BEFORE THE HEARING EXAMINER
CITY OF SEATTLE

In re Objections of ELLIOTT NE LLC, LOT B LLC, MADISON HOTEL LLC, HEDREEN LLC, HEDREEN HOTEL LLC, and 7TH & PINE LLC	Nos. CWF-0413, 0414, 0418, 0429, 0436, 0437, AND 0438 **DECLARATION OF ZAHOOR AHMED**

I, Zahoor Ahmed, declare as follows:

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

2. I am the chief financial officer and vice president of R.C. Hedreen Company. I have held that position since August 2000. Prior to my current position, I spent more than 16 years as controller or assistant controller at various Hyatt-branded hotels in San Francisco and Seattle. I obtained my Bachelor of Science degree in hotel and restaurant administration from the University of Nevada Las Vegas in 1984.

3. My responsibilities as the chief financial officer and vice president of R.C. Hedreen Company include planning, implementing, managing, and supervising the financial

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activities of RC Hedreen and its subsidiaries, including the hotels and other properties in these cases. In the course of my duties, I regularly review, commission, and analyze hotel appraisals and conduct hotel valuations.

4. Elliott NE LLC is a wholly-owned subsidiary of R.C. Hedreen Company. Elliott NE LLC owns real property parcel no. 066000-0708, which is located at 808 Howell Street, Seattle, Washington and is the subject of case no. CWF-0413. This property houses the Hyatt Regency Seattle.

5. Madison Hotel LLC is a wholly-owned subsidiary of R.C. Hedreen Company. Madison Hotel LLC owns real property parcel no. 094200-0430, which is located at 515 Madison Street, Seattle, Washington and is the subject of case no. CWF-0418. This property houses the Renaissance Seattle Hotel.

6. Hedreen LLC is a wholly-owned subsidiary of R.C. Hedreen Company. Hedreen LLC owns real property parcel no. 228513-0010, which is located at 1635 8th Avenue (737 Olive Way on the notice of proposed final assessment), Seattle, Washington and is the subject of case no. CWF-0429. This property houses the Hyatt at Olive 8 Seattle.

7. Hedreen Hotel LLC is a wholly-owned subsidiary of R.C. Hedreen Company. Hedreen Hotel LLC owns real property parcel nos. 619500-0030 and 679212-0010, which are located at 700 Pike Street, Seattle, Washington and are the subject of case nos. CWF-0436 and CWF-0437. These properties are condominium units housing the Grand Hyatt Seattle. For county property tax purposes, the properties are valued as a unit with 70% of the value assigned to parcel no. 619500-0030 and 30% of the value assigned to parcel no. 679212-0010.

8. 7th & Pine LLC is a wholly-owned subsidiary of R.C. Hedreen Company. 7th & Pine LLC owns real property parcel no. 679212-0020, which is located at 700 Pike

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Street, Seattle, Washington and is the subject of case nos. CWF-0438. This property is a condominium unit that contains the retail and parking spaces in the building that is also occupied by the Grand Hyatt Seattle.

9. Lot B LLC is a wholly-owned subsidiary of R.C. Hedreen Company. Lot B LLC owns real property parcel no. 066000-0740, which is located at 815 Howell Street, Seattle, Washington and is the subject of case nos. CWF-0414. This property is an undeveloped lot east of the Hyatt Regency Seattle.

LOCAL IMPROVEMENT DISTRICT PROCESS

10. R.C. Hedreen Company received notices of proposed final assessment for Waterfront LID No. 6751 for each of the properties described above. The notices were dated December 30, 2019 and received after the new year.

11. I have reviewed the proposed final assessments for each of the properties and the final special benefit study prepared by ABS Valuation and Robert Macaulay for the City of Seattle.

12. No one from the City of Seattle or ABS Valuation contacted R.C. Hedreen Company or any of its subsidiaries to request financial data (e.g., occupancy rates, room rates, income data, expense data) or other information about any of the properties described above.

13. No one from the City of Seattle or ABS Valuation contacted R.C. Hedreen Company or any of its subsidiaries to request physical access to any of the properties.

14. No one from the City of Seattle or ABS Valuation contacted R.C. Hedreen Company or any of its subsidiaries to request input or feedback on the proposed assessments, the computation of special benefit, or the valuation of the properties.

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HYATT REGENCY SEATTLE (CWF-0413)

15. The property owned by Elliott NE LLC is a 45-story hotel containing 1,260 guest rooms and 100,242 square feet of meeting space. The building was constructed in 2018.

16. Elliott NE LLC owns and operates the hotel business conducted on the property under the name Hyatt Regency Seattle.

17. The Hyatt Regency Seattle caters primarily to business travelers attending conventions and meetings and visiting Seattle companies.

Pre-LID Valuation

18. Hotel room occupancy rates fluctuate substantially based on the season, convention business, the business cycle, and other factors. During 2019, the Hyatt Regency Seattle had an average occupancy rate of 67.8%, which is substantially below the 80% occupancy rate assumed by Mr. Macauley in valuing the property.

19. Like occupancy rates, hotel room rates fluctuate substantially based on the season, convention business, the business cycle, and other factors. During 2019, the Hyatt Regency Seattle had an average room rate of approximately $205 per night, which is substantially below the $365 per night assumed by Mr. Macauley in valuing the property.

20. The Hyatt Regency has suspended operations as the result of the COVID-19 outbreak and currently has average occupancy and room rates of zero.

21. Mr. Macauley's assumed hotel room rate of $365 per night is more than 78% higher than the actual average room rate ($205) for the last calendar year, far exceeds the most optimistic assumptions about future growth in hotel room rates for the Hyatt Regency Seattle, and is not a reasonable assumption in valuing a hotel of this type in the downtown Seattle market.

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22. Mr. Macauley valued the Hyatt Regency Seattle property at $732,952,000 prior to the LID improvements. In my professional opinion, this valuation is grossly excessive—both as of October 1, 2019 and certainly now. Unfortunately, no buyer would pay $732,952,000 for this hotel.

23. After receiving the notice of proposed final assessment, I engaged Kidder Mathews to perform a restricted appraisal of the Hyatt Regency Seattle. Kidder Mathews valued the real property at $494,800,000, which is $238,152,000 or about 32.5% 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 hotel prior to the COVID-19 outbreak.

"Special Benefit"

24. The Hyatt Regency Seattle is more than a 3/4 of a mile walk—approximately 3,500 feet as a crow flies—from Pier 58 and the proposed waterfront LID improvements.

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

26. The Hyatt Regency Seattle 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 driven by business travelers visiting Seattle employers and attending conventions. Most of those conventions regularly rotate to Seattle. The modest waterfront improvements will

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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.

27. The proposed LID assessment of $1,398,804 is a substantial additional cost to the Hyatt Regency Seattle, which will decrease the fair market value of the property. No rational hotel owner would invest $1,398,804 today in a project that will have no return for either the five years of planning and construction or the period afterward.

28. In my professional opinion, the Hyatt Regency Seattle 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.

RENAISSANCE HOTEL SEATTLE (CWF-0418)

29. The property owned by Madison Hotel LLC is a 28-story hotel containing 557 guest rooms and 26,781 square feet of meeting space. The building was constructed in 1983.

30. Madison Hotel LLC owns and operates the hotel business conducted on the property under the name Renaissance Hotel Seattle.

31. The Renaissance Hotel Seattle caters primarily to business travelers attending conventions and meetings and visiting Seattle companies.

Pre-LID Valuation

32. Hotel room rates fluctuate substantially based on the season, convention business, the business cycle, and other factors. In 2019, the Renaissance Hotel Seattle had an average room rate of approximately $204 per night, which is substantially below the $300 per night assumed by Mr. Macauley in valuing the property.

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33. The Renaissance Hotel Seattle has reduced operations as the result of the COVID-19 outbreak and currently has single-digit occupancy. The remaining business is limited to serving airline crew members.

34. Mr. Macauley's assumed hotel room rate of $300 per night is more than 45% higher than the actual average room rate ($204) for the last calendar year, far exceeds the most optimistic assumptions about future growth in hotel room rates for the Renaissance Hotel Seattle, and is not a reasonable assumption in valuing a hotel of this type in the downtown Seattle market.

35. Mr. Macauley valued the Renaissance Hotel Seattle property at $227,224,000 prior to the LID improvements. In my professional opinion, this valuation is excessive—both as of October 1, 2019 and certainly now.

36. After receiving the notice of proposed final assessment, I engaged Kidder Mathews to perform a restricted appraisal of the Renaissance Hotel Seattle. Kidder Mathews valued the real property at $200,700,000, which is $26,524,000 or about 11.7% 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 hotel prior to the COVID-19 outbreak.

"Special Benefit"

37. The Renaissance Hotel Seattle is more than a 3/4 of a mile walk—approximately 2,700 feet as a crow flies—from Pier 58 and the proposed waterfront LID improvements.

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

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39. The Renaissance Hotel Seattle 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 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.

40. The proposed LID assessment of $445,110 is a substantial additional cost to the Renaissance Hotel Seattle, which will decrease the fair market value of the property. No rational hotel owner would invest $445,110 today in a project that will have no return for either the five years of planning and construction or the period afterward.

41. In my professional opinion, the Renaissance Hotel Seattle 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.

HYATT AT OLIVE 8 (CWF-0429)

42. The property owned by Hedreen LLC is a 17-story hotel containing 346 guest rooms and 12,000 square feet of meeting space. The building was constructed in 2009.

43. Hedreen LLC owns and operates the hotel business conducted on the property under the name Hyatt at Olive 8.

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44. The Hyatt at Olive 8 caters primarily to business travelers attending conventions and meetings and visiting Seattle companies.

Pre-LID Valuation

45. Hotel room rates fluctuate substantially based on the season, convention business, the business cycle, and other factors. In 2019, the Hyatt at Olive 8 had an average room rate of approximately $225 per night, which is substantially below the $335 per night assumed by Mr. Macauley in valuing the property.

46. The Hyatt at Olive 8 has suspended operations as the result of the COVID-19 outbreak and currently has average occupancy and room rates of zero.

47. Mr. Macauley's assumed hotel room rate of $335 per night is more than 49% higher than the actual average room rate ($225) for the last calendar year, far exceeds the most optimistic assumptions about future growth in hotel room rates for the Hyatt at Olive 8, and is not a reasonable assumption in valuing a hotel of this type in the downtown Seattle market.

48. Mr. Macauley valued the Hyatt at Olive 8 property at $187,433,000 prior to the LID improvements. In my professional opinion, this valuation is grossly excessive—both as of October 1, 2019 and certainly now. Unfortunately, no buyer would pay $187,433,000 for this hotel.

49. After receiving the notice of proposed final assessment, I engaged Kidder Mathews to perform a restricted appraisal of the Hyatt at Olive 8. Kidder Mathews valued the real property at $118,200,000, which is $67,243,000 or about 37% 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,

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the Kidder Mathews valuation of the property reflects the fair market value of the hotel prior to the COVID-19 outbreak.

"Special Benefit"

50. The Hyatt at Olive 8 is more than a 3/4 of a mile walk—approximately 3,100 feet as a crow flies— from Pier 58 and the proposed waterfront LID improvements.

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

52. The Hyatt at Olive 8 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 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.

53. The proposed LID assessment of $733,883 is a substantial additional cost to the Hyatt at Olive 8, which will decrease the fair market value of the property. No rational hotel owner would invest $733,883 today in a project that will have no return for either the five years of planning and construction or the period afterward.

54. In my professional opinion, the Hyatt at Olive 8 will receive no special benefit from the proposed LID improvements. In fact, this property is more valuable

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without the proposed LID improvements than with the proposed improvements and the corresponding assessment.

GRAND HYATT SEATTLE (CWF-0436 and 0437)

55. The property owned by Hedreen Hotel LLC is a 30-story hotel containing 457 guest rooms and 25,000 square feet of meeting space. The building was constructed in 2001.

56. Hedreen Hotel LLC owns and operates the hotel business conducted on the property under the name Grand Hyatt Seattle.

57. The Grand Hyatt Seattle caters primarily to business travelers attending conventions and meetings and visiting Seattle companies.

Pre-LID Valuation

58. Hotel room rates fluctuate substantially based on the season, convention business, the business cycle, and other factors. In 2019, the Grand Hyatt Seattle had an average room rate of approximately $234per night, which is substantially below the $355 per night assumed by Mr. Macauley in valuing the property.

59. The Grand Hyatt Seattle has reduced operations as the result of the COVID-19 outbreak and currently has single-digit occupancy.

60. Mr. Macauley's assumed hotel room rate of $355 per night is more than 51% higher than the actual average room rate ($234) for the last calendar year, far exceeds the most optimistic assumptions about future growth in hotel room rates for the Grand Hyatt Seattle, and is not a reasonable assumption in valuing a hotel of this type in the downtown Seattle market.

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61. Mr. Macauley valued the Grand Hyatt Seattle property at $239,293,000 prior to the LID improvements. In my professional opinion, this valuation is grossly excessive—both as of October 1, 2019 and certainly now. Unfortunately, no buyer would pay $239,293,000 for this hotel.

62. After receiving the notice of proposed final assessment, I engaged Kidder Mathews to perform a restricted appraisal of the Grand Hyatt Seattle. Kidder Mathews valued the real property at $168,400,000, which is $70,893,000 or about 30% 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 hotel prior to the COVID-19 outbreak.

"Special Benefit"

63. The Grand Hyatt Seattle is almost a 3/4 of a mile walk—more than 2,700 feet as a crow flies—from Pier 58 and the proposed waterfront improvements.

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

65. The Grand Hyatt Seattle 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 driven by business travelers visiting Seattle employers and attending conventions. Most of those conventions regularly rotate to Seattle. The modest waterfront improvements will

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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.

66. The proposed LID assessment of $1,407,817 is a substantial additional cost to the Grand Hyatt Seattle, which will decrease the fair market value of the property. No rational hotel owner would invest $1,407,817 today in a project that will have no return for either the five years of planning and construction or the period afterward.

67. In my professional opinion, the Grand Hyatt Seattle 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.

700 PIKE STREET RETAIL/PARKING CONDOMINIUM (CWF-0438)

68. 7th & Pine LLC owns a condominium unit that contains the retail and parking spaces in the building at 700 Pike Street that also occupied by the Grand Hyatt Seattle.

69. 7th & Pine LLC leases the retail spaces and parking space to third parties who pay 7th & Pine LLC rent.

70. Mr. Macauley valued this property at $93,822,000 prior to the LID improvements. In my professional opinion, this valuation is excessive. The retail and parking market in downtown Seattle is extremely challenging. The property has been unable to rent all of its retail space, and several of its retail tenants were struggling to pay rent even before the COVID-19 outbreak. 71. The notice of proposed final assessment indicated that this property would receive a special benefit of $1,402,000 and proposed a final LID assessment of $549,344. After receiving the notice of proposed final assessment, I

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engaged Kidder Mathews to perform an appraisal review. Kidder Mathews indicated that the increase in the City's appraisal "is not credible and should not be relied upon."

72. 7th & Pine LLC's property is almost a 3/4 mile walk—more than 2,700 feet as a crow flies—from Pier 58 and the proposed waterfront improvements.

73. The proposed LID improvements are not necessary to the functionality or continued use of this property by our tenants as retail space or a parking garage.

74. 7th & Pine LLC will not be to recover the cost of the LID assessment from tenants under the leases in place or through future rent increases. A restaurant, retailer, or parking garage operator will not be able to charge more or attract more customers because of proposed future improvements located almost 3/4 of a mile away. If the City is correct that the improvements, when constructed, will attracted visitors to the waterfront, our tenants may see a decrease in business as visitors patronize businesses nearer the waterfront.

75. The proposed LID assessment of $549,334 is a substantial additional cost to 7th & Pine LLC, which will decrease the fair market value of the property. No property owner would invest $549,334 today in a project that will have no return for either the five years of planning and construction or the period afterward.

76. In my professional opinion, 7th & Pine LLC will receive no special benefit from the proposed LID improvements. This property is more valuable without the proposed LID improvements than with the proposed improvements and the corresponding assessment.

800 HOWELL STREET LOT (CWF-0414)

77. Lot B LLC an undeveloped lot east of the Hyatt Regency Seattle.

78. Lot B LLC leases the property to a third party who operates a surface parking lot on the property and pays rent to Lot B LLC.

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79. Mr. Macauley valued this property at $46,935,000 prior to the LID improvements. In my professional opinion, this valuation is excessive. The King County Assessor's fair market valuation of $32,184,000 is a more reasonable estimate of fair market value.

80. The notice of proposed final assessment indicated that this property would receive a special benefit of $188,000 and proposed a final LID assessment of $73,663. After receiving the notice of proposed final assessment, I engaged Kidder Mathews to perform an appraisal review. Kidder Mathews indicated that the increase in the City's appraisal "is not credible and should not be relied upon."

81. Lot B LLC's property is more than a 3/4 of a mile walk—approximately 3,000 feet as a crow flies—from Pier 58 and the proposed waterfront improvements.

82. The proposed LID improvements are not necessary to the functionality or continued use of this property by our tenants as parking lot or to the future redevelopment of the property as commercial, residential, or hotel space.

83. 7th & Pine LLC will not be to recover the cost of the LID assessment from its tenant under the lease in place or through future rent increases. A parking lot operator will not be able to charge more or attract more customers because of proposed future improvements located 3/4 of a mile away. If the City is correct that the improvements, when constructed, will attracted visitors to the waterfront, our tenant may see a decrease in business as visitors patronize businesses nearer the waterfront.

84. The proposed LID assessment of $73,663 is a substantial additional cost to Lot B LLC, which will decrease the fair market value of the property. No property owner would invest $73,663 today in a project that will have no return for either the five years of planning and construction or the period afterward.

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85. In my professional opinion, Lot B LLC will receive no special benefit from the proposed LID improvements. 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.

Zahoor Ahmed

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