\$83,070,314	\$85,740,633
Food & Beverage	\$36,633,181	\$38,758,096	\$40,374,152	\$40,957,193	\$42,181,437
Ancillary	\$2,627,539	\$2,822,197	\$2,961,776	\$2,990,347	\$3,086,473
Other Income	\$985,327	\$1,058,324	\$1,110,666	\$1,121,380	\$1,157,427
Total	<u>\$109,588,159</u>	<u>\$121,037,800</u>	<u>\$126,723,221</u>	<u>\$128,139,235</u>	<u>\$132,165,970</u>
Departmental Expenses					
Rooms	\$19,221,465	\$20,447,203	\$21,357,215	\$21,628,394	\$22,292,564
Food & Beverage	\$22,098,816	\$23,285,809	\$24,207,551	\$24,589,013	\$25,308,862
Ancillary	\$1,057,762	\$1,130,635	\$1,183,749	\$1,196,973	\$1,234,589
Total	<u>\$42,378,043</u>	<u>\$44,863,646</u>	<u>\$46,748,516</u>	<u>\$47,414,380</u>	<u>\$48,836,016</u>
Undistributed Expenses					
Administration	\$7,067,645	\$7,505,634	\$7,773,059	\$7,914,824	\$8,137,392
Info & Telecomm	\$1,890,000	\$1,937,250	\$1,985,681	\$2,035,323	\$2,086,206
Marketing	\$8,507,106	\$9,085,959	\$9,408,981	\$9,581,044	\$9,850,249
Maintenance	\$3,711,603	\$3,856,696	\$3,981,107	\$4,062,193	\$4,172,413
Utilities	\$2,504,801	\$2,579,044	\$2,649,740	\$2,711,886	\$2,781,608
Total	<u>\$23,681,154</u>	<u>\$24,964,583</u>	<u>\$25,798,569</u>	<u>\$26,305,270</u>	<u>\$27,027,868</u>
Fixed Charges					
Property Taxes	\$4,306,517	\$4,455,204	\$4,579,110	\$4,685,336	\$4,806,347
Insurance	\$882,000	\$904,050	\$926,651	\$949,818	\$973,563
Total	<u>\$5,188,517</u>	<u>\$5,359,254</u>	<u>\$5,505,762</u>	<u>\$5,635,153</u>	<u>\$5,779,910</u>
Other Charges					
Management Fees	\$3,287,645	\$3,631,134	\$3,801,697	\$3,844,177	\$3,964,979
Capital Replacement	\$5,479,408	\$6,051,890	\$6,336,161	\$6,406,962	\$6,608,298
Total	<u>\$8,767,053</u>	<u>\$9,683,024</u>	<u>\$10,137,858</u>	<u>\$10,251,139</u>	<u>\$10,573,278</u>
Total Expenses	<u>\$80,014,767</u>	<u>\$84,870,508</u>	<u>\$88,190,704</u>	<u>\$89,605,941</u>	<u>\$92,217,071</u>
Net Operating Income	<u>\$29,573,392</u>	<u>\$36,167,293</u>	<u>\$38,532,517</u>	<u>\$38,533,293</u>	<u>\$39,948,898</u>



Table 9
Income Capitalization

Direct Capitalization	Projected NOI	Overall Cap Rate	Present Value
Stabilized NOI (2020 \$)	\$36,191,730	7.00%	\$517,000,000
Near-Term Surplus/Shortfall			<u>-\$7,800,000</u>
Indicated Value			\$509,200,000
<hr/>			
Yield Capitalization	Projected NOI	9.00% PV Factor	Present Value
2020	\$29,573,392	0.917431	\$27,131,553
2021	\$36,167,293	0.841680	\$30,441,287
2022	\$38,532,517	0.772183	\$29,754,173
2023	\$38,533,293	0.708425	\$27,297,956
2024	\$39,948,898	0.649931	\$25,964,043
2025	\$40,947,621	0.596267	\$24,415,728
2026	\$41,971,311	0.547034	\$22,959,745
2027	\$43,020,594	0.501866	\$21,590,586
2028	\$44,096,109	0.460428	\$20,303,074
2029	\$45,198,512	0.422411	\$19,092,340
Reversion			
NOI After Reversion	\$46,328,475		
Reversion Capitalization Rate	<u>7.40%</u>		
Fee Simple Value At Reversion	\$626,060,000		
Less Selling Costs @ 3.0%	<u>\$18,780,000</u>		
Net Cash At Reversion	\$607,280,000	0.422411	<u>\$256,521,635</u>
Indicated Value			\$505,500,000
<hr/>			
Current Market Value As Is			\$507,400,000



Table 10
Near-Term Income Variance

	2020	2021	2022	2023	2024
Stabilized NOI	\$36,191,730	\$36,191,730	\$36,191,730	\$36,191,730	\$36,191,730
Trending Factor	1.000000	1.025000	1.050625	1.076891	1.103813
Trended NOI	\$36,191,730	\$37,096,524	\$38,023,937	\$38,974,535	\$39,948,898
Projected NOI	\$29,573,392	\$36,167,293	\$38,532,517	\$38,533,293	\$39,948,898
Annual Variance	-\$6,618,338	-\$929,231	\$508,581	-\$441,242	\$0
Discount Factor	0.917431	0.841680	0.772183	0.708425	
Discounted Variance	-\$6,071,870	-\$782,115	\$392,717	-\$312,587	
Cumulative Variance	-\$6,773,854				
Profit Incentive	-\$1,016,078				
Variance & Incentive (rd)	-\$7,800,000				

Table 11
Allocation of Value

Total Asset	Personal Property			Real Estate
	Per Room	Total	Deprec Net	
\$507,400,000	\$20,000	\$25,200,000	50%	\$12,600,000 \$494,800,000

Hyatt Regency	Actual 2019 (1st year)		ABS Prelim		ABS Final		KM Stabilized	
	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio
Guestrooms	1,260		1,264		1,260		1,260	
Available Room Nights	459,900		461,360		459,900		459,900	
Occupancy Rate	67.8%		80.0%		80.0%		76.0%	
Occupied Room Nights	311,804		369,088		367,920		349,524	
Average Room Rate	\$205		\$375		\$365		\$222	
Room Revenue	\$63,849,981	62.8%	\$138,408,000	95.7%	\$134,290,800	85.5%	\$77,676,781	64.9%
Other Revenue	\$37,783,144	37.2%	\$6,287,760	4.3%	\$22,838,050	14.5%	\$42,059,064	35.1%
Total Revenue	\$101,633,125	100.0%	\$144,695,760	100.0%	\$157,128,850	100.0%	\$119,735,845	100.0%
Operating Expenses	\$78,227,964	77.0%	\$114,723,601	79.3%	\$103,989,799	66.2%	\$83,544,115	69.8%
Net Operating Income	\$23,405,161	23.0%	\$29,972,159	20.7%	\$53,139,051	33.8%	\$36,191,730	30.2%
Capitalization Rate			7.00%		7.25%		7.31%	
Current Value			\$428,174,000		\$732,952,000		\$494,800,000	
Lift Ratio					0.49%		0.49%	
Special Benefit					\$3,570,000		\$2,410,030	
LID Levy					\$1,398,805		\$944,303	



Restricted Appraisal Report

Hyatt at Olive 8 | Seattle, Washington

as of January 1, 2020



Prepared for

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company

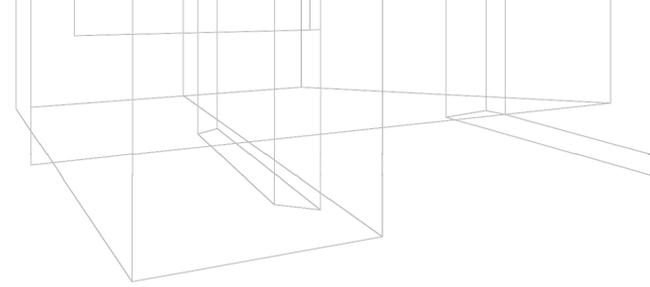
Prepared by

Peter K. Shorett, MAI, CRE, FRICS
John D. Gordon, MAI, AI-GRS
Jesse L. Baker
KM Job A20-0048b

Kidder Mathews

Valuation Advisory Services

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Bellevue, WA 98004
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john.gordon@kidder.com



February 3, 2020

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company
217 Pine Street, Suite 200
Seattle, Washington 98101

Re: Hyatt at Olive 8, Seattle / KM Job A20-0048b

Dear Mr. Ahmed:

At your request, we have prepared this restricted appraisal of the Hyatt at Olive 8, a 346-room full service hotel located at 1635 8th Avenue in Seattle, King County, Washington. The hotel occupies a portion of a mixed-use structure that also includes residential condominiums. The purpose of the appraisal is to estimate the current market value of the hotel. We have not completed appraisals of the residences.

The interest appraised is the fee simple interest in the hotel as encumbered by a condominium agreement. 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 Hyatt at Olive 8, as of January 1, 2020, is \$123,400,000, with \$118,200,000 for the real estate and \$5,200,000 for personal property.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'PKS', written over a light blue horizontal line.

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

A handwritten signature in blue ink, appearing to read 'John D. Gordon', written over a light blue horizontal line.

John D. Gordon, MAI, AI-GRS
Certified General Real Estate Appraiser
WA License 1100661, exp 3/27/2021



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) Jesse L. Baker (Kidder Mathews, Seattle) 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

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.



Summary

Property	The subject of this appraisal is the Hyatt at Olive 8, a 346-room full service hotel in Seattle, Washington. The hotel occupies a portion of a mixed-use structure that also includes residential condominiums. We have not completed appraisals of the residences.
ADDRESS	1635 8 th Avenue Seattle, WA 98101
TAX PARCEL	228513-0010
CENSUS TRACT	Tract 82, Block 1006, King County
LEGAL DESCRIPTION	As shown in the assessor's records, an abbreviated legal description of the property is EIGHTH & OLIVE CONDOMINIUM PCT UND INT 50.00 UNIT A
OWNERSHIP & DEVELOPMENT	Prior to 2005, the site was owned by Eighth & Olive LLC. In October of that year, title was transferred to a related entity and the current owner, Hedreen Hotel Two LLC. No subsequent transactions have been recorded. The hotel was completed and began operation in 2009.
AFFILIATION & MANAGEMENT	The hotel is operated as a franchise affiliate of Hyatt Hotels Corporation. It is managed by an affiliate of the owner.



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 interest in the hotel as encumbered by a condominium agreement.
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.



We also were provided with a three-year history of the operating performance. The recent position of the hotel within the competitive set formed the basis for our forecast of room occupancy and room revenue. Revenue from the restaurant and other sources was projected near recent levels, taking into account any projected fluctuation in occupancy. Estimates of operating expenses were based on the historical results, the results reported by similar hotels, and published industry averages.

To ensure confidentiality, the historical results of the hotel are not disclosed in this appraisal.

Under the income capitalization approach, we choose appropriate rates of return based on recent sales and published surveys. Indications of value were developed using direct capitalization and yield capitalization. The results were reconciled to our opinion of current market value.

For our sales analysis, we identified and considered recent sales of upscale and luxury hotels in Downtown Seattle. Due to the very significant differences in facilities and performance, we did not use this approach to develop a specific indication of value.

A third valuation approach, analysis of replacement cost, was not applied, due to the minimal reliance accorded to this approach by typical investors.

Our opinion of value for the total asset was allocated among real estate, tangible personal property, and intangible business value (if any). Our conclusions are presented subject to our certification and to general assumptions and limiting conditions. This appraisal is not subject to any extraordinary assumptions or hypothetical conditions.

APPRAISAL DATES	Effective Date of Value	January 1, 2020
	Report Issued	February 3, 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 quite 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 a wide array of retail stores, apartments, office buildings, theaters, and hotels. Amazon headquarters, the state convention center, and two sports stadiums are significant sources of lodging demand.
SITE	The site is a rectangular corner parcel with a land area of 29,160 sq ft (0.669 acres). The site is level and at grade with adjoining roadways. The land is zoned DOC2 500/300-550 (Downtown Office Core 2), a classification intended to promote high-density commercial and residential development. The site is within two blocks of the interstate highway and the convention center, and eight blocks east of the waterfront.
IMPROVEMENTS	The site is improved with a mixed-use structure comprised of a full service hotel and residential condominiums. The hotel has 346 guestrooms. Amenities include a restaurant and lounge, an exercise room, an indoor swimming pool, and about 12,000 sq ft of dedicated meeting space. The hotel opened in 2009 and is in very good condition.
MARKET SUPPLY	The management of the hotel identified five upscale and luxury hotels as primary competitors. The current market supply is 1,990 guestrooms. During the next four years, we are projecting the opening of two new hotels with 429 guestrooms. The projected increase in supply is 22%.
MARKET DEMAND	According to the STAR reports, the annual market occupancy rate was 85.9% in 2017, 86.2% in 2018, and 81.8% in 2019. The mix of demand is 83% transient (business and leisure), 16% group, and 1% contract. We are projecting that occupancy will remain flat in the coming year, decline temporarily with the opening of the new hotels, and recover to 80.0% by 2024. The market average daily room rate in the STAR reports was \$254 in 2017, \$265 in 2018, and \$247 in 2019. The recent dip in room prices was a response to the opening of several new secondary competitors. We are projecting that the market ADR will increase by 2.5% annually through the forecast period.



Valuation

HIGHEST & BEST USE

Given the proximity of the site to 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 Hyatt at Olive 8.

PROJECTED PERFORMANCE

For purposes of confidentiality, we are not disclosing the historical operating results of the hotel. We are projecting annual occupancy rates of 81.6% to 85.9%, 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 \$235, total revenue of \$34.8MM, operating expenses of \$26.1MM, and net operating income of \$8.7MM.

RISK & RETURN

Positive risk factors include the central location of the site within the Seattle CBD, the very 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 7.0% and a yield rate of 8.75%.

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 \$124,000,000. In our yield analysis, we discounted the projected income and net reversion, for an indicated value of \$122,800,000.

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 Hyatt at Olive 8, as of January 1, 2020, is \$123,400,000. The contributory value of tangible personal property is estimated at \$30,000/room less 50% depreciation, or \$5,200,000. The remaining value, \$118,200,000, is allocated to real estate.

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

Stafford Frey Cooper



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peter.shorett@kidder.com

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Seattle, WA 98101



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	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
Clise Properties	KCTS Channel 9	Northwestern Trust
Consolidated Restaurants, Inc.	Kilroy Industries	Olympic Resource Management
Delta Airlines	KMPG	PACCAR
Fred Hutchinson	Lindal Cedar Homes	Pine Street Associates
Gai's Bakery	Lone Star Northwest	Portac, Inc.
Goodale & Barbieri	McDonalds Corporation	Rayonier

Attorney/Law Firms Continued

Stokes Lawrence

Stoel Rives

Tousley Brain Stephens

Williams Kastner

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peter.shorett@kidder.com

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 Seattle, WA 98101


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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Governmental Agencies/Port Authorities/Nonprofits

City of Bainbridge Island	King County Dept. of Transportation	Port of Seattle
City of Half Moon Bay	King County Property Services	Port of Tacoma
City of Kirkland	King County Prosecutor's Office	Sound Transit
City of Santa Cruz	Port of Anacortes	The Nature Conservancy
City of Seattle	Port of Chelan	Trust for Public Land
Dept. of Natural Resources (WA State)	Port of Friday Harbor	United States Postal Service
General Services Administration	Port of Port Townsend	Washington State Attorney General's Office
Internal Revenue Service	Port of Renton	

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peter.shorett@kidd.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 License Number	01/06/1992 Issued Date	04/10/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 Kidd 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.

PROFESSIONAL LICENSES

STATE OF WASHINGTON, Certified General Real Estate Appraiser
(No. 1100661)

STATE OF OREGON, State Certified General Appraiser
(No. C000237)

STATE OF IDAHO, Certified General Appraiser
(No. CGA-2519)

STATE OF CALIFORNIA, Certified General Real Estate Appraiser
(No. AG 004565)

SELECT CLIENT LIST

Bank of America

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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C 206.913.3374

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500 108th Ave NE

Suite 2400

Bellevue, WA 98004



HOTEL MARKETS

WASHINGTON

Aberdeen	Edmonds	Mukilteo	Seki
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	Langlely	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
Bonnets 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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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 License Number	07/25/1991 Issued Date	03/27/2021 Expiration Date
----------------------------------	----------------------------------	--------------------------------------

Teresa Berntsen
Teresa Berntsen, Director





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 pursuing 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 License Number	08/28/2014 Issued Date	03/05/2020 Expiration Date
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Pat Kohler, Director





Hyatt at Olive 8

Restricted Appraisal – Supplemental Tables

LID Hearing Case CWF-0429

Tax Parcel 2285130010

ABS Valuation Property E-106

Kidder Mathews Job A20-0048b



**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
Fairmont Olympic Hotel 411 University Street Seattle, WA 98101	1924 2003 20	251 199 450	55,000 544,174 25,010	122 1,209 56	Full Interior 12 Stories	\$199-\$449 A B E F ◆◆◆◆
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 ◆◆◆◆
Marriott Seattle Waterfront 2100 Alaskan Way Seattle, WA 98121	2003 2003 15	348 13 361	64,016 215,473 11,354	177 597 31	Full Interior 8 Stories	\$233-\$419 A B C E F ◆◆◆◆
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 ◆◆◆◆
Hilton Hotel 1301 6th Avenue Seattle, WA 98101	1970 1970 30	256 0 256	21,600 126,240 4,307	84 493 17	Full Interior 29 Stories	\$129-\$499 B C E ◆◆◆◆
Pan Pacific Hotel 2125 Terry Avenue Seattle, WA 98121	2006 2006 10	149 4 153	25,439 107,237 4,170	166 701 27	Select Interior 5 Stories	\$295-\$2,000 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

	2015	2016	2017	2018	2019
Market Supply					
Existing Hotels	1,970	1,970	1,973	1,973	1,990
505 Madison					
1520 5th Avenue					
Average Daily Rooms	1,970	1,970	1,973	1,973	1,990
Available Room Nights	719,050	719,050	720,145	720,145	726,350
Percentage Change	0.0%	0.0%	0.2%	0.0%	0.9%
Market Demand					
Base Demand					
Underlying Growth					
Trended Demand					
Induced Demand					
Occupied Room Nights	588,951	565,885	618,504	620,589	594,296
Percentage Change	-1.8%	-3.9%	9.3%	0.3%	-4.2%
Market Occupancy	81.9%	78.7%	85.9%	86.2%	81.8%
Market Room Rate	\$231.65	\$241.93	\$254.22	\$265.09	\$246.80
Percentage Change	7.0%	4.4%	5.1%	4.3%	-6.9%
Market RevPAR	\$189.74	\$190.40	\$218.34	\$228.44	\$201.93
Percentage Change	5.1%	0.3%	14.7%	4.6%	-11.6%
Market Revenue (000)	\$136,432	\$136,907	\$157,238	\$164,511	\$146,670
Percentage Change	5.1%	0.3%	14.9%	4.6%	-10.8%



Table 3
Market Supply & Demand, Projected

	2020	2021	2022	2023	2024
Market Supply					
Existing Hotels	1,990	1,990	1,990	1,990	1,990
505 Madison		184	184	184	184
1520 5th Avenue				245	245
Average Daily Rooms	1,990	2,174	2,174	2,419	2,419
Available Room Nights	726,350	793,510	793,510	882,935	882,935
Percentage Change	0.0%	9.2%	0.0%	11.3%	0.0%
Market Demand					
Base Demand	594,296	594,296	626,282	646,382	686,110
Underlying Growth	0.0%	2.0%	0.0%	2.0%	-1.0%
Trended Demand	594,296	606,182	626,282	659,310	679,548
Induced Demand	0	20,100	20,100	26,800	26,800
Occupied Room Nights	594,296	626,282	646,382	686,110	706,348
Percentage Change	0.0%	5.4%	3.2%	6.1%	2.9%
Market Occupancy	81.8%	78.9%	81.5%	77.7%	80.0%
Market Room Rate	\$252.97	\$259.29	\$265.77	\$272.42	\$279.23
Percentage Change	2.5%	2.5%	2.5%	2.5%	2.5%
Market RevPAR	\$206.98	\$204.65	\$216.49	\$211.69	\$223.38
Percentage Change	2.5%	-1.1%	5.8%	-2.2%	5.5%
Market Revenue (000)	\$150,337	\$162,389	\$171,790	\$186,908	\$197,231
Percentage Change	2.5%	8.0%	5.8%	8.8%	5.5%



Table 4
Market Position, Historical

	2015	2016	2017	2018	2019
Supply Ratio					
Subject Room Supply	346	346	346	346	346
Market Room Supply	1,970	1,970	1,973	1,973	1,990
Subject Supply Ratio	17.6%	17.6%	17.5%	17.5%	17.4%
Room Occupancy					
Market Supply	719,050	719,050	720,145	720,145	726,350
Market Occupancy	81.9%	78.7%	85.9%	86.2%	81.8%
Market Demand	588,951	565,885	618,504	620,589	594,296
Subject Supply Ratio	17.6%	17.6%	17.5%	17.5%	17.4%
Proportionate Demand	103,440	99,389	108,466	108,831	103,330
Occupancy Index	106.8%	107.8%	101.1%	101.1%	103.6%
Subject Demand	110,489	107,173	109,663	110,041	107,028
Subject Supply	126,290	126,290	126,290	126,290	126,290
Subject Occupancy	87.5%	84.9%	86.8%	87.1%	84.7%
Room Rate					
Market Room Rate	\$231.65	\$241.93	\$254.22	\$265.09	\$246.80
Room Rate Index	93.8%	93.8%	93.0%	93.0%	91.0%
Subject Room Rate	\$217.31	\$227.00	\$236.32	\$246.41	\$224.69
Room Revenue					
Market RevPAR	\$189.66	\$189.92	\$221.13	\$231.36	\$204.35
RevPAR Index	100.2%	101.4%	92.8%	92.8%	93.2%
Subject RevPAR	\$190.12	\$192.64	\$205.21	\$214.71	\$190.42
Subject Revenue	\$24,010,126	\$24,328,684	\$25,915,996	\$27,115,130	\$24,048,624



Table 5
Market Position, Projected

	Projected					Stabilized
	2020	2021	2022	2023	2024	2020 \$
Supply Ratio						
Subject Room Supply	346	346	346	346	346	346
Market Room Supply	1,990	2,174	2,174	2,419	2,419	2,419
Subject Supply Ratio	17.4%	15.9%	15.9%	14.3%	14.3%	14.3%
Room Occupancy						
Market Supply	726,350	793,510	793,510	882,935	882,935	882,935
Market Occupancy	81.8%	78.9%	81.5%	77.7%	80.0%	80.0%
Market Demand	594,296	626,282	646,382	686,110	706,348	706,348
Subject Supply Ratio	17.4%	15.9%	15.9%	14.3%	14.3%	14.3%
Proportionate Demand	103,330	99,675	102,874	98,137	101,032	101,032
Occupancy Index	105.0%	105.0%	105.0%	105.0%	105.0%	105.0%
Subject Demand	108,496	104,659	108,018	103,044	106,084	106,084
Subject Supply	126,290	126,290	126,290	126,290	126,290	126,290
Subject Occupancy	85.9%	82.9%	85.5%	81.6%	84.0%	84.0%
Room Rate						
Market Room Rate	\$252.97	\$259.29	\$265.77	\$272.42	\$279.23	\$252.97
Room Rate Index	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%
Subject Room Rate	\$235.26	\$241.14	\$247.17	\$253.35	\$259.68	\$235.26
Room Revenue						
Market RevPAR	\$206.98	\$204.65	\$216.49	\$211.69	\$223.38	\$202.37
RevPAR Index	97.7%	97.7%	97.7%	97.7%	97.7%	97.7%
Subject RevPAR	\$202.11	\$199.84	\$211.41	\$206.71	\$218.13	\$197.62
Subject Revenue	\$25,524,648	\$25,237,378	\$26,698,534	\$26,105,933	\$27,547,880	\$24,957,019



Table 6
Historical Operating Performance

	2017				2018			
	Total	Ratio	Per Rm	Per ORN	Total	Ratio	Per Rm	Per ORN
Available Rooms	346				346			
Occupancy Rate	86.8%				87.1%			
Average Room Rate	\$236.32				\$246.41			
Daily RevPAR	\$205.21				\$214.71			
Revenue								
Rooms	\$25,915,995	72.0%	\$74,902	\$236.32	\$27,115,130	73.7%	\$78,367	\$246.41
Food & Beverage	\$7,581,871	21.1%	\$21,913	\$69.14	\$7,095,709	19.3%	\$20,508	\$64.48
Ancillary	\$2,313,986	6.4%	\$6,688	\$21.10	\$2,397,128	6.5%	\$6,928	\$21.78
Other Income	\$158,120	0.4%	\$457	\$1.44	\$195,529	0.5%	\$565	\$1.78
Total	\$35,969,972	100.0%	\$103,959	\$328.00	\$36,803,496	100.0%	\$106,368	\$334.45
Departmental Expenses								
Rooms	\$6,682,101	25.8%	\$19,312	\$60.93	\$7,119,736	26.3%	\$20,577	\$64.70
Food & Beverage	\$6,462,577	85.2%	\$18,678	\$58.93	\$6,004,641	84.6%	\$17,354	\$54.57
Ancillary	\$1,805,379	78.0%	\$5,218	\$16.46	\$1,811,728	75.6%	\$5,236	\$16.46
Total	\$14,950,057	41.6%	\$43,208	\$136.33	\$14,936,105	40.6%	\$43,168	\$135.73
Undistributed Expenses								
Administration	\$2,541,593	7.1%	\$7,346	\$23.18	\$2,689,104	7.3%	\$7,772	\$24.44
Info & Telecomm	\$702,225	2.0%	\$2,030	\$6.40	\$665,630	1.8%	\$1,924	\$6.05
Marketing	\$2,009,863	5.6%	\$5,809	\$18.33	\$2,190,756	6.0%	\$6,332	\$19.91
Maintenance	\$1,114,769	3.1%	\$3,222	\$10.17	\$1,019,296	2.8%	\$2,946	\$9.26
Utilities	\$910,988	2.5%	\$2,633	\$8.31	\$928,162	2.5%	\$2,683	\$8.43
Total	\$7,279,438	20.2%	\$21,039	\$66.38	\$7,492,948	20.4%	\$21,656	\$68.09
Fixed Charges								
Taxes	\$1,607,434	4.5%	\$4,646	\$14.66	\$1,821,950	5.0%	\$5,266	\$16.56
Insurance	\$248,238	0.7%	\$717	\$2.26	\$235,984	0.6%	\$682	\$2.14
Total	\$1,855,672	5.2%	\$5,363	\$16.92	\$2,057,934	5.6%	\$5,948	\$18.70
Direct Expenses	\$24,085,167	67.0%	\$69,610	\$219.63	\$24,486,987	66.5%	\$70,772	\$222.53
Operating Profit	\$11,884,805	33.0%	\$34,349	\$108.38	\$12,316,509	33.5%	\$35,597	\$111.93



Table 7
Stabilized Operating Performance

	Total	Ratio	Per Room	Per ORN
Guestrooms	346			
Room Occupancy Rate	84.0%			
Average Daily Room Rate	\$235.26			
Daily RevPAR	\$197.62			
Revenue				
Rooms	\$24,957,019	71.7%	\$72,130	\$235.26
Food & Beverage	\$7,304,180	21.0%	\$21,110	\$68.85
Ancillary	\$2,333,839	6.7%	\$6,745	\$22.00
Other Income	\$212,167	0.6%	\$613	\$2.00
Total	\$34,807,206	100.0%	\$100,599	\$328.11
Departmental Expenses				
Rooms	\$6,488,825	26.0%	\$18,754	\$61.17
Food & Beverage	\$6,208,553	85.0%	\$17,944	\$58.53
Ancillary	\$1,750,379	75.0%	\$5,059	\$16.50
Total	\$14,447,757	41.5%	\$41,757	\$136.19
Undistributed Expenses				
Administration	\$2,774,216	8.0%	\$8,018	\$26.15
Info & Telecomm	\$692,000	2.0%	\$2,000	\$6.52
Marketing	\$2,112,851	6.1%	\$6,107	\$19.92
Maintenance	\$1,072,600	3.1%	\$3,100	\$10.11
Utilities	\$934,200	2.7%	\$2,700	\$8.81
Total	\$7,585,867	21.8%	\$21,924	\$71.51
Fixed Charges				
Property Taxes	\$1,070,303	3.1%	\$3,093	\$10.09
Insurance	\$242,200	0.7%	\$700	\$2.28
Total	\$1,312,503	3.8%	\$3,793	\$12.37
Direct Expenses	\$23,346,127	67.1%	\$67,474	\$220.07
Operating Profit	\$11,461,078	32.9%	\$33,125	\$108.04
Other Charges				
Management Fees	\$1,044,216	3.0%	\$3,018	\$9.84
Capital Replacement	\$1,740,360	5.0%	\$5,030	\$16.41
Total	\$2,784,576	8.0%	\$8,048	\$26.25
Total Expenses	\$26,130,704	75.1%	\$75,522	\$246.32
Net Operating Income	\$8,676,502	24.9%	\$25,077	\$81.79



Table 8
Projected Operating Performance

	2020	2021	2022	2023	2024
Room Occupancy Rate	85.9%	82.9%	85.5%	81.6%	84.0%
Average Daily Room Rate	\$235.26	\$241.14	\$247.17	\$253.35	\$259.68
Daily RevPAR	\$202.11	\$199.84	\$211.41	\$206.71	\$218.13
Revenue					
Rooms	\$25,524,648	\$25,237,378	\$26,698,534	\$26,105,933	\$27,547,880
Food & Beverage	\$7,424,820	\$7,413,765	\$7,775,559	\$7,702,143	\$8,062,448
Ancillary	\$2,386,921	\$2,360,057	\$2,496,696	\$2,441,279	\$2,576,122
Other Income	\$216,993	\$214,551	\$226,972	\$221,934	\$234,193
Total	\$35,553,381	\$35,225,751	\$37,197,761	\$36,471,289	\$38,420,642
Departmental Expenses					
Rooms	\$6,606,892	\$6,579,584	\$6,916,759	\$6,827,585	\$7,162,449
Food & Beverage	\$6,293,278	\$6,312,485	\$6,594,218	\$6,570,994	\$6,853,081
Ancillary	\$1,786,209	\$1,772,452	\$1,869,169	\$1,836,360	\$1,932,091
Total	\$14,686,380	\$14,664,521	\$15,380,146	\$15,234,939	\$15,947,621
Undistributed Expenses					
Administration	\$2,796,601	\$2,830,023	\$2,933,514	\$2,957,159	\$3,062,216
Info & Telecomm	\$692,000	\$709,300	\$727,033	\$745,208	\$763,839
Marketing	\$2,141,232	\$2,148,494	\$2,243,717	\$2,236,807	\$2,332,192
Maintenance	\$1,079,919	\$1,094,985	\$1,133,064	\$1,145,144	\$1,183,950
Utilities	\$936,325	\$956,269	\$983,283	\$1,003,149	\$1,031,182
Total	\$7,646,077	\$7,739,071	\$8,020,612	\$8,087,468	\$8,373,378
Fixed Charges					
Property Taxes	\$1,073,817	\$1,094,933	\$1,127,447	\$1,147,831	\$1,181,414
Insurance	\$242,200	\$248,255	\$254,461	\$260,823	\$267,343
Total	\$1,316,017	\$1,343,188	\$1,381,908	\$1,408,654	\$1,448,757
Other Charges					
Management Fees	\$1,066,601	\$1,056,773	\$1,115,933	\$1,094,139	\$1,152,619
Capital Replacement	\$1,777,669	\$1,761,288	\$1,859,888	\$1,823,564	\$1,921,032
Total	\$2,844,271	\$2,818,060	\$2,975,821	\$2,917,703	\$3,073,651
Total Expenses	\$26,492,745	\$26,564,840	\$27,758,487	\$27,648,764	\$28,843,408
Net Operating Income	\$9,060,637	\$8,660,910	\$9,439,274	\$8,822,525	\$9,577,235



Table 9
Income Capitalization

Direct Capitalization	Projected NOI	Overall Cap Rate	Present Value
Stabilized NOI (2020 \$)	\$8,676,502	7.00%	\$124,000,000
Near-Term Surplus/Shortfall			\$0
Indicated Value			\$124,000,000
<hr/>			
Yield Capitalization	Projected NOI	9.00% PV Factor	Present Value
2020	\$9,060,637	0.917431	\$8,312,511
2021	\$8,660,910	0.841680	\$7,289,715
2022	\$9,439,274	0.772183	\$7,288,851
2023	\$8,822,525	0.708425	\$6,250,099
2024	\$9,577,235	0.649931	\$6,224,545
2025	\$9,816,666	0.596267	\$5,853,357
2026	\$10,062,082	0.547034	\$5,504,304
2027	\$10,313,634	0.501866	\$5,176,065
2028	\$10,571,475	0.460428	\$4,867,401
2029	\$10,835,762	0.422411	\$4,577,143
Reversion			
NOI After Reversion	\$11,106,656		
Reversion Capitalization Rate	7.40%		
Fee Simple Value At Reversion	\$150,090,000		
Less Selling Costs @ 3.0%	\$4,500,000		
Net Cash At Reversion	\$145,590,000	0.422411	\$61,498,789
Indicated Value			\$122,800,000
<hr/>			
Current Market Value As Is			\$123,400,000



Table 10
Near-Term Income Variance

	2020	2021	2022	2023	2024
Stabilized NOI	\$8,676,502	\$8,676,502	\$8,676,502	\$8,676,502	\$8,676,502
Trending Factor	1.000000	1.025000	1.050625	1.076891	1.103813
Trended NOI	\$8,676,502	\$8,893,414	\$9,115,750	\$9,343,644	\$9,577,235
Projected NOI	\$9,060,637	\$8,660,910	\$9,439,274	\$8,822,525	\$9,577,235
Annual Variance	\$384,135	-\$232,504	\$323,524	-\$521,118	\$0
Discount Factor	0.917431	0.841680	0.772183	0.708425	
Discounted Variance	\$352,417	-\$195,694	\$249,820	-\$369,173	
Cumulative Variance	\$37,370				
Profit Incentive	\$5,605				
Variance & Incentive (rd)	\$0				

Table 11
Allocation of Value

Total Asset	Personal Property			Real Estate
	Per Room	Total	Deprec	
\$123,400,000	\$30,000	\$10,380,000	50%	\$5,200,000
				\$118,200,000

Hyatt at Olive 8	Actual 2018		ABS Prelim		ABS Final		KM Stabilized	
	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio
Guestrooms	346		346		346		346	
Available Room Nights	126,290		126,290		126,290		126,290	
Occupancy Rate	87.1%		80.0%		80.0%		84.0%	
Occupied Room Nights	110,041		101,032		101,032		106,084	
Average Room Rate	\$246		\$368		\$335		\$235	
Room Revenue	\$27,115,130	73.7%	\$37,220,030	87.7%	\$33,845,720	77.8%	\$24,957,019	71.7%
Other Revenue	\$9,688,366	26.3%	\$5,241,420	12.3%	\$9,662,280	22.2%	\$9,850,187	28.3%
Total Revenue	\$36,803,496	100.0%	\$42,461,450	100.0%	\$43,508,000	100.0%	\$34,807,206	100.0%
Operating Expenses	\$27,431,267	74.5%	\$33,356,642	78.6%	\$29,450,509	67.7%	\$26,130,704	75.1%
Net Operating Income	\$9,372,229	25.5%	\$9,104,808	21.4%	\$14,057,491	32.3%	\$8,676,502	24.9%
Capitalization Rate			7.0%		7.5%		7.3%	
Current Value			\$130,069,000		\$187,433,000		\$118,200,000	
Lift Ratio			1.01%		1.00%		1.00%	
Special Benefit			\$1,314,000		\$1,873,000		\$1,181,161	
LID Levy			\$515,088		\$733,883		\$463,015	



Restricted Appraisal Report

Grand Hyatt Hotel | Seattle, Washington

as of January 1, 2020



Prepared for

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company

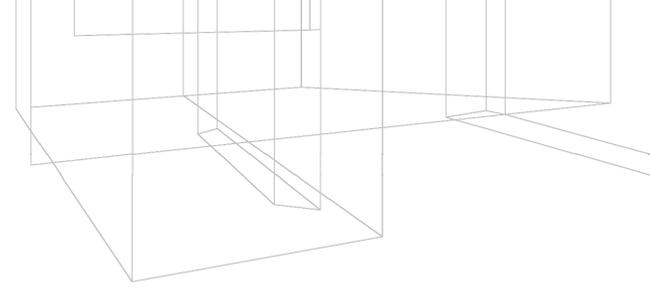
Prepared by

Peter K. Shorett, MAI, CRE, FRICS
John D. Gordon, MAI, AI-GRS
Jesse L. Baker
KM Job A20-0048a

Kidder Mathews

Valuation Advisory Services

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February 3, 2020

Zahoor Ahmed, CFO/VP
R. C. Hedreen Company
217 Pine Street, Suite 200
Seattle, Washington 98101

Re: Grand Hyatt Hotel, Seattle / KM Job A20-0048a

Dear Mr. Ahmed:

At your request, we have prepared this restricted appraisal of the Grand Hyatt Hotel, a 457-room full service hotel located at 721 Pine Street in Seattle, King County, Washington. The hotel occupies a portion of a mixed-use structure that also includes retail space and a multilevel parking garage. The purpose of the appraisal is to estimate the current market value of the hotel. We have not completed appraisals of the retail and garage components.

The interest appraised is the fee simple interest in the hotel as encumbered by a condominium agreement. 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 Grand Hyatt Hotel, as of January 1, 2020, is \$175,300,000, with \$168,400,000 for the real estate and \$6,900,000 for personal property.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'PKS', written over a light blue horizontal line.

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

A handwritten signature in blue ink, appearing to read 'John D. Gordon', written over a light blue horizontal line.

John D. Gordon, MAI, AI-GRS
Certified General Real Estate Appraiser
WA License 1100661, exp 3/27/2021



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) Jesse L. Baker (Kidder Mathews, Seattle) 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

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.



Summary

Property	The subject of this appraisal is the Grand Hyatt Hotel, a 457-room full service hotel in Seattle, Washington. The hotel occupies a portion of a mixed-use structure that also includes retail space and a multilevel parking garage. We have not completed appraisals of the retail and garage components.
ADDRESS	721 Pine Street Seattle, WA 98101
TAX PARCELS	Parcel A: 619500-0030 Parcel B: 679212-0010
CENSUS TRACT	Tract 82, Block 1006, King County
LEGAL DESCRIPTION	As shown in the assessor's records, abbreviated legal descriptions of the two parcels are as follows: Parcel A: PINE STREET, THE CONDOMINIUM PCT UND INT 70.00 Parcel B: NORTHWEST BLOCK CONDOMINIUM PCT UND INT 33.33
OWNERSHIP & DEVELOPMENT	The hotel was constructed in 2001 by R. C., Hedreen Company. Prior to 2017, both parcels were owned by Former Hedreen Hotel LLC. In May of that year, title was transferred to a related entity and the current owner, Hedreen Hotel LLC. No subsequent transactions have been recorded.
AFFILIATION & MANAGEMENT	The hotel is operated as a franchise affiliate of Hyatt Hotels Corporation. It is managed by an affiliate of the owner.



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 interest in the hotel as encumbered by a condominium agreement.
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.



We also were provided with a three-year history of the operating performance. The recent position of the hotel within the competitive set formed the basis for our forecast of room occupancy and room revenue. Revenue from the restaurant and other sources was projected near recent levels, taking into account any projected fluctuation in occupancy. Estimates of operating expenses were based on the historical results, the results reported by similar hotels, and published industry averages.

To ensure confidentiality, the historical results of the hotel are not disclosed in this appraisal.

Under the income capitalization approach, we choose appropriate rates of return based on recent sales and published surveys. Indications of value were developed using direct capitalization and yield capitalization. The results were reconciled to our opinion of current market value.

For our sales analysis, we identified and considered recent sales of upscale and luxury hotels in Downtown Seattle. Due to the very significant differences in facilities and performance, we did not use this approach to develop a specific indication of value.

A third valuation approach, analysis of replacement cost, was not applied, due to the minimal reliance accorded to this approach by typical investors.

Our opinion of value for the total asset was allocated among real estate, tangible personal property, and intangible business value (if any). Our conclusions are presented subject to our certification and to general assumptions and limiting conditions. This appraisal is not subject to any extraordinary assumptions or hypothetical conditions.

APPRAISAL DATES	Effective Date of Value	January 1, 2020
	Report Issued	February 3, 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 quite 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 a wide array of retail stores, apartments, office buildings, theaters, and hotels. Amazon headquarters, the state convention center, and two sports stadiums are significant sources of lodging demand.
SITE	The site is a rectangular full-block parcel with a land area of 87,790 sq ft (2.015 acres). The site is nearly level and at grade with adjoining roadways. The land is zoned DOC2 500/300-550 (Downtown Office Core 2), a classification intended to promote high-density commercial and residential development. The site is within two blocks of the interstate highway and the convention center, and eight blocks east of the waterfront.
IMPROVEMENTS	The site is improved with a mixed-use structure comprised of a full service hotel, retail space, and a parking garage. The hotel has 457 guestrooms. Amenities include a restaurant and lounge, an exercise room, and about 25,000 sq ft of dedicated meeting space. The hotel opened in 2001, has undergone some renovation, and is in very good condition.
MARKET SUPPLY	The management of the hotel identified ten upscale and luxury hotels as primary competitors. The current market supply is 4,234 guestrooms. During the next four years, we are projecting the opening of two new hotels with 429 guestrooms. The projected increase in supply is 10%.
MARKET DEMAND	According to the STAR reports, the annual market occupancy rate was 84.6% in 2017, 84.7% in 2018, and 83.3% in 2019. The mix of demand is 72% transient (business and leisure), 20% group, and 8% contract (primarily airline crews). We are projecting that occupancy will remain flat in the coming year, decline temporarily with the opening of the new hotels, and recover to 83.0% by 2024. The market average daily room rate in the STAR reports was \$229 in 2017, \$238 in 2018, and \$223 in 2019. We are projecting that the market ADR will increase by 2.5% annually through the forecast period.



Valuation

HIGHEST & BEST USE

Given the proximity of the site to 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 Grand Hyatt 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 82.7% to 84.8%, 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 \$240, total revenue of \$41.7MM, operating expenses of \$29.3MM, and net operating income of \$12.4MM.

RISK & RETURN

Positive risk factors include the central location of the site within the Seattle CBD, the very 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 7.0% and a yield rate of 8.75%.

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 \$176,100,000. In our yield analysis, we discounted the projected income and net reversion, for an indicated value of \$174,500,000.

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 Grand Hyatt Hotel, as of January 1, 2020, is \$175,300,000. The contributory value of tangible personal property is estimated at \$30,000/room less 50% depreciation, or \$6,900,000. The remaining value, \$168,400,000, is allocated to real estate.

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

Stafford Frey Cooper



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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	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
Clise Properties	KCTS Channel 9	Northwestern Trust
Consolidated Restaurants, Inc.	Kilroy Industries	Olympic Resource Management
Delta Airlines	KMPG	PACCAR
Fred Hutchinson	Lindal Cedar Homes	Pine Street Associates
Gai's Bakery	Lone Star Northwest	Portac, Inc.
Goodale & Barbieri	McDonalds Corporation	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	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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Governmental Agencies/Port Authorities/Nonprofits

City of Bainbridge Island	King County Dept. of Transportation	Port of Seattle
City of Half Moon Bay	King County Property Services	Port of Tacoma
City of Kirkland	King County Prosecutor's Office	Sound Transit
City of Santa Cruz	Port of Anacortes	The Nature Conservancy
City of Seattle	Port of Chelan	Trust for Public Land
Dept. of Natural Resources (WA State)	Port of Friday Harbor	United States Postal Service
General Services Administration	Port of Port Townsend	Washington State Attorney General's Office
Internal Revenue Service	Port of Renton	

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 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 License Number	01/06/1992 Issued Date	04/10/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 Kidd 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.

PROFESSIONAL LICENSES

STATE OF WASHINGTON, Certified General Real Estate Appraiser
(No. 1100661)

STATE OF OREGON, State Certified General Appraiser
(No. C000237)

STATE OF IDAHO, Certified General Appraiser
(No. CGA-2519)

STATE OF CALIFORNIA, Certified General Real Estate Appraiser
(No. AG 004565)

SELECT CLIENT LIST

Bank of America

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	Seki
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	Medford	Sisters	
Grants Pass		Springfield	

IDAHO

Boise	Idaho Falls	Nampa	Sandpoint
Bonnets 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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STATE OF WASHINGTON
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BELLEVUE WA 98004

1100661 License Number	07/25/1991 Issued Date	03/27/2021 Expiration Date
----------------------------------	----------------------------------	--------------------------------------

Teresa Berntsen
Teresa Berntsen, Director





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 pursuing 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





Grand Hyatt Hotel

Restricted Appraisal – Supplemental Tables

LID Hearing Cases CWF-0436 & CWF-0437

Tax Parcels 6195000030 & 6792120010

ABS Valuation Property E-110

Kidder Mathews Job A20-0048a



**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 ◆◆◆◆
Fairmont Olympic Hotel 411 University Street Seattle, WA 98101	1924 2003 20	251 199 450	55,000 544,174 25,010	122 1,209 56	Full Interior 12 Stories	\$199-\$449 A B E F ◆◆◆◆
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 ◆◆◆
Motif Seattle 1415 5th Avenue Seattle, WA 98101	1996 2014 10	313 6 319	29,640 272,787 18,333	93 855 57	Full Interior 20 Stories	\$197-\$635 A B C E ◆◆◆◆
Hilton Hotel 1301 6th Avenue Seattle, WA 98101	1970 1970 30	256 0 256	21,600 126,240 4,307	84 493 17	Full Interior 29 Stories	\$129-\$499 B C E ◆◆◆
Kimpton Hotel Monaco 1101 4th Avenue Seattle, WA 98101	1969 1997 20	189 0 189	19,980 133,884 5,240	106 708 28	Boutique Interior 11 Stories	\$269-\$401 A B C E ◆◆◆◆
Pan Pacific Hotel 2125 Terry Avenue Seattle, WA 98121	2006 2006 10	149 4 153	25,439 107,237 4,170	166 701 27	Select Interior 5 Stories	\$295-\$2,000 A B C E ◆◆◆◆
Lowes Hotel 1000 1000 1st Avenue Seattle, WA 98104	2006 2017 10	102 18 120	8,245 133,161 8,220	69 1,110 69	Boutique Interior 24 Stories	\$255-\$815 A B D 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

	2015	2016	2017	2018	2019
Market Supply					
Existing Hotels	4,234	4,234	4,234	4,234	4,234
505 Madison					
1520 5th Avenue					
Average Daily Rooms	4,234	4,234	4,234	4,234	4,234
Available Room Nights	1,545,410	1,545,410	1,545,410	1,545,410	1,545,410
Percentage Change	-	0.0%	0.0%	0.0%	0.0%
Market Demand					
Base Demand					
Underlying Growth					
Trended Demand					
Induced Demand					
Occupied Room Nights	1,279,095	1,262,204	1,307,859	1,308,293	1,287,698
Percentage Change	-	-1.3%	3.6%	0.0%	-1.6%
Market Occupancy	82.8%	81.7%	84.6%	84.7%	83.3%
Market Room Rate	\$211.96	\$218.29	\$229.43	\$238.11	\$222.83
Percentage Change	-	3.0%	5.1%	3.8%	-6.4%
Market RevPAR	\$175.44	\$178.29	\$194.17	\$201.58	\$185.67
Percentage Change	-	1.6%	8.9%	3.8%	-7.9%
Market Revenue (000)	\$271,121	\$275,526	\$300,067	\$311,523	\$286,943
Percentage Change	-	1.6%	8.9%	3.8%	-7.9%



Table 3
Market Supply & Demand, Projected

	2020	2021	2022	2023	2024
Market Supply					
Existing Hotels	4,234	4,234	4,234	4,234	4,234
505 Madison		184	184	184	184
1520 5th Avenue				245	245
Average Daily Rooms	4,234	4,418	4,418	4,663	4,663
Available Room Nights	1,545,410	1,612,570	1,612,570	1,701,995	1,701,995
Percentage Change	0.0%	4.3%	0.0%	5.5%	0.0%
Market Demand					
Base Demand	1,287,698	1,287,698	1,320,152	1,353,255	1,389,220
Underlying Growth	0.0%	2.0%	2.0%	2.0%	1.0%
Trended Demand	1,287,698	1,313,452	1,346,555	1,380,320	1,403,756
Induced Demand	0	6,700	6,700	8,900	8,900
Occupied Room Nights	1,287,698	1,320,152	1,353,255	1,389,220	1,412,656
Percentage Change	0.0%	2.5%	2.5%	2.7%	1.7%
Market Occupancy	83.3%	81.9%	83.9%	81.6%	83.0%
Market Room Rate	\$228.40	\$234.12	\$239.97	\$245.97	\$252.12
Percentage Change	2.5%	2.5%	2.5%	2.5%	2.5%
Market RevPAR	\$190.32	\$191.66	\$201.38	\$200.77	\$209.26
Percentage Change	2.5%	0.7%	5.1%	-0.3%	4.2%
Market Revenue (000)	\$294,117	\$309,067	\$324,738	\$341,702	\$356,154
Percentage Change	2.5%	5.1%	5.1%	5.2%	4.2%



Table 4
Market Position, Historical

	2015	2016	2017	2018	2019
Supply Ratio					
Subject Room Supply	457	457	457	457	457
Market Room Supply	4,234	4,234	4,234	4,234	4,234
Subject Supply Ratio	10.8%	10.8%	10.8%	10.8%	10.8%
Room Occupancy					
Market Supply	1,545,410	1,545,410	1,545,410	1,545,410	1,545,410
Market Occupancy	82.8%	81.7%	84.6%	84.7%	83.3%
Market Demand	1,279,095	1,262,204	1,307,859	1,308,293	1,287,698
Subject Supply Ratio	10.8%	10.8%	10.8%	10.8%	10.8%
Proportionate Demand	138,060	136,237	141,165	141,212	138,989
Occupancy Index	104.3%	104.5%	103.3%	103.4%	99.9%
Subject Demand	143,978	142,312	145,829	146,056	138,849
Subject Supply	166,805	166,805	166,805	166,805	166,805
Subject Occupancy	86.3%	85.3%	87.4%	87.6%	83.2%
Room Rate					
Market Room Rate	\$211.96	\$218.29	\$229.43	\$238.11	\$222.83
Room Rate Index	105.9%	108.4%	106.7%	105.0%	105.2%
Subject Room Rate	\$224.54	\$236.61	\$244.91	\$249.98	\$234.48
Room Revenue					
Market RevPAR	\$173.21	\$175.43	\$191.75	\$199.49	\$184.52
RevPAR Index	111.9%	115.1%	111.7%	109.7%	105.8%
Subject RevPAR	\$193.81	\$201.86	\$214.11	\$218.88	\$195.18
Subject Revenue	\$32,328,717	\$33,671,793	\$35,714,909	\$36,511,102	\$32,557,494



Table 5
Market Position, Projected

	Projected					Stabilized
	2020	2021	2022	2023	2024	2020 \$
Supply Ratio						
Subject Room Supply	457	457	457	457	457	457
Market Room Supply	4,234	4,418	4,418	4,663	4,663	4,663
Subject Supply Ratio	10.8%	10.3%	10.3%	9.8%	9.8%	9.8%
Room Occupancy						
Market Supply	1,545,410	1,612,570	1,612,570	1,701,995	1,701,995	1,701,995
Market Occupancy	83.3%	81.9%	83.9%	81.6%	83.0%	83.0%
Market Demand	1,287,698	1,320,152	1,353,255	1,389,220	1,412,656	1,412,656
Subject Supply Ratio	10.8%	10.3%	10.3%	9.8%	9.8%	9.8%
Proportionate Demand	138,989	136,557	139,981	136,151	138,448	138,448
Occupancy Index	101.0%	101.0%	101.0%	101.0%	101.2%	101.2%
Subject Demand	140,379	137,923	141,381	137,513	140,116	140,116
Subject Supply	166,805	166,805	166,805	166,805	166,805	166,805
Subject Occupancy	84.2%	82.7%	84.8%	82.4%	84.0%	84.0%
Room Rate						
Market Room Rate	\$228.40	\$234.12	\$239.97	\$245.97	\$252.12	\$228.40
Room Rate Index	105.0%	105.0%	105.0%	105.0%	105.0%	105.0%
Subject Room Rate	\$239.83	\$245.82	\$251.97	\$258.27	\$264.72	\$239.83
Room Revenue						
Market RevPAR	\$190.32	\$191.66	\$201.38	\$200.77	\$209.26	\$189.58
RevPAR Index	106.1%	106.1%	106.1%	106.1%	106.3%	106.3%
Subject RevPAR	\$201.83	\$203.26	\$213.56	\$212.91	\$222.37	\$201.45
Subject Revenue	\$33,666,309	\$33,904,271	\$35,623,287	\$35,514,816	\$37,091,851	\$33,603,387



Table 6
Historical Operating Performance

	2017				2018			
	Total	Ratio	Per Rm	Per ORN	Total	Ratio	Per Rm	Per ORN
Available Rooms	457				457			
Occupancy Rate	87.4%				87.6%			
Average Room Rate	\$244.91				\$249.98			
Daily RevPAR	\$214.11				\$218.88			
Revenue								
Rooms	\$35,714,908	82.6%	\$78,151	\$244.91	\$36,511,103	82.8%	\$79,893	\$249.98
Food & Beverage	\$6,015,826	13.9%	\$13,164	\$41.25	\$6,078,779	13.8%	\$13,301	\$41.62
Ancillary	\$694,166	1.6%	\$1,519	\$4.76	\$725,678	1.6%	\$1,588	\$4.97
Other Income	\$795,193	1.8%	\$1,740	\$5.45	\$769,171	1.7%	\$1,683	\$5.27
Total	\$43,220,093	100.0%	\$94,574	\$296.38	\$44,084,731	100.0%	\$96,465	\$301.83
Departmental Expenses								
Rooms	\$8,915,705	25.0%	\$19,509	\$61.14	\$9,404,955	25.8%	\$20,580	\$64.39
Food & Beverage	\$4,616,920	76.7%	\$10,103	\$31.66	\$4,669,475	76.8%	\$10,218	\$31.97
Ancillary	\$476,972	68.7%	\$1,044	\$3.27	\$486,326	67.0%	\$1,064	\$3.33
Total	\$14,009,597	32.4%	\$30,656	\$96.07	\$14,560,756	33.0%	\$31,862	\$99.69
Undistributed Expenses								
Administration	\$3,283,913	7.6%	\$7,186	\$22.52	\$3,473,454	7.9%	\$7,601	\$23.78
Info & Telecomm	\$898,228	2.1%	\$1,965	\$6.16	\$868,003	2.0%	\$1,899	\$5.94
Marketing	\$2,597,141	6.0%	\$5,683	\$17.81	\$2,612,435	5.9%	\$5,716	\$17.89
Maintenance	\$1,499,083	3.5%	\$3,280	\$10.28	\$1,472,599	3.3%	\$3,222	\$10.08
Utilities	\$1,230,705	2.8%	\$2,693	\$8.44	\$1,242,650	2.8%	\$2,719	\$8.51
Total	\$9,509,070	22.0%	\$20,808	\$65.21	\$9,669,141	21.9%	\$21,158	\$66.20
Fixed Charges								
Taxes	\$1,798,513	4.2%	\$3,935	\$12.33	\$2,091,688	4.7%	\$4,577	\$14.32
Insurance	\$286,855	0.7%	\$628	\$1.97	\$266,454	0.6%	\$583	\$1.82
Total	\$2,085,368	4.8%	\$4,563	\$14.30	\$2,358,142	5.3%	\$5,160	\$16.15
Direct Expenses	\$25,604,035	59.2%	\$56,026	\$175.58	\$26,588,039	60.3%	\$58,180	\$182.04
Operating Profit	\$17,616,058	40.8%	\$38,547	\$120.80	\$17,496,692	39.7%	\$38,286	\$119.79



Table 7
Stabilized Operating Performance

	Total	Ratio	Per Room	Per ORN
Guestrooms	457			
Room Occupancy Rate	84.0%			
Average Daily Room Rate	\$239.83			
Daily RevPAR	\$201.45			
Revenue				
Rooms	\$33,603,387	80.6%	\$73,530	\$239.83
Food & Beverage	\$6,604,648	15.8%	\$14,452	\$47.14
Ancillary	\$700,581	1.7%	\$1,533	\$5.00
Other Income	\$770,639	1.8%	\$1,686	\$5.50
Total	\$41,679,255	100.0%	\$91,202	\$297.46
Departmental Expenses				
Rooms	\$8,736,881	26.0%	\$19,118	\$62.35
Food & Beverage	\$5,085,579	77.0%	\$11,128	\$36.30
Ancillary	\$469,389	67.0%	\$1,027	\$3.35
Total	\$14,291,849	34.3%	\$31,273	\$102.00
Undistributed Expenses				
Administration	\$3,535,378	8.5%	\$7,736	\$25.23
Info & Telecomm	\$914,000	2.2%	\$2,000	\$6.52
Marketing	\$2,594,169	6.2%	\$5,677	\$18.51
Maintenance	\$1,508,100	3.6%	\$3,300	\$10.76
Utilities	\$1,279,600	3.1%	\$2,800	\$9.13
Total	\$9,831,247	23.6%	\$21,513	\$70.16
Fixed Charges				
Property Taxes	\$1,587,630	3.8%	\$3,474	\$11.33
Insurance	\$274,200	0.7%	\$600	\$1.96
Total	\$1,861,830	4.5%	\$4,074	\$13.29
Direct Expenses	\$25,984,926	62.3%	\$56,860	\$185.45
Operating Profit	\$15,694,329	37.7%	\$34,342	\$112.01
Other Charges				
Management Fees	\$1,250,378	3.0%	\$2,736	\$8.92
Capital Replacement	\$2,083,963	5.0%	\$4,560	\$14.87
Total	\$3,334,340	8.0%	\$7,296	\$23.80
Total Expenses	\$29,319,266	70.3%	\$64,156	\$209.25
Net Operating Income	\$12,359,989	29.7%	\$27,046	\$88.21



Table 8
Projected Operating Performance

	2020	2021	2022	2023	2024
Room Occupancy Rate	84.2%	82.7%	84.8%	82.4%	84.0%
Average Daily Room Rate	\$239.83	\$245.82	\$251.97	\$258.27	\$264.72
Daily RevPAR	\$201.83	\$203.26	\$213.56	\$212.91	\$222.37
Revenue					
Rooms	\$33,666,309	\$33,904,271	\$35,623,287	\$35,514,816	\$37,091,851
Food & Beverage	\$6,615,143	\$6,679,832	\$6,992,169	\$7,000,342	\$7,290,296
Ancillary	\$701,893	\$706,854	\$742,693	\$740,431	\$773,310
Other Income	\$772,082	\$777,539	\$816,962	\$814,475	\$850,641
Total	\$41,755,426	\$42,068,497	\$44,175,111	\$44,070,065	\$46,006,099
Departmental Expenses					
Rooms	\$8,749,968	\$8,843,149	\$9,245,481	\$9,268,815	\$9,643,881
Food & Beverage	\$5,091,293	\$5,163,756	\$5,371,979	\$5,415,559	\$5,613,528
Ancillary	\$470,180	\$474,345	\$497,159	\$497,028	\$518,118
Total	\$14,311,441	\$14,481,251	\$15,114,618	\$15,181,402	\$15,775,527
Undistributed Expenses					
Administration	\$3,537,663	\$3,604,180	\$3,725,931	\$3,782,797	\$3,902,395
Info & Telecomm	\$914,000	\$936,850	\$960,271	\$984,278	\$1,008,885
Marketing	\$2,597,315	\$2,632,064	\$2,741,436	\$2,760,019	\$2,863,478
Maintenance	\$1,508,947	\$1,538,543	\$1,588,739	\$1,615,006	\$1,664,660
Utilities	\$1,279,840	\$1,309,537	\$1,345,593	\$1,375,429	\$1,412,439
Total	\$9,837,765	\$10,021,173	\$10,361,971	\$10,517,529	\$10,851,857
Fixed Charges					
Property Taxes	\$1,587,989	\$1,624,246	\$1,669,821	\$1,705,870	\$1,752,446
Insurance	\$274,200	\$281,055	\$288,081	\$295,283	\$302,665
Total	\$1,862,189	\$1,905,301	\$1,957,902	\$2,001,153	\$2,055,112
Other Charges					
Management Fees	\$1,252,663	\$1,262,055	\$1,325,253	\$1,322,102	\$1,380,183
Capital Replacement	\$2,087,771	\$2,103,425	\$2,208,756	\$2,203,503	\$2,300,305
Total	\$3,340,434	\$3,365,480	\$3,534,009	\$3,525,605	\$3,680,488
Total Expenses	\$29,351,829	\$29,773,205	\$30,968,500	\$31,225,690	\$32,362,984
Net Operating Income	\$12,403,597	\$12,295,292	\$13,206,611	\$12,844,375	\$13,643,115



Table 9
Income Capitalization

Direct Capitalization	Projected NOI	Overall Cap Rate	Present Value
Stabilized NOI (2020 \$)	\$12,359,989	7.00%	\$176,600,000
Near-Term Surplus/Shortfall			<u>-\$500,000</u>
Indicated Value			\$176,100,000
<hr/>			
Yield Capitalization	Projected NOI	9.00% PV Factor	Present Value
2020	\$12,403,597	0.917431	\$11,379,447
2021	\$12,295,292	0.841680	\$10,348,701
2022	\$13,206,611	0.772183	\$10,197,927
2023	\$12,844,375	0.708425	\$9,099,279
2024	\$13,643,115	0.649931	\$8,867,089
2025	\$13,984,193	0.596267	\$8,338,317
2026	\$14,333,798	0.547034	\$7,841,078
2027	\$14,692,143	0.501866	\$7,373,491
2028	\$15,059,446	0.460428	\$6,933,787
2029	\$15,435,932	0.422411	\$6,520,305
Reversion			
NOI After Reversion	\$15,821,831		
Reversion Capitalization Rate	<u>7.40%</u>		
Fee Simple Value At Reversion	\$213,810,000		
Less Selling Costs @ 3.0%	<u>\$6,410,000</u>		
Net Cash At Reversion	\$207,400,000	0.422411	<u>\$87,608,001</u>
Indicated Value			\$174,500,000
<hr/>			
Current Market Value As Is			\$175,300,000



Table 10
Near-Term Income Variance

	2020	2021	2022	2023	2024
Stabilized NOI	\$12,359,989	\$12,359,989	\$12,359,989	\$12,359,989	\$12,359,989
Trending Factor	1.000000	1.025000	1.050625	1.076891	1.103813
Trended NOI	\$12,359,989	\$12,668,989	\$12,985,713	\$13,310,356	\$13,643,115
Projected NOI	\$12,403,597	\$12,295,292	\$13,206,611	\$12,844,375	\$13,643,115
Annual Variance	\$43,609	-\$373,697	\$220,898	-\$465,981	\$0
Discount Factor	0.917431	0.841680	0.772183	0.708425	
Discounted Variance	\$40,008	-\$314,533	\$170,573	-\$330,113	
Cumulative Variance	-\$434,065				
Profit Incentive	-\$65,110				
Variance & Incentive (rd)	-\$500,000				

Table 11
Allocation of Value

Total Asset	Personal Property			Real Estate
	Per Room	Total	Deprec	
\$175,300,000	\$30,000	\$13,710,000	50%	\$6,900,000
				\$168,400,000

Grand Hyatt	Actual 2018		ABS Prelim		ABS Final		KM Stabilized	
	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio
Guestrooms	457		457		457		457	
Available Room Nights	166,805		166,805		166,805		166,805	
Occupancy Rate	87.6%		80.0%		80.0%		84.0%	
Occupied Room Nights	146,056		133,444		133,444		140,116	
Average Room Rate	\$250		\$501		\$355		\$240	
Room Revenue	\$36,511,103	82.8%	\$66,882,600	90.5%	\$47,372,620	88.8%	\$33,603,387	80.6%
Other Revenue	\$7,573,628	17.2%	\$6,993,306	9.5%	\$5,990,560	11.2%	\$8,075,868	19.4%
Total Revenue	\$44,084,731	100.0%	\$73,875,906	100.0%	\$53,363,180	100.0%	\$41,679,255	100.0%
Operating Expenses	\$30,114,817	68.3%	\$45,481,646	61.6%	\$36,013,796	67.5%	\$29,319,266	70.3%
Net Operating Income	\$13,969,914	31.7%	\$28,394,260	38.4%	\$17,349,384	32.5%	\$12,359,989	29.7%
Capitalization Rate			7.00%		7.25%		7.34%	
Current Value			\$405,632,000		\$239,293,000		\$168,400,000	
Lift Ratio			2.01%		1.50%		1.50%	
Special Benefit			\$8,166,000		\$3,593,000		\$2,528,537	
LID Levy			\$3,201,072		\$1,407,817		\$991,186	



Restricted Appraisal Report

Kimpton Alexis Hotel | Seattle, Washington

as of January 1, 2020



Prepared for

The RMR Group
Attn: Jacquelyn Anderson

Engaged February 14, 2020

Prepared by

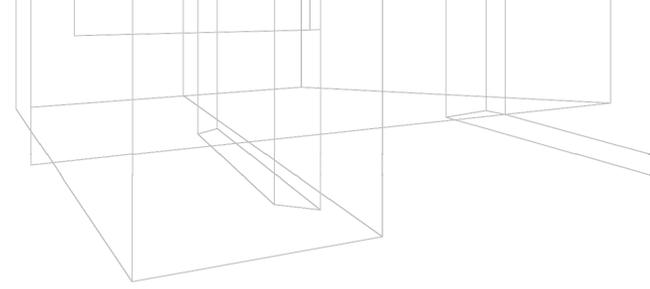
Peter K. Shorett, MAI, CRE, FRICS
John D. Gordon, MAI, AI-GRS

KM Job A20-00187

Kidder Mathews

Valuation Advisory Services

500 108th Avenue NE, Suite 2400
Bellevue, WA 98004
425.283.5783 | Fax 425.450.1179
john.gordon@kidder.com



March 2, 2020

Jacquelyn Anderson
Vice President, Legal
The RMR Group
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458

Re: Kimpton Alexis Hotel, Seattle / KM Job A20-0187

Dear Ms. Anderson:

At your request, we have prepared this restricted appraisal of the Kimpton Alexis Hotel, a 121-room luxury hotel located at 1007 1st Avenue 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 The RMR Group. 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 Kimpton Alexis Hotel, as of January 1, 2020, is \$66,000,000, with \$62,700,000 for the real estate and \$3,300,000 for personal property.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'PKS'.

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

A handwritten signature in blue ink, appearing to read 'John D. Gordon'.

John D. Gordon, MAI, AI-GRS
Certified General Real Estate Appraiser
WA License 1100661, exp 3/27/2021



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) Jesse L. Baker (Kidder Mathews, Seattle) 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

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.



Summary

Property	The subject of this appraisal is the Kimpton Alexis Hotel, a 121-room luxury hotel in Seattle, Washington.
ADDRESS	1007 1st Avenue Seattle, WA 98104
TAX PARCELS	197460-0025, 197460-0035
CENSUS TRACT	Tract 81, Block 1026, King County
LEGAL DESCRIPTION	<p>As shown in the assessor's records, an abbreviated legal description of the site is as follows:</p> <p>DENNYS A A 1ST ADD FRACTL & LOTS 3 & 4 BLK 185 SEATTLE TIDE LANDS LESS THAT POR OF SUBSURFACE LAND AS DESCRIBED IN MASTER RECORDED SURVEY #20101027900001 REFERRING TO THE ALASKAN WAY VIADUCT (SR 99) REPLACEMENT PROJECT DOT #U09936E & REC #20130311001999 LESS TDRS PER REC # 20110927001125 & 20140718001389, Plat Block B, Plat Lots 2,3,6,7</p>
OWNERSHIP & DEVELOPMENT	<p>The Kimpton Alexis Hotel combines three vintage structures built in 1901, 1904, and 1906. The building on the south parcel opened as a hotel, was operated for many years as a parking garage, underwent an extensive renovation, and reopened as a luxury hotel in 1982. The former Arlington Apartments were merged into the hotel in 1991.</p> <p>Prior to 2006, the hotel was owned by First Alexis Hotel LP. In June of that year, it was sold to LHO Alexis Hotel LLC at a price of \$38,341,576. In March 2017, LHO sold the hotel to the current owner, HPT IHG-2 Properties Trust, an entity affiliated with The RMR Group. The purchase price was \$71,625,000, with \$62,313,750 for the real estate and \$9,311,250 for personal property. No subsequent transactions have been recorded and the hotel is not listed for sale.</p>
AFFILIATION & MANAGEMENT	The hotel is operated as the Kimpton Alexis Hotel under a management with Kimpton, whose parent is InterContinental Hotels Group.



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 The RMR Group. 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, and 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.



We also were provided with a three-year history of the operating performance for the hotel. The recent position of the hotel within the competitive set formed the basis for our forecast of room occupancy and room revenue. Revenue from the restaurant and other sources was projected near recent levels, taking into account any projected fluctuation in occupancy. Estimates of operating expenses were based on the historical results, the results reported by similar hotels, and published industry averages.

To ensure confidentiality, the historical results of the hotel are not disclosed in this appraisal.

Under the income capitalization approach, we choose appropriate rates of return based on recent sales and published surveys. Indications of value were developed using direct capitalization and yield capitalization. The results were reconciled to our opinion of current market value.

For our sales analysis, we identified and considered recent sales of upscale and luxury hotels in Downtown Seattle. Due to the very significant differences in facilities and performance, we did not use this approach to develop a specific indication of value.

A third valuation approach, analysis of replacement cost, was not applied, due to the minimal reliance accorded to this approach by typical investors.

Our opinion of value for the total asset was allocated among real estate, tangible personal property, and intangible business value (if any). Our conclusions are presented subject to our certification and to general assumptions and limiting conditions. This appraisal is not subject to any extraordinary assumptions or hypothetical conditions.

APPRAISAL DATES	Effective Date of Value	January 1, 2020
	Report Issued	March 2, 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 quite 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 a wide array of retail stores, apartments, office buildings, theaters, and hotels. Amazon headquarters, the state convention center, and two sports stadiums are significant sources of lodging demand.
SITE	The site consists of two contiguous rectangular parcels with a combined land area of 27,714 sq ft (0.636 acres) and frontage on three roadways. The land has a natural downward slope to the west. The site is zoned DMC 170 (Downtown Mixed Commercial), a classification intended to promote high-density commercial and residential development. It is two blocks east of the waterfront and six blocks west of the interstate highway.
IMPROVEMENTS	The site is improved with a 121-room luxury hotel that occupies three adjoining structures built in 1901, 1904, and 1906. The hotel has 121 guestrooms, a restaurant and lounge, a fitness center, 2,645 sq ft of dedicated meeting space, 18,100 sq ft of street retail space, and a 65-stall parking garage. The guestrooms were renovated in 2019 and are in excellent condition. The remainder of the hotel is in very good condition.
MARKET SUPPLY	The management of the hotel identified six luxury and upscale hotels as primary competitors. The current primary competitive supply is 968 guestrooms. During the next four years, we are projecting the opening of one new direct competitor with 184 guestrooms. The projected increase in supply is 17%.
MARKET DEMAND	According to the STAR reports, the annual market occupancy rate was 86.0% in 2017, 86.2% in 2018, and 80.5% in 2019. The mix of demand is 84% transient (business and leisure) and 16% group. We are projecting that occupancy will increase slightly in the coming year, decline temporarily with the opening of the new hotel, and recover to 80.0% by 2025. The market average daily room rate in the STAR reports was \$246 in 2017, \$254 in 2018, and \$238 in 2019. We are projecting that the market ADR will increase by 2.5% annually through the forecast period.



Valuation

HIGHEST & BEST USE

Given the central location and expansive water views, the most productive and probable uses of the land if vacant would be lodging or multifamily. The highest and best use of the property as improved is the continued operation of the Kimpton Alexis Hotel.

PROJECTED PERFORMANCE

For purposes of confidentiality, we are not disclosing the historical operating results of the hotel. Over the next several years, occupancy is projected to improve from 78.0% in 2020 to 88.0% in 2025. For a future stabilized year, stated in current dollars, we are projecting a room occupancy rate of 88.0%, an average room rate of \$269, total revenue of \$15.0MM, operating expenses of \$11.0MM, and net operating income of \$4.0MM.

RISK & RETURN

Positive risk factors include the central location of the site within the Seattle CBD, the very good to excellent 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 a stabilized overall capitalization rate of 6.0% and a yield rate of 7.75%.

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 \$65,800,000. In our yield analysis, we discounted the projected income and net reversion, for an indicated value of \$66,100,000.

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. Due to significant differences in facilities and quality, we did not use this approach to develop independent indications of value.

CURRENT MARKET VALUE

In our opinion, the current market value of the Kimpton Alexis Hotel, as of January 1, 2020, is \$66,000,000. The contributory value of tangible personal property is estimated at \$30,000/room less 10% depreciation, or \$3,300,000. The remaining value, \$62,700,000, is allocated to real estate.

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

Stafford Frey Cooper



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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	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
Clise Properties	KCTS Channel 9	Northwestern Trust
Consolidated Restaurants, Inc.	Kilroy Industries	Olympic Resource Management
Delta Airlines	KMPG	PACCAR
Fred Hutchinson	Lindal Cedar Homes	Pine Street Associates
Gai's Bakery	Lone Star Northwest	Portac, Inc.
Goodale & Barbieri	McDonalds Corporation	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	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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Governmental Agencies/Port Authorities/Nonprofits

City of Bainbridge Island	King County Dept. of Transportation	Port of Seattle
City of Half Moon Bay	King County Property Services	Port of Tacoma
City of Kirkland	King County Prosecutor's Office	Sound Transit
City of Santa Cruz	Port of Anacortes	The Nature Conservancy
City of Seattle	Port of Chelan	Trust for Public Land
Dept. of Natural Resources (WA State)	Port of Friday Harbor	United States Postal Service
General Services Administration	Port of Port Townsend	Washington State Attorney General's Office
Internal Revenue Service	Port of Renton	

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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

CERTIFIED GENERAL REAL ESTATE APPRAISER

PETER K SHORETT
601 UNION STREET #4720
SEATTLE WA 98101

1100389 License Number	01/06/1992 Issued Date	04/10/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 Kidd 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.

PROFESSIONAL LICENSES

STATE OF WASHINGTON, Certified General Real Estate Appraiser
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STATE OF OREGON, State Certified General Appraiser
(No. C000237)

STATE OF IDAHO, Certified General Appraiser
(No. CGA-2519)

STATE OF CALIFORNIA, Certified General Real Estate Appraiser
(No. AG 004565)

SELECT CLIENT LIST

Bank of America

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	Seki
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	Medford	Sisters	
Grants Pass		Springfield	

IDAHO

Boise	Idaho Falls	Nampa	Sandpoint
Bonnets 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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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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1100661 License Number	07/25/1991 Issued Date	03/27/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 pursuing 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

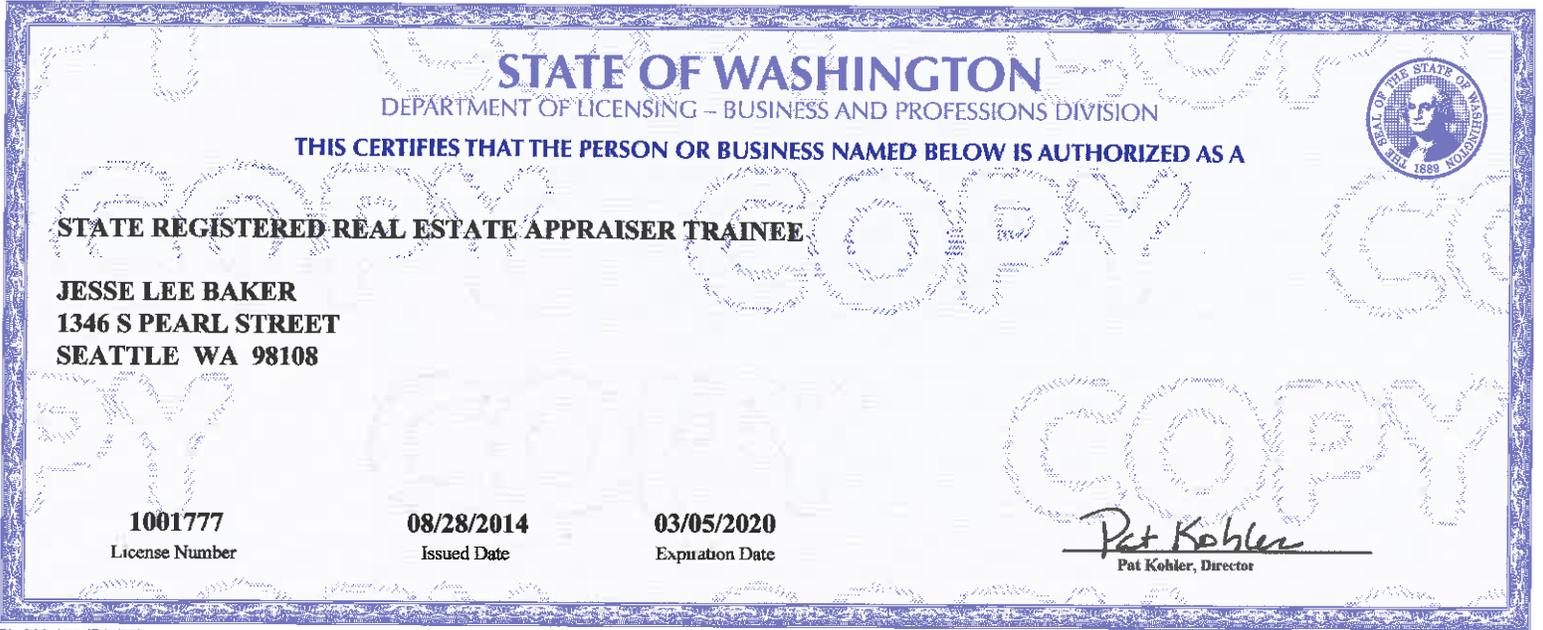


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STATE OF WASHINGTON

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

License Number

08/28/2014

Issued Date

03/05/2020

Expiration Date

Pat Kohler
Pat Kohler, Director



Appraisal Review

Waterfront Seattle Project Special Benefit Study
Kimpton Alexis Hotel

as of October 1, 2019 (Study Date)



Prepared for

The RMR Group
Attn: Jacquelyn Anderson

Engaged February 14, 2020

Prepared by

Peter K. Shorett, MAI, CRE, FRICS
Jesse L. Baker

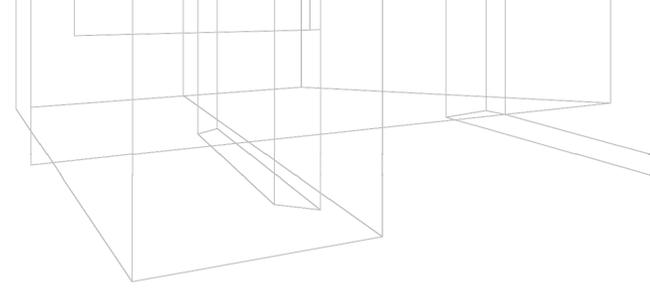
KM Job A20-0187

Kidder Mathews

Valuation Advisory Services

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March 2, 2020

Jacquelyn Anderson
Vice President, Legal
The RMR Group
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458

Re: Kimpton Alexis Hotel, Seattle / KM Job A20-0187

Dear Ms. Anderson:

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,

A blue ink signature of Peter K. Shorett, consisting of stylized initials and a surname.

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

A blue ink signature of Jesse L. Baker, consisting of stylized initials and a surname.

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 review 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	Kimpton Alexis Hotel 1007 1 st 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 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 of 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 owner's 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	Date of Value – October 1, 2019 Report Issued – November 18, 2019
Date of Reviewer's Opinion	Date of Value – October 1, 2019 Review Issued – March 2, 2020



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	\$74,087,000
	After	<u>76,050,000</u>
	Special Benefit	\$1,963,000
	LID Assessment	\$769,147

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.

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

Specific to the Kimpton Alexis Hotel, the value increase is not considered market supported for the following reasons.

**KIMPTON ALEXIS HOTEL**

The Kimpton Alexis Hotel is a 121-room luxury hotel that occupies three adjoining structures built in 1901, 1904, and 1906. The hotel has 121 guestrooms, a restaurant and lounge, a fitness center, 2,645 sq ft of dedicated meeting space, 18,100 sq ft of street retail space, and a 65-stall parking garage. The guestrooms were renovated in 2019 and are in excellent condition.

INDIVIDUAL PERFORMANCE

The 2019 rooms renovation resulted in significant inventory closures; therefore, 2019 operating history does not accurately reflect the hotel's typical performance levels. As such, we have used 2018 operating history as a basis for this analysis. The table below highlights the Kimpton Alexis Hotel performance in 2018. To preserve confidentiality, the individual results are presented in ranges.

OPERATING STRATEGY

Over the past year, hotels in the Downtown CBD have been dropping rates significantly to maintain occupancy. We reviewed 2019 operating performance figures at comparable Kimpton managed properties in the CBD, where the operating strategy in the current environment appears to be rooted in maintaining occupancy rates at high levels, at the expense of dropping rates to remain competitive. Had the Kimpton Alexis Hotel not been under renovation in 2019, we assume an occupancy-preserving strategy would have been employed at the Alexis and that the hotel would continue counting on its core customer base, while other rate-sensitive customers downgrade accommodations.

DEMAND SEGMENTATION

Market demand may be analyzed by segment or source. In this region, the most common allocation is among transient demand (individual business or leisure travel), group demand, and contract demand.

At the Kimpton Alexis Hotel, the majority of demand is generated in the business and leisure segment. Specifically, the hotel targets upscale business travelers and leisure guests looking for a unique property (i.e. Boutique), as opposed to a traditional franchised or nationally branded hotel. The hotel has a good amount of function space and also targets group demand. Given the small share of contract demand, we have included these room nights in the group segment for purposes of analysis. Based on the monthly data reported by hotel management to STR, the current mix of demand at the Kimpton Alexis Hotel is estimated and displayed in the following table.

Performance & Segmentation

	Occupancy	Daily Rate	RevPAR	Transient	Group
Kimpton Alexis Hotel	Over 85%	\$250-\$300	\$200-\$250	88.0%	12.0%



SEASONALITY During 2018, demand seasonality was minimal, with quarterly share ratios ranging from 21% to 28%. Monthly market occupancy rates ranged from 65.3% in January to 98.0% in August. There was more seasonal variation in room prices, which ranged from the low-\$200's to low-\$300's. The quarterly share range for room revenue was 16% to 35%.

MARKET PROJECTIONS Based on the interview feedback we received from Downtown CBD market operators, most are projecting flat rate growth and declining market occupancy is projected in the short term as the market continues to adjust to the significant influx in new supply that has recently opened.

LID IMPACT We have provided a summary of the before and after valuation estimates per ABS.

Property Name	ABS Valuation 10/1/2019					
	Before	Change	After	Benefit	LID Ratio	LID Tax
Kimpton Alexis Hotel	\$74,087,000	2.65%	\$76,050,000	\$1,963,000	39.2%	\$769,147

REQUIRED REVENUE INCREASE

The impact of the LID results in a net value increase of \$1,963,000. The overall revenue increase needed to support this valuation can be calculated as follows:

Value Increase: \$1,963,000
 Cap Rate: 6%
 NOI Increase: $(\$1,963,000 \times .06) = \$117,780$ Net NOI Increase
 NOI Ratio 20% = $(\$117,780 / 20\%) = \$588,900$ Net New Revenue
 Revenue Increase = $\$588,900 / \$22,226,100$ (study implied before) = 2.65%

Based on the before/after assumptions in the Study, the Kimpton Alexis Hotel will need to increase revenue across the board by 2.65%. To determine the required demand to meet revenue growth expectations, we examined the peak season months of May to October, as this timeframe is when most new tourists are expected to visit the Waterfront.

Waterfront Seasonal Rev	Waterfront Seasonal Demand	Waterfront Seasonal ADR	Seasonal Index	KM Proj Stab cur \$	Feasibility Test Seasonal ADR
\$6,405,741	21,238	\$301.62	115.90%	\$268.77	\$311.52



The subject's indicated ADR of \$302 during these months is about 116% higher than its annual ADR of \$260. We then apply the 116% index to our estimate of stabilized ADR forecast in the accompanying appraisal of \$269, resulting in a Waterfront Seasonal ADR estimate of \$312.

Assuming a \$269 average daily rate, the new peak season target rate will be \$312. The resulting figure is about \$10 higher than our 2019 estimate of peak seasonal ADR. While it may appear that a \$10/night is a minor increase and should be relatively easy to achieve, the same 2.65% revenue increase would also apply to all revenue centers including F&B, Parking, Retail, and Other. These are real increases across the board that are implied to occur immediately if the LID Final Assessment Roll is approved.

This amount of increase seems highly unlikely considering the recent steep decline in ADR observed across the CBD market from 2018 to 2019.

Without the 2019 rooms closures for the renovation, we assume the Kimpton Alexis Hotel would experience operating trends in line with comparable properties in the CBD, where most observed declining RevPAR by 5% to 10% in 2019 over 2018 results.

This declining performance observed at the Kimpton Alexis Hotel in 2019 was primarily due to the renovation; however, we assume the hotel would have otherwise performed consistent with other upscale boutique hotels in where operators have dropped rates aggressively to maintain occupancy as new supply continues to come online. The declining performance is a direct result of new supply entering the market. According to all operators we interviewed, this supply must be absorbed over the next few years, and it will likely be 2022 to 2023 before average rates recover to levels observed in recent years.

**REQUIRED
DEMAND
INCREASE**

From another perspective, we looked at the new revenue threshold expectation from a supply and demand perspective, to demonstrate how many actual new rooms would be needed to meet the value increase estimate opined in the Study.

New Revenue = \$588,900 | ADR = \$312 (Peak Season Estimate)
 New Demand Required = ($\$588,900 / \312 ADR) = 1,888 new guestrooms
 Existing Demand = 39,037 total rooms booked per year (2018)
 Net Demand Increase = $(1,888 / 39,037) / = \underline{4.84\% \text{ New Demand}}$



The majority of new tourist demand would occur in the summer and fall months, as these months offer favorable weather for outdoor attractions, events held on the Waterfront, and other compression generated demand.

The summer and fall months are also considered the peak demand months for hotels in the region, creating limitations on supply to meet the new revenue demands. Using our 2018 segmentation data from the STR report, we illustrate available supply at the Kimpton Alexis Hotel during the peak season in the following table.

Available Guestroom Supply, Peak Season

	Subject Supply		Subject Demand		Available Supply	
	Rooms	ARN	ORN	Share	Rooms	Supply Ratio
May	121	3,751	3,609	9%	142	4%
June	121	3,630	3,533	9%	97	3%
July	121	3,751	3,675	9%	76	2%
August	121	3,751	3,646	9%	105	3%
September	121	3,630	3,444	9%	186	5%
October	121	3,751	3,331	9%	420	11%
					1,026	

Available Supply (6 months) = 1,026 guestrooms

Projected Demand Requirement = 1,888 new guestrooms

WF LID Supply/Demand Ratio = $(1,888/1,026) = 184\%$ **Total Supply**

The Kimpton Alexis Hotel would need to exceed its available supply with demand generated by the LID improvements to meet the 2.65% revenue growth.

Assuming a best-case scenario, with rooms revenue equating to about 70% of total operating revenue at the Kimpton Alexis Hotel, and that all other revenue centers (F&B, Parking, Other) meet the required 2.65% revenue growth we apply the 70% ratio to the new 1,888 guestrooms calculated above. The result $(1,888 \times 70\%) = 1,321$ new guestrooms.

WF LID Supply/Demand Ratio = $(1,321/1,026) = 129\%$ **Total Supply**



**OPERATIONS
FEASIBILITY TEST**

To illustrate how the above scenarios would fare under typical operations, we apply a max operating capacity ratio of 99% occupancy, accounting for Sundays and holidays, which are typically slower in all markets. This figure is also supported by typical capacity figures reported at Boutique properties in the region. Waterfront LID generated demand to be absorbed over the six months most over-night tourists are expected to visit Seattle. Under both scenarios, the Kimpton Alexis Hotel would be unable to accommodate the additional demand in five of six months, with a near miss in October.

Absorption Feasibility Test A: Best Case Scenario (1,321 guestrooms)

	Subject Supply		Subject Demand		Available Supply				
	Rooms	ARN	ORN	OCC	Total	Peak 99%	Actual	WF NEEDS	NET
May	121	3,751	3,609	96.2%	142	38	104	220	-116
June	121	3,630	3,533	97.3%	97	36	61	220	-160
July	121	3,751	3,675	98.0%	76	38	38	220	-182
August	121	3,751	3,646	97.2%	105	38	67	220	-153
September	121	3,630	3,444	94.9%	186	36	150	220	-71
October	121	3,751	3,331	88.8%	420	38	382	220	162
Subtotals					1,026	223	803	1,321	-518

Absorption Feasibility Test B: Worst Case Scenario (1,888 guestrooms)

	Subject Supply		Subject Demand		Available Supply				
	Rooms	ARN	ORN	2019 OCC	Total	Peak 99%	Actual	WF NEEDS	NET
May	121	3,751	3,609	96.2%	142	38	104	315	-210
June	121	3,630	3,533	97.3%	97	36	61	315	-254
July	121	3,751	3,675	98.0%	76	38	38	315	-276
August	121	3,751	3,646	97.2%	105	38	67	315	-247
September	121	3,630	3,444	94.9%	186	36	150	315	-165
October	121	3,751	3,331	88.8%	420	38	382	315	68
Subtotals					1,026	223	803	1,888	-1,084

**CONCLUSION**

The impact of the LID improvements as opined in the Study imply the expectation that new revenue of 2.65% across the board will be achieved (Rooms, F&B, Parking, Other). From a supply/demand standpoint, we estimate the Waterfront LID project would need to generate an additional 1,321 guestrooms, accounting for 129% of supply in the best-case scenario, which assumes all other departments can meet the 2.65% revenue increase goal. Looking at just room revenue to fill the void, the new demand needed increases to 1,888 guestrooms, or 184% of available supply.

The typical profile of new overnight tourists expected to visit the Waterfront Park does not match the upscale business traveler targeted by the Kimpton Alexis Hotel and similar boutique properties. Given the limited capacity for new rate growth in the current softened CBD lodging market, coupled with the limited supply available during peak season illustrated above, we find it highly unlikely the LID improvements would generate new demand to support the required 2.65% revenue growth required to support the special benefit assigned to the Kimpton Alexis Hotel.

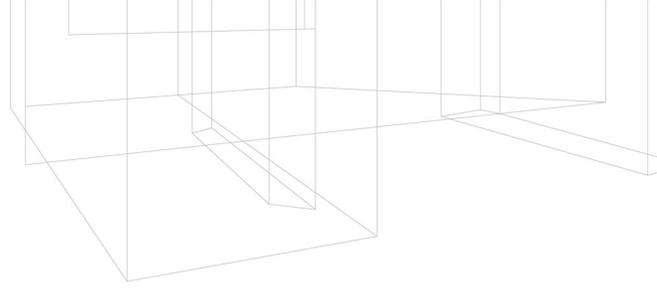


EXHIBIT 1 – ATTACHMENT TO APPRAISAL REVIEW

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.



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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. Difference in the Before and After Condition

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 average in the "before" scenario to excellent with the LID project completed.*"

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



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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.

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Promenade

Before



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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



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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



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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





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.





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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.



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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.



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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.



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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



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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.



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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.





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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 Virginia 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.



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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



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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.



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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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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
Clise Properties	KCTS Channel 9	Northwestern Trust
Consolidated Restaurants, Inc.	Kilroy Industries	Olympic Resource Management
Delta Airlines	KMPG	PACCAR
Fred Hutchinson	Lindal Cedar Homes	Pine Street Associates
Gai's Bakery	Lone Star Northwest	Portac, Inc.
Goodale & Barbieri	McDonalds Corporation	Rayonier

Attorney/Law Firms Continued

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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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Governmental Agencies/Port Authorities/Nonprofits

City of Bainbridge Island	King County Dept. of Transportation	Port of Seattle
City of Half Moon Bay	King County Property Services	Port of Tacoma
City of Kirkland	King County Prosecutor's Office	Sound Transit
City of Santa Cruz	Port of Anacortes	The Nature Conservancy
City of Seattle	Port of Chelan	Trust for Public Land
Dept. of Natural Resources (WA State)	Port of Friday Harbor	United States Postal Service
General Services Administration	Port of Port Townsend	Washington State Attorney General's Office
Internal Revenue Service	Port of Renton	

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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

CERTIFIED GENERAL REAL ESTATE APPRAISER

PETER K SHORETT
601 UNION STREET #4720
SEATTLE WA 98101

1100389 License Number	01/06/1992 Issued Date	04/10/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 Kidd 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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SELECT CLIENT LIST

Bank of America

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	Seki
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	Medford	Sisters	
Grants Pass		Springfield	

IDAHO

Boise	Idaho Falls	Nampa	Sandpoint
Bonniers 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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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 License Number	07/25/1991 Issued Date	03/27/2021 Expiration Date
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Teresa Berntsen
Teresa Berntsen, Director





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 pursuing 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

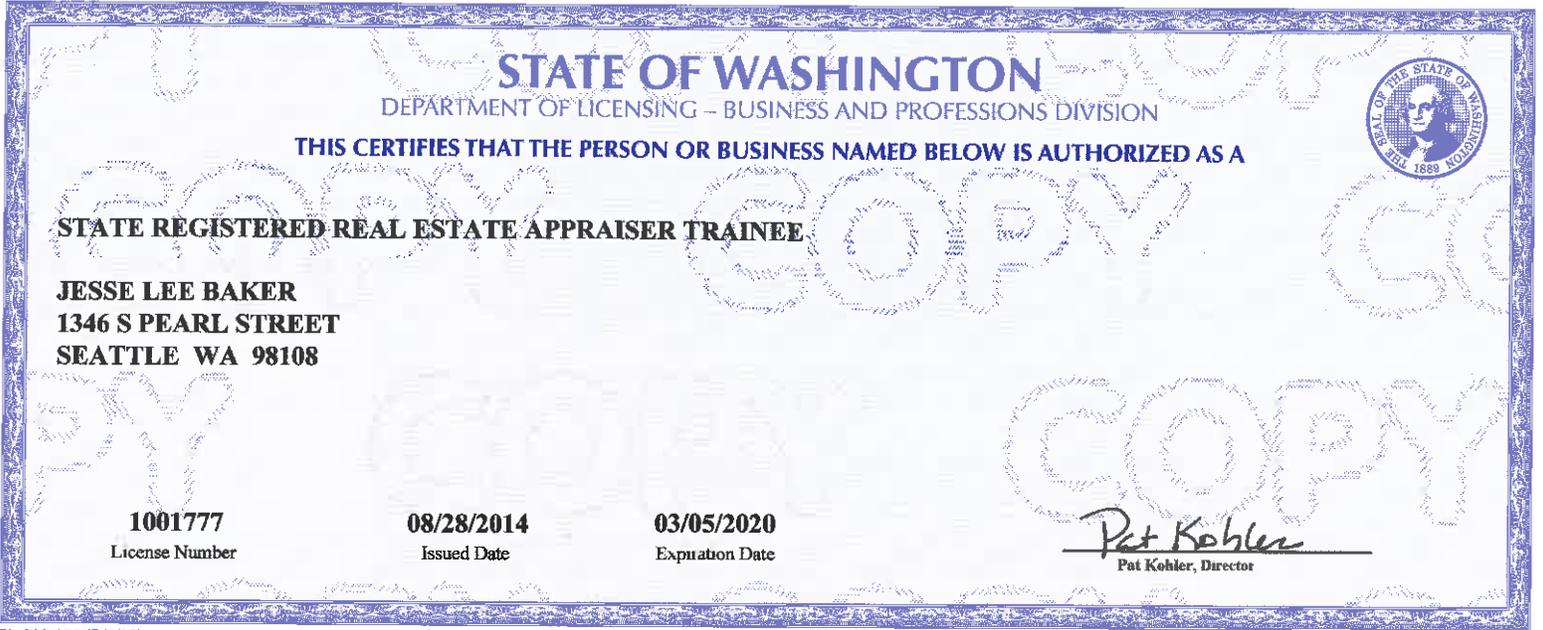


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STATE OF WASHINGTON

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
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1001777

License Number

08/28/2014

Issued Date

03/05/2020

Expiration Date

Pat Kohler
Pat Kohler, Director



Kimpton Alexis Hotel

Restricted Appraisal – Supplemental Tables

LID Hearing Case CWF-0318

Tax Parcels 1974600025 & 1974600035

ABS Valuation Property B-256 & B-257

Kidder Mathews Job A20-0187



**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
The Edgewater	1962	220	94,579	424	Full	\$179-\$529
2411 Alaskan Way	1962	3	122,309	548	Interior	A B C E
Seattle, WA 98121	20	223	8,885	40	4 Stories	◆◆◆◆
Kimpton Hotel Monaco	1969	189	19,980	106	Boutique	\$269-\$401
1101 4th Avenue	1997	0	133,884	708	Interior	A B C E
Seattle, WA 98101	20	189	5,240	28	11 Stories	◆◆◆◆
Mayflower Park Hotel	1927	160	8,120	51	Vintage	\$140-\$259
405 Olive Way	1927	0	80,538	503	Interior	A B C E
Seattle, WA 98101	20	160	4,331	27	12 Stories	◆◆◆◆
Kimpton Alexis Hotel	1908	112	27,714	229	Vintage	\$227-\$618
1007 1st Avenue	2007	9	128,760	1,064	Interior	A B C E
Seattle, WA 98104	20	121	2,645	22	6 Stories	◆◆◆◆
Lowes Hotel 1000	2006	102	8,245	69	Boutique	\$255-\$815
1000 1st Avenue	2017	18	133,161	1,110	Interior	A B D E
Seattle, WA 98104	10	120	8,220	69	24 Stories	◆◆◆◆
Inn at the Market	1985	72	12,278	162	Boutique	\$335-\$750
86 Pine Street	1985	7	57,424	756	Interior	A B C
Seattle, WA 98101	20	79	1,278	17	4-8 Stories	◆◆◆◆
Hotel Sorrento	1909	56	28,800	379	Vintage	\$149-\$409
900 Madison Street	1909	20	76,631	1,008	Interior	A B C E
Seattle, WA 98104	20	76	4,275	56	7 Stories	◆◆◆◆
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

	2015	2016	2017	2018	2019
Market Supply					
Existing Hotels	1,086	1,086	1,086	1,086	1,089
505 Madison					
Average Daily Rooms	1,086	1,086	1,086	1,086	1,089
Available Room Nights	396,390	396,390	396,390	396,390	397,485
Percentage Change	-	0.0%	0.0%	0.0%	0.3%
Market Demand					
Base Demand					
Underlying Growth					
Trended Demand					
Induced Demand					
Occupied Room Nights	336,060	338,105	340,830	341,853	319,969
Percentage Change	-	0.6%	0.8%	0.3%	-6.4%
Market Occupancy	84.8%	85.3%	86.0%	86.2%	80.5%
Market Room Rate	\$240.58	\$240.90	\$246.34	\$253.63	\$238.38
Percentage Change	-	0.1%	2.3%	3.0%	-6.0%
Market RevPAR	\$203.96	\$205.48	\$211.81	\$218.74	\$191.89
Percentage Change	-	0.7%	3.1%	3.3%	-12.3%
Market Revenue (000)	\$80,848	\$81,450	\$83,958	\$86,706	\$76,274
Percentage Change	-	0.7%	3.1%	3.3%	-12.0%



Table 3
Market Supply & Demand, Projected

	2020	2021	2022	2023	2024	2025
Market Supply						
Existing Hotels	1,089	1,089	1,089	1,089	1,089	1,089
505 Madison		184	184	184	184	184
Average Daily Rooms	1,089	1,273	1,273	1,273	1,273	1,273
Available Room Nights	397,485	464,645	464,645	464,645	464,645	464,645
Percentage Change	0.0%	16.9%	0.0%	0.0%	0.0%	0.0%
Market Demand						
Base Demand	319,969	326,368	339,595	353,087	360,149	367,352
Underlying Growth	2.0%	2.0%	2.0%	2.0%	2.0%	1.2%
Trended Demand	326,368	332,895	346,387	360,149	367,352	371,716
Induced Demand	0	6,700	6,700	0	0	0
Occupied Room Nights	326,368	339,595	353,087	360,149	367,352	371,716
Percentage Change	2.0%	4.1%	4.0%	2.0%	2.0%	1.2%
Market Occupancy	82.1%	73.1%	76.0%	77.5%	79.1%	80.0%
Market Room Rate	\$244.34	\$250.45	\$256.71	\$263.13	\$269.71	\$276.45
Percentage Change	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Market RevPAR	\$200.62	\$183.05	\$195.08	\$203.95	\$213.23	\$221.16
Percentage Change	4.6%	-8.8%	6.6%	4.5%	4.6%	3.7%
Market Revenue (000)	\$79,745	\$85,051	\$90,641	\$94,765	\$99,077	\$102,760
Percentage Change	4.5%	6.7%	6.6%	4.6%	4.6%	3.7%



Table 4
Market Position, Historical

	2015	2016	2017	2018	2019
Supply Ratio					
Subject Room Supply	121	121	121	121	121
Market Room Supply	1,086	1,086	1,086	1,086	1,089
Subject Supply Ratio	11.1%	11.1%	11.1%	11.1%	11.1%
Room Occupancy					
Market Supply	396,390	396,390	396,390	396,390	397,485
Market Occupancy	84.8%	85.3%	86.0%	86.2%	80.5%
Market Demand	336,060	338,105	340,830	341,853	319,969
Subject Supply Ratio	11.1%	11.1%	11.1%	11.1%	11.1%
Proportionate Demand	37,443	37,671	37,975	38,089	35,552
Occupancy Index	101.5%	99.8%	103.1%	102.5%	82.5%
Subject Demand	37,999	37,589	39,157	39,037	29,326
Subject Supply	44,165	44,165	44,165	44,165	44,165
Subject Occupancy	86.0%	85.1%	88.7%	88.4%	66.4%
Room Rate					
Market Room Rate	\$240.58	\$240.90	\$246.34	\$253.63	\$238.38
Room Rate Index	105.4%	103.8%	104.4%	102.6%	104.1%
Subject Room Rate	\$253.60	\$249.94	\$257.08	\$260.23	\$248.18
Room Revenue					
Market RevPAR	\$202.18	\$204.57	\$209.79	\$217.32	\$195.28
RevPAR Index	107.9%	104.0%	108.6%	105.8%	84.4%
Subject RevPAR	\$218.20	\$212.72	\$227.93	\$230.02	\$164.79
Subject Revenue	\$9,636,679	\$9,394,871	\$10,066,362	\$10,158,689	\$7,278,144



Table 5
Market Position, Projected

	Projected						Stabilized
	2020	2021	2022	2023	2024	2025	2020 \$
Supply Ratio							
Subject Room Supply	121	121	121	121	121	121	121
Market Room Supply	1,089	1,273	1,273	1,273	1,273	1,273	1,273
Subject Supply Ratio	11.1%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Room Occupancy							
Market Supply	397,485	464,645	464,645	464,645	464,645	464,645	464,645
Market Occupancy	82.1%	73.1%	76.0%	77.5%	79.1%	80.0%	80.0%
Market Demand	326,368	339,595	353,087	360,149	367,352	371,716	371,716
Subject Supply Ratio	11.1%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Proportionate Demand	36,263	32,279	33,561	34,233	34,917	35,332	35,332
Occupancy Index	95.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Subject Demand	34,450	35,507	36,917	37,656	38,409	38,865	38,865
Subject Supply	44,165	44,165	44,165	44,165	44,165	44,165	44,165
Subject Occupancy	78.0%	80.4%	83.6%	85.3%	87.0%	88.0%	88.0%
Room Rate							
Market Room Rate	\$244.34	\$250.45	\$256.71	\$263.13	\$269.71	\$276.45	\$244.34
Room Rate Index	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Subject Room Rate	\$268.77	\$275.49	\$282.38	\$289.44	\$296.68	\$304.09	\$268.77
Room Revenue							
Market RevPAR	\$200.62	\$183.05	\$195.08	\$203.95	\$213.23	\$221.16	\$195.47
RevPAR Index	104.5%	121.0%	121.0%	121.0%	121.0%	121.0%	121.0%
Subject RevPAR	\$209.65	\$221.48	\$236.04	\$246.78	\$258.01	\$267.60	\$236.52
Subject Revenue	\$9,259,247	\$9,781,878	\$10,424,769	\$10,899,096	\$11,395,005	\$11,818,629	\$10,445,946



Table 6
Historical Operating Performance

	2018				2019			
	Total	Ratio	Per Rm	Per ORN	Total	Ratio	Per Rm	Per ORN
Available Rooms	121				121			
Occupancy Rate	88.4%				66.4%			
Average Room Rate	\$260.25				\$248.18			
Daily RevPAR	\$230.02				\$164.79			
Revenue								
Rooms	\$10,158,687	72.1%	\$83,956	\$260.25	\$7,278,143	67.2%	\$60,150	\$248.18
Food & Beverage	\$2,606,227	18.5%	\$21,539	\$66.77	\$2,300,466	21.2%	\$19,012	\$78.44
Ancillary	\$440,056	3.1%	\$3,637	\$11.27	\$347,560	3.2%	\$2,872	\$11.85
Other Income	\$882,289	6.3%	\$7,292	\$22.60	\$906,196	8.4%	\$7,489	\$30.90
Total	\$14,087,259	100.0%	\$116,424	\$360.90	\$10,832,365	100.0%	\$89,524	\$369.38
Departmental Expenses								
Rooms	\$2,736,249	26.9%	\$22,614	\$70.10	\$2,353,507	32.3%	\$19,450	\$80.25
Food & Beverage	\$2,366,412	90.8%	\$19,557	\$60.62	\$2,252,708	97.9%	\$18,617	\$76.82
Ancillary	\$164,195	37.3%	\$1,357	\$4.21	\$142,517	41.0%	\$1,178	\$4.86
Total	\$5,266,856	37.4%	\$43,528	\$134.93	\$4,748,732	43.8%	\$39,246	\$161.93
Undistributed Expenses								
Administration	\$1,305,078	9.3%	\$10,786	\$33.43	\$1,112,363	10.3%	\$9,193	\$37.93
Info & Telecomm	\$218,446	1.6%	\$1,805	\$5.60	\$196,827	1.8%	\$1,627	\$6.71
Marketing	\$1,183,944	8.4%	\$9,785	\$30.33	\$1,156,614	10.7%	\$9,559	\$39.44
Maintenance	\$552,358	3.9%	\$4,565	\$14.15	\$602,698	5.6%	\$4,981	\$20.55
Utilities	\$286,672	2.0%	\$2,369	\$7.34	\$264,211	2.4%	\$2,184	\$9.01
Total	\$3,546,498	25.2%	\$29,310	\$90.86	\$3,332,713	30.8%	\$27,543	\$113.64
Fixed Charges								
Taxes	\$612,816	4.4%	\$5,065	\$15.70	\$534,809	4.9%	\$4,420	\$18.24
Insurance	\$387,677	2.8%	\$3,204	\$9.93	\$412,980	3.8%	\$3,413	\$14.08
Total	\$1,000,493	7.1%	\$8,269	\$25.63	\$947,789	8.7%	\$7,833	\$32.32
Direct Expenses	\$9,813,847	69.7%	\$81,106	\$251.42	\$9,029,234	83.4%	\$74,622	\$307.89
Operating Profit	\$4,273,412	30.3%	\$35,317	\$109.48	\$1,803,131	16.6%	\$14,902	\$61.49



Table 7
Stabilized Operating Performance

	Total	Ratio	Per Room	Per ORN
Guestrooms	121			
Room Occupancy Rate	88.0%			
Average Daily Room Rate	\$268.77			
Daily RevPAR	\$236.52			
Revenue				
Rooms	\$10,445,946	69.5%	\$86,330	\$268.77
Food & Beverage	\$3,137,586	20.9%	\$25,930	\$80.73
Ancillary	\$466,382	3.1%	\$3,854	\$12.00
Other Income	\$971,630	6.5%	\$8,030	\$25.00
Total	\$15,021,545	100.0%	\$124,145	\$386.50
Departmental Expenses				
Rooms	\$2,715,946	26.0%	\$22,446	\$69.88
Food & Beverage	\$2,823,827	90.0%	\$23,337	\$72.66
Ancillary	\$186,553	40.0%	\$1,542	\$4.80
Total	\$5,726,326	38.1%	\$47,325	\$147.34
Undistributed Expenses				
Administration	\$1,297,646	8.6%	\$10,724	\$33.39
Info & Telecomm	\$205,700	1.4%	\$1,700	\$5.29
Marketing	\$1,187,797	7.9%	\$9,817	\$30.56
Maintenance	\$605,000	4.0%	\$5,000	\$15.57
Utilities	\$278,300	1.9%	\$2,300	\$7.16
Total	\$3,574,444	23.8%	\$29,541	\$91.97
Fixed Charges				
Property Taxes	\$454,914	3.0%	\$3,760	\$11.70
Insurance	\$36,300	0.2%	\$300	\$0.93
Total	\$491,214	3.3%	\$4,060	\$12.64
Direct Expenses	\$9,791,984	65.2%	\$80,925	\$251.95
Operating Profit	\$5,229,560	34.8%	\$43,220	\$134.56
Other Charges				
Management Fees	\$450,646	3.0%	\$3,724	\$11.60
Capital Replacement	\$751,077	5.0%	\$6,207	\$19.33
Total	\$1,201,724	8.0%	\$9,932	\$30.92
Total Expenses	\$10,993,708	73.2%	\$90,857	\$282.87
Net Operating Income	\$4,027,837	26.8%	\$33,288	\$103.64



Table 8
Projected Operating Performance

	2020	2021	2022	2023	2024	2025
Room Occupancy Rate	78.0%	80.4%	83.6%	85.3%	87.0%	88.0%
Average Daily Room Rate	\$268.77	\$275.49	\$282.38	\$289.44	\$296.68	\$304.09
Daily RevPAR	\$209.65	\$221.48	\$236.04	\$246.78	\$258.01	\$267.60
Revenue						
Rooms	\$9,259,247	\$9,781,878	\$10,424,769	\$10,899,096	\$11,395,005	\$11,818,629
Food & Beverage	\$2,894,748	\$3,026,696	\$3,183,877	\$3,307,206	\$3,435,608	\$3,549,891
Ancillary	\$413,400	\$436,734	\$465,437	\$486,614	\$508,755	\$527,669
Other Income	\$861,249	\$909,862	\$969,660	\$1,013,780	\$1,059,907	\$1,099,310
Total	\$13,428,644	\$14,155,170	\$15,043,743	\$15,706,696	\$16,399,274	\$16,995,499
Departmental Expenses						
Rooms	\$2,469,113	\$2,591,400	\$2,739,040	\$2,851,967	\$2,969,740	\$3,072,844
Food & Beverage	\$2,631,349	\$2,744,356	\$2,877,575	\$2,984,177	\$3,095,021	\$3,194,902
Ancillary	\$167,479	\$176,346	\$187,157	\$195,271	\$203,744	\$211,068
Total	\$5,267,941	\$5,512,102	\$5,803,772	\$6,031,415	\$6,268,505	\$6,478,813
Undistributed Expenses						
Administration	\$1,249,859	\$1,292,830	\$1,341,192	\$1,383,327	\$1,426,908	\$1,468,168
Info & Telecomm	\$205,700	\$210,843	\$216,114	\$221,516	\$227,054	\$232,731
Marketing	\$665,500	\$682,138	\$1,220,429	\$1,261,626	\$1,304,338	\$1,343,884
Maintenance	\$584,381	\$604,049	\$626,072	\$645,437	\$665,455	\$684,502
Utilities	\$275,138	\$282,793	\$290,924	\$298,766	\$306,830	\$314,871
Total	\$2,980,579	\$3,072,652	\$3,694,730	\$3,810,672	\$3,930,585	\$4,044,155
Fixed Charges						
Property Taxes	\$447,412	\$460,438	\$474,467	\$487,680	\$501,285	\$514,694
Insurance	\$36,300	\$37,208	\$38,138	\$39,091	\$40,068	\$41,070
Total	\$483,712	\$497,645	\$512,605	\$526,771	\$541,353	\$555,764
Other Charges						
Management Fees	\$402,859	\$424,655	\$451,312	\$471,201	\$491,978	\$509,865
Capital Replacement	\$671,432	\$707,758	\$752,187	\$785,335	\$819,964	\$849,775
Total	\$1,074,291	\$1,132,414	\$1,203,499	\$1,256,536	\$1,311,942	\$1,359,640
Total Expenses	\$9,806,522	\$10,214,812	\$11,214,606	\$11,625,394	\$12,052,385	\$12,438,372
Net Operating Income	\$3,622,121	\$3,940,357	\$3,829,137	\$4,081,302	\$4,346,889	\$4,557,128



**Table 9
Income Capitalization**

Direct Capitalization	Projected NOI	Overall Cap Rate	Present Value
Stabilized NOI (2020 \$)	\$4,027,837	6.00%	\$67,100,000
Near-Term Surplus/Shortfall			<u>-\$1,300,000</u>
Indicated Value			\$65,800,000
<hr/>			
Yield Capitalization	Projected NOI	7.75% PV Factor	Present Value
2020	\$3,622,121	0.928074	\$3,361,597
2021	\$3,940,357	0.861322	\$3,393,916
2022	\$3,829,137	0.799371	\$3,060,899
2023	\$4,081,302	0.741875	\$3,027,817
2024	\$4,346,889	0.688515	\$2,992,900
2025	\$4,557,128	0.638993	\$2,911,974
2026	\$4,671,056	0.593033	\$2,770,091
2027	\$4,787,832	0.550379	\$2,635,122
2028	\$4,907,528	0.510792	\$2,506,728
2029	\$5,030,216	0.474053	\$2,384,591
Reversion			
NOI After Reversion	\$5,155,972		
Reversion Capitalization Rate	<u>6.40%</u>		
Fee Simple Value At Reversion	\$80,560,000		
Less Selling Costs @ 3.0%	<u>\$2,420,000</u>		
Net Cash At Reversion	\$78,140,000	0.474053	<u>\$37,042,528</u>
Indicated Value			\$66,100,000
<hr/>			
Current Market Value As Is			\$66,000,000



Table 10
Near-Term Income Variance

	2020	2021	2022	2023	2024	2025
Stabilized NOI	\$4,027,837	\$4,027,837	\$4,027,837	\$4,027,837	\$4,027,837	\$4,027,837
Trending Factor	1.000000	1.025000	1.050625	1.076891	1.103813	1.131408
Trended NOI	\$4,027,837	\$4,128,533	\$4,231,746	\$4,337,540	\$4,445,978	\$4,557,128
Projected NOI	\$3,622,121	\$3,940,357	\$3,829,137	\$4,081,302	\$4,346,889	\$4,557,128
Projected Variance	-\$405,716	-\$188,175	-\$402,609	-\$256,238	-\$99,089	\$0
Discount Factor	0.928074	0.861322	0.799371	0.741875	0.688515	
Discounted Variance	-\$376,534	-\$162,080	-\$321,834	-\$190,096	-\$68,224	
Cumulative Variance	-\$1,118,768					
Profit Incentive	-\$167,815					
Variance & Incentive (rd)	-\$1,300,000					

Table 11
Allocation of Value

Total Asset	Personal Property			Net	Real Estate
	Per Room	Total	Deprec		
\$66,000,000	\$30,000	\$3,600,000	10%	\$3,200,000	\$62,800,000

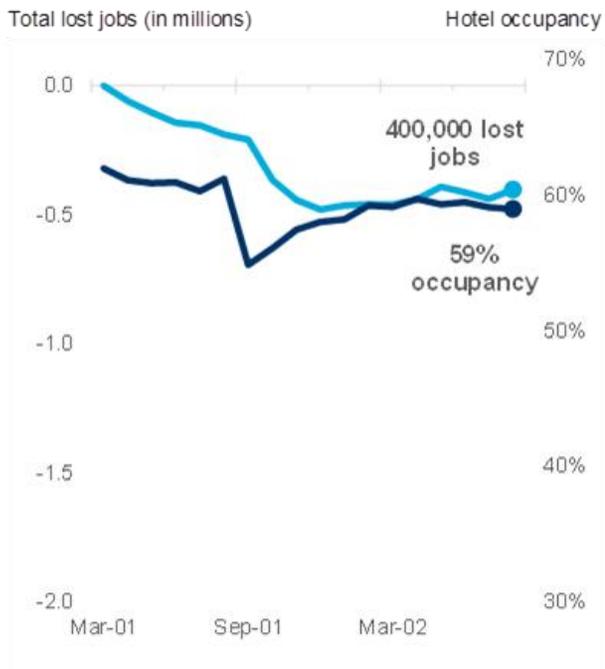
Kimpton Alexis Hotel	Actual 2018		ABS Prelim		ABS Final		KM Stabilized	
	Total	Ratio	Total	Ratio	Total	Ratio	Total	Ratio
Guestrooms	121		121		121		121	
Available Room Nights	44,165		44,165		44,165		44,165	
Occupancy Rate	88.4%		80.0%		80.0%		88.0%	
Occupied Room Nights	39,034		35,332		35,332		37,099	
Average Room Rate	\$260		\$515		\$360		\$282	
Room Revenue	\$10,158,687	72.1%	\$18,195,980	84.9%	\$12,719,520	81.8%	\$10,445,946	69.5%
Other Revenue	\$3,928,572	27.9%	\$3,235,664	15.1%	\$2,835,995	18.2%	\$4,575,599	30.5%
Total Revenue	\$14,087,259	100.0%	\$21,431,644	100.0%	\$15,555,515	100.0%	\$15,021,545	100.0%
Operating Expenses	\$10,940,828	77.7%	\$15,828,981	73.9%	\$10,184,157	65.5%	\$10,993,708	73.2%
Net Operating Income	\$3,146,431	22.3%	\$5,602,663	26.1%	\$5,371,358	34.5%	\$4,027,837	26.8%
Capitalization Rate			7.50%		7.25%		6.27%	
Current Value			\$74,702,000		\$74,087,000		\$64,200,000	
Lift Ratio			3.02%		2.65%		2.65%	
Special Benefit			\$2,259,000		\$1,963,000		\$1,701,035	
LID Levy			\$885,528		\$769,147		\$666,806	

OXFORD ECONOMIC STUDY

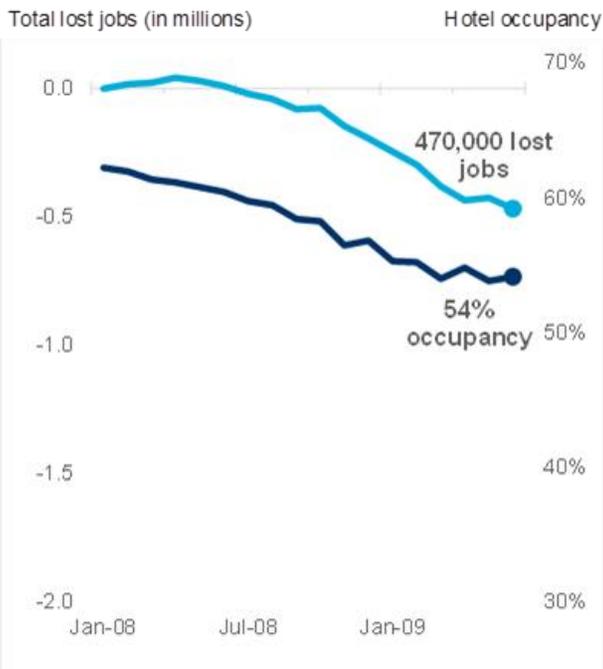
Impact on Hotel Room Demand And Total Job Loss:

Comparison Between 9/11, Recession And Early Stage Of Coronavirus Pandemic

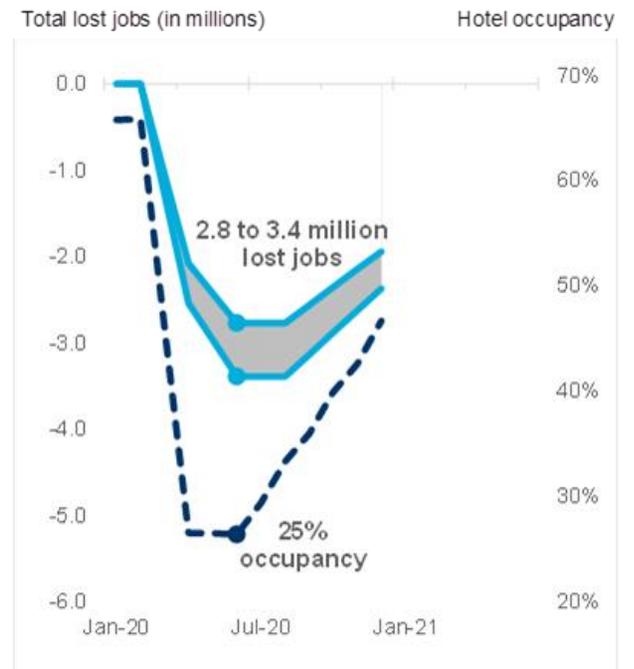
Recession of 2001 and 9/11



Recession of '07-'09



Covid-19 (PRELIMINARY SCENARIO)



Marker indicates June 2020

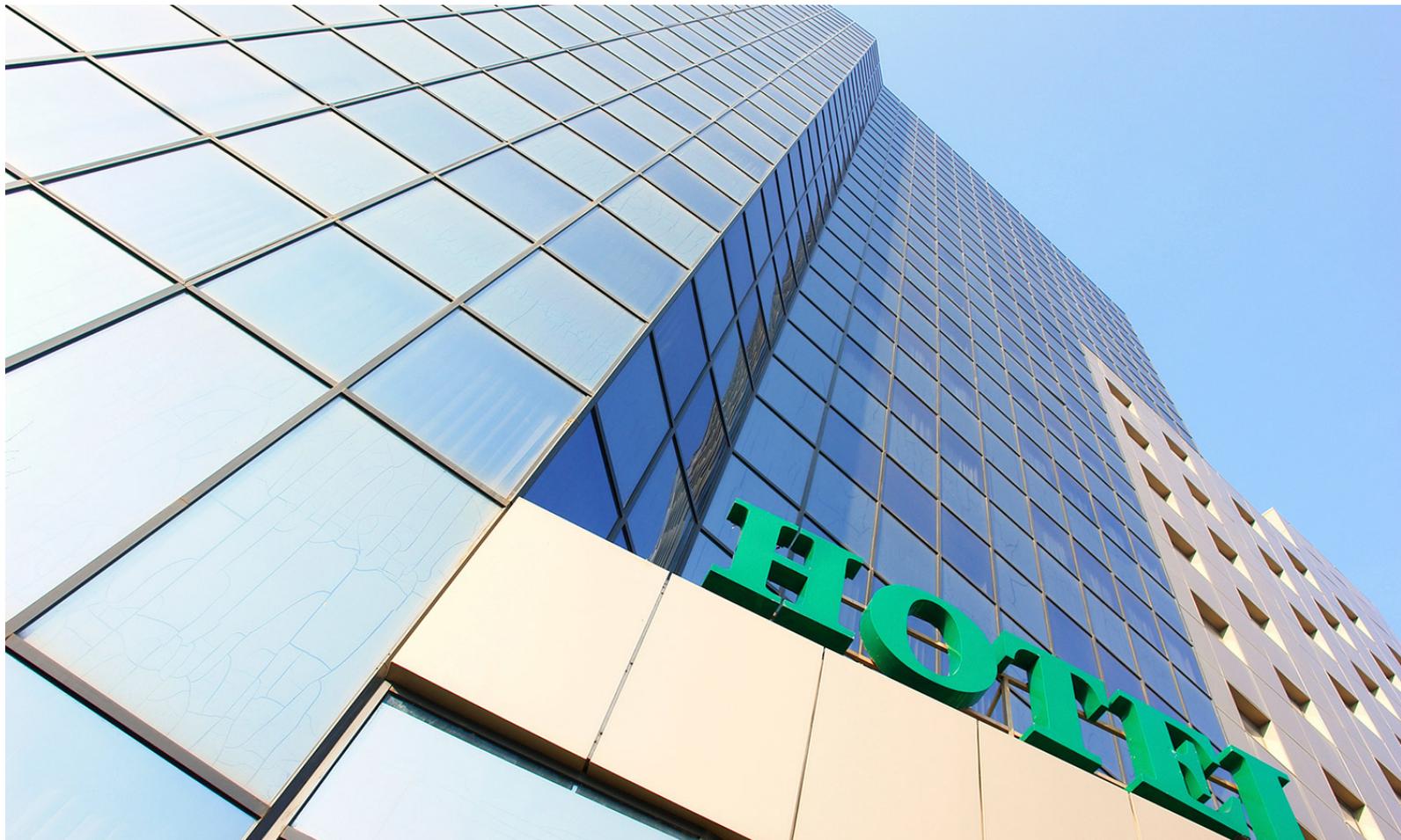
Note: Room night demand is based on monthly STR occupied room nights in US hotels (seasonally adjusted). Total lost jobs reflect total jobs supported by the hotel industry, including direct jobs at hotels and supported by guest ancillary spending (e.g., restaurants), as well as indirect (supply-chain) jobs, and induced jobs supported by wages and salaries of direct employees.

Source: STR, BEA, BLS, Oxford Economics (mid-March, 2020)

MARCH 16, 2020

The Hotel Market and COVID-19

POSTED IN – MARKET RESEARCH | TREND ARTICLE



The outbreak of COVID-19, the new coronavirus, is having an impact the lodging industry. Among the first to be affected in our region were properties in and near Downtown Seattle. Hotels that should be running at 70% to 80% occupancy this time of year are more than half empty. Local businesses have cut back or eliminated corporate travel, groups are cancelling planned events, and tourism is nonexistent.

If reports from China are to be believed (a big “if”), the virus appears to have a primary cycle of three to four months, with a few cases in the early weeks, a rapid rise in infections among the most vulnerable populations, and an eventual tapering off. Seattle and King County began feeling the effects in late February, suggesting that the impact will be most severe through April and that there could be a noticeable decrease in new infections by the end of May.

As the virus abates, lodging demand will begin to recover. Business travel will resume first, once local companies are convinced that their employees and visitors are not at risk.

The recovery in leisure travel will be slower, with some tourists returning this summer but others putting off trips until 2021. Many of these guests are attracted by sporting events and cultural activities, and most of these functions have been cancelled. As in past recessions, some tourists will choose to avoid urban areas and instead visit coastal and resort locations, as long as they are virus-free.

Many group events, such as conventions and weddings, are booked well in advance. For this reason, the impact of the virus on group demand will extend out at least two years. Even if a group wished to reschedule later in 2020, the market does not have the capacity to accommodate all of the spring groups during what are typically the busy summer and fall seasons.

In such an environment, how do we move forward? How should hotel owners and managers cope in the coming months? Here are a few suggestions:

- It will not be possible for most hotels to keep their full staff on payroll. Identify those positions that are essential to the operation and keep them filled. Be sure that those who are laid off know they will be welcome back once the crisis abates.
- When temporary furloughs are necessary, continue to pay the medical insurance premiums for affected employees. This could encourage them to return, saving you the cost of a new hire. It is also the right thing to do.
- Ask your lender to waive debt service payments through the summer. In exchange, offer to extend the loan term. Extraordinary times call for extraordinary measures.
- Think twice before reducing room prices as a means of maintaining occupancy. If price were the primary motivation of hotel guests, this strategy might be effective. But if they are worried about the possibility of infection, no discount will be low enough to offset that fear.
- If you operate a mid-scale or budget hotel and are anticipating very low occupancy for several months, consider suspending conventional operation and instead making your property available as housing for residents under voluntary quarantine. Offer low weekly rates and limit housekeeping to linen service. Plan to complete a thorough and well-publicized cleaning of the building once the space is no longer needed.
- King County recently purchased a budget motel in Kent to house residents under voluntary quarantine. If you are considering selling your hotel, local agencies might be interested.

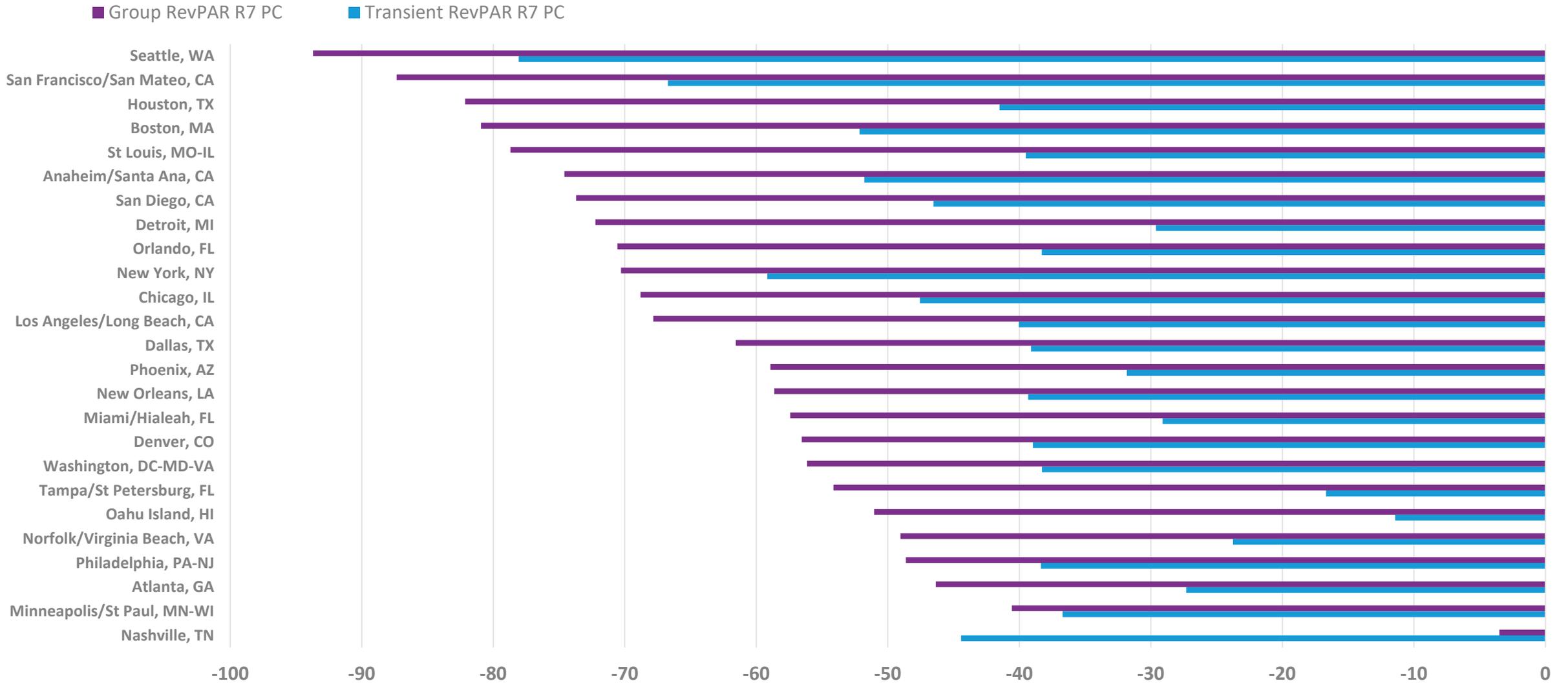
John Gordon

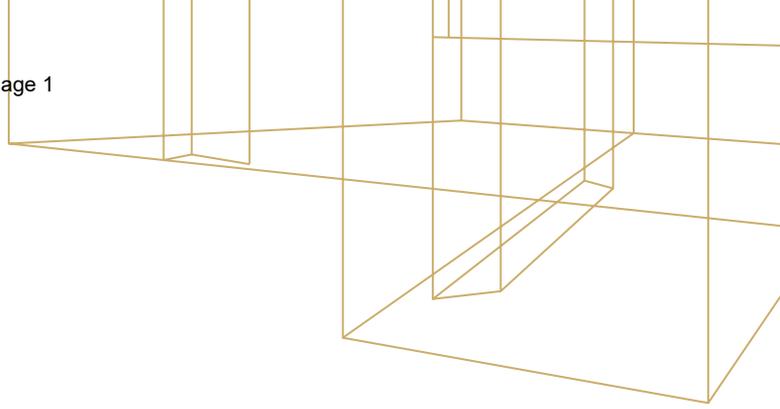
Kidder Mathews

Top 25: RevPAR Falls Off A Cliff



Segmentation RevPAR % Change, Week end March 14





MARKET TRENDS | HOTEL SEATTLE

1ST QUARTER
2020

Estimated 2019	▼ ROOM OCCUPANCY	▲ AVERAGE ROOM RATE	◀▶ DAILY REVPAR
Projected 2020	▼ ROOM OCCUPANCY	◀▶ AVERAGE ROOM RATE	▼ DAILY REVPAR

The Day the Earth Stood Still. The title is from a film that envisioned our collective response to an alien visitor. But it also describes our attempt to cope with COVID-19, the new coronavirus that has caused major disruptions in most sectors of the national and regional economy.

The lodging industry has been particularly hard hit. As of this writing, nearly half the hotels in Downtown Seattle had suspended operations. Those that remain open are struggling with very low occupancy. One hotel is being used to house patients under voluntary quarantine.

It appears that the primary arc of the virus lasts three to four months, with a few cases in the early weeks, a rapid rise in infections among the most vulnerable populations, and an eventual tapering off. The first case in Washington was reported in late January, and the infection rate accelerated in February. This suggests that the impact will be most severe through April and that there could be a noticeable decrease in new infections by the end of May.

As the virus abates, lodging demand will begin to recover. Business travel will resume first, once local companies are convinced that their employees and visitors are not at risk. The recovery in leisure travel will

be slower, with some tourists returning this summer but others putting off trips until 2021. Since many group events are booked well in advance, the impact of the virus on group demand will extend out at least two years.

We expect that room prices will remain flat through 2020. While some hotels may attempt to maintain occupancy by offering discounted rates, we do not expect that strategy to succeed, as no discount will be sufficient to offset the fear of infection.

During 2020, we are projecting that the RevPAR in affected markets will decline by an average of 40% to 50% from the levels recorded in 2019. Barring a resurgence of the virus, most hotels will show strong improvement in 2021 and should fully recover by 2022.

Hotel Market Performance

Market	Room Occupancy			Average Room Rate			Daily RevPAR		
	2019	2020	Change	2019	2020	Change	2019	2020	Change
Downtown Seattle	83.3%	44.6%	-46.5%	\$223	\$223	0.0%	\$186	\$99	-46.5%
Downtown Bellevue	70.8%	42.2%	-40.4%	\$198	\$198	0.0%	\$140	\$84	-40.4%
Kirkland/Redmond	63.8%	36.4%	-42.9%	\$123	\$123	0.0%	\$78	\$45	-42.9%
Kent/Tukwila	70.6%	41.9%	-40.7%	\$138	\$138	0.0%	\$97	\$58	-40.7%
Puyallup/Sumner	86.7%	42.1%	-51.4%	\$138	\$138	0.0%	\$120	\$58	-51.4%
Marysville/Arlington	66.1%	37.7%	-43.0%	\$122	\$122	0.0%	\$81	\$46	-43.0%
Sample Average	73.6%	40.8%	-44.5%	\$157	\$157	0.0%	\$115	\$64	-44.5%

MARKET UP CLOSE

THE OUTBREAK of the coronavirus has decimated lodging demand throughout the region.

NUMEROUS HOTELS have suspended operation and furloughed staff.

ONLY ONE new hotel opened in the tri-county area during 1Q2020.

TWELVE HOTELS remain under construction, though completion dates are being extended.

SEVERAL HOTEL SALES closed in the first quarter, but only one at a price above \$2MM.

RECENT HOTEL SALES

Name	Location	Date	Price	Rooms	\$/Room	\$/SF
Lotte Hotel & Sanctuary	Seattle	December 2019	\$175,000,000	189	\$925,926	\$786
Salish Lodge & Gift Shop	Snoqualmie	October 2019	\$62,500,000	86	\$726,744	\$704
Clarion Inn	Tacoma	February 2020	\$10,500,000	128	\$82,031	\$159
Evergreen Inn & Suites	Monroe	December 2019	\$7,850,000	66	\$118,939	\$206

RECENT OPENINGS/UNDER CONSTRUCTION

Name	Address	City	Type	Rooms	Status	Date
Residence Inn	1100 Lake Washington Blvd	Renton	Extended	140	Open	August 2019
Holiday Inn Express	507 C Street SW	Auburn	Limited	120	Open	August 2019
Hotel Indigo	1028 13th Street	Everett	Select	142	Open	September 2019
Wingate Hotel	19031 International Blvd	SeaTac	Limited	157	Open	December 2019
Courtyard Northgate	10733 Meridian Avenue N	Seattle	Select	140	Open	February 2020
Marriott Tacoma Hotel	1538 Commerce Street	Tacoma	Full	304	U/C	2020
Marriott Hotel	300 Terry Avenue N	Seattle	Full	267	U/C	2020
citizenM	201 Westlake Avenue N	Seattle	Limited	264	U/C	2020
Lotte Hotel	801 5th Avenue	Seattle	Select	189	U/C	2020
Hilton Garden Inn	16630 Redmond Way	Redmond	Select	177	U/C	2020
Holiday Inn Express	969 118th Avenue SE	Bellevue	Limited	164	U/C	2020
Hilton Garden Inn	3801 Alderwood Mall Boulevard	Lynnwood	Select	155	U/C	2020
Woodspring Suites	11329 Pacific Highway SW	Lakewood	Extended	122	U/C	2020
La Quinta Inn & Suites	11430 38th Drive NE	Marysville	Limited	117	U/C	2020
Candlewood Suites	2520 136th Ave Ct E	Sumner	Extended	109	U/C	2020
Home2 Suites	4070 116th Street NE	Marysville	Extended	90	U/C	2020
Comfort Inn & Suites	12704 Pacific Highway SW	Lakewood	Limited	55	U/C	2020



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 22 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

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The information in this report was composed by the Kidder Mathews Valuation Advisory Group.

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COMMERCIAL BROKERAGE**27M****ANNUAL SALES SF****440+****NO. OF BROKERS****\$9.6B****ANNUAL TRANSACTION VOLUME****42M****ANNUAL LEASING SF****VALUATION ADVISORY****1,680+****APPRAISALS ANNUALLY****38/23****TOTAL NO. APPRAISERS/MAI'S****PROPERTY MANAGEMENT****70M+****MANAGEMENT PORTFOLIO SF****\$12B+****IN ASSETS UNDER MANAGEMENT**

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