BEFORE THE HEARING EXAMINER
CITY OF SEATTLE

In re Objections of SEATTLE HOTEL GROUP	Nos. CWF-0432; 0433; 0434 **DECLARATION OF ANGELICA PALLADINO**

I, Angelica Palladino, declare as follows:

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

2. I am the general manager of the Four Seasons Hotel, located at 99 Union Street, Seattle, WA 98101. I have held that position since April 08, 2019. Prior to my current position, I have been employed with Four Seasons Hotels in various management position around the world since 1998. I obtained my Hotel Management degree from the Hotelfachschule in Villingen Schwenningen, Germany and graduated in 1998.

3. My responsibilities as the general manager include responsibility for all aspects of operations at the hotel, day-to-day staff management and guests. I provide leadership and

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strategic planning to all departments in support of our service culture, maximized operations and guest satisfaction. I work very closely with the hotel owners and other stakeholders. I am responsible for managing the hotel's management team and overall hotel targets to deliver an excellent guest experience. In the course of my duties, I regularly review, commission, and analyze hotel appraisals and conduct hotel valuations.

4. The Four Seasons is a luxury hotel considered the premier lodging property in Seattle. Accommodations include 134 standard guestrooms, 13 suites, and over 8,500 square feet of function space. The majority of demand is generated in the business and leisure segment, however the hotel includes a reasonable amount of function space and can also attract higher-end group demand. The property is comprised of three parcels: the hotel (parcel no. 6094670030), the retail (parcel no. 6094670020), and the garage (6094670010) (for ease of reference, all three parcels are sometimes collectively referred to as "the Four Seasons" or "the hotel"). The hotel is operated as a franchise affiliate of Four Seasons Hotels Resorts and is managed by Four Seasons.

LOCAL IMPROVEMENT DISTRICT PROCESS

1. Seattle Hotel Group received notice of proposed final assessment for Waterfront LID No. 6751 during the first week of January, 2020. The notice was dated December 30, 2019.

2. I have reviewed the proposed final assessment and the final special benefit study prepared by ABS Valuation and Robert Macaulay for the City of Seattle.

3. No one from the City of Seattle or ABS Valuation contacted Seattle Hotel Group to request financial data (e.g., occupancy rates, room rates, income data, expense data) or other information about the Four Seasons.

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4. No one from the City of Seattle or ABS Valuation contacted the Seattle Hotel Group to request physical access to the Four Seasons.

5. No one from the City of Seattle or ABS Valuation contacted the Seattle Hotel Group to request input or feedback on the proposed assessments, the computation of special benefit, or the valuation of the Four Seasons.

THE HOTEL - PARCEL NO. 6094670030

6. The proposed LID improvements are not necessary to the functionality or continued use of this property as a hotel. There is simply no basis to conclude that the waterfront LID improvements will provide a 3% value lift worth of special benefit to this hotel, justifying a $1,676,214.52 assessment.

7. The Four Seasons 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 is primarily driven by business travelers visiting Seattle employers and attending conventions. Most of those conventions regularly rotate to Seattle. The modest waterfront improvements will have no impact on demand for hotel rooms. No one who is not already coming to Seattle will chose to come to Seattle or stay at our hotel because of the proposed LID improvement.

8. The proposed LID improvements present several safety and security challenges, none of which are adequately addressed or mitigated by the city. Adding park-like features to the waterfront would attract additional transient and criminal activity to the area, which will compound what is already a growing security concern for hotel guests and

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employees. Given the Union Stairs is already a waterfront access corridor, it would also increase pedestrian traffic through our front drive area, which exacerbates the safety risk for pedestrians and drivers. There are no public restrooms noted in the proposal, which would cause visitors to the waterfront to be forced to try to utilize hotel and restaurant facilities close by. This would put additional burden on those businesses in the form of security and liability issues.

9. These improvements would also have an adverse impact on the hotel's workforce. With the added security problems resulting from added tourist volume, growing safety concerns would make it harder to attract and keep employees, increasing labor expenses and reducing margins. Additional demand on public parking will make downtown access increasingly unaffordable for those employees for whom public transit is not a viable option, inevitably increasing labor expense and reducing margins.

10. The revenue and demand increases that the Four Seasons would need to generate in order to recover the LID assessments are completely unrealistic given the downtown Seattle hospitality market conditions, which have been devastated by the COVID-19 outbreak.

THE GARAGE - PARCEL NO 6094670010

11. The proposed LID improvements are not necessary to the functionality or continued use of this property as a garage. There is simply no basis to conclude that the waterfront LID improvements will provide a 3% value lift worth of special benefit to the garage, justifying a $132,435.84 assessment.

12. Given that the Union steps are a waterfront access corridor, and the hotel garage entrance is proximate to the steps entrance, additional labor will be required to manage the garage and prevent unauthorized self-parking from increased tourism and the general

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public. While the hotel is able to keep the garage open currently, these developments will likely require us to keep the garage door closed, which is be a burden on authorized entrants and increase our labor costs. With evening activations nearby, we will need to increase garage door coverage and security to patrol and monitor the perimeter area. Additional engineering and housekeeping resources will be required to maintain, clean, and repair the Union fountain area from vandalism, additional pedestrian traffic, and added transient volume. In short, the LID improvements will likely be a net negative cost to the hotel's garage operations, making the additional $132,435.84 assessment cost especially burdensome.

THE RETAIL - PARCEL NO. 6094670020

13. The proposed LID improvements will not provide a 2.99% value increase to the hotel's retail component, justifying a $31,345.76 assessment. Given growing security problems over the past year, at least one of our tenants has requested additional security resources. With increased traffic to and from the waterfront, some uptick in business would be expected, however it would be tempered by operating cost increases as tenants would be forced to add private, dedicated security to cope with additional security concerns. Furthermore, the increase in foot traffic to other areas of the waterfront experiencing additional improvements would likely draw customers away from the existing retail spaces, putting us at a competitive disadvantage.

TOTAL PROPERTY ASSESSMENT

14. The proposed LID assessment of $1,839,997 for the entire Four Seasons property is a substantial additional cost which will decrease the fair market value of the property. No rational hotel owner would invest $1,839,997 (the entire assessment) today in a project that will have no return for either the five years of planning and construction or the period afterward. Financing the assessment at 5% over 18 years would result in additional

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debt service of $106,316 per year, an incremental fixed cost that the market would not allow us to simply pass to our customers in the form of higher pricing. At any given time, the value of the Seattle Hotel Group parcels would be reduced by the net present value of the remaining debt payments.

15. In my professional opinion, the Four Seasons will receive no special benefit from the proposed LID improvements. In fact, this property is more valuable without the proposed LID improvements than with the proposed improvements and the corresponding assessment.

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.

Angelica Palladino

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