BEFORE THE HEARING EXAMINER
CITY OF SEATTLE

In re Objection of ALEXIS HOTEL	Case No. CWF-0318 **DECLARATION OF THOMAS WAITHE**

I, Thomas Waithe, declare as follows:

1. I have personal knowledge of the facts stated below and am competent testify regarding the same.

2. I am the Regional Vice President of Kimpton Hotels for the Pacific Northwest and Mountain Regions, which include Seattle, Portland, Denver, Salt Lake City and Bozeman. I have held that position since 2017. Prior to my current position, I spent more than 13 years as Senior Director of Operations for Kimpton Hotels for the Pacific Northwest and Mountain Regions. I have been working in the hotel and resort industry for 30 years.

3. I obtained a double diploma in hospitality and tourism and Business administration from the British Columbia Institute of Technology in 1983. I also obtained a

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Registered Industrial Accountant (RIA) certification from the British Columbia Institute of Technology in 1984. This certification has been superseded by the professional designation of Certified Management Accountant (CMA), with existing RIAs being grandfathered in. I am also a Certified Hotel Administrator (CHA) with the American Hotel & Lodging Association, which is a certification that recognizes leadership and managerial skills in the hotel industry.

4. My responsibilities as the Regional Vice President of Kimpton Hotels for the Pacific Northwest and Mountain Regions include overseeing all aspects of operation and finance of eleven Kimpton-managed hotels, including the Alexis Hotel in Seattle.

5. The Alexis Hotel is located at 1007 1st Avenue, Seattle, Washington, real property parcel nos. 197460-0025 and 197460-0035, and is the subject of case no. CWF-0318. The property is operated as one hotel even though it consists of two parcels.

LOCAL IMPROVEMENT DISTRICT PROCESS

6. The Alexis Hotel received notices of proposed final assessment for Waterfront LID No. 6751 for real property parcel nos. 197460-0025 and 197460-0035. The notices were dated December 30, 2019 and received after the new year.

7. I have reviewed the proposed final assessments for the Alexis Hotel and the final special benefit study prepared by ABS Valuation and Robert Macaulay for the City of Seattle.

8. No one from the City of Seattle or ABS Valuation contacted me or anyone at the Alexis Hotel to request financial data (e.g., occupancy rates, room rates, income data, expense data) or other information in order to prepare the final special benefit study.

9. No one from the City of Seattle or ABS Valuation contacted me or anyone at the Alexis Hotel to request physical access to the hotel property.

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10. No one from the City of Seattle or ABS Valuation contacted me or anyone at the Alexis Hotel to request input or feedback on the proposed assessments, the computation of special benefit, or the valuation of the properties.

PRE-LID VALUATION

11. The Alexis Hotel is a 121-room luxury hotel. It has a restaurant and lounge, a fitness center, 2,645 square feet of meeting space, 18,100 square feet of retail space, and a 65-stall parking garage. The guestrooms were renovated in 2019 and are in excellent condition.

12. The Alexis Hotel caters primarily to business travelers attending conventions and meetings and visiting Seattle companies.

13. Hotel room occupancy rates fluctuate substantially based on the season, convention business, the business cycle, and other factors. During 2019, the Alexis Hotel had an average occupancy rate of 66.4%, which is substantially lower than the 80% occupancy rate assumed by Mr. Macauley in valuing the property.

14. Like occupancy rates, hotel room rates fluctuate substantially based on the season, convention business, the business cycle, and other factors. During 2019, the Alexis Hotel had an average room rate of approximately $248 per night, which is substantially lower than the $360 per night assumed by Mr. Macauley in valuing the property. And the 2019 RevPAR (revenue per available room) rate for the Alexis Hotel was $164.79, which is also substantially lower than the $288 RevPAR ($360 at 80% occupancy) per night assumed by Mr. Macaulay.

15. Mr. Macaulay's assumed rate of $360 is 45% more than the actual average room rate (of $248) for the last calendar year, far exceeds the most optimistic assumptions

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about future growth in hotel room rates for the Alexis, and is not a reasonable assumption in valuing a hotel of this type in the downtown Seattle market.

16. The Alexis Hotel has shut down its restaurant as the result of the COVID-19 outbreak and the hotel currently has an average occupancy rate of 5%.

17. Mr. Macauley valued the Alexis Hotel property at $74,088,000 prior to the LID improvements. In my professional opinion, this valuation is grossly excessive—both as of October 1, 2019 and certainly now. We would not expect any market participant to pay $74,088,000 for this hotel in the current market.

18. After receiving the notice of proposed final assessment, Kidder Mathews was engaged to perform a restricted appraisal of the Alexis Hotel. Kidder Mathews valued the real property at $66,000,000, which is $8,088,000 or about 11% less than the City's pre-LID valuation. This valuation was based on correct income and expense data from the hotel, including actual average occupancy and hotel room rates. In my professional opinion, the Kidder Mathews valuation of the property reflects the fair market value of the Alexis Hotel prior to the COVID-19 outbreak.

"SPECIAL BENEFIT"

19. The proposed LID improvements are not necessary to the functionality or continued use of this property as a hotel.

20. The Alexis Hotel will not be able to recover the costs of the proposed LID assessment through higher occupancy or room rates. First, the assessment is due upon approval of the assessment roll, but there will be no improvements for at least five years. Hotels are constantly balancing rate and occupancy to maximize revenue. If we had the ability to simply increase room rates without negatively impacting occupancy, we would have done so already. That is not how the hotel business works. Second, our hotel business

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is driven by business travelers visiting Seattle employers and attending conventions. Approximately seventy percent (70%) of the hotel guest base are corporate or corporate group guests. Our leisure component is largely weekend use and tends to be event focused (sporting events, weddings, and concerts). The modest waterfront improvements will have no impact on demand for hotel rooms. No one who is not already coming to Seattle will choose to come to Seattle or stay at our hotel because of the proposed LID improvement.

21. The proposed LID assessment of $769,147 is a substantial additional cost to the Alexis Hotel, which will decrease the fair market value of the property. No rational hotel owner would invest $769,147 today in a project that will have no return for either the five years of planning and construction or the period afterward. And assuming the interest rate of 5% provided in the notice of assessment, the hotel stands to lose even more if the assessment is financed over 18 years. Any buyer would consider the outstanding liability ($65,798/year) and deduct it from the hotel's gross income thereby resulting in an $939,965 loss in property value, capitalized at 7%.

22. In my professional opinion, the Alexis Hotel will receive no special benefit from the proposed LID improvements. The placement of the park will provide little to no value to the hotel property. The entrance to the Alexis Hotel is on 1st Avenue and this hotel is a low-rise property surrounded by buildings which limit views of anything other than our business neighbors. In addition, the Alexis Hotel is not on a well-travelled access route to the waterfront, as there are access points nearby that are more frequently used. And as noted above, most of our guests are business travelers. We would not expect to attract additional business due to a park being located out of sight a couple of blocks away.

23. In fact, this property is more valuable without the proposed LID improvements than with the proposed improvements and the corresponding assessment.

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Potential disruption, noise, congestion, and loss of parking due to LID construction may negatively impact the value of the property for the foreseeable future. Retail in the lower levels of our hotel may also suffer from decreased parking availability. Further, we currently have issues with the homeless population in downtown Seattle camping out in the property's stairwells, parking areas and storefronts. Our management staff has filed reports of the vandalism, trespassing and thefts at the property. We have not received sufficient assurance that these potential negative impacts will be adequately addressed.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Signed at Seattle, Washington, on April 15, 2020.

Thomas Waithe

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