

Seattle Waterfront LID Assessment Hearing

Seattle LID Hearing

June 18, 2020



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SEATTLE WATERFRONT LID ASSESSMENT HEARING

BEFORE

HEARING EXAMINER RYAN VANCIL

Taken in Seattle, Washington

(ALL PARTICIPANTS APPEARING VIA VIDEOCONFERENCE)

DATE TAKEN: June 18, 2020

REPORTED BY: Nancy M. Kottenstette, RPR, CCR 3377

1 INDEX OF EXAMINATION

2 PAGE

3 MARSHALL FOSTER

4 EXAMINATION

5 Questions By Mr. Filipini: 26

6

7 MARK LUKENS

8 EXAMINATION

9 Questions By Ms. Thompson: 72

10

11 ROBERT MACAULAY

12 EXAMINATION

13 Questions By Mr. Filipini: 104

14

15 INDEX OF EXHIBITS

16 NUM. DESCRIPTION PAGE

17 Exhibit 1 Ordinance 125760 72

18 Exhibit 2 Waterfront LID Timeline 72

19

20 Exhibit 3 Ordinance 125761 72

21 Exhibit 4 Mark Lukens Curriculum Vitae 102

22 Exhibit 5 ABS Valuation spreadsheet for 102
23 the Sound Hotel and Arrive
Apartments

24 Exhibit 6 Select Seattle Area Hotel Sales 102

25

1	Exhibit 7	Kidder Mathews Comparable Sales Table	102
2			
3	Exhibit 8	LWHA Hotel Value Comparison Chart	102
4	Exhibit 9	Kidder Mathews Grand Hyatt Comparison Table	102
5			
6	Exhibit 10	Kidder Mathews Grand Hyatt Restricted Appraisal	102
7	Exhibit 11	Declaration of John Gordon dated 5/29/2020	102
8			
9	Exhibit 12	Declaration of John Gordon dated 5/29/2020	102
10	Exhibit 13	Resume of Robert Macaulay	241
11	Exhibit 14	Feasibility Study by Valbridge Property Advisors dated 8/9/17	241
12			
13	Exhibit 15	Summary of Formation Special Benefit/Proportionate Assessment Study for Local Improvement District Project dated 5/9/18	241
14			
15	Exhibit 16	Preliminary Assessment Formula	241
16	Exhibit 17	Summary of Final Special Benefit/Proportionate Assessment Study dated 11/18/19	241
17			
18	Exhibit 18	Addenda Volume dated 11/12/19	241
19	Exhibit 19	Maritime Building Individual Analysis Worksheet	241
20			
21	Exhibit 20	Final Assessment Formula	241
22	Exhibit 21	Letter from Anthony Gibbons dated 1/30/2020	241
23	Exhibit 22	Excerpt from 14th Edition of the Appraisal of Real Estate	241
24			
25			

1 HEARING EXAMINER VANCIL: Good morning.
2 I will call to order this June 18, 2020, continuance
3 of the Waterfront LID Assessment Hearing. Today and
4 tomorrow, June 19, we will hear presentation of the
5 City's case. Before we start with the City's
6 presentation, I have some opening remarks regarding
7 how we will proceed over the next two days.

8 The only remaining portions of the hearing are
9 for the City to present its case and participating
10 objectors to cross-examine City witnesses. All
11 objectors completed presentation of their
12 cases-in-chief started February 4 through mid-April,
13 and that portion of the hearing is concluded with no
14 additional opportunity for objectors to present
15 evidence or argument as part of their case-in-chief.

16 The City and objectors planning to
17 cross-examine the City's witnesses will participate
18 today and tomorrow directly in the hearing. The City
19 and objectors planning to cross-examine the City's
20 witnesses have been sent an electronic invitation for
21 participation via Zoom. Other objectors and the
22 public may listen to the hearing via a listening line
23 that is established with information on how to access
24 that on the website for the Office of Hearing
25 Examiner. That's www.seattle.gov/hearingexaminer --

1 sorry. Hearing-examiner.

2 Callers will be able to listen to the hearing
3 but will not be participants in the hearing for any
4 purpose. Seattle Channel will be broadcasting the
5 hearing for June 18 and 19 live. Location for Seattle
6 Channel for viewing can be located at
7 seattlechannel.org/live or
8 www.youtube.com/seattlechannel21/live. Seattle
9 Channel will record -- post recordings of the hearing
10 within 24 or 48 hours subsequent of the date of the
11 hearing.

12 For all practical purposes, this hearing
13 should be treated as an in-person hearing in
14 accordance with the Seattle Municipal Code and Hearing
15 Examiner rules and practices for procedure. These
16 includes each participant conducting themselves with a
17 (inaudible) respect owed to each other and the hearing
18 forum for an in-person hearing.

19 And I mentioned that mainly because sometimes
20 we get a little used to being in our offices or our
21 living rooms listening, and that's not where you're
22 at. You're in an in-person quasi-judicial hearing.
23 Our schedule today and tomorrow we start at 9:00 and
24 we go until 5:00. We take a 15-minute break at 10:00
25 a.m. We'll take lunch at noon and conclude that at --

1 and return at 1:15. We'll take another 15-minute
2 break at 3:00 p.m.

3 Commenting on some other aspects of being in a
4 remote hearing, I understand that it's inevitable that
5 remote hearings will encounter limitations concerning
6 technology. All parties are urged to be patient with
7 regard to technology and other difficulties and maybe
8 other difficulties we experience.

9 I've had a hearing -- do need to comment that
10 a hearing conducted in person is no panacea for
11 efficiency. I've had to address hearings with failing
12 on-site recording equipment and speaker equipment,
13 individuals outside the hearing disrupting us, missing
14 witnesses, coughing fits, spilled water and coffee.

15 So those of you concerned about a remote
16 hearing being inefficient, please don't think that
17 simply because you have been in a remote hearing that
18 an in-person is going to be any better. We will
19 proceed by conducting the hearing to the best of our
20 ability, and I do appreciate your efforts to ensure
21 the best procedural outcome possible.

22 If, in the determination of the hearing
23 examiner, the technology supporting the hearing is not
24 performing adequately, the examiner may suspend or
25 continue the hearing or a portion of that. I may

1 make -- I may arrange for arguments for submission of
2 materials or testimony at a later date or make other
3 necessary arrangements.

4 All of you were sent participation guidelines
5 that have been -- protocols that have been adopted by
6 the examiner. I will be going over those briefly.
7 For participation keep in mind this is a recorded
8 proceeding. In order to get a clear recording of the
9 record, it is important that only one person speak at
10 a time and that you speak clearly.

11 Participants are not actively -- that are not
12 actively presenting testimony or argument, for
13 example, if you're waiting to appear as a witness or
14 if you're simply an observer and not engaged
15 immediately in cross-examination, you should mute your
16 own microphone and shut off your video feed to limit
17 the impact on the load we're having with our
18 technology. There's no need for me to see everybody
19 unless I need to see you as a counsel or a witness.

20 Every effort should be made to isolate
21 yourself from background noises in the home or office
22 environment from which you are broadcasting. Please
23 make sure all cell phones are off and not in use in
24 the hearing.

25 Keep your eyes on the video screen if you're

1 immediately engaged. Pay attention to other
2 participants in the meeting. If a speaker's audio is
3 disrupted, please signal the speaker with a raised
4 hand signaling that they should stop. If you're
5 speaking and see the signal to stop, stop speaking
6 until your audio is reestablished.

7 I may not always have my eyes on you.
8 Sometimes I have to look at the record over here, and
9 I know some of you have to look off to the side.
10 Please try to keep your eyes on the screen if you can,
11 particularly if you're speaking. I've noticed some
12 speakers just sort of -- they're thinking in their
13 head and they'll look off to the side. Keep your eyes
14 on the screen, because if you're not being heard, you
15 need to know that people are telling you, you can't be
16 heard.

17 The hearing examiner will mute -- and I hope
18 not -- but may ultimately remove any participant not
19 able to follow these protocols and/or introduced as
20 unacceptable levels of intrusion, noise, or speech.
21 If you have technical or general procedural questions
22 that do not require attention from the hearing
23 examiner, participants may submit these to the legal
24 assistant via the chat option during the hearing.

25 Please do not use the chat feature for any

1 other purpose. It is not there for participants to
2 carry on side discussions with each other. The chat
3 is just as much a part of the official record as any
4 other part. So please do not use that to talk amongst
5 yourselves. If necessary, e-mail each other, text
6 each other, but the chat here is for procedural
7 issues, technical issues that you need to address the
8 legal assistant.

9 For the cross-examining objectors' end-users'
10 technology -- if you're an objector and you're here
11 to -- going to participate in the cross-examination
12 next week, and that's why you're participating, if
13 you're removed from direct Zoom participation, try to
14 connect again. If this continues to be the case,
15 though, then try calling in on the public line that
16 I've identified on the hearing examiner website, also
17 consider viewing the Seattle Channel and/or view the
18 hearing recording after the fact.

19 We simply can't accommodate everybody's
20 end-user technology. Our system, hopefully, will work
21 well. I know we've got a lot of people on board, and
22 some are not participating as much as others. I
23 want -- you will have an opportunity to see what's
24 going on. And I'm more worried about your direct
25 participation next week than I am today.

1 For witnesses, each witness should be called
2 by name to appear by the appropriate representative.
3 Before testifying, each witness will be asked by the
4 hearing examiner to state and spell their name for the
5 record, must take an oath or affirmation to tell the
6 truth.

7 In providing testimony, your witness should
8 enunciate and speak clearly. It may be necessary to
9 slow the cadence of your presentation to ensure that
10 you can be heard. Please keep your eyes on the camera
11 as you speak so that you can be aware of whether your
12 comments are reaching other recipients, whether an
13 objection is raised, or some other issue arising
14 requires you to stop or clarify testimony.

15 If a witness's audio is disrupted during your
16 testimony, you will be signaled by the other
17 participants. Please stop speaking if you see this.
18 When the connection is resumed, you may be asked to
19 repeat some of your statement if it was not conveyed
20 to the hearing in the recording.

21 A couple other items I want to address before
22 we go forward and that's objections. This is a unique
23 forum with a remote technology, and we don't want to
24 overload it because we really can't have a lot of
25 people speaking at a time. We had a prehearing

1 conference with many of the cross-examining objectors.
2 And in that, I asked that, due to limitations we have,
3 that objections -- I don't want to shut off objectors
4 from being able to make objections, because it can --
5 there could be something that arises that is
6 absolutely necessary during the hearing that you raise
7 an objection.

8 But I really ask that -- anyone who is going
9 to raise an objection to the proceedings or something
10 that's being introduced that you consider whether it's
11 absolutely necessary at this time whether it has to be
12 introduced -- whether you have to raise that objection
13 at this time.

14 I remind you that objections that are not
15 raised during the City's presentation I've offered you
16 the ability to preserve that objection by identifying
17 in your closing brief, which will be due July 7. I
18 suggest making a note of the nature of the objection,
19 time of day as it arises during the hearing, and
20 including that in your closing argument.

21 So for an objection that may not be absolutely
22 necessary today, I still want you to preserve it, put
23 it in your closing argument, but you don't necessarily
24 need to interrupt every time you want to object on a
25 basis of relevance or something along those lines.

1 That's simply going to interrupt the flow of our
2 presentation today.

3 The parties are also reminded that it is an
4 administrative hearing resulting in a recommendation
5 only and that some objections are likely, frankly,
6 inappropriate in this. For example, hearsay evidence
7 is generally allowed here. So raising a hearsay
8 objection, just a waste of time. I'm going to let it
9 in.

10 Most of the objectors, you've all been through
11 this already. You were allowed to load the record
12 with just about anything you wanted to put in as part
13 of that generous open door policy. The same is going
14 to be for the City, so don't waste our time objecting
15 to everything because you want to make sure that you
16 can fight getting stuff in. I'll start shutting you
17 down if that's where we go.

18 Same as relevance, most of this is --
19 relevance objections usually goes to question of
20 weight. And so if it's a question of weight, I get
21 it. Maybe it's not that heavy of an argument. Raise
22 that in your closing argument. Say this piece of
23 evidence doesn't really mean anything. Tell me then.
24 Your objection isn't going to be helpful in today.

25 But, again, if there's an absolute need to

1 raise an objection, I'm allowing that to proceed today
2 so we can actually still function with some level of
3 normalcy to our normal hearing conduct.

4 If anybody really just can't play by the rules
5 with that, I may have to remove that later, but we'll
6 just see how it proceeds. For raising an objection,
7 make sure that you state the objection clearly and
8 accompany your verbal objection -- don't just say
9 objection. Raise your hand so that I know you're -- I
10 can see you as well as stating it and state the basis.

11 Sometimes I've got representatives that just
12 say objection. Well, what's your basis for that? I
13 need to know it so that I can rule on it. And,
14 likewise, opposing counsel should be prepared to
15 respond to the objection. Don't just keep going
16 forward and make me have to stop you. If an objection
17 is raised, I'll give you the opportunity to respond to
18 it. In fact, I expect it.

19 Witnesses, if you're speaking and an objection
20 is raised, stop speaking immediately and do not
21 respond to a question when an objection has been
22 raised. You will be signaled when or if it's okay for
23 you to proceed.

24 As far as exhibits, we're in a unique
25 situation here that's unique to this hearing and how

1 we're handling it. The City has submitted in advance
2 electronic copies of exhibits that it will introduce
3 at the hearing, so, hopefully, everyone has received
4 those. And I'll be asking -- I'll be turning it --
5 giving an opportunity to ask questions here in just a
6 moment. I assume those have been distributed.

7 Additional exhibits may be produced in the
8 hearing, if necessary. If that happens, it has to be
9 e-mailed to everybody. I may allow some screen
10 sharing of exhibits, but my assumption is that
11 everybody has copies. And, again, so we don't
12 overload the system by putting everything up for
13 everyone to see, I know it's convenient for everyone,
14 but I expect you to be managing the exhibits you
15 receive.

16 If you haven't received them, that's a
17 different issue and we can address that if it comes.
18 Occasionally, we may do some screen sharing, but we're
19 not going to require the City to post everything that
20 they're using or if there's some other reason that
21 we're looking at an exhibit.

22 I've had a couple questions that came up from
23 objectors in advance. One was in how to reference
24 exhibits -- I assume this is more for next week in
25 closing arguments -- and whether there's a requirement

1 that in referencing exhibits whether you reference
2 existing exhibit numbers. The process we've been
3 using is each case number has a list of numbers under
4 it or each consolidated group of cases.

5 For example, Perkins Coie has a set of case
6 numbers, and they have a single list of Exhibits 1
7 through X. The preference is to identify those
8 exhibits back. If it's possible to reference back to
9 an exhibit number and a case number, I ask that you do
10 that. However, I recognize that this record is
11 already replete with duplicates. Many objectors
12 submitted the same exhibits. So referencing all of
13 them or trying to the find the right one is a fool's
14 errand.

15 There's also -- we've come across an issue
16 with some organization of the files. I think due to
17 the pandemic, the -- we were -- usually, we work fully
18 within our silo of the Hearing Examiner's Office and
19 manage the record, but in this case there was some
20 intake of documents by FAS and/or the clerk's office.
21 And I believe there was a period where documents were
22 coming in, and they were posted.

23 All of the -- the whole record is posted on
24 our -- on our website, but I've noticed that -- we did
25 notice that some of the objections and exhibits came

1 in out of order that looked like they were just
2 getting posted. It would be difficult to find your
3 way through it. So I -- again, I'm not going to ask
4 you to go back and find your way through that.
5 That's -- we are cleaning that up, and I believe we'll
6 have the whole record posted in an easier order to
7 reference and use for your closing briefs by the end
8 of this week, beginning of next week.

9 But that's just another reason I highlight the
10 ultimate decision is that do your best to refer back
11 if you can, but I recognize that some duplicates will
12 come in. And for this next section where we have the
13 City presentation and then next week we have
14 cross-examination, the exhibit numbers will simply
15 proceed from the City's exhibits that we have today, 1
16 through -- I can't remember the final number that
17 they've got, and if they're new exhibits that we don't
18 have a reference back number to another case, we'll
19 simply pick up the City's section. Even
20 cross-examination is part of the City's case, so those
21 numbers will proceed. We'll just give it a new
22 number.

23 And for those of you hearing the challenge of
24 this system, please know that, in addition to cleaning
25 up the record before you get into your closing

1 arguments for this last segment, I look to sort of a
2 catch-all to organize these things. We'll be
3 Bates-stamping the entire record, and I believe that
4 will probably be the most consistent line of
5 organization throughout the record.

6 There was one request for -- there's been
7 actually two motions for inclusion, meaning a
8 reference to other cases and trying to incorporate
9 those. I'm granting the two that have been requested.
10 One was from Mr. Moses. One was from Perkins Coie and
11 their -- their -- their clients that they're
12 representing. I grant those requests.

13 Those motions were not actually necessary in
14 how I'm approaching inclusion. You've already made --
15 incorporated by reference -- either in the case of
16 Perkins Coie and their representation, they did that
17 orally in a hearing. And then Mr. Moses had preserved
18 reference by two other cases in his original objection
19 and has also been participating in the hearing.

20 I will note that there are some of those
21 adoption by inclusion that I may have to look askance
22 at as we get further into it. There were some
23 objectors that were -- I don't know if they were told
24 by someone else to do this or they were sophisticated
25 enough on their own to submit an objection and then

1 say I incorporate everything else from everybody else.

2 They have submitted no evidence. They're not
3 doing anything to pursue their case, and whether a
4 simple line to reference everybody else and make that
5 their case or not is up for question for me at this
6 time, but there's no way to fix that at this point
7 anyway. So you don't need to send a motion for
8 inclusion if you've been pursuing your case. We
9 already know you've got that.

10 Lastly, Mr. William Patrick for Case
11 Number 352 requested to allow David Jacobs to do the
12 questioning, ask -- during the cross-examination on
13 his behalf, so, essentially, appointing a
14 representative for him, and that's fine. You can
15 appoint any representative you want at any course in
16 this matter, and we're pretty loose about that in the
17 Hearing Examiner's Office if you have somebody else
18 you want to do it.

19 Recognizing that in the cross-examination
20 period, you're all part of a single group for purposes
21 of the record that arises during cross-examination.
22 And so, again, if one party asks the question, you
23 don't have to repeat it. You get to reference in your
24 closing and/or any responsive documents the responses
25 raised in response to other people's questions. That

1 way you don't have to ask the same question over and
2 over. In fact, I anticipate that, as you organize
3 yourselves, there will be a group that leads the
4 questioning.

5 I wouldn't -- I'm just guessing that might
6 start with some attorneys. When they get started, I'm
7 guessing -- I wouldn't be surprised if the first few
8 questioners get through about 70 percent of the
9 questions that are going to be asked by any witness.
10 And then some of you may have additional questions,
11 but I don't expect the same question to be asked
12 repeatedly to get the same answer. We will stop that
13 if it starts to occur in cross-examination. We can
14 get to that next week. I just wanted to be responsive
15 to your immediate requests.

16 Those are my opening remarks to get us guided
17 today and response to the questions I've had so far.
18 I will ask if there are any questions about procedure
19 at this time from -- general questions about procedure
20 regarding the City's presentation over the next two
21 days that any party has at this time before we start?
22 Are there any questions, general questions, about the
23 next two days?

24 MS. LIN: Hearing Examiner Vancil, we
25 did not receive any of the City's exhibits yesterday

1 or this morning. I'M just wondering did we miss
2 something or were they not sent out?

3 HEARING EXAMINER VANCIL: I'll have to
4 ask the City what it did for its process.

5 Mr. Filipini, are you speaking as primary on
6 behalf of the City today?

7 MR. FILIPINI: I am, yes. We
8 submitted -- pursuant to the order last week, we
9 submitted everything by noon yesterday. It was our
10 understanding -- to the Hearing Examiner's Office. It
11 was our understanding that they were going to be
12 forwarded out.

13 HEARING EXAMINER VANCIL: All right.
14 Just we'll hit our first issue then. It was our
15 understanding orally from the prehearing conference
16 that you would have collected the exchange of
17 exhibit -- of objectors' e-mails. However, we can --
18 we'll try to correct that right now, and we'll send
19 them out.

20 And I'll probably take a break so that you can
21 all get them and make sure that that works. While
22 that's being addressed by my legal assistant,
23 Mr. Reuter, you have a question?

24 MR. REUTER: Yes. You mentioned -- in
25 regard to the motion to incorporate, I also filed one

1 of those on behalf of Case 133 and others. You didn't
2 mention it, but I understand from your comments that
3 that motion has been granted as well?

4 HEARING EXAMINER VANCIL: Yes, that's
5 correct.

6 MR. REUTER: Thank you.

7 HEARING EXAMINER VANCIL: Thank you.

8 MS. LIN: If I can just speak to
9 clarify, I think that you said when said that Perkins
10 filed a motion, I believe that was Mr. Reuter's motion
11 and not Perkins' motion.

12 HEARING EXAMINER VANCIL: Yes. I
13 referred to two motions that I received, and both of
14 them were granted. Honestly, I'm not going to try to
15 guess off the top of my head whether Mr. Reuter was
16 one of those or not, but I know that, Mr. Reuter,
17 you've been pursuing your case on behalf of your
18 clients.

19 Again, incorporation is something that -- this
20 whole hearing is consolidated, and so the necessity
21 for adoption by reference is limited or not even
22 needed for those who are actually pursuing their case.
23 I'm mostly concerned about individuals who, frankly,
24 are not pursuing their case, submitted an objection,
25 and said I adopt by incorporation everybody else's

1 stuff and essentially letting everybody else do the
2 work.

3 They're not submitting any evidence about
4 their own property, etc. So, hopefully, you all
5 understand that. I'm not talking -- honestly,
6 everyone on the line today has already passed that
7 mark. If you're part of the cross-examining
8 objectors, you've been pursuing your case. That's how
9 you got here today.

10 So that's probably more for the benefit of
11 anyone on the listening line who thinks, well, I threw
12 that in there and I get to ride on everybody else's
13 coattails to make my case. And I haven't made a final
14 decision about that, but it's just an issue that I
15 raise for everyone's awareness about where we're at.

16 Any other general procedural questions
17 about -- before we get started?

18 All right. Hearing none, I will ask that the
19 City give us a brief outline of how they intend to
20 proceed with the witnesses they have today. We have
21 about a half an hour before our first break. I told
22 you the lunch break. So just let us know how you're
23 intending to proceed. It would be helpful, and then
24 I'm going to see where we're at with my legal
25 assistant and probably take -- we may take the

1 10:00 break early so we can make sure exhibits are
2 adequately distributed.

3 MR. FILIPINI: Absolutely. We have
4 three witnesses that we plan to call live. Marshall
5 Foster will go first. Mark Lukens will go second, and
6 Robert Macaulay will go third. And I would anticipate
7 that we would get into Mr. Macaulay today but not
8 finish his testimony and it would carry over into
9 tomorrow.

10 HEARING EXAMINER VANCIL: Okay. And
11 for Mr. Foster, what's your anticipated time for
12 that -- on direct for that witness?

13 MR. FILIPINI: For both Mr. Foster and
14 Mr. Lukens, they both have about an hour each.
15 Mr. Foster is a few minutes more when we practiced,
16 and Mr. Lukens was a few minutes less.

17 HEARING EXAMINER VANCIL: Sure. And
18 you are not held to minutes. This is just for a
19 general estimate of how we will proceed today. I know
20 that the objectors are -- that's helpful for objectors
21 to know how we're proceeding as well. And we all know
22 that Mr. Macaulay is going to take some time.

23 MR. FILIPINI: Yes.

24 HEARING EXAMINER VANCIL: I'm going to
25 pause for just a moment. We are still on the record,

1 but my legal assistant is not here. So I can't ask
2 him where we're at with the record. I'm going to step
3 out and check with him to see how we're doing with
4 that, and then I'll come back and report to you all.

5 Please be mindful he's in control of the
6 recording. So you will -- this is actually still part
7 of the -- please don't speak and add things to the
8 record while I'm away.

9 (Pause in the proceedings.)

10 HEARING EXAMINER VANCIL: All right. I
11 have a report from my legal assistant that he is
12 hitting send now for all of the City exhibits, and so
13 everyone who has -- again, this is to the objectors
14 who are participating today in anticipation they'll be
15 participating in cross-examination. They'll be made
16 part of the general record that's available to
17 everyone at a later date, but we need the
18 participating objectors to receive those.

19 I am -- it looks like we have approximately
20 32 exhibits, and he's sending those now. I know if I
21 was just receiving -- even not a voluminous record of
22 exhibits, but 32 exhibits, if I was just receiving
23 that, I would want a break so I could make sure I
24 could access those on my computer. So we will take --
25 instead of taking a break at 10:00, we're going to

1 take a break now. And we'll return at 9:45 to give
2 you time to receive those and to process them on your
3 computer. Let's say 9:50, in fact. I'll give you
4 enough time so you can actually organize those and be
5 ready to proceed.

6 So the City will be on at 9:50, and,
7 hopefully, the objectors will have the exhibits ready
8 to go. Thank you. Until he's back and turns this
9 off, also the record is still going.

10 (A break was taken from 9:26 a.m. to
11 9:50 a.m.)

12 HEARING EXAMINER VANCIL: All right.
13 Without further adieu, we return to the hearing.
14 We'll start with the City. First witness.

15 MR. FILIPINI: Thank you. Our first
16 witness will be Marshall Foster. Marshall, are you --
17 yes, you are.

18 HEARING EXAMINER VANCIL: Mr. Foster,
19 do you swear or affirm the testimony you'll provide in
20 today's hearing will the truth?

21 MR. FOSTER: I do.

22 HEARING EXAMINER VANCIL: Your witness,
23 Mr. Filipini.

24 MR. FILIPINI: Thank you.

25

1 EXAMINATION

2 BY MR. FILIPINI:

3 Q Marshall, if you could let us know, who is
4 your employer?

5 A The City of Seattle.

6 Q What is your current position at the City of
7 Seattle?

8 A I am the director of the City's Office of the
9 Waterfront project.

10 Q And --

11 A I'm sorry, Mark. I'm just going to -- I'm
12 experiencing very significant feedback here, and this
13 did not happen in our test. I don't know. Usually,
14 that's a result of someone not being on mute. Now it
15 is much better. Let's try -- I see one individual
16 maybe who is not on mute on our -- on our call in
17 the -- out there, but we'll try again.

18 BY MR. FILIPINI:

19 Q Mr. Foster, if you could, tell us your
20 educational background, please.

21 A Sure. I have an undergraduate degree from
22 Middlebury College, and I have a graduate degree in
23 city and regional planning from UC Berkeley.

24 Q When did you start working for the City?

25 A I was hired by the City in 2007. I worked as

1 a special projects manager in what was called the
2 Office of Policy and Management.

3 Q Okay. And what was your next job for the
4 City?

5 A Let's see. I moved over to the Department of
6 Planning and Development. I was the city planning
7 director from 2010 through 2014 and did a variety of
8 things in that role, worked on South Lake Union,
9 worked on a variety of different neighborhood plans in
10 the Rainier Valley, in Northgate, and Capitol Hill.

11 Q And when did you become the director of the
12 Office of the Waterfront and Civic Projects, your
13 current job?

14 A That, let's see. I transitioned at the very
15 end of 2014, December.

16 Q All right. When was the Office of the
17 Waterfront formed?

18 A It was formed when Mayor Murray came into
19 office in early -- I believe that was early 2014.

20 Q And what is the purpose of the Office of the
21 Waterfront?

22 A The Office of the Waterfront was really
23 created at that time to take on -- a lot of work had
24 been done across different city departments with the
25 community to develop the vision for what we now call

1 Waterfront Seattle, and the Office of the Waterfront
2 was created really to take that work and consolidate
3 it into one department and then to really advance the
4 design, engineering, community engagement, and
5 ultimately the construction of the project under one
6 centralized office.

7 Q And where does the Office of the Waterfront
8 sit within the City's organizational structure?

9 A Sure. The Office of the Waterfront is an
10 independent office, so I report directly to Mayor
11 Durkan. I'm part of her cabinet, and we're
12 administratively housed within the Department of
13 Transportation. What that means is, basically, we
14 rely on them to provide our HR support, our IT
15 support, and other administrative types of support
16 that it wouldn't make sense for us to re-create on our
17 own.

18 Q Okay. And what is your role as director of
19 the office?

20 A Sure. So my role is really focused on leading
21 our overall vision for the Waterfront and then
22 managing a core group of managers in that office that
23 oversee all of our design and engineering of specific
24 parts to the program, our construction management,
25 which over the last year has become a major focus of

1 our work because we're actually out in construction
2 now.

3 And also I oversee all of our relationships
4 with our elected leaders, both the mayor and the city
5 council, and very engaged in all of our partnerships
6 with a lot of the organizations on the Waterfront,
7 Pike Place Market, Seattle Aquarium, Alliance for
8 Pioneer Square, as well as all of our -- our
9 businesses that are right there on the Waterfront.

10 Q And you mentioned managing a core staff. How
11 many people work for the Office of the Waterfront?

12 A We have 11 core FTE, so full-time equivalents.
13 Those are City staff. We do also have consultants who
14 are obviously not City staff who work -- who are
15 co-located with us depending on the amount of work at
16 any given time.

17 Q Okay. I'll ask you about the Waterfront
18 Seattle program. What is the Waterfront Seattle
19 program?

20 A Sure. So Waterfront Seattle is a multiyear
21 effort. We've been working on it for over a decade
22 now. It's really focused on, with the removal of the
23 Alaskan Way Viaduct, which is, obviously, now been
24 done, the creation of a whole host of different public
25 infrastructure and public parks and open spaces on the

1 footprint of where the viaduct used to be to kind of
2 really create public space to serve the city.

3 Q And when did the Waterfront Seattle program
4 begin?

5 A It started in earnest in 2009.

6 Q And what is included in the Waterfront Seattle
7 program?

8 A Sure. There are a whole host of capital
9 improvements which have gone through a whole kind of
10 planning and design process -- the reconstruction of
11 Alaskan Way; creation of a new public Promenade that
12 runs the length of the central Waterfront; the
13 reconstruction of Pier 62 and Pier 58, which is
14 currently called Waterfront Park, on either side of
15 the Seattle Aquarium; and then a whole host of
16 different east-west connections to help connect our
17 Waterfront into the downtown neighborhoods adjacent,
18 everything from improvements in Pioneer Square to the
19 Overlook Walk, which is an elevated connection between
20 Pike Place Market and the Waterfront.

21 Q How much is the Waterfront Seattle program
22 expected to cost?

23 A Everything we were just talking about in the
24 program, about \$724 million total.

25 Q And what are the funding sources for the

1 Waterfront Seattle program?

2 A Sure. So it's -- it's an integrated funding
3 plan. It has a mix of different public sources as
4 well as some private sources. We have a significant
5 commitment from the State of Washington to replace the
6 Alaskan Way and all of the kind of core transportation
7 associated with that. That was part of the larger
8 viaduct removal program at the State of Washington.

9 We have significant funds from the City coming
10 from a range of different sources, commercial parking
11 tax, real estate excise tax, as well as the
12 Metropolitan Park District, some of the park features.
13 Obviously, we have the Local Improvement District, and
14 we have a significant private philanthropic campaign,
15 all of which together bring together that
16 \$724 million program.

17 Q When is the Waterfront Seattle program
18 expected to be complete?

19 A We expect to finish the construction in 2024.

20 Q And is 2024 a deadline?

21 A No, it's not. That's really -- if you look at
22 our construction sequencing, that's when we anticipate
23 being finished.

24 Q All right. I'd like to ask you some questions
25 about the Waterfront LID. Is the Waterfront LID part

1 of the Waterfront Seattle program?

2 A Yes, it is.

3 Q And let me ask more specifically: What is the
4 Waterfront LID?

5 A Sure. So the Waterfront LID is, like other
6 LIDs in the State of Washington, a funding mechanism
7 that assesses properties that are benefited by an
8 improvement to help actually finance that improvement.

9 In the case of the Waterfront Seattle program,
10 we have six individual elements which are partially
11 funded by the LID.

12 Q And what portion -- of the special benefit
13 that the properties have been assessed, what portion
14 of property owners will be charged as part of the LID?

15 A So they will be charged 39.2 percent of the
16 special benefit created by the Waterfront
17 improvements.

18 Q And why is the City charging property owners
19 less than the full amount of the special benefit
20 estimated by the LID?

21 A So that was part of the city council's
22 decision. Really, it's focused on providing the
23 funding -- going back to that integrated funding plan
24 that we talked about, to provide the level of funding
25 needed to support the overall program.

1 Q And how much is the LID expected to raise?

2 A \$160 million.

3 Q And how did the City arrive at \$160 million?

4 A So a couple of things. First off, you know,
5 through the -- you know, the public process, you know,
6 around determining the strategy with funding, there
7 was -- there was a goal established for the LID. And
8 then more recently with the formation of the LID, we
9 have a -- essentially reached a negotiation around a
10 protest waiver agreement that confirms the
11 \$160 million and actually capped the City's ability to
12 assess to \$160 million.

13 Q And do you know who was the protest waiver
14 agreement negotiated with? Who was the City's
15 counter-party?

16 A An organization called the Waterfront
17 Conservancy.

18 Q And do you know what percentage of the value
19 to be assessed in the LID was represented by the
20 Waterfront Conservancy?

21 A I believe it was about just over 50 percent.
22 I think it was about 51 percent of the total.

23 Q Prior to that negotiation, what had the
24 planned size of the LID been?

25 A It had been \$200 million.

1 Q And if you know, what is the total final
2 special benefit estimated by the City's appraiser on
3 the Waterfront LID?

4 A I can't -- it's just over \$400 million, a
5 little over 400.

6 Q All right. I'd like you to open Exhibit 1, if
7 you could, if you have it there.

8 A Yeah. Give me just a sec.

9 HEARING EXAMINER VANCIL: If I can ask
10 you to pause, Mr. Filipini, I just want to confirm,
11 are there any objectors that did not receive the
12 exhibits? This is your chance to speak up and let me
13 know if you did not receive exhibits.

14 MR. MOSES: This is Mr. Moses. We have
15 received the exhibits. They came to my computer about
16 two minutes ago. It's a OneNote file that requires me
17 to enter a verification code to open. It's going to
18 require me to have two screens up to deal with it, so
19 it's going to take me at least another five minutes
20 just to sort through what I've been sent. And for
21 people that don't have two screens to work with, it's
22 going to be very difficult.

23 HEARING EXAMINER VANCIL: Thank you,
24 Mr. Moses.

25 Has anybody else not received the exhibits?

1 Mr. Moses didn't receive them in the same earlier
2 e-mail and was just sent them, so he's getting caught
3 up to us. Has everyone else received the exhibits?

4 MS. LIN: This is Megan Lin. I
5 received all of the exhibits except that I'm having
6 trouble accessing some of the Macaulay exhibits, which
7 will come later, but I did want to flag it now since
8 you're asking about our access to exhibits.

9 HEARING EXAMINER VANCIL: For the
10 moment, if I could ask Mr. Filipini, if it is
11 possible, can we share screen for the Foster exhibits?
12 Are you able to do that from your end?

13 MR. FILIPINI: I believe we can.

14 HEARING EXAMINER VANCIL: Okay. Let's
15 just do that for now. Again, I don't want to make
16 that the norm, but we'll make an effort to do that
17 when it is possible that the parties can't follow
18 along.

19 MR. FILIPINI: Okay. And I will try
20 this, and we'll -- I'm not sure that that's the screen
21 we want to share. I'll go back into -- I stopped the
22 share and see -- it looks like if I grab this --

23 HEARING EXAMINER VANCIL: While
24 Mr. Filipini is looking, I just want to remind
25 everyone that although I indicated the schedule in the

1 morning would be that we would take a 10:00 break, we
2 will not take the 10:00 break because we have already
3 taken that break at 9:30, approximately 9:30, in order
4 to accommodate the exchange of exhibits. That break
5 concluded at 9:50. We will not take the 10:00 break.
6 Our next break will be at noon.

7 BY MR. FILIPINI:

8 Q Okay. I think this worked, at least on my
9 end. I'm going to ask you, Mr. Foster, to look at
10 page 15 of Exhibit C-1. And all of the exhibits are
11 numbered at the top in the center of the top of the
12 page so that -- and we numbered them all as C for City
13 for the exhibits and then the page number so we didn't
14 have to worry about different internal page numbers on
15 documents.

16 And then, of course, Marshall, it should also
17 be up on your screen, but just let me know when you
18 have it there.

19 A Thank you. I do have it up.

20 Q Okay. And if you could tell us, I guess,
21 first of all, for the record, what is Exhibit 1?

22 A This is a list of the improvements that are
23 partially funded by the LID.

24 Q And if you could, generally speaking, if you
25 could identify Exhibit 1. This is page 15. What is

1 Exhibit 1 in total?

2 A In total? Yeah, these are the six projects
3 that are partially funded by the LID.

4 Q Okay. Is Exhibit 1 a copy of City
5 Ordinance 125760?

6 A Oh, I'm sorry. Excuse me. I misunderstood
7 you.

8 Yes. This is the LID formation ordinance.

9 Q And I've taken you to what's marked up in the
10 corner on the document as Exhibit A. Again, for the
11 audience, page 15 of Exhibit C-1, and I've got it
12 screen cast here.

13 A Yeah.

14 Q So my first question for you, Marshall, was:
15 What are we looking at on page 15?

16 A We're looking at the list of projects that are
17 partially funded by the LID.

18 Q Okay. And if you could, please walk us
19 through that for the record.

20 A Sure. You have the public Promenade, which is
21 a continuous public open space that extends along the
22 west side of Alaskan Way from King to Pine Street; the
23 Overlook Walk, which is an elevated pedestrian bridge
24 at the terminus; the Pike/Pine corridor, which I won't
25 read all of that, but it essentially connects Pike

1 Place Market and the Waterfront with a pedestrian
2 connection and park features; the Pioneer Square
3 street improvements, which are streetscape and
4 sidewalk/roadway improvements on Main, Washington,
5 Yesler, and King Streets in Pioneer Square; the Union
6 Street pedestrian connection, which is an accessible
7 pedestrian bridge connecting from Western Avenue down
8 to Alaskan Way; the Pike and Pine Street improvements,
9 which, again, are, you know, pedestrian sidewalk and
10 crossing improvements along both Pike and Pine Streets
11 from First Avenue to Ninth Avenue; and, lastly,
12 Waterfront Park, which you'll know we also call
13 Pier 58, which is the rebuild -- the reconstruction of
14 Waterfront Park, which is a pier park at the base of
15 Union Street to provide essentially a public space for
16 gathering, performance, etc., on the Waterfront.

17 Q And has the City formed local improvement
18 districts before?

19 A Yes, it definitely has.

20 Q And if you could, please give us some examples
21 of LIDs that the City has formed.

22 A Sure. Two that immediately come to mind, the
23 South Lake Union streetcar and, further back in
24 history, the Aurora Bridge actually.

25 Q Okay. One thing I haven't asked is: How much

1 will the Waterfront LID cost?

2 A You mean the projects in the LID?

3 Q Yes. The projects in the LID, their
4 construction cost.

5 A Sure. It's just shy of \$350 million.

6 Q And so I asked you earlier about how the
7 sources of funding for the -- the broader Waterfront
8 Seattle program. How will the projects in the -- the
9 six projects that we just went through, part of the
10 LID, how are they being funded? What are their
11 sources of funding?

12 A Sure. Well, the -- those projects are funded,
13 obviously, by the LID. That's a major source of
14 funding for those projects. It's not the only one,
15 though. They're also funded by City sources. You'll
16 see some Metropolitan Park District funding. You'll
17 see some other city sources like CPT and REET -- I'm
18 sorry. When I say CPT, what I mean is commercial
19 parking tax, which is a very common source for capital
20 projects in the City, and then private philanthropy,
21 the philanthropic campaign that we talked about
22 before.

23 Q What is the philanthropic funds?

24 A Sure. We have a partner called Friends of
25 Waterfront Seattle which has committed to bring

1 forward \$110 million through its own independent
2 fundraising specifically for Waterfront Seattle.

3 HEARING EXAMINER VANCIL: Mr. Filipini?

4 MR. FILIPINI: Yes.

5 HEARING EXAMINER VANCIL: Do you have
6 any additional questions about Exhibit 1?

7 MR. FILIPINI: I don't. Would you like
8 me to stop sharing?

9 HEARING EXAMINER VANCIL: Yeah. Just
10 put up -- if we do any share screen, just for the
11 duration of the questioning around that item. It's
12 easier for me to evaluate the witness and understand
13 how things are going if I can see him full screen.

14 MR. FILIPINI: Okay. Understood.

15 BY MR. FILIPINI:

16 Q And I believe you may have said this,
17 Mr. Foster. But, again, what is the commitment from
18 Waterfront Seattle program, the dollar amount? I'm
19 sorry. From Friends of the Waterfront?

20 A Sure. It's 110 million total. It's
21 actually -- there was an ordinance around the same
22 time as the formation that followed that outlines that
23 amount.

24 Q What role did your office, the Office of the
25 Waterfront, have in securing this philanthropic funds

1 from -- from Friends?

2 A Sure. So we definitely had a central role.
3 We developed a partnership with that organization over
4 many, many years of the kind of public planning and
5 the whole process here. And we worked very closely
6 with them on kind of developing, you know, what was
7 their potential to do that, you know, their kind of
8 board and their ability to assess their own -- ability
9 to drive a campaign and then ultimately also did due
10 diligence, as the ordinance that I mentioned outlines,
11 to kind of confirm their ability to do that.

12 The other major part of our partnership with
13 Friends, which is actually much, I'd say, arguably
14 more the focus today is on their partnership with the
15 Parks Department on the maintenance and programming of
16 the space, and so we're doing a lot of intensive work
17 with them now on how they will actually partner with
18 Parks Department on the actual operations of the
19 Waterfront.

20 Q And was the City's receipt of the
21 philanthropic funds from Friends of the Waterfront
22 contingent on the City creating a LID?

23 A No, not as I understand it. Our work with
24 them -- they independently committed to that campaign.
25 Our work -- really the key thing their interests have

1 always been on the City are that we would commit the
2 resources and the dedicated staff necessary to
3 maintain the park at a very high level of quality in
4 partnership with them.

5 Q And what -- you mentioned resources. Is there
6 a dollar figure, and, if so, what is it, for the
7 City's commitment on maintenance of the park when
8 constructed?

9 A Sure. So -- so the City committed, as part of
10 the ordinance I mentioned, to a minimum of 4.8 million
11 annually for park maintenance. And as part of that,
12 the City is essentially dedicating a team who would
13 focus on the Waterfront parks and open spaces in
14 partnership with Friends to deliver our ongoing
15 maintenance and operations.

16 And, actually, that commitment was originally
17 outlined in the -- in the actions that form the
18 Metropolitan Park District, so there's a longstanding
19 commitment to provide those resources on the
20 Waterfront.

21 Q Is there a formal agreement between the City
22 and Friends of the Waterfront for the 110 million in
23 funding?

24 A So the ordinance is really that is the key
25 place where that partnership is defined. There's no

1 additional separate commitment or agreement separate
2 from the ordinance.

3 Q Okay. I'm going to switch gears a bit and
4 ask: How did the City evaluate whether and how much
5 special benefit the LID improvements would provide?

6 A Sure. So to do that we hired an independent
7 appraiser to do that, Bob Macaulay with ABS Valuation.

8 Q When did the City first begin contemplating an
9 LID as a funding mechanism?

10 A So there was a strategic plan that came out of
11 the original community process that kind of defined
12 the Waterfront Seattle. That was in 2012, which
13 identified and contemplated the idea of an LID as a
14 funding mechanism, and that was endorsed unanimously
15 at the city council by a resolution at that time.

16 Q And then when did the City begin working on
17 the current Waterfront LID that's at issue in this
18 hearing?

19 A That was in 2016. We really went out and
20 actually did an RFQ to bring on that independent
21 appraiser to help us do a special benefit study.

22 Q Okay. And I take it from your testimony a
23 moment ago that the contract was awarded to ABS
24 Valuation?

25 A That's correct.

1 Q I now would like you to go to Exhibit 2.

2 A Okay.

3 HEARING EXAMINER VANCIL: And, again,
4 Mr. Filipini, if it's possible to share the exhibit,
5 we'll do that for each of the exhibits for Mr. Foster,
6 and then, hopefully, by the time we've got through our
7 first witness, objectors will be caught up with
8 exhibits.

9 BY MR. FILIPINI:

10 Q Okay. And I apologize. They will be
11 highlighted. They're just highlights for myself as I
12 was asking questions, but it actually might help the
13 audience track where we are in the document.

14 A I've got it up.

15 Q Okay. I just want to pin it for everybody.
16 Marshall, if you could, tell us what we have
17 here.

18 A This is a time line for the Waterfront LID.

19 Q Okay. Time line leading to -- to what?

20 A To the -- well, several different things. The
21 formation of the LID but, ultimately, to the appeal
22 and hearing process that we're in currently.

23 Q Okay. And I'm going to -- I'm not going to --
24 obviously, we're putting this as an exhibit into the
25 record. I don't want you to read everything, and you

1 probably could guess I'm going to ask you some
2 questions about the highlighted spots.

3 So the first one, what happened on August 9,
4 2017?

5 A So that is when we released the initial
6 summary memo on the LID feasibility study that ABS
7 prepared.

8 Q And as you understand it, was the City
9 required to complete a feasibility study prior to
10 formation of the LID?

11 A It is. Let's see. So it's not required by
12 state law, but, you know, in our case we thought it
13 was an appropriate thing to do.

14 Q Okay. And that was my next question. Why?
15 Why did you do it? But you answered that.

16 So I'd like to direct your attention to the
17 next highlight that I have there, and for folks at
18 home, I'll just read that. It's May 9, 2018, and a
19 summary of Waterfront Seattle Project Formation
20 Special Benefit/Proportionate Assessment Study for
21 Local Improvement District.

22 Why did the City commission this study?

23 A So -- so that essentially helps us create the
24 preliminary assessment role, which is required under
25 state law, and so the special benefit study

1 essentially supports that. It also really helped
2 recommend a boundary for the LID geographically, the
3 area to be potentially assessed, as well as to set up,
4 you know, a structure for how to ensure fair and
5 proportionate allocation of the assessments out, so
6 the tiering and the sizing of those assessments.

7 Q And I'll take you next to May 21, 2018, and
8 the city council unanimously passes Resolution
9 Number 31812 by a vote of 8-0.

10 Do you recall what was Resolution -- what was
11 the subject matter of Resolution 31812?

12 A Sure. That was -- that was the city council's
13 declaration of their intent to form the LID, which is
14 essentially providing all the public notice and notice
15 to property owners of its intent to consider
16 formation.

17 Q And besides passing a public ordinance, how
18 did the City inform affected property owners of the
19 intent to form?

20 A Sure. So the -- that action also directs the
21 City Clerk to formally notify property owners, and so
22 based on that, the City did move forward and mail
23 letters directly to all the affected parties
24 forming -- informing them, I believe, both of the
25 City's intent and also the potential amount of their

1 assessment and their right to participate in a series
2 of public hearings regarding the formation.

3 Q And what role did your office have in
4 informing affected property or providing this
5 information to property owners?

6 A So we essentially support that whole process
7 and supported the hearing process that followed.

8 Q Okay. Have you --

9 A We also -- sorry. Just one addition. We did
10 have a website that we -- we provided, not a
11 requirement, but we essentially created a portal for
12 property owners to be able to look up their property,
13 find out their potential assessment, and we provided
14 an FAQ, frequently asked questions, and other
15 information for the public to help -- help understand
16 it.

17 Q Okay. When did the City mail letters to
18 property owners regarding their preliminary
19 assessments?

20 A Right after the council's actions, so I think
21 it was in June of 2018.

22 Q And when did the City hold a Waterfront LID
23 formation hearing?

24 A We held hearings in July of that year.

25 Q Okay.

1 A And should I read those specifically?

2 Q No. Is it July 13 through 31 in Exhibit 2?

3 A Yes.

4 Q Okay. And who conducted the hearing?

5 A The Office of the Hearing Examiner.

6 Q And what was the result of the hearing?

7 A What was the result of the hearing? The
8 Hearing Examiner, basically, took all the public input
9 and feedback, compiled that, and provided the city
10 council with those comments along with a cover letter
11 back.

12 Q Okay. When did the City form the Waterfront
13 LID?

14 A So the city council ultimately took the
15 actions to form it in January of 2019, January 28.
16 They had an ordinance that was passed unanimously at
17 the city council.

18 Q Okay. Was the Seattle Park District Board of
19 Commissioners required to approve the LID first prior
20 to the city council?

21 A No. I'm not aware of any requirement that the
22 Board of Park Commissioner -- Park Commissioners
23 consider an LID.

24 Q I'm going to take you back to Exhibit 1. I
25 have a -- I'll unpin this document, and I will take

1 you back to Exhibit 1, please. And this time I'm
2 going to take you to Exhibit C-1, page 8., and I will
3 pin it for folks -- I'll share it for folks to see.
4 But, again, it's page 8 of Exhibit C-1.

5 A Okay. Got it.

6 Q And I've highlighted some text there. Given
7 that we're remote, I'll read it into the record,
8 Marshall, and then I'll have some questions for you.

9 I've highlighted text which is located in
10 Section 3 of Exhibit -- or Ordinance 125760, which is
11 Exhibit C-1. It reads as follows: The LID
12 improvements shall be in accordance with plans and
13 specifications prepared by the Director of the
14 Department of Transportation -- Director of the OWCP
15 on behalf of the Director of Department of
16 Transportation of the Seattle Department of
17 Transportation and on file in the City Clerk's Office
18 and may be modified by the city council as long as
19 such modifications do not affect the purpose of the
20 LID improvements or constitute materially different
21 improvements provided, however, that changes in detail
22 of such plans that do not significantly alter the
23 scope or costs of the LID improvements will not
24 require further approval.

25 And I wound up reading the whole sentence for

1 completeness even though only a portion was
2 highlighted in the exhibit.

3 In any event, what is your understanding of
4 the language that I just read from Section 3 of the
5 ordinance?

6 A Sure. So that language basically requires
7 that the LID improvements be built in accordance with
8 the plans and specifications on file with the City
9 Clerk.

10 Q Okay. And what is your understanding of
11 the -- what plans and specifications are referenced in
12 Section 3?

13 A So what's referenced are specifically the
14 conformed plans and specifications. They're typically
15 prepared by an outside engineering firm hired by the
16 City. They're stamped by a PE, professional engineer,
17 and those are actually -- that's done once we've
18 reached 100 percent design and the project is ready to
19 actually be built.

20 Q And then if you could, describe for us what
21 type of information is included in these final
22 conformed set of plans and specifications.

23 A Sure. So it's an enormous document. These
24 are the very specialized kind of technical documents
25 that essentially serve as the blueprint for every

1 square foot of what will be built. In our case, these
2 plans are close to a foot tall if you were looking at
3 a physical copy of them, just to give you a sense of
4 scale.

5 They address everything -- every detail of how
6 not only the project will be built, but how materials
7 will be procured, details of location, color, density,
8 structural re-enforcement of concrete, all the
9 detailing of how we do our plantings, soil mixtures,
10 planting sizes, drainage and utility layouts, material
11 specifications for all of that.

12 The other thing that the plans -- the
13 conformed plans and specs address is actually how the
14 contractor will manage the construction, how they will
15 manage the construction site. For example, traffic
16 mitigation requirements are a major part of what we
17 deal with, how we will do quality assurance, QA work,
18 inspections.

19 They also address actually how they will do
20 payments and invoicing and sort of some of -- some of
21 the basics of how they will actually operate the
22 construction management itself along with -- there's
23 literally thousands of technical details in those
24 plans.

25 Q And do final conformed plans and

1 specifications exist for any of the LID improvements
2 at this point?

3 A Yes. There are final conformed plans and
4 specs for the Promenade improvement, which is part of
5 a larger contract called the main corridor which also
6 includes the reconstruction of Alaskan Way itself.

7 Q And are those plans and specs on file with the
8 City Clerk's Office?

9 A Yes.

10 Q Does Section 3 of Ordinance 125760 say when
11 the plans and specs must be filed with the City
12 Clerk's office?

13 A Not that I'm aware of, no.

14 Q What was the Office of the Waterfront's role
15 leading up to formation of the LID?

16 A Sure. So I think we had a pretty central
17 role. We were involved in doing public engagement,
18 which was both to the general public but also, very
19 importantly, to property owners in the district to
20 share information regarding the LID and taking input
21 and feedback along the way.

22 Q Did your office engage in public outreach with
23 property owners and other stakeholders leading to its
24 formation?

25 A Yes. There was a ton of engagement that was

1 done in a lot of different ways and in a lot of
2 different venues. I would say we did -- overall, we
3 hosted or participated in other people's meetings,
4 about 80 total meetings that took place, in the
5 lead-up to some of those decisions.

6 And those were, you know, briefings that we
7 would provide, discussion sessions, large public
8 meetings, lots of different venues. We would go to,
9 you know, large organizations that were hosting
10 meetings of whether it was residential property owners
11 or commercial or hotel or other groups, industry
12 organizations as well as a lot of in-depth more kind
13 of one-on-one or small group discussions. We attended
14 dozens of HOA meetings, homeowners association
15 meetings, with individual condominium owners.

16 And then we also -- we really tried to
17 maintain a consistent, updated website at
18 waterfrontseattle.org which carried all of the core
19 information for the public about -- and for property
20 owners about the LID proposal as well as the specifics
21 of the proposed assessments.

22 Q Okay. I have a few questions for you about
23 ABS Valuation's final special benefit study. I don't
24 have it as an exhibit because I don't believe that we
25 need it. What's the valuation date in the final

1 special benefit study?

2 A Sure. It was the October 1, 2019.

3 Q And who picked the valuation date used in the
4 study?

5 A My understanding is Bob, Mr. Macaulay, picked
6 that date because that was the date that he had
7 sufficient information to be the basis for the
8 underlying improvements in terms of the proposal as
9 well as to essentially support a special benefit
10 analysis.

11 Q Was your office one of the sources of his
12 information?

13 A Yes.

14 Q Who would have been the primary point of
15 contact at the City with ABS Valuation on the dates
16 elected in the study?

17 A That would have been the City's Department of
18 Finance and Administrative Services, which is known as
19 FAS. They held the contract with ABS.

20 Q Okay. So what has been your office's role
21 since the LID was formed in January 2019?

22 A So since the LID was formed, our involvement
23 has really stepped back, and in terms of, you know,
24 FAS, which is the City's lead agency for all of our
25 financial management, our treasury, collections, you

1 know, all those activities are led by them, and so
2 they've really taken on the leadership role in
3 advancing the LID since the formation.

4 Q Okay. And what is your work focused on now
5 with respect to the LID?

6 A Sure. The Office of the Waterfront at this
7 point is really focused on design and planning and
8 construction of the whole program, but, obviously,
9 that includes the Waterfront LID improvements. We're
10 not directly involved in the assessments, which are
11 the subject of the hearing today.

12 Q Okay. What I'd like to do -- I think the most
13 efficient way for us to do this is I'm going to take
14 you back to Attachment A in Exhibit 1. That's the
15 list of the six LID improvements, and then I'm going
16 to ask you some questions. But I think it will be
17 easiest if we have it up on the screen.

18 A Okay.

19 Q So that was page 15, and I will share screen
20 again for folks.

21 All right. What I'd like to ask you about
22 now, Marshall, is the status of environmental review
23 for the six improvements. Again, I think it is
24 easiest if I have it here.

25 So if you could, tell me the status of

1 environmental review for the Promenade.

2 A Sure. It was completed.

3 Q Okay. And how?

4 A It was completed as part of the -- what's
5 called the AWPOW final environmental impact statement.

6 Q And what is AWPOW? Is that an acronym?

7 A It is an acronym. Sorry.

8 Q What does it stand for?

9 A It stands for Alaskan Way Promenade and
10 Overlook Walk.

11 Q Okay. And when was the AWPOW final
12 environmental impact statement issued?

13 A It was issued in October of 2016.

14 Q And just for -- I'm going to use another
15 acronym. I'll shorten it down. Final environmental
16 impact statement to FEIS. So when did work begin on
17 the AWPOW FEIS?

18 A In 2013.

19 Q What projects were included in the AWPOW FEIS?

20 A The included four proposed Waterfront
21 projects, the Main Corridor, the Promenade, the
22 Overlook, and East-West Connections.

23 Q Was the AWPOW FEIS specific to the Waterfront
24 LID?

25 A No, it was not. It didn't focus solely on it.

1 There are several projects included there, which at
2 this point are receiving LID funding.

3 Q Okay. I'll ask you to look back at -- well,
4 I'm just going to ask you, but this is a reference for
5 you. But what is the status of environmental review
6 on Overlook Walk?

7 A It was completed as part of what you just
8 described, the AWPOW final impact -- environmental --
9 final environmental impact statement.

10 Q Okay. And then what is the status of
11 environmental review on the Pioneer Square street
12 improvements?

13 A Yes. Pioneer Square street improvements,
14 there has been environmental review of those as part
15 of that AWPOW EIS, final EIS. There are -- there is
16 some additional review that we're doing based on some
17 adjustments to those street improvements since that
18 was done.

19 Q Okay. And when does the City estimate it will
20 complete environmental review for those additional
21 Pioneer Square street improvements?

22 A So they have to get to a sufficient level of
23 design to do that. We expect that will be done by the
24 end of this year, at the latest early 2021.

25 Q And then moving on, what is the status of

1 environmental review on the Union Street pedestrian
2 connection?

3 A That was completed as part of the AWPOW FEIS.

4 Q Okay. What is the status of the environmental
5 review on the Pike/Pine streetscape improvements?

6 A That has not been completed, but, like I
7 mentioned before, once it gets to a sufficient level
8 of design, that will be done. We expect --

9 Q Yeah. When does the City estimate it will be
10 completed?

11 A Yeah. I think it likely would be the end of
12 this year, very early '21 at the latest.

13 Q What is the status of environmental review for
14 Waterfront Park, which I understand will be called
15 Pier 58?

16 A Yes, so environmental review has been
17 completed for that. The City issued a DNS for that
18 project in February, and after, you know, public
19 comment, it was finalized in March of this year.

20 Q Okay. And for the record, what is a DNS?

21 A Excuse me again. I shouldn't use so many
22 acronyms. A determination of nonsignificance under
23 SEPA, the State Environmental Policy Act.

24 Q And DNS is now final?

25 A It is. It was finished in early March.

1 Q So as I understood your testimony, four of the
2 six on the -- of these LID improvements were analyzed
3 in the AWPOW FEIS. Why did the City not analyze
4 Pier 58 and the Pike/Pine streetscape improvements
5 with the AWPOW FEIS?

6 A Sure. So -- so, basically, like I was
7 referencing before, those projects weren't at a level
8 of design that we could meaningfully review them under
9 SEPA. So the City, you know -- we begin environmental
10 review of a project when we have enough information
11 about what's proposed that we can provide -- that we
12 can do a meaningful review of that project, and those
13 were just not at that point yet.

14 Q Are you familiar with the cumulative impacts
15 chapter of the AWPOW FEIS?

16 A Yes.

17 Q And were -- what relationship does that
18 chapter have to the Union Street pier replacement or
19 the Pike/Pine streetscape improvements, if any?

20 A Sure. So an important aspect of SEPA and what
21 we look at with documents like environmental impact
22 statements is, you know, reasonably foreseeable
23 actions, things that we may not have, you know, a full
24 picture of yet, but they're known to be potential
25 impacts.

1 And as part of this cumulative impacts
2 chapter, we considered -- and I'm sorry. There's a
3 lot of names being thrown, but at the time Pier 58
4 project was described as the Union Street pier
5 replacement. So we considered that potential project
6 as a reasonably foreseeable action in the cumulative
7 impacts chapter along with the Pike/Pine streetscape
8 improvements.

9 Q Was the AWPOW FEIS appealed?

10 A Yes. It was appealed by three groups -- the
11 Alliance for Pioneer Square, the Seattle Historic
12 Waterfront Association, and the Waterfront Landings
13 Association.

14 Q Were the appeals connected to any of the LID
15 improvements?

16 A No, not specifically. Those appeals were in
17 2016 when we were -- you know, when we were looking at
18 the final EIS, and the LID process was several years
19 later in 2019.

20 Q What was the result of the appeals?

21 A So the City -- ultimately, we were able to
22 reach settlement agreements with each of those
23 organizations, and their appeals were withdrawn. The
24 settlement agreements dealt primarily with a variety
25 of issues related to construction, mitigating the

1 impacts of construction, traffic mitigation, and
2 issues of that -- of that sort, which is pretty
3 typical of those types of settlement agreements.

4 Q What impact did settlement agreements have on
5 LID improvements, if any?

6 A The -- I mean, the interesting thing is the
7 LID was not, you know, a topic of the FEIS. I don't
8 think it actually -- I don't recall it mentioning the
9 LID specifically. The one thing in the settlements,
10 as they were negotiated that came up, was --
11 specifically for the Alliance for Pioneer Square, they
12 requested as part of their settlement -- and we
13 agreed -- that we would increase the level of
14 investment through the LID in street improvements for
15 Pioneer Square from 12 million, which was the thought
16 at that time, to 20 million, which was contingent on
17 whether we would actually go about forming an LID down
18 the road. But we did make that adjustment as part of
19 that settlement agreement.

20 Q Okay. That's all my questions I have for you
21 on this exhibit, so I will stop sharing it. So --

22 HEARING EXAMINER VANCIL: Before you
23 move on to the next segment, could I ask you to
24 clarify again what AWPOW was? Alaskan Way -- what is
25 that acronym for?

1 MR. FOSTER: Alaskan Way Promenade and
2 Overlook Walk improvements. Alaskan Way Promenade and
3 Overlook Walk.

4 HEARING EXAMINER VANCIL: What's AWPOW
5 stand for? There's clearly not a one-for-one with
6 what you just said and the acronym. What's --

7 MR. FILIPINI: Yeah, the acronym is AW,
8 Alaskan Way; P, Promenade; Overlook Walk, OW. Does
9 that make sense?

10 HEARING EXAMINER VANCIL: Yeah. Thank
11 you.

12 MR. FOSTER: We're terrible about
13 creating acronyms in government. Apologies.

14 HEARING EXAMINER VANCIL: We see a few
15 of those in our hearing room.

16 MR. FOSTER: I'm sure you do.

17 BY MR. FILIPINI:

18 Q So I wanted to ask you some questions,
19 Marshall, about Exhibit 3, which is ordinance 125761,
20 but given that we're remote, I'm not really directing
21 your attention to any portion of 125761. So in order
22 to let you testify, I'm not planning to share the
23 document, but, of course, if I do direct your
24 attention to any actual portion of that exhibit, I'll
25 share it. In looking at my questions, I can tell that

1 they're more general in nature.

2 Can you tell us what Ordinance 125761's topic
3 matter?

4 A Sure. This is the operations and maintenance
5 agreement for the Waterfront, which was also approved
6 by the city council in January of 2019.

7 Q And how will the City maintain and ensure the
8 safety of the parks created by the LID improvements?

9 A Sure. So I was alluding to this earlier. A
10 really critical part of our partnership with Friends
11 of Waterfront Seattle but ultimately also with, you
12 know, some of what were priorities for the Waterfront
13 Conservancy and others is that we had a very strong
14 strategy for how we would maintain, operate, and keep
15 the Waterfront safe and attractive, not only on day
16 one but 10, 15 years down the road.

17 And so what this ordinance did, which is,
18 frankly, quite unprecedented in the City, is it
19 commits the City Parks Department to create a
20 dedicated focus on the maintenance of these new parks
21 which are created and specifically to dedicate
22 \$4.8 million annually which increases with -- over
23 time with inflation to support that effort.

24 And then as -- in tandem with that, in
25 partnership, the Friends of Waterfront Seattle is

1 dedicating a team which it will fund directly which
2 provides programming and activation of the Waterfront.
3 So the types of -- the daily kind of high-touch
4 personal activities that bring the space to life and
5 engage the community in those spaces, they would
6 directly fund and support.

7 In addition to that, the Friends is also
8 providing direct support for safety and security on
9 the Waterfront as well. The other key things that
10 that ordinance did is it established a performance
11 standard as a basis for the ongoing quality of both
12 maintenance and programming based on looking at, you
13 know, what are the -- what are examples of very high
14 quality parks, not only looking at Seattle, but
15 looking at other pier cities and then what are the
16 specific commitments of staff time, resources,
17 specific maintenance activities that have to be done
18 to meet that standard.

19 And so that was described in the ordinance,
20 and, actually, an oversight committee was created by
21 that ordinance which brings together a whole group of
22 leaders in the community, especially downtown property
23 owners, you know, Friends of Waterfront Seattle and
24 others, to oversee the maintenance effort and make
25 sure that we live up to that performance standard,

1 issues like cleanliness, safety, you know, the repair
2 of assets.

3 It also did something unique which is it
4 brought several city departments directly accountable
5 to that oversight committee for its -- for the park's
6 success, which included, obviously, the park
7 superintendent is really critical to that, our Office
8 at Waterfront, but also the transportation department
9 which will be, you know, operating Alaskan Way. And
10 we actually also have the City police chief as a
11 direct participant in that oversight committee to
12 really help us have a direct line to deal with any
13 safety, security, social service needs that the
14 Waterfront might be having.

15 Q And if you could remind us, what is the City's
16 level of funding commitment to the maintenance and
17 safety of Waterfront Park?

18 A It is \$4.8 million annually starting in 2023
19 as the park, you know, is close to completion, and
20 then it escalates over time.

21 Q Is the 4.8 million in annual funding
22 guaranteed?

23 A It is in the ordinance -- essentially, the
24 ordinance requires the City to include 4.8 million in
25 baseline funding for the Waterfront annually. It is

1 ultimately the city council's action to approve that
2 funding in annual budgets.

3 Q If there's a significant economic downturn,
4 what effect could that have on the baseline funding
5 for operations and maintenance pursuant to this
6 ordinance?

7 A Sure. Yeah, especially right now, very fair
8 question. So the baseline funding is allowed to be
9 reduced in that ordinance. We did, you know,
10 anticipate the possibility of that. What it basically
11 says is that you can reduce the maintenance funding by
12 an equivalent percentage to the reduction in the
13 City's general fund or 5 percent, whichever is less.

14 Q How will the City monitor security incidents
15 in -- in eventual Waterfront Park and the public
16 spaces?

17 A Sure. So, again, that ordinance that we're
18 talking about requires the City and the oversight
19 committee to monitor annually security incidents of a
20 variety of sorts on the Waterfront and all the parks
21 and public spaces.

22 The oversight committee reviewing those
23 reports and very actively engaged -- I mentioned the
24 participation of the police chief, the Friends team --
25 in troubleshooting that. If, for any reason, we ever

1 were to see a significant uptick in security -- for
2 example, I think the number then in the ordinance, I
3 believe, was 10 percent year over year, so a
4 10 percent increase over the previous year -- the
5 oversight committee has the option to directly lead a
6 comprehensive review of safety and security and to
7 make recommendations directly to the mayor and council
8 on any changes needed.

9 Q Are you aware of the -- in this proceeding the
10 sentiment of some objectors that the parks created by
11 the LID improvements will attract additional crime and
12 homelessness?

13 A Yes. I'm aware of that sentiment.

14 Q And what is your response?

15 A Well, the City's experience has been that the
16 key thing is for our parks and public spaces to have
17 dedicated, committed staff who do both maintenance,
18 but also the partnerships to create the ability to
19 really activate and provide safety and security in a
20 dedicated way as well.

21 What we've found -- and, you know, we've
22 talked a lot through our public engagement about our
23 recent experiences with Westlake Park and Occidental
24 Park, neither of which are perfect, but in both cases
25 the City created dedicated resources, partnered with

1 outside partners to bring both programming and
2 security, that we've been able to significantly
3 improve the condition of those parks and address
4 crime, help, you know, respond to people who are
5 struggling with homelessness and the like, and
6 significantly improve the quality of those parks.

7 So -- so we are -- we're bullish that we can
8 have safe, attractive, well-maintained parks when we
9 have the dedicated resources to do it, and those two
10 spaces are examples of the potential for that.

11 Q If the LID didn't exist, how would the
12 Promenade, which is one of the six LID improvements,
13 how would the Promenade be managed?

14 A So part of what the commitments that we've
15 made here to Friends of Waterfront Seattle and it's
16 also reflected in the commitments made to property
17 owners downtown as part of our protest waiver
18 agreement is that we will put in place that dedicated
19 set of resources and that whole maintenance and
20 programming regime that I described.

21 That -- as part of that, you know, the
22 Promenade, essentially, becomes a park space. Today
23 that Promenade is a transportation corridor. If we do
24 not have those things in place, the Promenade
25 essentially is -- it's like any other sidewalk in the

1 city, and it doesn't have that dedicated team in terms
2 of addressing some of the issues that people have been
3 concerned about.

4 Q I just have a few more questions for you,
5 Marshall.

6 A Sure.

7 Q Obviously, we are at an -- I'm switching gears
8 on you a bit to close out here. I want to talk about
9 the construction schedule for the improvements.

10 Are you familiar generally with the
11 anticipated construction schedule for the six
12 improvements?

13 A I am, yeah.

14 Q How will the COVID-19, the shutdowns that
15 we've had, the anticipated economic downturn, impact
16 the LID construction schedule?

17 A Yeah. So we have actually been able to
18 proceed on schedule through the COVID-19 process. So
19 our office, along with a whole -- all the capital
20 departments in the City have worked closely with the
21 governor's office, with the State Department of
22 Health, County Public Health on safety protocols for
23 essential work.

24 Capital projects like the Waterfront were
25 deemed essential projects by the governor very early

1 on in this crisis, and so we have actually stayed on
2 schedule and been able to safely advance our
3 construction through the pandemic.

4 Q And in your view, will COVID-19 impact the
5 City's ability to complete the LID improvements by
6 2024?

7 A So right now we -- that is our schedule.
8 Based on our current situation, our contractor
9 actually has even been able to accelerate some work
10 because of the lack of traffic in the core area. We
11 do believe we will finish the program, including the
12 LID improvements, in 2024.

13 That said, I'm not -- obviously, I can't
14 predict the future, and 2024 is really not a hard
15 deadline. That is our anticipated completion based on
16 our construction schedule.

17 Q Just two last questions for you. With the LID
18 in place, who will manage the -- what becomes
19 Waterfront Park? When I say "who," I mean what city
20 department will have responsibility? I believe you --
21 I may just have missed this in your testimony. But
22 what city department will have responsibility for the
23 management?

24 A The primary responsibility will be with the
25 Seattle Parks Department, again, the partnership with

1 Friends of Waterfront Seattle that I described before.

2 Q Okay. And if you know, if the LID didn't
3 exist, what -- what city department would have primary
4 responsibility for managing that area?

5 A Sure. Without the LID, the Department of
6 Transportation would be the primary department
7 managing -- it would manage the most space, including
8 the Promenade on the Waterfront.

9 MR. FILIPINI: That's all the questions
10 I have for you, Marshall. Thank you.

11 HEARING EXAMINER VANCIL: Thank you,
12 Mr. Foster.

13 I think what I'd like to do to try to mimic
14 what we can for a record like we would in a hearing
15 room is to see if we can admit the exhibits that came
16 in with this witness. We may do that with others as
17 well. We'll see how it goes, but there's Exhibits 1,
18 2, and 3 submitted by the City.

19 Are there any objections to Exhibits 1, 2, or
20 3 being admitted? This is to you, objectors. I'm
21 asking if you have any objection, procedural, not just
22 argumentative, to Exhibits 1, 2, or 3 being admitted?
23 And you don't have to tell me if you do not have an
24 objection. I just need to know if there is an
25 objection.

1 Hearing none, Exhibits 1, 2, and 3 are
2 admitted.

3 (Exhibit 1, Exhibit 2, and Exhibit 3
4 were admitted.)

5 HEARING EXAMINER VANCIL: City?

6 MR. FILIPINI: Thank you. For our
7 second witness, Mark Lukens, Ms. Thompson is going to
8 do the direct examination.

9 MS. THOMPSON: Good morning.
10 Mr. Lukens, are you on the video call?

11 HEARING EXAMINER VANCIL: There he is.
12 Mr. Lukens, you need to unmute yourself.

13 MR. LUKENS: There we go.

14 HEARING EXAMINER VANCIL: There you go.

15 Do you swear or affirm the testimony you will
16 provide in today's hearing will be the truth?

17 MR. LUKENS: I do.

18 HEARING EXAMINER VANCIL: Thank you.

19 Your witness.

20 E X A M I N A T I O N

21 BY MS. THOMPSON:

22 Q Good morning, Mr. Lukens.

23 A Good morning.

24 Q Could you please state and spell your name for
25 the record.

1 A Yes. Mark Lukens, M-A-R-K, L-U-K-E-N-S.

2 Q And could you tell us about your educational
3 background.

4 A Sure. I have a BA in hotel administration
5 from Washington State University and an MBA in finance
6 from the University of San Diego.

7 Q And what professional licenses do you hold?

8 A I'm a state-certified general appraiser in
9 several states, including Washington, and I have the
10 MAI designation from the Appraisal Institute.

11 Q And how long have you been a licensed
12 appraiser?

13 A Roughly 28 years, I would say.

14 Q And you mentioned the MAI designation. Could
15 you explain what that is?

16 A Sure. It's Member of the Appraisal Institute,
17 so it's a rigorous process to get the designation. It
18 involves taking a number of courses, submitting your
19 work for experience, peer review, taking a final
20 comprehensive exam, and doing a demonstration report
21 that is reviewed.

22 Q And so does that designation relate, then, to
23 the appraisal of real property?

24 A Yes.

25 Q And how long have you held that designation?

1 A About 30 years now.

2 Q And could you tell us what types of properties
3 you have experience appraising?

4 A Sure. All different types of properties,
5 industrial, retail, residential, but my specialty is
6 in hospitality properties.

7 Q And when you say "hospitality properties,"
8 what does that include?

9 A Primarily hotels, but I also do casinos, golf
10 courses, marinas, but mostly hotel properties.

11 Q And what would you say is the proportion of
12 appraisals that you've performed for hotels throughout
13 your career?

14 A Probably 90, 95 percent.

15 Q And approximately how many appraisals have you
16 performed of Seattle hotels?

17 A I'd say roughly 30.

18 Q And in addition to performing appraisals for
19 Seattle hotels, have you had any experience in
20 reviewing other appraisers' appraisals of Seattle
21 hotels?

22 A Yes, yes. I would say roughly 25 to 30 of
23 those as well.

24 Q And setting aside for the moment your
25 experience with appraising hotels in Seattle, what

1 other experience do you have with the Seattle hotel
2 market?

3 A I've done a number of hotel feasibility
4 studies. I've provided litigation support services to
5 hotel owners in the market. I was a hotel broker for
6 about five years, so researched hotel owners in the
7 market and also did development and acquisitions work
8 for Wyndham and Cambria Hotels. So I looked at
9 development sites throughout downtown Seattle as well
10 as redevelopment opportunities and also acquisitions
11 of existing hotels.

12 Q And where are you currently employed?

13 A With LW Hospitality Advisors.

14 Q And what does LW Hospitality Advisors do?

15 A We provide real estate consulting services to
16 the hospitality industry, so, again, hotels, resorts,
17 conference centers, casinos.

18 Q And what do you do there, you specifically?

19 A So I'm a managing director. I head up the
20 western U.S. operations for LWHA. That involves
21 building business, business development, supervising
22 staff, reviewing reports, and also I execute a fair
23 number of engagements myself and provide litigation
24 support services.

25 Q And where is LW Hospitality Advisors located?

1 A We have offices throughout the country,
2 including San Diego, Seattle. Our head office is in
3 New York.

4 Q And how long have you been employed there?

5 A About five years now.

6 Q Could you tell us about what you did before
7 you came to your current position?

8 A Sure. Most recently, I was a hotel broker, as
9 I mentioned, and consultant. I kind of split my time
10 between those two based in Seattle. So I sold hotels,
11 did feasibility studies, appraisals for hotels. And
12 then prior to that, I did acquisitions and development
13 for Wyndham and Starwood and Cambria Hotels.

14 Q And I'll have you take a look at what's been
15 marked as Exhibit C-4.

16 A Okay.

17 Q And when you have that pulled up, could you
18 identify what this exhibit is?

19 A Yes. It's my qualifications.

20 Q And shifting gears a little bit to this
21 proceeding, are you familiar with the Seattle
22 Waterfront Local Improvement District?

23 A Yes.

24 Q And what's your understanding of the Local
25 Improvement District?

1 A It was established by the Seattle City Council
2 to fund various improvements along the Waterfront and
3 city streets, and they hired ABS Valuation to assess
4 the increase in value that would result as a result of
5 those improvements.

6 Q And were you involved in ABS Valuation's work
7 for the LID?

8 A Yes. I was brought in to assist with the
9 hotel portion of their analysis.

10 Q And when were you hired by ABS?

11 A On April of last year, so April of 2019.

12 Q And in your work with ABS, who were you
13 primarily working with?

14 A I worked with Bob Macaulay and Paul Bird.

15 Q And what were you hired to do for ABS?

16 A I was hired to assist with the hotel
17 valuation, provide input on various parameters, look
18 at the overall reasonableness of the analysis, and
19 provide input on format, etc.

20 Q Sure. Could you just walk us through the work
21 that you did for ABS? What did you do first?

22 A First, I reviewed their preliminary benefit
23 study. I reviewed the HR&A study, and I did some
24 research on comparable markets that had similar
25 improvements.

1 Q And after you reviewed those materials, what
2 did you do next?

3 A Provided information and data to ABS,
4 information on current hotel market conditions,
5 operating expense ratios, comparable sales in the
6 market.

7 Q And what were the sources of that information?

8 A A variety of sources for the market data. STR
9 does a lot of research. HVS does market reports,
10 Kidder Mathews actually publishes a periodic hotel
11 market update, the HOST study, Real Capital Analytics,
12 various industry publications, business journals, as
13 well as just my general involvement in the market.

14 I co-founded a group called the Northwest
15 Hotel Investment Forum that meets twice a year and
16 provides updates on hotel market conditions, and I
17 present at each meeting about current market
18 conditions and recent transactions in the market.

19 Q So you mentioned HVS. What does that stand
20 for?

21 A Hospitality Valuation Services. They're
22 another national hotel consulting valuation firm.

23 Q And what kind of information do they provide
24 about Seattle hotels?

25 A They do periodic market research reports, so

1 report on what's going on in the market. I don't
2 actually recall whether they had a specific study for
3 the Seattle market, but they do periodically put out
4 studies on individual markets. But they provide
5 information on hotel values and cap rates and that
6 kind of stuff.

7 Q And you also mentioned a HOST report. Could
8 you just describe what that is and what type of
9 information is in that?

10 A Sure. It's published annually by STR, and
11 it's -- they gather financial statements from
12 thousands of hotels across the country, and then they
13 report composite results for different categories,
14 such as, you know, large hotels, smaller hotels, full
15 service versus limited service, various geographic
16 areas.

17 So Pacific is one of the regions they report
18 on as well as like the mountain area and East Coast.
19 And then they report averages, like expense ratios and
20 amounts per available room. So you can kind of
21 benchmark a hotel against those ratios, those results
22 and ratios.

23 Q And you also mentioned the Kidder Mathews
24 reports. Could you tell us what type of information
25 is contained in those reports?

1 A Yes. They publish -- I don't know if they do
2 it on a regular basis, but on a periodic basis,
3 reports on -- I think it's the greater Puget Sound
4 market, so they compile data from STR for occupancy
5 and average rates, and then they present data on sales
6 and new construction, etc.

7 Q And did that include data and information
8 about the Seattle hotel market?

9 A Yes. Generally, they do, yeah.

10 Q And you also mentioned Real Capital Analytics.
11 Could you explain what that is?

12 A Sure. It's a national -- I should say
13 international, I believe, source for information on
14 commercial real estate. So they report on property
15 sales, refinancings, general trends in the market,
16 investment trends as well as cap rate information, and
17 they -- they don't focus on hotels, but they have
18 information on hotels.

19 Q Okay. So it sounds like you reviewed some
20 background materials and gathered information and
21 provided it to ABS. What did you do next in your work
22 with ABS?

23 A At that point I believe I reviewed their
24 individual spreadsheets for each of the properties.

25 Q Okay. And I'm going to have you take a look

1 at what's been marked as Exhibit C-5.

2 A Okay.

3 Q And just let me know when you've got that
4 pulled up.

5 A Okay. I've got it here.

6 Q Could you identify what Exhibit C-5 is?

7 A Yes. It's an ABS Valuation spreadsheet for
8 the Sound Hotel and Arrive Apartments.

9 Q And is this spreadsheet representative of the
10 spreadsheets that ABS prepared for the hotel
11 properties and that you reviewed?

12 A Yes.

13 Q And taking a look at this Sound Hotel
14 spreadsheet, could you describe for us the type of
15 information that you provided feedback on?

16 A Sure. Again, I provided them information on
17 the HOST report, so that helped them with some of the
18 expense margins. I provided input on formatting, for
19 example. There's a uniform system of accounts for
20 hotels that, you know, just kind of sets forth a
21 standard format for hotel operating statements, so
22 given information on how those were set up in terms of
23 having the revenues, departmental expenses,
24 undistributed expenses, fixed expenses.

25 So I looked at that, gave them some

1 suggestions on formatting, and, again, provided them
2 information on general averages, provided some input
3 on occupancies and average rates. But, mainly, I was
4 focused on the overall values and price per room.

5 Q And did you review ABS's final value
6 conclusions for the hotel properties?

7 A Yes.

8 Q And what conclusions did you draw regarding
9 those current market values?

10 A I felt they were reasonable.

11 Q And why do you say that?

12 A They were in line with recent comparable sales
13 in the market. Seattle has been a highly desirable
14 market for hotel investors, developers, owners. So
15 the concluding values were well in line with what
16 people were paying for similar properties in the
17 market.

18 Q And what's the significance of comparable
19 sales when evaluating whether an estimated hotel value
20 is reasonable?

21 A They kind of set a benchmark for what other
22 people are paying in the market. Yeah, they provide,
23 you know, a good comparable for what a similar hotel
24 would be worth.

25 Q And have you had an opportunity to read the

1 appraisals that Mr. Gordon issued for the 11 hotel
2 properties in this proceeding?

3 A I looked through them, yes.

4 Q And at this point I'll have you take a look at
5 what's been marked as Exhibit C. Sorry. Exhibit C-6.

6 A Okay.

7 Q And when you've got it before you, could you
8 describe what Exhibit C-6 is?

9 A Yes. That's a table of recent three-,
10 four-star hotel sales in the Seattle market.

11 Q And who prepared this table?

12 A I did.

13 Q And are the hotels in this table comparable to
14 the hotels that Mr. Gordon appraised in this
15 proceeding?

16 A Yes. And some of them are -- the Alexis is
17 one that he appraised.

18 Q And could you tell us -- could you just walk
19 us through this table in terms of what it's showing?
20 You have some footnotes in here. Could you explain
21 what those footnotes mean and the highlighting?

22 A Sure. So a couple of these sales -- so the
23 highlighted ones were part of portfolio
24 transactions -- so the Homewood Suites, convention
25 center, and the Paramount Hotel -- meaning that they

1 sold with at least one other property, so, generally,
2 those -- you don't put as much reliance on those sales
3 because sometimes the allocations, you know, they may
4 pay a certain price for four properties, but then the
5 allocations may not be specific to that property. So
6 you just need to kind of take those with a grain of
7 salt. So I didn't include those in the averages.

8 And then the footnotes are -- so the Hotel
9 Sorrento is actually the sale of a leased fee
10 interest, so I noted that. And then with the Hilton,
11 the seller there had bifurcated the property, so they
12 had sold the parking garage separately from the hotel.
13 So, obviously, that reduced the value, so I just
14 footnoted that.

15 Q And so for the Hotel Sorrento and the Hilton
16 Hotel, are those sale values included in your -- the
17 average that you have at the bottom?

18 A No. I didn't include those in the averages
19 because they were not really comparable.

20 Q And that's because --

21 A They're really just for information.

22 Q Okay. And they're not comparable -- you don't
23 consider them to be comparable because they either
24 involved just the sale of a leasehold interest or
25 didn't involve the sale of the parking structure in

1 the case of the Hilton?

2 A Yes.

3 Q And could you just tell us, excluding those
4 properties, what were the average price per room for
5 the four-star properties that you looked at?

6 A The average for those properties was roughly
7 673,000.

8 Q And for the three-star properties?

9 A That was roughly 419, 419,000.

10 Q And, next, I'm going to have you take a look
11 at Exhibit C-7.

12 A Okay.

13 Q And are you familiar with this exhibit?

14 A Yes.

15 Q What is it?

16 A It's an exhibit put together by -- I believe
17 it was John Gordon at Kidder Mathews.

18 Q And what is this exhibit displaying?

19 A It's also a list of comparable sales in the
20 Seattle market.

21 Q And what's your impression of Mr. Gordon's
22 comparable sales list?

23 A Well, he left off some sales, like the Alexis,
24 the Homewood Suites, the Paramount, and then he didn't
25 do any indication on the Sorrento Hotel and the Hilton

1 that they weren't full property sales.

2 Q And so what's the effect of not footnoting
3 information like that?

4 A It doesn't really tell the whole picture of
5 the transactions, so it's not really comparable.

6 Q And, next, I'm going to have you pull up
7 Exhibit C-8.

8 A Okay.

9 Q And could you tell us what this exhibit is?

10 A Yes. It's a comparison of the Kidder Mathews
11 values for -- I believe there's 11 hotels and then the
12 ABS Valuation values.

13 Q And is it -- what does the per room column
14 represent?

15 A That's the concluded value divided by the
16 number of rooms, so the price per room. That's a
17 common comparison for hotel sales.

18 Q And you also have a column that's entitled
19 "Recent Refinance or Transaction and Comments."

20 A Yeah.

21 Q What type of information do you have in that
22 column?

23 A Well, in the case of the Alexis, it actually
24 sold in March of 2017 to a very experienced
25 buyer/owner for 71.6 million, and they subsequently

1 invested 14 million in a renovation. So their basis
2 in that property was 85.6 million. The other three
3 are refinance transactions that took place in May of
4 2017. So when they refinance, they get an appraisal,
5 so those are what the appraised values were at that
6 time. They weren't -- they weren't sales transactions
7 but refinances.

8 Q And can you tell us, looking at that refinance
9 information and comparing it to the Kidder Mathews
10 valuations that were performed more recently, how do
11 the 2017 appraised values compare to Kidder Mathews'
12 appraised values?

13 A They're all substantially higher.

14 Q The refinance is higher?

15 A The appraisals that were done for the
16 refinance are higher, yes.

17 Q And going back to the Alexis, is the -- so
18 your table here says that the Alexis was sold in 2017
19 for 71,600,000. And what does Kidder Mathews value
20 that same hotel at for today?

21 A They valued it at 66 million, but then as I
22 noted before, they also invested another 14 million in
23 it after they bought it.

24 Q So looking here at the bottom of the table,
25 you have a line that says "Average of Comparable

1 Four-Star Sales." And so is that number what you
2 derived from your -- from Exhibit C-6?

3 A Yes.

4 Q And looking at that average sale price per
5 room, how does Kidder Mathews' valuations line up with
6 that?

7 A They're all substantially below that.

8 Q And --

9 A Some less than half of that.

10 Q And a similar question but with respect to the
11 ABS values, how do ABS's values line up in terms of
12 the average comparable sales?

13 A They're also a bit lower in most cases except
14 for the Thompson Hotel but, generally, more in line
15 with the average of the comparable sales.

16 Q So based on your review of Mr. Gordon's
17 appraisals and also your experience with the Seattle
18 hotel market, what's your overall impression of
19 Mr. Gordon's concluded values for the hotel
20 properties?

21 A They appear conservative to me.

22 Q So shifting gears a little bit, I'd like to
23 talk about what an appraiser includes in the current
24 market value of a hotel property.

25 When appraising a hotel property, is personal

1 property included in the current market value of the
2 property?

3 A Yes. In almost all cases, yes.

4 Q And if an appraiser did not include personal
5 property in the current market value, what effect
6 would that have on the value of the property overall?

7 A It would understate the value.

8 Q And in your work with ABS, what is your
9 understanding of whether ABS included personal
10 property in the current market value calculations?

11 A It's my understanding they did include it.

12 Q And have you had an opportunity to review the
13 comparison tables that Mr. Gordon submitted with his
14 testimony in this proceeding?

15 A Yes.

16 Q And I'm going to have you turn to Exhibit C-9.

17 A Okay.

18 Q Is this an example of one of Mr. Gordon's
19 comparison tables?

20 A Yes.

21 Q And which property does this refer to?

22 A This is for the Grand Hyatt.

23 Q And what's your understanding of what this
24 table is portraying?

25 A Well, there's several columns. So they have

1 the actual results, actual reported results, from the
2 hotel for 2018, the ABS preliminary values, ABS final
3 values, and then the Kidder Mathews stabilized value.

4 Q And I'd like you to look at the line in this
5 table for current value, and --

6 A Okay.

7 Q -- could you tell me in the Kidder Mathews
8 column whether the current value figure they have
9 stated there includes personal property?

10 A The 168,400,000?

11 Q Yes.

12 A I believe that excludes personal property.

13 Q And how do you know that?

14 A Because I also looked through their restricted
15 appraisal of that property.

16 Q So let's take a look at that now. This has
17 been marked as Exhibit C-10.

18 A Okay.

19 Q And is Exhibit C-10 a copy of the Kidder
20 Mathews appraisal for the Grand Hyatt?

21 A Yes.

22 Q And so I'll have you turn to page 2 of C-10.

23 A Okay.

24 Q And could you read the final paragraph.

25 A Yes. It says: In our opinion, the current

1 market value of the Grand Hyatt hotel as of January 1,
2 2020, is 175,300,000 with 168,400,000 for the real
3 estate and 6,900,000 for the personal property.

4 Q So does that confirm your conclusion that the
5 comparison table does not include the value of
6 personal property in the current value that's listed
7 for Kidder Mathews?

8 A Yes.

9 Q So in your opinion, does the comparison table
10 provide a complete picture of the current market value
11 for that property?

12 A No.

13 Q And why is that?

14 A Because it excludes the personal property.

15 Q And shifting gears a little, I'd like to talk
16 about ABS Valuation's analysis of the hotel
17 properties.

18 A Okay.

19 Q What method did ABS use in arriving at the
20 current market value for the hotel properties?

21 A They primarily relied on the income approach
22 to value, but then they also considered the comparable
23 sales.

24 Q And what does the income approach to value
25 involve?

1 A It involves putting together either a one-year
2 forecast of income and expenses or a discounted cash
3 flow. In the case of what ABS did, they did just a
4 one-year projection of cash flow. So it involves
5 estimating revenues for all the hotel facilities,
6 which may include food and beverage, parking, retail,
7 and then the departmental expenses, undistributed
8 expenses, and deducting fixed expenses to get to a net
9 operating income.

10 Q And so all of those pieces of information that
11 go into developing a net operating income, where does
12 an appraiser usually get that information?

13 A Usually, you would get it from the hotel
14 owner, the hotel itself.

15 Q And do you know whether ABS Valuation had
16 access to that information from the hotel owners?

17 A I understand they did not have access to that
18 information.

19 Q And so if you're an appraiser and you're
20 tasked with determining the current market value for a
21 hotel property but you don't have access to the
22 hotel's historic data, how -- how do you go about
23 coming to a current value conclusion?

24 A You would look at general market trends for
25 hotel occupancy, average rate adjusted to that

1 facility. You could do research on what their asking
2 rates are, which, you know, are typically quite a bit
3 higher than the average rate. You would look at what
4 occupancies of similar hotels are doing. You would
5 turn to sources like the HOST report to look at
6 expense margins. You could determine property taxes
7 by looking at comparable properties. So you would
8 just gather information from various sources, market
9 data, comparable properties, etc.

10 Q And is it your understanding that ABS
11 undertook those steps in their valuation of the hotel
12 properties?

13 A Yes.

14 Q And earlier you mentioned that you did
15 research of comparable markets as part of your work
16 with ABS?

17 A Yes.

18 Q Which markets did you research?

19 A Specifically, I reached out to hotel managers
20 in Manhattan and in Boston.

21 Q And why did you select those markets?

22 A Because they seemed most similar in terms of
23 the improvements that were going to be done, in terms
24 of the park improvements.

25 Q And what was the purpose of reaching out to

1 those hotel operators?

2 A Well, I looked at specifically hotels that
3 were in close proximity to those. It was the High
4 Line Park in New York and the Rose Kennedy Greenway in
5 Boston. So I looked at hotels that were in relative
6 close proximity to them, because I wanted to get a
7 sense for whether or not they felt that they benefited
8 from being close to those facilities.

9 Q And what did you conclude from your research?

10 A That they did say that they felt they
11 benefited from the facilities in terms of increased
12 visitation which led to higher occupancies and room
13 rates and also ancillary facilities like their food
14 and beverage outlets.

15 Q And you also mentioned that you had reviewed
16 the HR&A economic study. What did you --

17 A Yeah.

18 Q What did you conclude from your review of that
19 study?

20 A That they projected increased visitation to
21 the market as a result of these improvement.

22 Q And what effect does increased visitation have
23 on hotel property values?

24 A Well, increased visitation would lead to more
25 people coming to the market, so more people looking

1 for hotel accommodations, so it would result in higher
2 revenues for the hotels either in occupancy or average
3 rate or potentially both and also for their ancillary
4 facilities like food and beverage.

5 Q And that increased visitation, is that limited
6 to the tourist sector?

7 A Yeah, I believe it's -- it's predominantly for
8 the tourist sector. I mean, I think the hotels would
9 benefit in other ways, but in terms of the study
10 itself, I think it was focused primarily on just
11 increased visitation to the city.

12 Q In your experience, what other ways would
13 hotels benefit from the improvements?

14 A Well, besides the increase in leisure
15 traveler, you have commercial travelers which are, you
16 know, essentially business travelers, and it's not
17 necessarily going to result in more business travel to
18 the market. But people looking to stay within the
19 market would look, you know, at what's surrounding the
20 hotel.

21 And, particularly now, a lot of business
22 travelers are extending their stays. So what's around
23 the hotel, getting a sense for the local environment
24 is important to at least some business travelers. And
25 then on the group side, a group meeting planner,

1 coming to downtown Seattle would also look at the
2 hotel and say, okay, what does this hotel offer that
3 maybe some of these other ones don't? So proximity to
4 the convention center, if they're there, is very
5 important; but all other things being equal, if
6 they're close to an amenity like these parklike
7 improvements that would lead -- would be a factor in
8 their decision whether or not to choose a particular
9 hotel.

10 Q So in your opinion, do the proposed LID
11 improvements support an increase in property value for
12 the hotels in the LID boundary?

13 A Yes.

14 Q And why is that?

15 A Because it will increase visitation to the
16 area and particularly to those properties that will
17 benefit, and that will result in increased revenues
18 which flow to the bottom line which will lead to an
19 increase in values.

20 Q Okay. I'm going to have you look now at
21 Exhibit C-11.

22 A Okay.

23 Q And could you describe for me what
24 Exhibit C-11 is?

25 A It is a declaration of John Gordon dated

1 May 29, 1920 [sic].

2 Q And have you had a chance to review this
3 declaration?

4 A Yes, I have.

5 Q So I'll have you turn to page 3 of
6 Exhibit C-11.

7 A Okay.

8 Q And looking at paragraph 9, Mr. Gordon states
9 that there is no hard data to support your statement
10 that the LID improvements will increase occupancy
11 and/or room rates at hotels near the LID improvements.
12 What's your response to that?

13 A Well, the HR&A study did indicate that there
14 would be increased visitation to the market as well as
15 my conversations with hotel managers in New York and
16 Boston in close proximity. They said that they did
17 see an increase in visitations and revenues, but also
18 an appraiser doesn't always have hard data to work
19 with. Some of it comes down to reasoning just based
20 on experience.

21 Q And so on the next page, page 4 of
22 Exhibit C-11, paragraph 10, Mr. Gordon makes a similar
23 statement about your opinion that the LID improvements
24 will increase net income which will lead to higher
25 property values for hotels.

1 What's your response to that?

2 A Similar -- similarly, the increased revenues
3 resulting from an increased visitation from --
4 indicated in the HR&A study and my conversations with
5 managers in other markets and just general knowledge,
6 if you have the increased revenues, it's going to lead
7 to increased values because your net operating income
8 is going to be higher.

9 Q And as you testified before, the net operating
10 income is part of the calculation to derive the market
11 value of a hotel; is that right?

12 A Yes. Yeah. It's one of the key variables.

13 Q So did you have a chance to review -- or to
14 read Mr. Gordon's appraisal of the Sound Hotel?

15 A Yes.

16 Q And what's your opinion of Mr. Gordon's
17 current market value for the Sound Hotel?

18 A It appears very conservative.

19 Q And what do you mean by that or why do you say
20 that?

21 A It's likely well below their construction
22 costs and just based on the comparable sales.

23 Q So I'm going to have you look at Exhibit C-12.

24 A Okay.

25 Q And when you've got it pulled up, could you

1 identify this exhibit?

2 A This is also a declaration of John Gordon.

3 This is dated May 7, 2020.

4 Q And if you could, turn to page 3.

5 A Okay.

6 Q And looking at paragraph 8, Mr. Lukens --
7 sorry. Mr. Gordon says that -- he says: I know of no
8 instance in which an operating hotel was purchased
9 based on its development cost. As acknowledged in
10 Mr. Lukens's declaration, hotel investors base their
11 offering prices on projected income. The sunk cost of
12 construction is irrelevant.

13 What's your response to that?

14 A Well, a couple things. One, a -- market value
15 assumes a willing buyer and a willing seller. So
16 somebody who just spent 500,000 a key or whatever,
17 70 million on a property, they're not going to turn
18 around and sell that for less than they -- than their
19 invested capital in it unless they're under duress
20 which is not -- not part of the definition of market
21 value. It assumes a willing seller.

22 But also, you know, people looking to get into
23 the market, their choice -- as I said before, it's a
24 highly desirable market for buyers. They're going to
25 look at how can I get into the market. I can either

1 build or I can buy an existing hotel. So for them the
2 construction cost is highly relevant.

3 Q And I just have a few more questions here.

4 Have you been following the impacts of
5 COVID-19 on the Seattle hotel market?

6 A Yes.

7 Q And could you describe what those impacts have
8 been?

9 A Yes. It's been devastating to particularly
10 the downtown Seattle market.

11 Q And in what sense has it devastated that
12 market?

13 A Occupancies are -- many hotels are closed, and
14 occupancies are down in the, you know, teens or single
15 digits in some cases.

16 Q In your opinion, what impacts should COVID-19
17 have on ABS's final benefit study?

18 A Since the date of value is October 1, 2019, it
19 shouldn't have any impact.

20 Q And could you describe for us what the purpose
21 of a date of value is in an appraisal?

22 A Sure. It sets the frame of reference and a
23 benchmark for what investors would have known as of
24 that date, and it assumes a sale as of that date, so
25 whatever an investor would have known as of that date.

1 Q And why is it important to set a date of
2 value?

3 A Otherwise, it could be constantly changing,
4 and, again, it's a reference point of what -- what
5 would a buyer have known as of this date. You know,
6 if there's general knowledge of something as of that
7 date, so, like if a Super Bowl were coming to the
8 market or the Olympics or something like that, people
9 would have known about it, and they would have
10 factored that into their purchase decision.

11 Now, the downside, if a major company was
12 leaving the market and that was general knowledge,
13 then they would factor that in. But it sets, you
14 know, like a placeholder for, you know, this is the
15 date of the information and what people would have
16 known as of this date.

17 MS. THOMPSON: Thank you, Mr. Lukens.
18 I don't have any further questions.

19 HEARING EXAMINER VANCIL: Okay. Let's
20 look at the exhibits that have been submitted during
21 Mr. Lukens's testimony. Those are Exhibits 4, 5, 6,
22 7, 8, 9, 10, 11, and 12. Are there any objections to
23 any of those exhibits being admitted at this time?

24 Are there any objections to Exhibits 4 through
25 12 submitted by the City being admitted?

1 Exhibits 4 through 12 are admitted.

2 (Exhibit 4, Exhibit 5, Exhibit 6,
3 Exhibit 7, Exhibit 8, Exhibit 9, Exhibit 10,
4 Exhibit 11, and Exhibit 12 were admitted.)

5 HEARING EXAMINER VANCIL: Back to the
6 City.

7 MS. THOMPSON: Thank you. Our next
8 witness is going to be Robert Macaulay. I don't know
9 if your preference at this point would be to take a
10 break now for lunch or to start Mr. Macaulay's
11 testimony and then break at a -- you know, past noon?

12 HEARING EXAMINER VANCIL: Because the
13 Seattle Channel is broadcasting, we have less
14 flexibility than I normally would in a hearing which
15 does flow -- the breaks match where the witnesses are,
16 but because they will be broadcasting up until noon,
17 we'll want to go through noon and then take a break
18 for lunch at that time.

19 MS. THOMPSON: Okay. No problem. I'm
20 going to turn it back over to Mr. Filipini.

21 MR. FILIPINI: I just have to address a
22 technical issue.

23 MS. LIN: This is Megan from Perkins.
24 I'll also just note that some of the exhibits that I
25 have not been able to open are from the Macaulay

1 folder, and those include C-13, C-14, and C-15 which
2 are the first three exhibits. And I think I can
3 actually access them elsewhere, but -- or find them,
4 but I am not able to access those three from the
5 folder.

6 HEARING EXAMINER VANCIL: Ms. Lin, that
7 was 13, 14, and 15; correct?

8 MS. LIN: Correct. And if you want to
9 know, the other two are 18 and 22 that I was unable to
10 open.

11 HEARING EXAMINER VANCIL: Okay.

12 MR. MOSES: This is Mr. Moses. As you
13 change exhibits, if you could just give, like, a
14 30 seconds pause before you begin questioning on an
15 exhibit, because for those of us who are working off
16 the OneNote piece, we've got to get into OneNote,
17 redownload the next exhibit. And by the time we get
18 there, we're halfway through it. So if you could just
19 take a little break, it would be beneficial for us.

20 HEARING EXAMINER VANCIL: I'll ask the
21 City to give a bit of a cadence there and slow as they
22 change, maybe not a full half minute, but if you could
23 just take your time to make sure that the exhibit can
24 be accessed by the objectors, recognizing the limits
25 of the technology, that would be appreciated. We will

1 use share screen for Exhibits 13, 14, 15, 18, and 22.

2 Mr. Macaulay, please state your name and spell
3 it for the record.

4 MR. MACAULAY: Yes. Robert Macaulay,
5 M-A-C-A-U-L-A-Y.

6 HEARING EXAMINER VANCIL: And do you
7 swear or affirm the testimony you provide in today's
8 hearing will be the truth?

9 MR. MACAULAY: I do.

10 HEARING EXAMINER VANCIL: Your witness,
11 Mr. Filipini.

12 MR. FILIPINI: Thank you.

13 E X A M I N A T I O N

14 BY MR. FILIPINI:

15 Q Mr. Macaulay, where are you currently
16 employed?

17 A I'm currently employed at ABS Valuation.

18 Q And what does ABS Valuation do?

19 A We're a full-service commercial real estate
20 appraisal firm.

21 Q Does ABS have any prior names?

22 A Yes. When I first started in the business, it
23 was Macaulay & Associates for many, many years,
24 approximately 25 years, and then I merged with what
25 was then Valbridge Property Advisors. And subsequent

1 to being with Valbridge Property Advisor for a number
2 of years, then we turned our name into ABS Valuation.

3 Q Okay. Where are your office locations?

4 A We're located in Seattle, Bothell, Fircrest,
5 Tacoma area, and Everett.

6 Q What services does ABS Valuation provide?

7 A We provide a broad range of real estate
8 business services, a variety of commercial properties,
9 industrial office, retail for many different entities,
10 corporations, banks. We do a lot of government work,
11 right-of-way work, obviously, special benefit study
12 work that I specialize in.

13 Q How many employees does ABS Valuation have?

14 A Typically between 25 and 30.

15 Q What is your title with ABS Valuation?

16 A I am a principal.

17 Q What are your responsibilities as principal?

18 A Overall seeing the business, management,
19 appraisal review, conducting appraisals on my own.

20 Q And how long have you been at ABS?

21 A Approximately five years we've been merged
22 with ABS.

23 Q I want to ask you just briefly about some of
24 your prior jobs. Before you came to the entity that
25 is now ABS, what was your immediately prior job?

1 A Prior to getting into the appraisal industry,
2 I worked for what was then Weyerhaeuser Mortgage in
3 Los Angeles for several years doing underwriting and
4 secondary market analysis. After that I moved back to
5 the Seattle area and worked for what was then Schueler
6 McKowen & Keenan, and they were a fairly large
7 commercial appraisal firm down on First and Cherry in
8 Seattle and worked for them for about three years.

9 And then my father had been in the appraisal
10 industry since the '60s, and so I moved up to Everett
11 where the office is located and started working for my
12 father and then took over management of that business
13 in the late '80s.

14 Q And that business is now today ABS Valuation?

15 A That's correct.

16 Q Okay. What is your total experience as an
17 appraiser?

18 A Over 30 years.

19 Q What -- what states -- where have you done
20 projects?

21 A Primarily in Washington but also worked in
22 California, Oregon, and Montana.

23 Q How did you first become involved with special
24 benefit work?

25 A It dated back to the late '80s. My father got

1 involved in it in the late '70s when the
2 proportionality issue kind of came to fruition, and he
3 worked on a large LID in Redmond area which is now
4 part of the Microsoft campus. And that was the --
5 kind of the basis for when I got into the appraisal
6 business in learning the current way that -- and
7 methodology that we do special benefit studies.

8 Q Okay. So I guess approximately when did your
9 personal experience begin with conducting special
10 benefit studies in Washington?

11 A My personal experience would have started in
12 the late '80s, 1988 or so.

13 Q If you could, describe for us other local
14 improvement districts that you've worked on that are
15 similar to this project.

16 A We've done a wide variety of LIDs over the
17 years. Other large LIDs we've done, we did two large
18 LIDs for the City of Ocean Shores that entailed about
19 10,000 to 13,000 properties. One was a wastewater
20 sewer installation LID that covered most of the city,
21 and we also did a road improvement LID which provided
22 a new upgraded road system throughout the city. And
23 that covered the whole city, including the commercial
24 area. The sewer LID was mainly related to the
25 residential portion of the city.

1 Other -- other similar projects, we did -- I
2 think it was around 2012 we did a feasibility study
3 for the City of Vancouver, Washington. They were
4 looking at a large 35-acre mixed use development down
5 along the Columbia River. And it was predicated on a
6 7-acre park and pier that would have needed to be
7 constructed in order for this 35 acres to develop.

8 The 35 acres would have brought in I think it
9 was 2,000 or better condo units and a million square
10 feet of office and associated retail and restaurant
11 development. Subsequent to the feasibility study,
12 developers self-financed that project, so an LID was
13 never done.

14 Q And then let me ask: About how many LIDs have
15 you done in Washington?

16 A Over -- over 100.

17 Q And how long, in terms of how many --
18 approximately how many years have you done special
19 benefit work?

20 A Most of my appraisal career, so approximately
21 30 years.

22 Q How many of these -- I think you already
23 answered, but how many of the over 100 that you said
24 of the LIDs you worked on were in Washington?

25 A All of them.

1 Q Please describe for us any prior LID work that
2 you've done for the City of Seattle.

3 A We did a feasibility study and a draft
4 formation special benefit study in Capitol Hill for a
5 streetcar extension project, and that involved about
6 1,800 or more properties. And I think that was done
7 around 2015.

8 Q Okay. And you mentioned a feasibility study.
9 Why not -- did the project progress?

10 A Subsequent to doing the feasibility study and
11 after drafting the special benefit formation study,
12 due to internal budgeting issues and whatnot, they
13 decided to not move forward with the project.

14 Q And "they" is the City of Seattle?

15 A That's correct.

16 Q What professional licenses do you hold?

17 A I have the MAI designation, and I'm also a
18 state-certified general appraiser.

19 Q Okay. And I'm going to ask you first about
20 the -- your state certification. How long have you
21 held the state-certified general appraiser
22 designation?

23 A Since 1992.

24 Q And when you say "state," state of Washington?

25 A State of Washington, correct.

1 Q And then you mentioned an MAI designation.

2 I'll ask you first: What is MAI?

3 A Member of the Appraisal Institute.

4 Q And what's the Appraisal Institute?

5 A It's a professional organization of
6 appraisers.

7 Q And how does a person become a member of the
8 Appraisal Institute?

9 A It's a long process of taking a number of
10 courses. You have the demonstration report, peer
11 review. You have to pass a comprehensive exam, so it
12 typically takes a number of years to obtain.

13 Q How long have you been a member of the
14 Appraisal Institute?

15 A Since 1995.

16 Q And I don't believe I asked you already. But
17 what's your educational background?

18 A I have a bachelor's degree in economics from
19 Washington State.

20 Q What year did you get your degree?

21 A 1983.

22 Q And I'm going to -- and I'll put this up on
23 the screen for folks. I'm going to share what has
24 been marked as Exhibit C-13 for those at home, but I
25 will also share it.

1 Bob, if you could tell us what -- do you
2 recognize this document?

3 A Yes.

4 Q Okay. And what is it?

5 A That is my qualifications.

6 Q Okay. Is -- is this current?

7 A Yes.

8 Q And then if you could, walk us through -- walk
9 us through what it contains. And let me ask you,
10 since I'm controlling the document, what's on page --
11 page 1?

12 A It's a summary of my education, just
13 recognizes that I maintained my seminars and
14 continuing education and professional affiliations, my
15 appraisal experience, and discusses my specialty,
16 which is special benefit studies. And so it's more
17 geared towards that, towards the latter part of the
18 qualifications.

19 Q Okay.

20 HEARING EXAMINER VANCIL: Mr. Filipini.

21 Q And then on pages 2 --

22 HEARING EXAMINER VANCIL: Mr. Filipini.

23 Q I'm going to scroll for the folks at home
24 because this continues. Pages 2, 3, 4.

25 HEARING EXAMINER VANCIL: Mr. Filipini,

1 I'm ending the hearing. We're going to take a break
2 for lunch now. You're not able to hear me. I'm sorry
3 you're not able to hear me, but we're --

4 MR. MACAULAY: This is starting --

5 HEARING EXAMINER VANCIL: We're
6 breaking for lunch now. I'm not sure if the --
7 Mr. Filipini and Mr. Macaulay can hear me, but we are
8 taking a break at the noontime now. Thank you.

9 (A luncheon recess was taken from
10 12:00 p.m. to 1:15 p.m.)

11 HEARING EXAMINER VANCIL: And we return
12 to Mr. Macaulay on direct by the City.

13 MR. FILIPINI: Yes, thank you.

14 BY MR. FILIPINI:

15 Q When we took our break, Mr. Macaulay, I was
16 asking you to look at pages 2 through 5 of
17 Exhibit C-13. And if you could, describe for us what
18 is on pages 2 through 5 of C-13. And I'm sorry. I
19 will share this. If you could hold on, Bob, I'm going
20 to share the screen with everybody. Okay.

21 A Yeah. This is page 2 of my qualifications
22 that starts with present projects that I'm working on
23 and goes down through the years on the number of LID
24 projects we've worked on.

25 Q And am I correct this goes pages 2, 3, 4, and

1 5?

2 A That's correct.

3 Q And then page 6, just for the audience, I'll
4 show this page 6, 7, 8, and 9. It's the last page of
5 the exhibit. I'll take you back to page 6, and please
6 tell us what we are looking at there.

7 A Yeah. This is just more -- a little more
8 detail on some specific larger projects that we've
9 worked on over the years, the Waterfront Seattle
10 project, the Ocean Shores projects that I mentioned
11 earlier, and other ones we've done, the Point Ruston
12 master plan LID development, the City of Tacoma and
13 the City of Ruston did along the waterfront, and a
14 feasibility study and LID for an unincorporated area
15 of Freeland over in Island County, large sewer
16 construction project study.

17 And then Port Hadlock-Irondale, again, was a
18 large area in the UGA that they were looking at doing
19 a large wastewater treatment plant and sewer line
20 installation, and below that is a revitalization
21 project that we worked for the City of Tacoma in the
22 Broadway/St. Helens area.

23 And then, lastly, last year over in Pasco,
24 this project was interesting in the respect that they
25 closed out this LID prior to doing the construction.

1 So it's somewhat similar to the City of Seattle LID
2 with their closing out the LID prior to constructing
3 it.

4 Q Okay. That's all the questions I have for you
5 on C-13, so I'll stop the document share.

6 On the Seattle Waterfront LID, I'm going to
7 ask you some questions about project scope. Could you
8 tell us what has ABS Valuation's role been on the
9 project?

10 A Mark, I'm still getting -- excuse me. I'm
11 still getting a real bad echo.

12 Q Yeah.

13 A Should I turn my volume down?

14 Q Sure.

15 A Should I try that?

16 Q We're seated far across from each other here
17 trying to not to have an echo for everyone.

18 Okay. And so I apologize. We didn't
19 notice -- because we have our own speakers off, I
20 didn't notice right before the break Hearing Examiner
21 Vancil, that you had come back on, but we will -- I'll
22 be sure to look up more often so that if I see you
23 come on, since I have the hearing off -- I'm sorry.
24 My speakers off.

25 HEARING EXAMINER VANCIL: Understood.

1 And just for everyone's -- I see some comments in the
2 chat. Just as a reminder, as I stated in my opening
3 statement, our breaks are going according to schedule,
4 so we will be taking the same schedule tomorrow as
5 well -- 10:00 a.m., 15-minute break. That means we're
6 done at 10:15. Noon, we take a break. We're back at
7 1:15 for an hour and 15-minute lunch, and then we take
8 a 3:00 p.m. break for 15 minutes, back at 3:15. It
9 will be the same schedule we follow tomorrow, same
10 schedule next Tuesday and Thursday. Thank you.

11 BY MR. FILIPINI:

12 Q Mr. Macaulay, if you could, tell us ABS
13 Valuation's role on the project.

14 A Our role on the project was to prepare a
15 feasibility study and then a formation special benefit
16 study and then a final special benefit study.

17 Q When were you first engaged on this project?

18 A In October of 2016.

19 Q Okay. And how were you engaged by the City of
20 Seattle?

21 A We replied to an RFQ that they put out, and
22 they hired us from -- from the RFQ, which is request
23 for qualifications.

24 Q And do you know what is the specific City
25 department that's put out the RFQ?

1 A The FAS, the Finance Administration Services
2 Department.

3 Q During the course of this project, who have
4 your primary contacts been at the City?

5 A Alena Johnson.

6 Q And I should say -- I'll slice this thinner
7 for you. Who has your primary contacts been at the
8 City at the Department of Finance and Administrative
9 Services?

10 A Yeah, Alena Johnson.

11 Q And who have your primary contacts been at the
12 Office of the Waterfront?

13 A Marshall Foster, Joshua Curtis, Dori Costa,
14 and Steve Pierce who was an engineer that worked on
15 the project.

16 Q Okay. And how about who have your primary
17 contacts been at the City Attorney's Office?

18 A Engel Lee.

19 Q Have you worked with any other city
20 departments on this engagement?

21 A No.

22 Q And during the course of the LID, did you have
23 association with -- I'm sorry. Contact with the
24 City's outside counsel?

25 A Yes, K&L Gates, Cynthia Weed and Scott

1 McJannet.

2 Q I want to ask you about the feasibility study.
3 I under -- you testified that you performed three
4 studies for the city -- feasibility, formation, final
5 special benefit. Those will be how I'll be referring
6 to them, for ease of reference.

7 Can you describe for us what a feasibility
8 study is generally?

9 A In general, it's a high-level look at the
10 market. In this instance in typical feasibility
11 studies, we can research and do other similar
12 properties and break the properties down into
13 classifications based on highest and best use and --
14 such as commercial, residential, special purpose. And
15 then within the context of those properties, we value
16 certain properties within each classification and
17 before and after the LID improvements. And then those
18 benefits, which is the difference in market value
19 before and after the LID improvements, are then
20 extrapolated over those property classes.

21 Q What steps did you take to conduct the
22 feasibility study here?

23 A Again, it -- it started with the research,
24 looking at other comparable properties and breaking
25 down the properties into the property classes based on

1 highest and best use which looks at zoning, things of
2 that nature, and estimating a benefit based on the
3 various classifications I discussed and then providing
4 a range of overall benefit that is summarized in our
5 report that we provided to the City.

6 Q How long did it take approximately --
7 approximately, how long did it take you to do the
8 feasibility study?

9 A That was approximately four months.

10 Q And who at ABS Valuation assisted you on the
11 study?

12 A Paul Bird, Ashley Zachariah, and Mary Hamel.

13 Q And what was the result of your work?

14 A We came up with an estimated probable special
15 benefit range resulting from the LID improvements.

16 Q And can you tell us, please, what was that
17 range in probable benefits?

18 A It was approximately 300 million to
19 420 million.

20 Q And after you completed the feasibility study,
21 what were you asked to do next?

22 A After the feasibility study, we were then
23 asked to do a formation special benefit study.

24 Q Did you engage in any outreach to property
25 owners between the feasibility study and the work on

1 the formation study?

2 A Yes, as Marshall -- as Marshall mentioned in
3 his discussion, there was a lot of outreach. We -- we
4 prepared a PowerPoint presentation in October of 2017
5 for the Downtown Seattle Association and BOMA, the
6 Building Owners Management Association, and any other
7 property owners that wanted to attend.

8 But the purpose of that was just to explain
9 what a benefit study is and that we would be doing a
10 parcel-by-parcel analysis of the property and things
11 of that nature, just a general -- general summary of
12 the scope of services that we'd be hired to do.

13 Q And I was able during the break to, again, try
14 to minimize the amount of time that folks have to look
15 at the exhibits at home, but I was able to change your
16 outline a bit so that I don't actually have any
17 questions for you inside of C-14. But I am going to
18 project it and please have you identify it for the
19 record what -- what C-14 is.

20 A Yes. That's the summary memorandum that we
21 did for the City for the feasibility study.

22 Q Okay. And if I understood your testimony from
23 a few moments ago, after the feasibility study, you
24 were asked to do the formation study; is that correct?

25 A That's correct.

1 Q Can you describe for us generally what a
2 formation special benefit/proportionate assessment
3 study is?

4 A It's a more detailed study than the
5 feasibility study in that it looks at each parcel,
6 parcel by parcel, and estimates a before LID and an
7 after LID estimate as of the same date and time to
8 provide preliminary assessments for the City and a
9 report summarizing our conclusions.

10 Q And in this particular formation study, what
11 were you specifically examining for the City?

12 A The specific -- the scope was to, one,
13 recommend an LID boundary, which was a little more of
14 a refined analysis than what we had done in the
15 feasibility study, so more detail, obviously, went
16 into the report.

17 And then, secondly, again, would be to prepare
18 a parcel-by-parcel analysis, examine each parcel based
19 on their highest and best use, zoning, things of that
20 nature, and then have a report summarizing our
21 findings for the City.

22 Q And I know this is kind of basic, but what
23 were you estimating on a parcel-by-parcel basis?

24 A The purpose was to estimate the special
25 benefit which was the before LID and after LID value

1 difference attributed to the LID improvements. So
2 it's a difference in market value before and a
3 difference in market value after or the terms without
4 and with are used in the report as well. They're
5 interchangeable, and the difference of the two, as of
6 the same date and time, is the special benefit that's
7 current to that particular property or individual
8 property.

9 Q And, generally speaking, what were your
10 recommended LID boundary lines in the formation study?

11 A Generally to the northwest, the Edgewater
12 Hotel and Wall Street bounded the north boundary, and
13 then from Wall Street we extended up to Denny Way, and
14 then to the north, I-5 and Fourth Avenue. And then to
15 the south, Safeco Field and --

16 MR. FILIPINI: Hold on a second, Bob.
17 I think the --

18 HEARING EXAMINER VANCIL: You're fine.
19 Please proceed.

20 MR. FILIPINI: Thank you.

21 BY MR. FILIPINI:

22 Q Okay. Bob, you were describing the LID
23 boundaries that were recommended?

24 A Yeah. So Safeco Field, Edgar Martinez Drive,
25 essentially, defined the -- the south boundary and the

1 waterfront, obviously, the west boundary.

2 Q Approximately how many properties were within
3 your recommended boundary?

4 A Approximately 6,200, slightly more.

5 Q How did you arrive at your recommended LID
6 boundary lines?

7 A We look at the zoning, the highest and best
8 use, the geographical neighborhood areas, geographical
9 areas, and then it's really just based on a
10 parcel-by-parcel analysis. And the further we move
11 out from the LID improvements and get to a point where
12 the special benefit just isn't measurable anymore,
13 that's kind of where we draw the line.

14 And we moved out from the main components when
15 we got to a point where we just couldn't really define
16 the difference between what would be special benefit
17 and beyond that general benefit, that's more -- more
18 or less how the boundaries were -- were estimated.

19 Q And who had final say on the LID boundary
20 lines?

21 A The city council. We -- all we do, we
22 recommend boundaries. We never -- in any LID we've
23 done, we don't -- we don't set the boundaries. We
24 recommend the boundary, and it's up to the city
25 council if they want to change or alter boundaries.

1 Q What types of property are within the LID
2 boundary here?

3 A Really three main types. There's commercial,
4 residential, and special purpose, governmental
5 properties.

6 Q And then if you could tell us -- I'll walk you
7 through each of them. But starting with commercial,
8 please tell us the type of properties that are within
9 that commercial designation.

10 A Typically within the commercial, you have the
11 downtown area, the high-rise office building, retail
12 buildings, the hotels.

13 Q And how about within the residential
14 designation, what sort of properties?

15 A The residential sector comprises mainly
16 high-rise apartment buildings, high-rise condos, and a
17 number of subsidized housing units.

18 Q And then your last bucket, if I heard you
19 correctly, was public or special purpose properties.
20 What -- what were you looking at in there?

21 A Yes, such as Pier 55/56, the unique amenities
22 of the Waterfront, retail properties, Safeco Field,
23 CenturyLink Field, special purpose sports stadiums,
24 Benaroya Hall, Seattle Art Museum, a number of
25 churches, properties of that nature.

1 Q And where -- in which of those buckets does
2 government offices fall?

3 A They would be more in special purpose nature
4 property.

5 Q What valuation basis did you use to estimate
6 special benefits to properties within the LID?

7 A Typically always in a complex LID like this,
8 we'd use mass appraisal.

9 Q And what is mass appraisal?

10 A A mass appraisal is an analysis of a large
11 group of properties.

12 Q And why did you select a mass appraisal
13 approach here?

14 A It's really based on industry standard. When
15 we have a large, complex set of properties like this,
16 cities generally want more of a special benefit mass
17 appraisal scope of services, and it's -- there are
18 other ways of statutorily doing LID, such as the front
19 footage or (inaudible) or something like that, but
20 it's more detailed and accepted by -- by the courts.

21 Q When you say "it," mass appraisal approach?

22 A Yeah, correct, yes.

23 Q And then if you could describe for us, in a
24 mass appraisal, what is your level of interaction with
25 an individual parcel?

1 A Typically, we'll do an interior inspection of
2 each property.

3 Q Okay.

4 A Or excuse me. Exterior. Exterior inspection
5 of each property.

6 Q Don't worry. I was going to ask you about
7 that.

8 In your opinion, was -- well, before I ask
9 that, what's a direct appraisal?

10 A A direct appraisal would be preparing an
11 individual appraisal report somewhat similar to what
12 Mr. Gordon did in his limited appraisal or even a more
13 elaborate appraisal, a summary appraisal or something
14 of that nature.

15 Q In your professional opinion, was a
16 parcel-by-parcel direct appraisal feasible here?

17 A Well, it would be possible, but it just
18 wouldn't be economically feasible. It would take an
19 incredible amount of time and cost.

20 Q How long did it take you to do the formation
21 studies?

22 A It was approximately six months.

23 Q Who at ABS Valuation assisted you on the
24 study?

25 A Paul Bird, Mary Hamel, and Zachary, and Holly

1 Warren who is our office management. She helped in
2 administrative services.

3 Q Did you engage any consultants for the
4 formation study?

5 A Yes. One of the issues we have is downloading
6 all of the assessor's data and getting it into a
7 format that we can easily utilize. So we hired Burk
8 Consulting to help download all of the information
9 from the assessor's office and get it into an Excel
10 format.

11 And we also hired Core GIS to help us with
12 mapping so that we had a real good basis for
13 organizing the data and giving us a good, sound start
14 when we started doing our analysis.

15 Q And when you say "the assessor," which
16 assessor are you referring to?

17 A The King County Assessor's Office.

18 Q Why did you use a team on this project?

19 A Just given the sheer magnitude of number of
20 properties, it just isn't real feasible for one person
21 to do all of that on their own.

22 Q And have you taken that team approach on
23 similar projects before?

24 A Yes.

25 Q And what was your role on this project?

1 A My role was management, all of the aspects of
2 the project. I also did a considerable amount of
3 analysis on a number of the properties myself.

4 Q Who was the principal appraiser on this
5 project?

6 A I was.

7 Q How did you primarily divide up the work on
8 your team? Again, we're talking about the formation
9 study.

10 A Yeah. Based on experience and
11 qualifications -- go ahead.

12 Q Who handled the residential properties?

13 A Again, based on experience and whatnot, Mary
14 Hamel and Ashley Zachariah worked on the residential
15 property, and Paul Bird did the hotel valuations and
16 the apartment valuations.

17 Q Okay.

18 A And I was responsible for all of the other
19 aspects of the study.

20 Q Okay. So on residential properties with Mary
21 Hamel and Ashley Zachariah, why did you select them
22 for that work?

23 A They both have real good organizational
24 skills, good market study skills, good analysis
25 skills. Those types of requirements were needed given

1 the 5,000 or so individual condo units, so they were
2 well suited for that aspect of the job.

3 Q And you mentioned Mr. Bird, Paul Bird,
4 responsible for hotel analysis. Why did you select
5 Paul for that piece?

6 A Yeah, Paul had the most hotel experience of
7 anybody in our firm. He had done a number of hotels,
8 not only in LIDs, but for banks and financial
9 institutions over the years. So Paul was well suited
10 for -- he has also done a number of apartment work
11 over the years, again, for banks and other -- other
12 entities. So he was well suited for that type of
13 work.

14 Q And then I take it, if I understood your
15 testimony, that you did the rest. Does that mean that
16 you had primary responsibility for the commercial
17 properties and the special purpose properties?

18 A Correct, yeah. I appraised --

19 Q And why did you take those --

20 A Generally, that's just a strong suit of my --
21 my experience with properties in Belltown, the
22 downtown core, the Pioneer Square, the sports
23 stadiums, the Waterfront properties, I handled the --
24 most of those.

25 Q Did you have any assistance?

1 A Again, on research, for market research, Mary
2 assisted in a lot of that in gathering rental income,
3 sales income, things of that nature.

4 Q What -- what was the result of your work on
5 the -- on the formation study?

6 A The result of our work was completion of a
7 formation final special benefit study and boundary
8 recommendation.

9 Q And do you know approximately -- I am going to
10 introduce it into the record, but if you recall, what
11 was the date?

12 A That was --

13 Q And it's Exhibit --

14 A -- May 2018.

15 Q Okay. It's Exhibit C-15 for everyone at home.
16 I, again, was able to, I believe, rework my outline so
17 that I don't actually have to refer Mr. Macaulay to
18 any of the pages inside C-15 when I ask him questions.

19 So what steps did you take to, Mr. Macaulay,
20 estimate special benefits to properties within the
21 boundary?

22 A The first -- the first aspect, again, was
23 collecting all of the property information from the
24 King County Assessor's Office, compiling it in an
25 Excel spreadsheet, having a good mapping system to

1 provide a good basis, and then each individual
2 property was looked at based on its highest and best
3 use both without and with.

4 Market research was done into comparable
5 rental properties, research into other -- other
6 studies that had been done in the -- primarily in the
7 U.S. and Canada. They had similarities of the subject
8 property, and looking at supply and demand factors,
9 vacancy and credit loss, overall capitalization ranges
10 for the various property types. It was a very
11 extensive amount of research that went into our
12 analysis.

13 Q And are the steps that you took for the
14 formation study discussed, detailed in your study?

15 A Yes, they are.

16 Q What did the City do with your study when you
17 completed it?

18 A They published the preliminary assessment
19 amounts online.

20 Q Were the preliminary assessment amounts -- in
21 other words, the assessments that individual property
22 owners are going to receive, were those included as
23 part of your study?

24 A No. Our study just estimated the special
25 benefit amounts. The -- at the time the City wasn't

1 quite sure of the exact amount that they were going to
2 assess the properties for the formation, so we
3 provided them with the spreadsheets and an area where
4 they could input the amount of assessments they wanted
5 to levy against the properties. And they produced the
6 spreadsheets for the preliminary assessment role.

7 Q And I'd like to have you look at Exhibit C-16,
8 which I understand is not one that -- not one that we
9 have to share, but if folks need that, I believe I can
10 do so.

11 And if you could, let me know when you have
12 that in front of you, Bob.

13 A Yes.

14 Q Okay. What -- what is -- what are we looking
15 at here on Exhibit C-16?

16 A This is the preliminary assessment formula.

17 Q Okay. And, I mean, my main question for you
18 is to break it down for us, but let me ask you some
19 specific questions to walk us through it.

20 So what is the cost-benefit ratio?

21 A The cost-benefit ratio is the relationship
22 between the amount of dollars that are going to be
23 assessed against property owners compared to the
24 special benefit amount that's occurring to the
25 properties that are within a defined LID boundary

1 area.

2 Q Okay. And so I take it -- well, let me ask
3 you: Where did the -- I'm looking at Roman numeral I
4 under cost-benefit ratio. There's a formula,
5 200 million divided by 414,714,000 equals
6 48.23 percent.

7 My question to you is: Where did the
8 200 million come from?

9 A The 200 million was the amount of assessment
10 that the City decided upon to levy against the
11 property owners for the formation of the LID.

12 Q Okay. And how about where did 414,714,000
13 come from?

14 A That was the sum total of all of the special
15 benefits in the LID boundary area that we arrived at
16 through doing our study.

17 Q Okay. And then divide the two, and you get
18 48.23 percent. What does that -- what does that tell
19 us, that 48.23 percent?

20 A Again, it's a cost-benefit ratio that is --
21 that ratio is then multiplied by each individual
22 property's special benefit to derive the assessment
23 amount. And that way the assessments are fair and
24 proportionally allocated over the LID boundary areas.
25 So properties that have a higher increase in market

1 value would reflect a higher benefit or higher
2 assessment amount compared to somebody that's
3 benefiting less from the project that would
4 proportionately pay the same cost, but their
5 assessment would vary.

6 Q And then what do we have under heading II --
7 let me ask it. Is that an example of what you just
8 described?

9 A Yeah, correct. That's just an example of the
10 property's benefit times the cost-benefit ratio equals
11 the preliminary assessment model.

12 Q And to be clear, in this example, we have a
13 property special benefit of 25,000. How would that
14 have been arrived at?

15 A That, again, would be the difference between
16 the market value of the property before and the market
17 value of the property after as of the same date and
18 time.

19 Q Okay. So estimated by ABS Valuation?

20 A Correct.

21 Q And, of course, that's just an example. But
22 that data point would have come from ABS Valuation?

23 A That's correct.

24 Q Have you used this formula that we're looking
25 at in Exhibit C-16 to recommend proportionate

1 assessments for other LID projects?

2 A Yes. It's really an industry standard report.
3 It's been used by myself for over 30 years on every
4 LID I've worked on. It's also been used by other --
5 other -- other appraisal firms that have done benefit
6 studies as well.

7 Q In looking at this, I understand that in the
8 formation study you estimated a total amount of
9 special benefits to be generated by the LID
10 improvements of roughly \$415 million. How did you
11 arrive at that number?

12 A It was, again, using mass appraisal process
13 and doing a parcel-by-parcel analysis.

14 Q And then the 415 million is adding up the
15 special benefit --

16 A Correct.

17 Q -- for each parcel?

18 A Correct. It's the sum total of the 6,200
19 properties -- the sum total of the benefit of those
20 properties.

21 Q What do you understand the City did next with
22 the preliminary assessments?

23 A They would have sent out mailing notices to
24 the property owners.

25 Q Did ABS Valuation have any role in that

1 process?

2 A No. That was all done through the City.

3 Q During the formation study and after it's
4 published, did you have any contacts with members of
5 the public or property owners within the LID boundary?

6 A Yes. I mean, through the process, we met
7 with -- and through the City, we met with a number of
8 property owners, such as Martin Smith, the Stadium
9 Authority, University of Washington is obviously a
10 large landholder, and other properties, property
11 owners. Those are the ones that come to mind.

12 Q Sorry to interrupt.

13 What was the purpose of those meetings?

14 A Just informational. For instance, Martin
15 Smith has ownership of one of the pier properties, and
16 they own a number of historic properties throughout
17 the Pike Place Market and Pioneer Square area. So,
18 obviously, they just were concerned and interested in
19 the process. Similar to University of Washington,
20 they own a substantial amount of land downtown and
21 wanted to know the process and ask any questions and
22 things of that nature.

23 Q So what happened next in -- with respect to
24 the LID?

25 A The -- after --

1 Q After the formation study.

2 A Yeah, after the formation study, then the LID
3 was formed.

4 Q I'll just ask you. The date has come out
5 already in testimony. But January 2019?

6 A Yes.

7 Q And I understand at that point you were
8 retained to do the final special benefit study?

9 A That's correct.

10 Q Okay. Again, as you did for the prior two
11 studies, first, I'd like you to describe for us
12 generally what a final special benefit study is.

13 A A final special benefit study is a more
14 detailed study from the formation. The purpose of the
15 final special benefit study is to, again, estimate
16 market value of the properties before and after the
17 LID and estimate special benefits for each property as
18 of a date and time in a more refined manner and
19 prepare a final assessment report for the City so they
20 can start their process.

21 Q When did you start your work on the final
22 special benefit study here?

23 A I believe it was around February of 2019.

24 Q How long did it take to complete?

25 A It was about eight -- eight or nine months.

1 Q When did you -- if you recall, approximately
2 when did you deliver it to the City?

3 A In November of 2019.

4 Q And then if you could get out Exhibit C-17,
5 Bob -- actually, I suppose more accurate to say if you
6 have it nearby, because I have a -- before -- C-17,
7 for everyone out there, is the final special benefit
8 study, but before -- before I have you start flipping
9 pages, Bob, I have some more general questions for
10 you, so if you just have it handy.

11 Who assisted you in the analysis for the final
12 special benefit study?

13 A Again, the similar -- similar group of people,
14 Paul Bird, Mary Hamel, Ashley Zachariah. Colleen
15 Fewel had come on board at that time, and she helped
16 out to some degree as well as Holly Warren, our office
17 manager.

18 Q And on the residential piece, who took the
19 lead on the study and analysis for residential
20 properties?

21 A Similar to the formation, Mary Hamel and
22 Ashley Zachariah.

23 Q And you mentioned Colleen Fewel. Where did
24 Ms. Fewel -- what -- what was her role on the project?

25 A Colleen helped a little bit with research and

1 just administrative help. There's a lot of
2 computation, computer issues and whatnot. She was
3 pretty good with Excel and computers, so more of a
4 quasi-research and administrative help.

5 Q And then who took the lead on the hotels
6 analysis?

7 A Paul Bird, again, did, and that's -- during
8 the final one, we brought Mark Lukens in to assist
9 with the valuation process.

10 Q Why did you obtain Mark Lukens for that role?

11 A Well, Paul has a good amount of hotel
12 experience, but unlike Mark, it's not something that
13 he has done for 30 years. And Mark had a lot more
14 experience and felt it was really good to augment our
15 valuation analysis in the hotel market and that Mark
16 was a real good source to bring in.

17 Q Okay. Who took the lead on the commercial
18 property analysis?

19 A Again, that was me, as well as management,
20 again, of the whole LID valuation process.

21 Q Okay. And who took the lead on the special --
22 special properties analysis?

23 A Again, that would have been myself. Greg
24 Goodman, an MAI in the office at the time, assisted to
25 some degree, but primarily it was me.

1 Q Okay.

2 A Excuse me. Let me clarify that. Greg -- I
3 didn't mention Greg. Greg helped in the formation
4 study for the sports centers and a little bit on
5 Pioneer Square. He did not help during the final
6 process. Greg did not do any work on the final LID
7 study.

8 Q Okay. What valuation basis did you use for
9 the final special benefit study?

10 A Again, it was similar to the formation. We
11 used a mass appraisal methodology.

12 Q And why did you select for the final special
13 benefit study a mass appraisal methodology?

14 A Due to the complexity of the LID, industry
15 standard would dictate that would be the best approach
16 to use. And in my -- in my judgment, it's by far the
17 best approach to use.

18 Q And in your professional opinion, was a
19 parcel-by-parcel direct appraisal feasible here?

20 A No. Again, just due to the significant cost
21 and time involved, it just wouldn't be economically
22 feasible or time well spent to try to get it done in
23 any reasonable length of time.

24 Q Generally speaking, what is a valuation date
25 in a final special benefit study?

1 A As in any LID we do, you need to have a
2 specified valuation date to really reflect the market
3 conditions both before and after the LID improvements
4 as of a given date in time. So, again, it's industry
5 standard and required to really set the basis and
6 foundation for your analysis.

7 Q And so, again, I'm going to ask you -- I'm
8 going to move to asking you about this particularly.
9 But, generally speaking, how do you select a valuation
10 date for LID?

11 A In all the LIDs -- this one is unique in the
12 sense that it was -- it was being finalized before it
13 is constructed, but even in -- even in many LIDs or
14 the vast majority of LIDs we do that are -- that are
15 closed out after construction, construction is very
16 seldom to all fully completed as of the time of the
17 final study.

18 So we need a certain amount of information to
19 a high level of degree at that time to form -- you
20 know, formulate our before and after values. So that
21 date was set when we had -- I felt we had a sufficient
22 amount of detail in order for me to do my work and
23 then finalize the study.

24 Q So what input does your client have in setting
25 a valuation date in an LID?

1 A They -- they need time to prepare for when the
2 LID is finished so that they have a time frame when
3 they know they can start the process to finalize out
4 the project.

5 Q But, ultimately, you select the valuation
6 date?

7 A Ultimately, in this case, I worked with the
8 City on -- on the date. There is a lot of information
9 that was needed in order to get to the point to where
10 I felt we had a sufficient amount of information to
11 have and sufficient amount of detail to have both
12 before and after the improvements. So it was a bit of
13 both, but, ultimately, at the end of the day, it was
14 my decision to have that date and time.

15 Q And let me ask: What valuation date did you
16 select here?

17 A It was October 1, 2019.

18 Q Had you considered earlier dates?

19 A We had. Just through working through the
20 process, we had looked at finalizing the LID prior to
21 that, but just given time for me to finish my work and
22 the City needing time to more refine and detail the
23 project developments, ultimately, October 1 was a real
24 good date to use where sufficient, reliable
25 information was available.

1 Q And what level of design detail were you
2 looking for here on the project elements from the City
3 in order for you to value the improvements?

4 A Yeah. I would have liked to have at least
5 30 percent design on all of the elements. That
6 doesn't sound like a lot, but after you talk to the
7 engineers, a 30 percent design is pretty advanced. So
8 that's what I was looking for.

9 Q And were all six Waterfront LID improvements
10 at 30 percent design as of October 1, 2019?

11 A No. The Promenade and I think Union Street
12 were -- the Promenade was 100 percent design. I think
13 the Union Street connection was about 98 percent. The
14 Overlook Walk was about 30 percent or was 30 percent.
15 The Pike Place Market and -- the Pike Place Market
16 area and the Pine Street -- Pike/Pine Street
17 improvements were slightly less than 30 percent.

18 Q And for those that were less than a 30 percent
19 design determination, what did you -- what did you do
20 for those?

21 A Just worked with the City to get further
22 information so that I was comfortable with the amount
23 of detail that we had so that when I did my study I
24 felt comfortable that I had sufficient information to
25 base my market value conclusions on.

1 Q And then I guess let me ask you a more
2 fundamental question. What specifically are you
3 looking for in terms of design detail?

4 A A real -- a real good description of the
5 before and a real detailed description of both the
6 before and after conditions, renderings that depict
7 both scenarios so that I have a good, sound basis to
8 base my opinions on.

9 Q Why didn't you need 100 percent complete
10 design in order to do your analysis?

11 A As I said, most LIDs we work on are very
12 seldom 100 percent complete by the time we finish
13 them, so it's real common to have some elements of the
14 LID that aren't completed, and you need to rely on
15 some additional information to finalize your analysis
16 from.

17 Q In what relation do the design descriptions
18 that you received from the City in this case have to
19 your valuation process?

20 A Well, they formed the basis of our analysis
21 and really assist us in making our before and our
22 after, without and with, market value conclusions.

23 Q What if the project as built provides more
24 special benefit due to design changes after you do
25 your analysis?

1 A That wouldn't be a problem under the statutes,
2 and it would be a good deal for the property owners.
3 They would be getting more special benefit.

4 Q And the flip side of the coin, what if the
5 project as built provides less special benefit due to
6 design changes after you do your analysis?

7 A If there was less benefit, then the
8 cost-benefit ratio would go up. Under the state
9 statutes, the City would have the authority to levy up
10 to 100 percent of the special benefit amount against
11 the property, so a higher cost-benefit ratio would be
12 reflected.

13 Q And do you know -- I'm going to ask you some
14 questions. But do you know in the -- for the final
15 assessments what the cost-benefit ratio is here for
16 the Waterfront LID?

17 A Where the final special benefit was
18 39.2 percent.

19 Q Did you memorialize the design descriptions of
20 the Waterfront LID improvements that you relied upon
21 here for your assessment?

22 A Yes.

23 Q And where is that located?

24 A That would be in the addenda.

25 Q I'm going to ask you to look -- I actually

1 marked the addenda, Bob, as C-18. And I understand
2 that that's one that I have to -- have to project, so
3 just give me a moment.

4 And before I ask you some questions inside the
5 document, can you tell us generally what's included --
6 well, first of all, addenda to what? What am I
7 looking at in C-18 here?

8 A This is the addenda to our final special
9 benefit study report.

10 Q And ABS Valuation put this document together?

11 A Yeah, that's correct. The City provided the
12 descriptive information and the renderings in the
13 report, but we put the whole package together.

14 Q And, generally, what's included -- when you do
15 a final special benefit study, what's included in the
16 addenda volume?

17 A A real detailed description of the before and
18 after conditions that are -- that form the basis of
19 our analysis.

20 Q Okay. I'm going to ask if you could turn,
21 Bob -- and I will take the audience to it. But my
22 first question to you is page 3 of -- and each page,
23 so you know, Bob, there's a proposed heading, mostly a
24 heading. Sometimes we've had it put on the side of
25 the page if there's text up in the header. It says

1 Exhibit C-18, page 1. So I'm going to take you to
2 page 3.

3 Well, page 3 doesn't have very much text on
4 it, so I suppose I will take you to page 4. Okay.
5 But I do have to ask you, Bob, my question to you is
6 going to be: The top of page 3 reads "A - LID - No
7 LID." So what is included in this -- this Section A
8 of your addenda?

9 A Yeah. The Section A would be the LID with no
10 LID improvements.

11 Q So what does that mean? I'm sorry. I'm not
12 tracking what --

13 A Well, it would be the before market -- market
14 value conditions.

15 Q Okay. Okay. The before market conditions for
16 the six LID?

17 A Yeah. The before conditions without the LID.

18 Q Okay. Okay. So the no LID conditions for the
19 six LID improvements?

20 A Correct.

21 Q And then I'm going to ask you to look through
22 it. Are the after conditions -- so take your time
23 and, you know, turn the pages. Are the after
24 conditions included for the improvements as well?

25 A Yeah. Initially, it goes in a logical manner

1 before and then after as you read through the various
2 elements.

3 Q Okay. I'm not going to ask you to go through
4 all of these, but I will -- for anybody that hasn't
5 been able to load it and is looking, I am going to
6 have you take us through -- for instance, the first
7 one here, Rebuilt/New Surface Roadway, that's located,
8 Bob, on page 4. Can you tell me when you're there.

9 A Yeah.

10 Q Okay. And then what are we looking at, again,
11 in the section Rebuilt/New Surface Roadway? It starts
12 about halfway down page 4. What is that?

13 A In the before condition, there were certain
14 what we call hypothetical conditions that we assumed
15 were complete in the before condition. And one of
16 those was that the Alaskan Way -- the Alaskan Way
17 viaduct would be removed and that a new Alaskan Way
18 would be constructed between South King Street and
19 Pine Street --

20 Q Okay.

21 A -- in the approximate footprint of the Alaskan
22 Way viaduct area.

23 Q Okay. And then I noticed that this heading
24 "Before," this subheading underneath there, goes on
25 for another page. So what are you listing there on

1 pages 4 and 5 and ends on page 6? What's under that
2 "Before" heading with respect to the Rebuilt/New
3 Surface Roadway?

4 A Yeah. Again, this is just a real detailed
5 description of what the before condition would consist
6 of. So it's just going in a real good level of detail
7 of what the before condition would be.

8 Q Okay. And then to take you to page 6, the
9 last piece, it appears, of this entry with respect to
10 the Rebuild/New Surface Roadway, has a little heading
11 "After." What's in the "After" section on page 6?

12 A Yeah. Again, that's the after condition that
13 all of the improvements listed that the before
14 condition would remain with the exception of
15 additional elements, and they're listed down below
16 that.

17 Q And in this Section A of the addenda, did you
18 provide that same before and after level of detail for
19 each improvement?

20 A The analysis considered all of these elements.
21 It was -- in our report, it was more summarized. We
22 didn't go into as much detail in the report part of
23 it, but all of these elements were considered in our
24 analysis.

25 Q Right. Understood. My question is: In the

1 rest -- so I don't have to walk you through the rest
2 of this Section A of the addenda, do you apply the
3 same format with respect to the five other LID
4 improvements?

5 A Yes. That's how it is laid out, correct.

6 Q Who -- let me ask you: So who drafted these
7 project descriptions, the ones that are contained in
8 Section A of the addenda?

9 A The City of Seattle did.

10 Q And then I'm going to take you, Bob, to
11 page 70 -- well, if you want to describe for us,
12 actually, after you get through the descriptions, Bob,
13 what's in the remainder of Section A?

14 A After -- after the discussion, there are two
15 site plans that depict the before and after
16 conditions.

17 Q Okay. I'm going to ask you to skip ahead,
18 Bob, to page 74. Before I ask any questions, Bob, I'm
19 going to get the -- again, I'm not going to walk you
20 through all of these. But can you tell us what is in
21 Section B of your addenda?

22 A Section -- Section B deals with LID
23 renderings.

24 Q Who provided the renderings that are contained
25 in Section B?

1 A The City of Seattle through a consultant hired
2 to do the rendering work.

3 Q And I noticed when I went through -- and
4 please look through yourself -- they all say "after."
5 For instance, on -- take everyone to the next page.

6 It says "After: Promenade/Bike Path at South
7 Washington Street." And then when I go, I see a
8 rendering. And then go to the next page. "After:
9 Promenade/Habitat Beach." Do you see that?

10 Section B, are these after or with LID renderings?

11 A Yes.

12 Q And does Section A contain before or without
13 LID renderings? And I didn't walk you through the
14 whole thing for brevity, but if you need to go back
15 and look at Section A, I skipped about 60 pages of
16 Section A not having to walk through it. But I do
17 want to ask you that question.

18 A Yes.

19 Q So the question is: Where in the addenda are
20 your before or without LID renderings for the six
21 improvements?

22 A They're in Section B, the LID renderings.

23 Q Oh, no. For the before?

24 A Oh, the before. Yeah, so the before LID are
25 in Section A, and then the after LID renderings are in

1 Section B.

2 Q Okay. I'll take you now, Bob, to -- I want to
3 ask you questions, Bob, on -- and I think I can do
4 this in summary fashion so we don't have to sit here
5 and flip through it. I want to ask you questions
6 about Section C through F of your addenda. That
7 begins -- Section C begins on page 97, and it ends on
8 page 169.

9 A Okay.

10 Q And what are we looking at on Section C?

11 A This is the Overlook Walk walkway.

12 Q Okay. And on page 98, what do we have?

13 A That's a descriptive summary of the after
14 Overlook Walk walk -- walk overview -- the Overlook
15 Walk overview.

16 Q Okay. Taking you ahead -- that was a two-page
17 document. Taking you ahead to page 100, what do we
18 have there?

19 A Page 100 is an aerial view looking down on
20 what would be the Overlook Walk.

21 Q Okay. 101?

22 A Yeah. Again, another view of the Overlook
23 Walk.

24 Q And then so fair to say this Section C is --
25 I'm sorry. Yes, Section C of your report --

1 renderings and description of Overlook Walk?

2 A Correct.

3 Q Okay. Let me take you all the way back to
4 page 2, table of contents. We talked about A. We
5 talked about B and C. For D, E, and, F, do they
6 contain additional description and renderings for,
7 respectively, Pioneer Square, Pike/Pine, and I guess
8 Pine bonus?

9 A Yes.

10 Q Okay. What -- Exhibit G is entitled City
11 Ordinance 1257 -- before I move on, Bob, for C through
12 F for the renderings that are contained in those
13 sections of your agenda -- addenda, who drafted those
14 renderings?

15 A Again, it's the City of Seattle through a
16 consultant they hired.

17 Q And, generally speaking, Bob, why would you
18 include in your addenda all of these renderings and
19 descriptions?

20 A Just to provide myself and any market
21 participant that's out there reviewing this just to
22 show the level of detail that went into preparing this
23 study and providing me sufficient information in which
24 to base my opinions on.

25 Q Okay. Just a couple more questions on the

1 addenda, and, frankly, Bob, it might be -- let's try
2 just looking at the table of contents to see if you
3 can answer my questions, but, of course, I'll direct
4 you to the specific pages, if needed.

5 But my question on G is: Do I understand that
6 Section G is City Ordinance 125761?

7 A Correct. That's the public/private agreement
8 on the formation of the LID.

9 Q Okay. And my question for you is: Why did
10 you include that in the addenda?

11 A It really lays out a good descriptive
12 information on the management aspect that would go
13 into maintaining the LID improvements once they're
14 formed.

15 Q And what role did that information play in
16 your analysis?

17 A It laid out the fact that -- similar to other
18 cities, such as Portland that had a strong management
19 within their parklike improvement area or park
20 improvement areas, that it's a real positive amenity
21 in the marketplace that provides a good -- a good --
22 good basis for market participants, owners.

23 One of their main concerns was management, and
24 this goes into a lot of detail reflecting the level of
25 detail that would be done to maintain the park

1 elements.

2 Q Okay. And I am actually going to take you --
3 my recollection is that H, Section H, of your addenda,
4 which is entitled "No - LID/LID O&M Scenarios" is very
5 brief. And that's located, Bob, at page 213 of the
6 exhibit in front of you. And there's no question
7 pending, so let me just get there for -- give folks a
8 second for whatever is needed. And I'll just say to
9 folks this is a two-page -- last two pages of the
10 exhibit.

11 Take a look at that, Bob, and after you've
12 refamiliarized yourself with it, please tell us what
13 is included in Section H here of your addenda.

14 A It just really memorializes the agreement and
15 what will be done if the LID is constructed and in the
16 form of management and what would be done if the LID
17 isn't constructed.

18 Q Okay. And what does O&M -- the letter O and
19 the letter M, what do they stand for here?

20 A I'm drawing a blank.

21 Q Operations and maintenance?

22 A Operations and maintenance.

23 Q That's okay. It's in the text, but I thought
24 it was fastest if I just asked it.

25 Okay. And who provided this content for

1 Section H?

2 A The City of Seattle did.

3 Q And what's your understanding -- as between
4 the two scenarios, what's the main difference here
5 between the LID scenario and the no LID scenario?

6 A With the LID completed, you would have good
7 park management of the LID components versus without
8 the LID, you would have more of a transportation-based
9 overview of the area.

10 Q Okay. Did you use this information in your
11 analysis?

12 A Yes, it was considered.

13 Q All right. That's all the questions I had for
14 you on the addenda so I'll unshare that.

15 And before I direct your attention to the
16 final special benefit study, which, folks at home, the
17 final special benefit study is Exhibit C-17, and I am
18 going to -- unlike the prior two studies, I am going
19 to ask Mr. Macaulay to walk through that in some --
20 some depth, but we're not there yet but just as a
21 heads-up in case you have to load it.

22 Can you describe for us your overall approach
23 to -- I know you did mass appraisal. But can you
24 describe to us your overall approach to measuring
25 special benefits in this project?

1 A In more of a general nature or --

2 Q Yes, yes. I'll ask specific questions. Sure.
3 Please start and I'll stop you and ask questions if I
4 have along the way.

5 A Yeah. In a more general nature, the scope of
6 the study, again, was to value the properties within
7 the recommended LID boundaries, both before and after
8 the LID, and provide special benefit estimates for
9 each of those properties.

10 This was done, you know, again, through a
11 substantial amount of research and to various other
12 cities that had similar types of projects completed,
13 review of other studies, looking, again, at highest
14 and best use of updating all of the information that
15 we had previously done, supply and demand,
16 capitalization rates, vacancy rates, a broad spectrum
17 of all the market elements that would go into the
18 valuation of the property.

19 Q And I know it's a little awkward because we're
20 sitting across from each other, but if you could look
21 straight ahead when you testify --

22 A Sorry.

23 Q No. That's okay. That's okay. I know you're
24 looking at me, but if you could look at the laptop,
25 other than if you're referring to a document.

1 How did your approach here compare to prior
2 LID studies that you've done?

3 A Very similar, very similar type of market
4 research. Obviously, every LID we do are different,
5 but using mass appraisal techniques, limited appraisal
6 techniques, before and after analysis, very similar to
7 other LIDs we've done over the last 30 years.

8 Q When you calculated value of a property on
9 October 1, 2019, without the LID improvements, were
10 you measuring its current value, current market value?

11 A Well, based on -- we were estimating the
12 current market value based on current hypothetical
13 conditions.

14 Q Okay. And what were those hypothetical
15 conditions that you were using in your final special
16 benefit study to get to the before valuation for a
17 parcel?

18 A The main hypothetical conditions were that the
19 viaduct was removed, so the view element was the same,
20 both in the before or without the LID and after, with
21 the LID, completed; that the new Alaskan Way was
22 constructed; new Elliott Way was constructed; and a
23 walkway between just south of King Street along
24 Railroad Walk and to the CenturyLink Field area, the
25 stadium district area was constructed.

1 Q Okay. So the record is clear, how did you
2 treat the removal of the Alaskan Way viaduct in your
3 study? I believe you just told us, but please break
4 that out.

5 A Again, in doing our analysis, we assume that
6 any impediment to view or noise that the viaduct would
7 have rendered was gone, so that the aspect of the
8 viaduct, both in the before and in the after, we
9 assume it was removed.

10 Q Okay. So I'm going to ask you questions, Bob,
11 a series of questions. So folks at home know what's
12 coming, I'm going to ask you how you estimated special
13 benefits for various types of properties. I'm going
14 to start with commercial. That's what you did
15 personally.

16 So please describe for us how you estimated
17 special benefits in the final benefit study for
18 commercial properties.

19 A Yeah. Again, detailed analysis of the various
20 types of commercial properties, the high-rise office,
21 the hotels, the retail restaurants, properties of that
22 nature; review into City of Seattle market area;
23 information relative to income, sales, land, land and
24 improvement; look at highest and best use.

25 We updated the studies that had been done in

1 other cities, such as New York; Chicago; Portland; San
2 Francisco; Boston; Vancouver, B.C. We updated
3 relative information there. Other studies, such as
4 Dr. Crompton's study, was, again, researched. Many
5 other studies. We looked at, at least 20, 25 plus
6 other studies dealing with bike lanes, pedestrian
7 corridors, green space, a wide variety of studies
8 that's out there and available in the market.

9 We researched all of that information, again,
10 looking at supply and demand factors, updating that
11 information, updating all of our relevant market
12 information concerning vacancy, capitalization rates,
13 market conditions, you know, relative to hotel
14 occupancy rates and things of that nature, so really a
15 very extensive look at the market.

16 Q And let me ask you, Bob: What approach to
17 value did you use? What analysis?

18 A The main approach -- the main approach that we
19 used was the income approach, and we prepared
20 individual worksheets that were completed in all of
21 the commercial properties within the LID.

22 Q And I'm actually going to -- I prepared one of
23 those worksheets to walk you through. But describe to
24 us, first, please, what is the income approach?

25 A The income approach is looking at the

1 potential gross income a property can achieve. For
2 instance, if it's an office/retail building, you're
3 looking at what the amount of office rent would be on
4 an annual basis and what the amount of retail rent
5 would be on an annual basis and totaling that.

6 And then looking at the -- from there looking
7 at vacancy and credit loss and deducting that, looking
8 at expenses such as management, building maintenance,
9 things of that nature, deducting those to arrive at a
10 net operating income for -- for each property.

11 Q How did you -- before I take you to the
12 spreadsheet, I have a few more general questions for
13 you, Bob, about your analysis on commercial properties
14 in the final benefit study.

15 How did you determine if a commercial property
16 was at its highest and best use?

17 A That's where land sales really became
18 important and were a significant part of our study.
19 When you're looking at a property, this is really
20 particular in Belltown where a lot of the property in
21 Belltown is being bought for its land values.

22 So although there may be an existing
23 improvement on it, if you capitalize the value of the
24 income that that building achieves in the marketplace,
25 it would be less than what the land values would. So

1 it was really a test of -- to one portion, it's a test
2 of highest and best use.

3 It was also used for proportionality purposes
4 throughout the LID to make sure we were maintaining
5 consistency in how we were valuing all of the
6 properties throughout the LID boundary area. So it
7 was an important aspect of the study.

8 Q And what's the relevance of the highest and
9 best use concept in a special benefit study?

10 A As I said, some properties may be improved,
11 but the improvements don't contribute value to the
12 land. When you're looking at a -- let's say a
13 high-rise building. Due to the significant density
14 that is within the city in the Seattle downtown core,
15 even in the small increments of increase in a 60-,
16 50-, 30-story office/retail building, it generates a
17 significant amount of value, oftentimes over and above
18 what the land value will achieve.

19 So, again, looking at the whole bundle of
20 rights of the property, it's utilized to reflect the
21 fact that income and benefit is generated from the
22 improvements as well as the underlying land value.

23 Q And in conducting an LID special benefit study
24 in Washington, are you aiming to value the properties
25 at their highest and best use?

1 A Yes.

2 Q You mentioned, Bob -- I was taking notes as
3 quickly as I could -- a few minutes ago discussions
4 with local developers. What -- what information, I
5 suppose, did you get from local developers with
6 respect to commercial properties and for your
7 valuation analysis?

8 A Any time you're doing a large project like
9 this, you do a significant amount of research into
10 sales and rental. And developers, investors, they're
11 buying and selling property in the market are
12 interviewed. Any comparable improved property sale is
13 confirmed and discussed with the buyer and the seller
14 and the broker to ascertain how the market is reacting
15 to various factors of influence value.

16 Q Okay. All right. If you could, grab C-19,
17 Bob. I'm just going to give folks at home a moment to
18 grab it. I can tell you, Bob -- I'll ask you to -- my
19 first question to you will be: What are we looking at
20 here? So I'll ask: What are we looking at here, Bob?

21 A We are looking at a typical worksheet that was
22 completed for a commercial property, in this instance,
23 the Maritime Building.

24 Q And who put this together?

25 A Myself and staff.

1 Q Okay. ABS Valuation?

2 A Yes.

3 Q Okay. And, frankly, I'm going to ask you to
4 walk us through this, but let me ask you some
5 questions to try to guide us. In the upper left --
6 top left of the worksheet, I see some text. What
7 information is contained in the upper left corner of
8 the worksheet?

9 A Yeah. So we identified the building name, and
10 then below that is a map number. And every tax parcel
11 in the LID had a map number, and that was more for our
12 internal purposes. The map number corresponds to --
13 below that, those are the tax parcel number.

14 We had a significant amount of mapping done,
15 so instead of trying to put the tax parcel number on
16 each tax parcel, we used a map number for
17 identification purposes. And then below that we just
18 have some property information, the address, the
19 zoning, the proximity to the -- to the Waterfront
20 improvement elements, if there were any previous
21 sales. That was an important factor oftentimes.

22 Q And so let me stop you there so I can
23 understand that row that says previous sale. If I'm
24 reading this correct, the Maritime Building was sold
25 on July 13, 2018, for \$186 million?

1 A Yes, correct. And there was a previous sale
2 for about 30 million in 2015, and a significant amount
3 of renovation went into the property subsequent to
4 2015. And then the investment company and development
5 company that had done that work sold it for a pretty
6 significant premium in July of 2018.

7 HEARING EXAMINER VANCIL: Mr. Filipini,
8 could I ask that --

9 MR. FILIPINI: Hold on a second.

10 HEARING EXAMINER VANCIL: -- if
11 possible, could you share the screen on this one?
12 It's a bit -- I think it's an oversized document, so
13 some of the details are harder to read on a smaller
14 screen. That might benefit us to have that on the
15 share screen, if possible.

16 MR. FILIPINI: Okay. I think I can.

17 HEARING EXAMINER VANCIL: Is that
18 possible on your end?

19 MR. FILIPINI: Yes, I believe it is.

20 HEARING EXAMINER VANCIL: Okay.

21 MR. FILIPINI: Actually, I don't know
22 that I have this one queued up here. I only put on --
23 I only preloaded during the lunch break 13, 14, 15,
24 18, and 22. If you would like, though, I can move on
25 and come back to this and get it loaded during the

1 next break.

2 HEARING EXAMINER VANCIL: That would be
3 fine. Thank you.

4 MR. FILIPINI: Sure.

5 BY MR. FILIPINI:

6 Q Okay. Bob, so let's set this aside. I'll
7 come back. Just give me one second, Bob, so I can
8 mark where I'm at here so I don't forget. Okay. So
9 let's come back and we'll go through the Maritime
10 Building after I can project it for folks at home.

11 So similar question, Bob: What steps did ABS
12 Valuation take to estimate special benefits for public
13 or special purpose properties?

14 A Again, on a similar basis to the commercial
15 property, based on highest and best use. A number of
16 governmental properties have similar elements of
17 market highest and best use, or they may be fully
18 depreciated or just be land value, such as churches.
19 A number of churches in the LID area were just simply
20 land value.

21 So, basically, the same types of methodology
22 that were used in the commercial properties were
23 applied to the special purpose properties, if
24 applicable. For instance, the CenturyLink Field and
25 Safeco Field some different methodology called the

1 cost approach was utilized rather than the income
2 approach due to the special purpose nature of the
3 properties.

4 Q And what is the cost approach to value?

5 A The cost approach is looking at the
6 replacement cost new of the improvements and then
7 backing out any depreciation and adding back land
8 value to arrive at a market value estimate.

9 Q What steps did ABS Valuation take to estimate
10 special benefits for condominiums?

11 A Condominiums were done similar to how a
12 single-family residential property would be appraised
13 using the direct sales comparison approach. So that
14 was the main approach used in doing the condominium
15 valuation.

16 Q And then -- well, let me ask, I guess, what is
17 the direct sales comparison approach to value?

18 A It would be gathering -- if you're appraising
19 a specific condominium unit, it would be valuing or
20 collecting comparable sales data that are similar in
21 as many elements as possible to that particular unit
22 and then making adjustments for any differences that
23 would be applicable in the market to arrive at a
24 market value conclusion for that particular unit.

25 Q Okay. And then what steps did ABS Valuation

1 take to estimate special benefits to hotel properties?

2 A Hotel properties were, again, real similar in
3 some context to the commercial properties where you
4 make an estimate of potential revenue. In hotel
5 instances, it's looking at the average daily rate, if
6 there's additional revenue associated with banquet,
7 food service type of amenities, parking, any revenue
8 sources and then, again, looking at typical expenses,
9 operational expenses, management expenses, looking at
10 supply and demand factors, capitalization rates in the
11 market, and deriving from that information, looking at
12 comparable sale properties from that information,
13 making an estimate of market value of before and after
14 the LID improvements.

15 Q And what is -- what is a capitalization rate?

16 A The capitalization rate is the relationship
17 between a property -- a property that sold -- when you
18 look at a comparable sale property, it's the
19 relationship to its net operating income and the sale
20 price. So it's a -- it's really a function of risk in
21 the marketplace, investment risk. It's really the
22 measure of the capitalization rate.

23 So the lower the capitalization rate, the
24 higher market value is reflected. And it's really
25 telling -- telling the market or telling an investor

1 that there's good upside to buy this property. The
2 revenue stream is likely to increase over time.

3 Conversely, a higher capitalization rate may
4 need a lot of capital improvements put into it at the
5 time it's being purchased, so there's more investment
6 risk. There's more capital outlet that may need to go
7 into that investment. So, therefore, it would reflect
8 a higher capitalization rate and, conversely, a lower
9 overall value.

10 Q Generally, how do capitalization rates compare
11 between hotels and, say, office or apartment
12 buildings?

13 A Typically, the hotel market has a slightly
14 higher capitalization rate than, say, an office
15 building or retail building or apartment building just
16 due to the nature of the industry. It's a little more
17 risk-intensive investment, so, therefore, it will have
18 slightly higher overall capitalization rates than you
19 would see in other types of investments and
20 particularly in the LID area.

21 Q Again, I believe you testified earlier, Bob,
22 that Paul Bird in your office led the analysis of
23 hotels?

24 A That's correct.

25 Q What assistance did Mr. Lukens provide on the

1 hotel analysis?

2 A Mark provided a real valuable assistance in
3 reviewing our analysis for just test of
4 reasonableness, helping set up the worksheets so that
5 they really flowed with industry standards and
6 assisted with the operational expenses, comparable
7 sales, overall rates. Just not only the test of
8 reasonableness, but helping really set up a sound
9 income approach analysis.

10 Q Okay. While we were -- in the last few
11 minutes, one of my colleagues was able to send me a
12 copy of C-19 that I was able to open and put up here.
13 So, Bob, if you can go back to C-19, please, the
14 Maritime Building, and I will grab this for folks and
15 increase -- increase that.

16 So previously, Bob, to orient everyone, is
17 this -- where I'm moving the cursor in the upper
18 left-hand corner of the spreadsheet, is that what you
19 described for us?

20 A Yes, correct. We kind of left off on the sale
21 price discussion, and then below that we showed who
22 the owner is and then just a real brief description of
23 the -- of the improvements.

24 Q Okay. And for the folks at home, I'm just
25 zooming up for a second. I see here, Bob, that you've

1 got three sections of this worksheet, three columns,
2 whatever we're going to call them. But what's
3 contained generally, not in detail -- I'll ask you
4 detailed questions about them. But orient us, please,
5 to what's contained in these three columns.

6 A The far left column is the before or without
7 the income approach market value estimate.

8 Q Okay. And what's in this center column?

9 A And then the center column, based on all the
10 studies and research we did throughout the course of
11 doing this study, there were three main market factors
12 in the income that throughout the studies and
13 discussions we had with various developers that really
14 drove market value change when you were looking at the
15 difference between properties before and after these
16 LID improvements. So the middle column shows the
17 difference between vacancy and rent change.

18 Q And you labeled that, Bob, Scenario A?

19 A That's Scenario A, correct, yeah.

20 Q And then Scenario B, this last column, what do
21 we have?

22 A Yeah. Again, as I've discussed,
23 capitalization rates are very important in the market,
24 and that was another main driving force of differences
25 we saw in the market between before and after

1 improvements such as were constructed for the LID.

2 And so we also showed a capitalization rate
3 change to reflect the market perception of the after
4 condition. So we had two -- we had two after
5 condition scenarios, one looking at a rent change or
6 vacancy change. And in some cases, the rent may have
7 changed and the vacancy didn't change, and it just
8 depended on property location, where it was at. And
9 then the second scenario, looking at an overall rate
10 change, so within the overall rate change --

11 Q Overall cap rate change?

12 A The overall cap rate -- the overall rate is
13 another term for a capitalization rate.

14 Q Okay.

15 A I'm sorry.

16 Q That's okay.

17 A I'm used to saying it. It just comes out.

18 But, yeah, so a capitalization rate can also
19 be defined as an overall rate. They're synonymous.

20 Q Okay.

21 A So if you can go back to the capitalization,
22 Mark.

23 Q Yeah.

24 A So as you can see in the middle section,
25 income and vacancy will change from our before

1 analysis. In the capitalization rate section, all of
2 the before income and expense information is the same.
3 The only element that's changing is the capitalization
4 rate.

5 Q Okay. And, again, the source for all of the
6 nonchanging data in Scenario A and Scenario B, that's
7 contained over here on the left in the before --

8 A That's correct.

9 Q -- spreadsheet?

10 A That's correct, yeah.

11 Q Okay. So let me ask you -- I just have a few
12 questions here for you on Scenario A first in the
13 center of the page. And what are you estimating would
14 occur in this scenario?

15 A Yeah. In this scenario we're looking at -- as
16 we did with all of our worksheets to help provide us
17 with a probable range in market value change, we're
18 looking at a -- in the context of the -- and this
19 improvement had both retail and office components, so
20 we're looking at the context in -- of the retail and
21 office components just looking at an approximate
22 percentage change that would be reflected from before
23 to after the LID.

24 So this is we're saying the low end rent would
25 go up to about 2 1/2 percent to the high of

1 3.25 percent for the retail and for the office.

2 Q And did you -- how did you arrive at those
3 percentages?

4 A Really just market based, looking at the other
5 studies we had done, looking at other cities and how
6 they -- how the market reflected change due to the
7 implementation of projects similar to the subject --
8 or that had similar elements to the subject with open
9 space, walkways, bike lanes, streetscapes, things of
10 that nature.

11 This particular property, the Maritime
12 Building, is located right down on the waterfront.
13 It's got a real prime -- prime location, and that's
14 why it has a high increase in change in value just due
15 to its location before and after the LID improvements.

16 Q And so if I'm reading this correctly, Bob,
17 the -- you're estimating an increase in retail income
18 of \$1,018,194 on the low end and 1,025,644 on the high
19 end?

20 A That's correct.

21 Q And those are translated into percentages?

22 A Correct.

23 Q Okay. And why provide the percentage? I see
24 they're highlighted. Why provide the percentage info?

25 A Yeah. Just for ease of reference for anybody

1 looking at it. Just so that they don't have to get
2 out a calculator and do the math, it's shown there for
3 them.

4 Q Okay. And then Scenario B entitled "Overall
5 Capitalization Rate Changes," I moved the screen over.
6 What are you estimating would occur in this scenario?

7 A Yeah. In this scenario, we're looking at a
8 capitalization rate change from the before, which
9 was -- the cap rate before was 4.45 percent to the
10 after of 4.4 percent to 4.35 percent.

11 Q Okay. So, again, you have a low range and a
12 high range?

13 A Correct, yes.

14 Q And what data or research did you rely on to
15 reach that --

16 A Again -- yeah, again, it's looking at studies,
17 looking at other -- other comparable sales in the
18 marketplace, location change differences, looking at
19 probable investment risk. It's really -- it's really
20 just based on our judgment at the end of the day but
21 based on looking at other sources.

22 Q So I see, Bob, the cap rate, as you said --
23 I'll show folks at home the before. You have it as
24 4.45. I have my cursor here. And then the after you
25 have a low of 4.40 and a high of 4.35. What does that

1 tell the reader that the cap rate is decreasing?

2 A It tells the reader that our perception of
3 this property from an investment standpoint has a
4 greater upside for revenue increase, for a net
5 operating income gain. The market would perceive it
6 in that way in the after condition just having greater
7 upside than it would in the before condition.

8 Q And that's even on the low -- that's true even
9 on the low estimate with the cap rate change?

10 A Correct.

11 Q I'm going to scroll back to the far left-hand
12 side and take you to the bottom. I'll call this a
13 table, Bob, but it's entitled Special Benefit Summary
14 contained in the lower left-hand corner of the
15 spreadsheet. And if you could, please tell us what
16 you're doing there.

17 A Yeah. Again, so this is -- this is just a
18 summary of all of the scenarios we've looked at to --
19 as we did in all the properties within the LID, we
20 didn't just take a percentage and apply it to a
21 particular property. We looked at the market value
22 differences in a range and made an estimate based on
23 that -- that range of what we felt the market value
24 difference would be for the particular property.

25 So the far right column where it shows

1 percentage change, those are the overall percentage
2 changes that are indicated by each of those scenarios.
3 And so within that, just looking at our judgment and
4 to maintain proportionality to other properties, we
5 made an estimate of market value just at the very
6 bottom under special benefit of 3 million, 848 million
7 [sic].

8 Q Okay. And, again, the ranges of special
9 benefits that your work above in the spreadsheet gave
10 you, looking in that same special benefit column,
11 second to last, they range between \$2,087,000 in
12 special benefit up to 6,504,000 of special benefit?

13 A That's correct.

14 Q And then I believe you said you exercise your
15 professional judgment to select among those scenarios
16 to arrive at \$3,848,000?

17 A That's correct. This -- this property was
18 interesting too because -- it's a good example,
19 because when we did the formation study, this property
20 was under construction. And it had a significantly
21 lower benefit and, therefore, assessment amount.

22 So I think the benefit change -- or excuse me.
23 The benefit and assessment change from our formation
24 study to our final study was -- I know the assessment
25 amount -- the assessment amount change was close to a

1 million in this case.

2 Q A million dollars more in the final benefit
3 study?

4 A Correct, yeah.

5 Q And then just last question to make sure that
6 we -- we have it, in terms of the total estimated
7 value for the Maritime Building, without -- this is
8 the third column, Bob, from the end still in the
9 special benefit summary table. You had a before total
10 estimated value of 185,586,000. And then below that
11 you provide four -- according to your four scenarios
12 above, a total estimated value. You summarize again
13 at the end, you came up with a with LID total
14 estimated value of 187,434,000?

15 A That's correct. That's correct.

16 Q Thank you. Okay. All right. In this -- I
17 don't have any further questions on C-19.

18 Okay. So you prepared your final benefit
19 study, Bob. What did the City do with your study?

20 A They would have published it on their website
21 and then started to prepare a final assessment
22 information for mailings to property owners.

23 Q And are the -- in the final benefit study, are
24 the proposed final assessments contained in there?

25 A Yes, they are.

1 Q How did you calculate -- once you had
2 estimated special benefits for each property, how did
3 you calculate the individual property assessments?
4 And let me ask: ABS Valuation did that in the final
5 benefit study?

6 A That's correct. And in this case we had a
7 specific amount that the City knew they were going to
8 levy against the properties. So these calculations
9 were run internally by our firm and contained in the
10 report that we submitted to the City, and then they in
11 turn had that information and produced the mailings to
12 the property owners.

13 Q Okay. And I'm going to ask you to look at
14 C-20, Exhibit C-20. It's a one-page exhibit, Bob.
15 I'll give everyone a chance to grab it.

16 What are we looking at in Exhibit C-20? What
17 is this?

18 A This is the similar formula that was utilized
19 in the formation study, but it's done, again, for the
20 final assessment role.

21 Q And were there any differences between the
22 preliminary assessments and these assessments?

23 A Yes.

24 Q And what were they?

25 A There was a higher special benefit estimate,

1 447 million 908 compared to about 415 million in the
2 formation, and the amount to be levied against the
3 property owners was 175,500,000 versus 200 million
4 that was being levied in the before LID assessment --
5 the formation LID assessment role.

6 Q And who -- for the record, how do we get a --
7 who determined a total special benefit formation study
8 of 447,908,000?

9 A That was ABS Valuation determined that, and,
10 again, it's the sum of all the special benefits for
11 the 6,200-plus properties that are in the LID.

12 Q And where did the 175,500,000 in the total
13 amount funded by the LID, where did that come from?

14 A That was provided to us by the City.

15 Q Okay. So if I understood your testimony, the
16 total amount of the LID -- funded by the LID went
17 down. The total special benefit measured by ABS went
18 up. Dividing one into the other, we get a
19 cost-benefit ratio of 39.2 percent?

20 A That's correct.

21 Q And do you recall was that down from the
22 cost-benefit ratio in the formation study?

23 A Yes. That's lower. Another way of looking at
24 that ratio, too, is that for every 39.2 cents of
25 market value increase, it's costing you a dollar. So

1 it's kind of another simplified way of looking at it.

2 Q Okay. It's costing the property owner --

3 A Thirty-nine cents on the dollar.

4 Q -- for every dollar of special benefit
5 increase?

6 A Correct.

7 Q So you just told me about the total amount
8 going -- the total special benefit amount going up
9 between your formation and your final benefit study.
10 Generally speaking, how did your individual special
11 benefit estimates compare between your final special
12 benefit study and your formation study?

13 A One of the main drivers for the market value
14 difference was land value through -- from the time we
15 did our formation study to the time we did our final
16 special benefit study, land value was increasing
17 considerably throughout the LID boundary area. And
18 that's really resulting from the market's perception,
19 again, of the elements that we showed in the
20 spreadsheet.

21 They're anticipating greater revenue growth in
22 the market and a combination of that lower vacancy,
23 higher -- higher rent range, lower capitalization
24 rates, it's less risk inherent in the market, so that
25 was one factor. Another factor, you know, a number

1 of -- a number of buildings that were under
2 construction during the formation process had
3 finalized.

4 A lot of the Amazon -- most of the Amazon
5 development was completed. Their -- their final
6 assessment was significantly higher by several --
7 several million, I think. So those were the main --
8 the main factors that really drove a higher benefit
9 amount from the formation study to the final study.

10 Q And then what happened at a
11 property-by-property basis between the formation and
12 final benefit study?

13 A It just really depended on the property.
14 Some -- some went down, some stayed the same, and then
15 some went up.

16 Q I see, Bob, we only have one minute, at least
17 according to my clock, before 3:00. I would ask you
18 to get out C-17. That's the final benefit study, and
19 for the folks at home, I will be spending some time on
20 Exhibit C-17.

21 Bob, I'm going to ask you to walk us through
22 this, and if you could turn to page 2 of Exhibit C-17.

23 HEARING EXAMINER VANCIL: And let's
24 come back to that at 3:15.

25 MR. FILIPINI: Hold on.

1 HEARING EXAMINER VANCIL: It's
2 3:00 now. We'll take a break. We'll return at 3:15,
3 and Mr. Macaulay can answer your question at that
4 time.

5 MR. FILIPINI: Thank you.

6 (A break was taken from 3:00 p.m. to
7 3:15 p.m.)

8 HEARING EXAMINER VANCIL: And we return
9 to the record with Mr. Macaulay on direct.

10 MR. FILIPINI: Thank you.

11 BY MR. FILIPINI:

12 Q Bob, we were just about to look at
13 Exhibit C-17, and my first question -- in C-17, for
14 the record, can you identify what that exhibit is?

15 A Yes. That's the -- the document is our Final
16 Special Benefit/Proportionate Assessment Study.

17 Q Okay. And if you could turn to page 2 of
18 C-17 -- and every time that I give you a page number,
19 Bob, because we're going to spend a while walking
20 through this document, I'm always going to be
21 referring to the very top where my team has put those
22 Exhibit C-17, page 2, just so you know that. So if
23 you could look at page 2 of Exhibit C-17, what is
24 that?

25 A That is the transmittal letter to the City

1 from the report.

2 Q And what's included in that?

3 A The transmittal letter is kind of a brief
4 summation of what we did, the reporting requirements,
5 USPAP, the Uniform Standards of Appraisal Practice,
6 that we followed in the process of completing our
7 study.

8 It does a brief outline of the project, the
9 methodology we employed, a brief discussion of the
10 scope and really the elements of the study that we
11 thought were important for a reader to understand what
12 they were going to see when they got into the report,
13 so kind of a brief -- brief summary of the process
14 that we went through in completing the report and also
15 a summary of our conclusions.

16 Q Okay. I'd now like you to turn to page 11 of
17 Exhibit C-17. And so what's done next on page 11?

18 A That is a table of contents.

19 Q And I'll just ask: Does that show what's in
20 your report and its addenda?

21 A That's correct.

22 Q Okay. So after the table of contents -- and
23 it starts on page 15 of your report, so please turn to
24 page 15 of Exhibit C-17. And this is a -- for the
25 folks at home, this is a small -- this is a

1 spreadsheet, and I am going to ask Mr. Macaulay some
2 questions. If you can give me a moment, Bob, I
3 will -- I'm going to try to share this with everyone.
4 And then I'll turn it off after -- after I ask you
5 these questions.

6 I go between my glasses -- and just so you
7 know, Bob, I'm going to be asking you about this first
8 line. Can you read that, Bob, for page 15 of
9 Exhibit C-17?

10 A Yeah. The first -- the first line --

11 Q Well, first, my question for you is: What --
12 I haven't shared it. What is this -- I can tell you
13 this is from pages 15 through 27 of Exhibit C-17.
14 What are we looking at?

15 A Yeah. This is a spreadsheet that was compiled
16 that summarizes our valuation conclusions without and
17 with the LID improvements and reflects the benefit and
18 assessment amounts to each tax parcel.

19 Q And which parcels are included in this
20 particular spreadsheet?

21 A Which?

22 Q Which types of -- not -- what types of
23 properties were --

24 A Yeah, these were -- these were -- the pages
25 you mentioned specifically deal with the commercial

1 properties.

2 Q Okay. And now I would like to direct your
3 attention to this. If you could, walk us through that
4 first row. And the folks at home, let me know, but
5 I'll ask you to start over here, Bob, on the far left.
6 And first row it looks like it's called the Edgewater
7 Inn land for property name. I'm going to blow it up
8 even more so people can see, and then I will move the
9 screen over so they can follow you.

10 But starting in the -- this first far-hand
11 left column, if you could tell us what that is?

12 A Yeah. So the far left column is the map
13 number. Which I mentioned before that for each tax
14 parcel number, we have an identified map number for --
15 more for our informational -- internal informational
16 purposes when we were doing our study.

17 Q Okay. And then how about the next column?

18 A Yes. So the next column is the King County
19 tax account number which corresponds to the map
20 number.

21 Q Column 3 is a link. What's that?

22 A Yeah. So we set up a link for anybody that
23 had an electronic version of the spreadsheet where
24 they can click on that link, and the current
25 assessor's information on your property or physical

1 characteristics will show up. Your amount of land
2 area for that tax parcel or if it's improved, your
3 building area, assessed value, things -- physical
4 characteristics and things of that nature.

5 Q And then fourth column, please?

6 A Fourth column is the property name, and I
7 mean, as you can see here, a number of -- a number of
8 what we call economic entities have a number of
9 different tax parcels that comprise that entity. So
10 this is an example of the Edgewater that it consisted
11 of several different tax account numbers, and
12 therefore our map numbers.

13 Q Next column entitled Taxpayer Name, what's
14 there?

15 A Yeah. Because part of the Edgewater is on
16 leased land by the DNR, Department of Natural
17 Resources, they happen to show up as the taxpayer
18 name.

19 Q Okay. And then next column, please?

20 A Yeah, the next column is the property address
21 if we have it. Some properties -- some tax parcels
22 don't have a property address.

23 Q Okay. The zoning column?

24 A The zoning column we designate that. That is
25 from the City of Seattle's zoning regulations and

1 information.

2 Q Land area/SF?

3 A Yeah, land area per square foot. Again,
4 that's from the King County Assessor's records and
5 reflects the amount of land area that is within the
6 individual tax parcel.

7 Q Gross building area?

8 A Again, from the King County Assessor's
9 records. If there are any improvements on it,
10 individual tax parcel, that is indicated there.

11 Q And what does net building area tell you?

12 A Yeah. Oftentimes, in valuing commercial
13 property, you'll have a gross building area and net
14 rentable area. And, typically, the market is basing
15 their investment decisions and their rental structure
16 and things of that nature on the net -- the net
17 building area.

18 So we include that -- rather than putting both
19 the gross building and the net rentable area on the
20 spreadsheet, we just condensed it to the net building
21 area. That was more relevant. Our individual
22 worksheets that we went through go into more detail,
23 and they'll show both the gross building area and
24 rentable area. We just used the net rentable area in
25 this case.

1 Q Okay. And what's the highest and best use
2 without LID column? What does that tell us?

3 A Yeah. It's just a brief description of
4 without the LID and with the LID what the -- just a
5 brief summary of the highest and best use would be.

6 Q And who made that determination? So, for
7 instance, Row 1 says -- the entry here is commercial
8 use. Who made the determination that's the highest
9 and best use of that parcel?

10 A Yeah. That would be our ABS Valuation
11 conclusion. That's not from the -- well, the King
12 County Assessor does make a -- they have a use
13 category in their assessment information, but the
14 terminology here in this spreadsheet came from the ABS
15 Valuation.

16 Q Okay. Next column is entitled Market Value
17 without LID. What is that --

18 A Yeah, again, as shown on the worksheet, that
19 would be the market value conclusion that we derived
20 but without or before the LID improvements are in
21 place.

22 Q Highest and Best Use with the LID column, what
23 is that?

24 A Yeah, again, that's generated by our firm and
25 shows what the probable highest and best use is with

1 the LID assumed completed.

2 Q Okay. How about market value with LID?

3 A Again, as shown on the worksheet, that's our
4 value conclusion assuming the LID improvements have
5 been constructed and are in place.

6 Q Okay. So for this particular parcel, we
7 showed a market value increase with the LID. To get
8 that, one would subtract out the market value without
9 LID from the market value with LID?

10 A Correct. The special benefit amount is the
11 difference between the market value with and the
12 market value without the LID.

13 Q Okay. And then you've got a special -- and so
14 here it was \$24,000?

15 A Correct, yeah. For that particular tax
16 parcel, yes.

17 Q Okay. And then a special benefit change, a
18 percentage change?

19 A Yeah. And this was not an input. It was just
20 a -- for informational purposes, it was showing the
21 reader what the percentage difference is between
22 without and with values, and it's really also for
23 informational purposes because it really helps the
24 reader recognize and maintain proportionality
25 throughout our studies. So this was used more for

1 informational purposes. It's a tool for people to see
2 we're being proportionate throughout our study.

3 Q Okay. And then the total assessment for this
4 parcel, \$9,404, how did you arrive at that amount?

5 A Yeah. And, again, the City had given us the
6 amount to assess the property owners of 175 million
7 500 and dividing that into our benefit amount as we
8 showed on that chart --

9 Q C-20?

10 A Yes, correct. And that -- that came up in the
11 cost-benefit ratio of 39.2 percent, so the assessment
12 amount is the special benefit amount times
13 39.2 percent.

14 Q So 24,000 times 39.2 percent in this case and
15 that gives us \$9,404?

16 A Correct.

17 Q And then one more question about this
18 spreadsheet for you, Bob. It's -- I believe it goes
19 down to page 27, so if you could, I don't -- I think
20 you're following a paper copy there or perhaps you're
21 looking at the screen, but I'm going to bring the
22 audience to page 27. It's because I have it so --
23 okay.

24 What I'm trying to direct your attention to
25 here, Bob, is this table at the bottom here, bottom

1 right-hand corner entitled Totals/Grouped. This is
2 located on page 27 of Exhibit C-17. Do you see that?

3 A Yes.

4 Q Okay. And what -- if you could hold on a
5 second, I can't see it from where I'm sitting. I'm
6 going to blow it up for folks.

7 What did you put in there?

8 A Yeah. So as I know we're going to discuss,
9 but we did two separate -- due to the magnitude of
10 parcels, 6,200 and the different types of uses, we --
11 we did one spreadsheet for the commercial properties
12 and then a separate set of spreadsheets for the 5,000
13 or so residential properties and if they had some
14 associated commercial use within the condo,
15 condominium complex.

16 So this chart is a summary of our special
17 benefit findings for each of those -- for each of
18 those elements for what we call all the other
19 properties are primarily the commercial properties in
20 the LID, and then above that is the residential
21 condominium associated retail properties. It's a
22 summation of the benefit of both of those different
23 spreadsheets.

24 Q Okay. And then that's -- that's a good segue,
25 Bob, starting on page 28. I'm not going to ask you to

1 walk through this, but starting on page 28 of the
2 exhibit is -- let me ask you: What starts on page 28
3 of your final benefit study?

4 A Yeah. That's the other set of spreadsheets
5 that I mentioned that reflect all of the residential
6 and the condominium had any associated commercial
7 retail property, which a number of them did, it's a
8 summary real similar to what we did for the commercial
9 properties as far as the upper categories, the map
10 number, the parcel number, the link and the property
11 name, and those -- the with and without values and the
12 benefit and assessment amounts, so it's the same
13 format. But it's just dealing with the residential
14 condo and associated commercial property summaries.

15 Q I will stop sharing, Bob, or unpin this
16 document because I'm done with those spreadsheets.
17 But I would like you to turn to page 107, 107 of the
18 report, and if you can, let me know when you're there.

19 A I am there.

20 Q Okay. And what's -- again, page 107 up at the
21 top, this immediately follows the second spreadsheet
22 you mentioned, condominiums. It goes all the way to
23 page 106, so I'm taking you to the next section of
24 your final benefit study. What do we have here?

25 A That's an aerial view of the LID boundary

1 area.

2 Q Okay. This is one of the last -- well, let's
3 see. I just want to make sure folks at home can
4 follow us. This will be one of the last things I'll
5 pin, but let me get them there because this is -- I
6 have a question for you that I want to make sure
7 that -- and I'm not going to walk you through every --
8 all of these visuals, Bob.

9 But I do want to ask -- the title for folks at
10 home, as you just said. And then can you -- I see
11 some colors here, Bob. What -- what are they? What
12 is the yellow?

13 A The yellow is depicting the non --
14 nonfunded -- should be depicting nonfunded LID
15 components of the project.

16 Q Of the Waterfront Seattle program?

17 A Correct, yes.

18 Q And in the key it shows it's pink, but to me
19 at least it looks like orange. Pink or orange, what
20 are those reflecting in this area?

21 A Yeah. It was just due to the resolution.
22 That would depict the LID-funded improvements that
23 were part of our analysis.

24 Q Okay. So the six improvements that we've been
25 talking about?

1 A Correct.

2 Q Okay. Bob, if you could turn us -- again, I'm
3 not going to have specific questions for you, but I
4 just want you to identify page 108, next page of
5 Exhibit C-17, tell us what that is, please.

6 A Yeah. That's the zoning map that depicts the
7 various zoning classifications within the LID boundary
8 area.

9 Q Okay. And I believe you said earlier that the
10 zoning classifications come from the City of Seattle?

11 A That is correct.

12 Q What's the third visual you have here on
13 page 109 of Exhibit C-17?

14 A This is a future depiction of the Waterfront
15 area looking from approximately -- aerial view to
16 approximately Colman Dock to the north.

17 Q And how about the fifth -- I'm calling them
18 visuals, but the fifth page with graphics on page 110?

19 A Yeah. This is -- which was -- it's difficult
20 to see just due to the -- this scale of the map and
21 the amount of area we're trying to get in, but it's
22 just a depiction of the LID without -- the area
23 without the LID.

24 Q Okay. So what the area would look like in the
25 before or without LID scenario?

1 A Correct.

2 Q Okay. And how about the next page, page 111
3 of Exhibit C-17?

4 A Yeah, again, that is a depiction of with the
5 LID completed.

6 Q Okay. And I'm going to ask you to turn the
7 page to page 112.

8 A I just wanted to mention, too, Mark, both of
9 these they don't include all of the LID area. They
10 don't include all the Pike/Pine corridor or all of the
11 Pike Place Market area just due to the scale of the
12 map and whatnot. It didn't fit in there.

13 Q That's a good point, Bob. If a reader of your
14 report wanted additional detail, renderings before and
15 after of the improvements in their entirety, where
16 would they go?

17 A Yeah. And that's why we did the addenda or
18 part of the reason why we did the addenda just to
19 provide additional support over and above what we put
20 in the report.

21 Q Okay. After the -- not after anything.
22 Sorry. My question to you is if you could turn to
23 page 112 entitled Executive Summary, and tell us what
24 that is?

25 A Yeah, again, it's a summary of the real

1 pertinent facts, salient conditions that were real
2 relevant in this study and gives the reader a good
3 summary of what's going to be contained in the report.

4 Q Okay. Who prepared the executive summary?

5 A Myself and staff.

6 Q I'd like you to -- staying on that same page,
7 page 112, if you could read the definition of special
8 benefit that you have there into the record?

9 A The special benefit definition is the
10 difference in the fair market value of the property
11 without the improvements and the fair market value of
12 the property with the improvement, in parentheses,
13 commonly called before and after, end parentheses,
14 more properly called without and with.

15 Q And then -- yeah, I know you have a citation
16 there, but -- well, let me ask: What is this citation
17 you provide for this definition?

18 A Yeah. That's from the Local and Road
19 Improvement Districts Manual, the MRSC, the Municipal
20 Research and Services Center of Washington.

21 Q And so what is that manual? What is the Local
22 and Road Improvement Districts Manual for Washington
23 State?

24 A The Municipal Research and Services Center
25 goes back some 80 years, and they assist cities,

1 counties, and utility districts in a variety of
2 capacities -- in a variety of capacities, and one is
3 providing information for things such as local
4 improvement districts. And so it's a source where the
5 definition of market value is shown -- excuse me. The
6 definition of special benefit is shown.

7 Q Okay. And I think you just told us what the
8 MRSC is or maybe towards the end.

9 But I guess my specific question is: What's
10 this manual, the Local Improvement Districts Manual?

11 A Yeah. So the manual is -- is authored by a
12 number of different individuals. I authored the
13 portion that deals with special benefit portion
14 assessment studies, but it's a real good tool that a
15 lot of cities and counties use when they're looking at
16 forming an LID.

17 It takes you through the formation process,
18 the financing process, the appraisal process, and
19 covers a lot of the really main elements that any
20 city -- any city or county or utility district is
21 going to encounter when they try to -- or if they want
22 to form an LID.

23 Q Okay. And is that -- is that why you cited to
24 it here?

25 A That's correct.

1 Q Is an appraiser required to follow the steps
2 exactly as laid out in the manual when you're
3 completing work on an LID?

4 A No. It's used more as a guide, and it was
5 done in 2009. It needs to be updated. Obviously,
6 there have been changes since then. It's still widely
7 used by a lot of cities, counties, and utility
8 districts. It's a real good source for LID
9 information.

10 Q Okay. Right below that, Bob, you've got
11 Project Overview Section. It says Project Overview.
12 What's in your Project Overview section?

13 A Yeah. Again, this really addresses or
14 summarizes the main six elements -- the Promenade, the
15 Overlook Walk, the Pioneer Square improvements, the
16 Union Street pedestrian connection improvements, and
17 the Pike/Pine streetscape improvements and also the
18 Pier 58 or what was formerly known as the Waterfront
19 Park improvements.

20 Q And for these summaries that are contained in
21 this Project Overview section, pages 112 carrying over
22 to page 114 of Exhibit C-17, who provided -- who
23 drafted these?

24 A These were done internally by myself and
25 staff, and they were also reviewed, you know, by the

1 City to make sure they were sufficiently compliant to
2 summarize what's being done.

3 Q And then if you could, turn to page 114, and
4 then there's a -- the very next section entitled
5 Neighborhood Descriptions, why do you provide -- let
6 me ask first: What are these neighborhood
7 descriptions?

8 A Yeah. Well, it's just a summation of the
9 different neighborhoods that are contained with the --
10 within the LID boundary area.

11 Q Okay. And why provide them to the reader?

12 A Each neighborhood typically has unique
13 characteristics, unique market conditions, different
14 zoning and uses and things of that nature, so just to
15 give the reader a good idea of the different
16 characteristics within each of the neighborhoods, the
17 unique market characteristics as well.

18 Q So I noticed that there's six LID improvements
19 we've been talking about, and there's six neighborhood
20 descriptions here. What's the connection between --
21 between those?

22 A It's just coincidental. There's no
23 connection.

24 Q Okay. Lower on the page, Bob, in Summary of
25 Individual Parcels, what are you conveying to the

1 reader there?

2 A Yeah, again, it's just a summary, just letting
3 the reader know that this is a very large LID.

4 There's 6,238 individual tax parcels in the LID. To
5 give the reader a good idea, you know, there's a mixed
6 use of residential, commercial condominiums, high-rise
7 office towers, hotels, retail, waterfront

8 improvements, historic structures, special purpose
9 properties, convention center, the ferry terminal, you
10 know, real broad spectrum of property types and
11 different types of uses.

12 Q Okay. On the very next page, Bob, if you can
13 look at it, page 115 of Exhibit C-17, I have some
14 questions for you in the next section, Special
15 Benefit/Proportionate Assessment Methodology section.

16 In the very first sentence -- I'll read it
17 into the record, and then I'll ask my question.

18 "Enabling legislation providing authority to levy
19 assessments by an LID is statutory in Washington
20 State."

21 My question is: What did you mean by
22 "authority to levy assessments by an LID is statutory
23 in Washington State"?

24 A Well, local improvement districts are really a
25 creature of state statutes. They're derived from --

1 from the Washington State RCWs, and so, you know,
2 we're just letting -- letting the reader know that
3 there's a legal basis to what we're doing.

4 Q Next, you describe two criteria for all
5 assessments, and I'll read them for the folks at home.

6 One -- this is the very next sentence on page 115.

7 "(1) the amount of assessment on a particular parcel
8 may not materially exceed the special benefit to that
9 parcel and (2) all assessments within the district
10 must be fair and in rough proportion to all other
11 assessments."

12 As you understand it, where do these criteria
13 come from?

14 A They're from the RCWs.

15 Q And did you apply these criteria when you
16 performed the special benefit study?

17 A Yes. I mean, every benefit study that I've
18 done over the last 30 years has met that criteria, and
19 it needs to meet that criteria in order to comply with
20 the state statutes.

21 Q In this same paragraph a little below, you
22 reference the Uniform Standards of Professional
23 Appraisal Practice or USPAP of the Appraisal
24 Institute. What -- what are the Uniform Standards of
25 Professional Appraisal Practice?

1 A USPAP is by the Appraisal Institute, and it is
2 a standard of professional practice that we meet and
3 that -- requirements that we need to comply with in
4 order to effectively do our work and meet the
5 standards set forth by the -- by the Appraisal
6 Institute.

7 Also within the context of a mass appraisal,
8 we need to comply with state statutes as well. We're
9 complying both with USPAP and with state statutes.

10 Q And then just a couple more questions on this
11 paragraph. The final two sentences, which I'll read
12 in, "Market value is estimated for each parcel within
13 the LID boundary based on the highest and best use,
14 both without and with the improvement project
15 completed as of the date of this study. The increase
16 in value, if any, is the special benefit accruing to
17 that parcel due to the project."

18 My question is: Why did you include those
19 sentences in your study?

20 A Again, to inform the reader of what we're
21 doing, what -- what is being valued in the context of
22 deriving the special benefit amount.

23 Q Right below that, there's a standalone
24 sentence where you mention -- you reference estimating
25 a fee simple interest for each parcel. What do you

1 mean by that?

2 A Well, under the legal statutes, we need to
3 value the fee simple interest -- the whole bundle of
4 rights of the property, so not just valuing the land,
5 you need to value the whole property, the whole bundle
6 of rights of the property, both without or before or
7 with/after the LID improvements.

8 So a number of properties in the LID are on
9 ground leases or leased land, and we're just simply
10 telling the reader that we're not breaking out that
11 bundle of rights of the leasehold or the lease fee
12 interest. We're just valuing the fee simple interest.
13 So if there's any issues relative to assessment
14 amounts between the lessor and the lessee, that's
15 between them.

16 We're being consistent and proportionate with
17 all of the properties in the LID, and we're just
18 valuing the fee simple interest in accordance with
19 the -- I should state with the statutes.

20 Q Okay. Going right down into the next section,
21 the Proportionate/Valuation Summary on 115, you state
22 in the first sentence that "Proportionality is an
23 important element in any special benefit study."

24 What do you mean by that?

25 A Well, proportionality is very, very important,

1 and that's where that formula comes into play. So my
2 objective as an appraiser in doing any LID, as I've
3 done over 30 years, just to be as fair and consistent
4 as possible in doing properties so that properties
5 that have similar highest and best use or similar
6 locational characteristics, both without and with the
7 LID improvements in place, that their benefit and
8 assessment amounts should be roughly proportionate,
9 you know, meaning that a similarly situated property
10 should have a roughly similar benefit and, therefore,
11 assessment amount. So that one property isn't
12 increasing 5 percent and it's almost identical to the
13 adjacent properties and even increasing 1 percent. So
14 that you maintain a proportionality amongst the
15 various properties in the LID.

16 Q Okay. Two sentences later in that
17 Proportionality/Valuation Summary, you say the
18 following: "Both land value for a specific parcel and
19 overall improved property value are analyzed as part
20 of this study."

21 My question is: Why did you analyze both
22 values?

23 A Yeah. Again, it gets down to highest and best
24 use and market value, the fee simple interest, and the
25 bundle of rights that we're appraising. Oftentimes,

1 in a real high density area like this where you can go
2 up many stories that's allowable under the zoning in
3 the various zoning districts, that when you're doing a
4 benefit study like this and you're looking at a land
5 value increase for a particular property that's
6 proportionate say with a vacant land site, based on
7 highest and best use, the underlying land value should
8 increase at a proportionate or similar rate.

9 But a property that's invested the labor and
10 capital to build a 30-, 40-, 50-, 60-story building,
11 there may be benefit to that property over and above
12 land value. Just because we showed on our worksheet
13 of the Maritime Building, that changes in rent,
14 whether it be retail or office, even smaller
15 increments in rent in a very large property storywise
16 that's built on a fairly small area of land, it's
17 reasonable to conclude that there may be benefit, not
18 only to the underlying land, but in excess of the
19 benefit to the underlying land, there will also be
20 benefit to the improvements.

21 And so to be proportionate and fair to
22 allocating the property rights that are being
23 appraised, we're just reflecting both of those
24 elements and appraising the whole bundle of rights of
25 the property, both without and with the LID.

1 Q Okay. I'll ask you to turn the page, Bob, to
2 page 116 of Exhibit C-17, and I'm going to direct you
3 to look at the second full paragraph that starts out
4 with three words "a unique aspect," and I won't read
5 the whole paragraph into the record. But I'll ask you
6 to take a moment and look at that and then make sure
7 you looked at it.

8 And my question to you is: Can you tell us
9 what you were trying to convey here?

10 A Yes. The -- obviously, the removal of the
11 viaduct was a real unique aspect of a lot of --
12 there's a lot of -- obviously, a lot of value created
13 when the viaduct came down, not only in the before
14 condition, but also would carry through to the after
15 condition since all of the visual obstruction and
16 noise and whatnot is not prevalent in the market
17 anymore. So we're recognizing to the reader that that
18 consideration is looked at both in the before and the
19 after conditions.

20 Q And then if you could look at page 117 of
21 Exhibit C-17, it's a table. Do you see that, Bob?

22 A Yes.

23 Q All right. And what are -- what's contained
24 in this table? What information is conveyed to the
25 reader?

1 A Yeah. So this table is just used purely for
2 informational purposes. It's taking the conclusions
3 that were derived from a parcel-by-parcel analysis in
4 our spreadsheet and just showing them in a high-low
5 range of what the conclusions of those -- of those
6 elements were for -- for the various property classes
7 such as land -- land value, office, retail, hotel,
8 apartments, residential condominiums, waterfront,
9 special purpose properties.

10 So it's purely for informational purposes and
11 derived from our analysis and not -- not figures that
12 are -- that we utilized to provide some sort of input
13 into our spreadsheet to derive the special benefit.
14 It's the opposite. It's just an informational tool to
15 show what our benefits came up with on a percentage
16 basis.

17 Q Sure. And then I'll just make sure I
18 understand it, and we have an example. I'll take you
19 to the fourth -- fourth line down,
20 Apartment/Subsidized Housing.

21 A Yes.

22 Q And so if I'm understanding this correctly,
23 you measured, on the low end, parcels that fall into
24 this category having a property value increase of zero
25 and a high end of 3 percent?

1 A Correct, yeah.

2 Q And, again, you arrived at those by looking at
3 the actual dollar figures that your work generated and
4 then seeing what those translated into in a percentage
5 basis?

6 A And the reason that some properties have a
7 zero benefit, there is 25 or 30 or more properties
8 that were subsidized housing that had deed
9 restrictions that impact the bundle of rights and the
10 ability to redevelop the property or change the use.

11 And so both without and with the property,
12 they really had -- had no -- no chance to increase
13 their revenue or change the use of their property.
14 They were restricted by their -- the deed on the
15 underlying land. So that's why some of the properties
16 reflected as zero benefit.

17 Q Okay. I'd ask you to look at the special
18 purpose line, the last line, the last row. Why is the
19 high increase lower than the low increase?

20 A That was a mistake. They should be the other
21 way around.

22 Q Okay. So the paragraph right below this table
23 started with "As stated in the transmittal letter,"
24 you describe how you define parcel. My question to
25 you is: Why did you use that definition of a parcel

1 in this study?

2 A A common appraisal practice in doing
3 appraisals is what's called a larger parcel, and so as
4 I showed you like with the Edgewater Hotel would be
5 the example we looked at that it's comprised of
6 several different tax parcels. So a number of
7 properties throughout the LID consist of numerous tax
8 parcels that we look at as an economic entity or a
9 larger parcel.

10 So they're actually valued as one entity for
11 purposes of our before and after or without/with
12 analysis, but they're comprised of numerous individual
13 tax parcels. So under -- under Washington State law,
14 each individual tax parcel has to have a special
15 benefit and assessment amount associated with it.

16 So a number of properties we had to allocate
17 benefit amongst the economic entity to comply with the
18 state statutes. And so we're just letting the reader
19 know that they may be valued -- they may consist of a
20 number of different tax parcels, but they're really
21 valued as an economic entity as they would sell -- as
22 they would sell in the marketplace, but because we
23 have to comply with the state statutes, they're broken
24 out with a benefit and assessment amount allocated to
25 each -- each tax parcel.

1 Q And, Bob, if you could, just look at the next
2 two paragraphs briefly. It would be faster if you
3 scan them over, and then I'll ask you my questions.
4 And these are on the bottom -- the first one,
5 paragraph, is on the bottom of page 115. The second
6 one is on page 1.

7 A Yes.

8 Q Okay. And let me just ask: What are you
9 conveying to the reader here in these two paragraphs?

10 A Yeah. Again, this gets back to the -- to the
11 maintenance and management agreement, but we're just
12 telling the reader that without the LID that the
13 rebuilt Alaskan Way would be considered a
14 transportation corridor whereby the management,
15 maintenance, security, and other factors provided by
16 city -- by several city thoroughfares would be in
17 effect.

18 We're also just recognizing, too, which was an
19 interesting fact that we found out in doing our study,
20 that the Washington State Ferry is -- its ferry route
21 is actually considered right-of-way, and that's why
22 the ferry is one -- the ferry is one of those
23 properties that had a zero benefit because it's
24 considered to be operated as part of a -- it's part of
25 the state highway system.

1 And then with the LID in place, the management
2 agreement that we discussed, Number 125761, is in
3 place. And with that in place, the areas that are
4 within the LID are designated parkland, and so there's
5 a broader power conveyed by the City in granting
6 authority for maintenance of that area. And Marshall
7 Foster addressed this as well.

8 Q And, well, my question for you on these two
9 paragraphs is: What's the relevance of these points
10 to your analysis?

11 A You know, our job is to reflect how the market
12 would look at and value the property in the before and
13 how the market would look at and value the property
14 after. And we're conveying this just to show that
15 with the LID in place, it's a positive amenity in the
16 marketplace to have this type of management program in
17 place compared to the no LID alternative to where it
18 would just be a transportation corridor. And it
19 wouldn't have this level of management that would be
20 in effect with the LID in place.

21 Q And what was your conclusion as to whether or
22 not the LID improvements would serve as disamenities
23 for things like homelessness or increased crime?

24 A Well, that's already prevalent in the before
25 condition, so with the LID in place, you're a level

1 better. You're certainly better than you are in the
2 before condition.

3 Q All right. And then your executive summary on
4 page 118 appears to conclude with a table. And if you
5 could, please walk us through the table at the end of
6 your executive summary. And, again, for folks out
7 there, it's page 118, Exhibit C-17, bottom of the
8 page.

9 A Yeah. Again, this is a summary of our
10 conclusions that were in our spreadsheet that we
11 looked at. The first is the residential condos and
12 associated commercial entities that would be within
13 the individual condo development, what their market
14 value is without and then, again, all the other LID
15 commercial properties, what their market value is
16 without the LID.

17 Those two are totaled to arrive at a total
18 estimated market value without the LID of 56,359,239
19 and the same -- the same way is looked at but assuming
20 the LID is completed, so the same categories are
21 looked at again below that. And then the differences
22 are shown below that to arrive at a total benefit
23 amount, and then we, again, go through the
24 cost-benefit ratio and reflect what that is.

25 Q Okay. And then I take it, Bob, that the text

1 at the very end of the executive summary or in the
2 table following the table describes -- covers what you
3 just described to us?

4 A Yeah, correct. We also -- we also addressed
5 that the total amount funded by the LID is
6 346 million. Of that, 175 million 500 would be
7 assessed against the property owners and that there's
8 160 million in additional financing costs. That's
9 where the total LID assessment amount came from is the
10 160 million in addition to financing costs.

11 Q Okay. I'm not going to walk you through in
12 this level of detail for the rest of your study. I
13 thought it was perhaps an efficient way to walk you
14 through the executive summary in a greater level of
15 detail, but I do have questions for you on the rest of
16 it.

17 I will provide you page numbers, Bob, for each
18 section I'm going to turn to. But I do want to let
19 you know and let folks at home know that the table of
20 contents is on page 11 of the exhibit, and that's, I
21 suppose, an alternate way to follow along with some of
22 the questions that I'll have for you. But just a
23 reminder to everyone, that page 11 of Exhibit C-17 is
24 the table of contents if that's helpful.

25 So, Bob, we talked about the executive

1 summary. How was the rest of your final benefit study
2 organized?

3 A As you said, you know, it's really laid out in
4 the table of contents where we talk about the
5 Waterfront LID project and then kind of the main
6 categories that we look at from that point.

7 Q All right. Yeah, and I won't have you walk us
8 through the table of contents. That's there in the
9 record. So let me jump ahead, then, to let's go to
10 page 120 of the -- of the exhibit. Let me know when
11 you're there, Bob.

12 A Yeah. I'm there.

13 Q Okay. And what's in the description here of
14 the Waterfront Seattle LID project?

15 A Yeah. It's just a good description of the
16 project, a good summary of the -- what the
17 hypothetical conditions are in the before where we're
18 assuming the viaduct is removed, and then there are
19 other elements that are -- that are -- that are done
20 and just provide a summary for the reader of that.

21 Q Okay. And then I see, Bob, on pages 120, 121,
22 it begins at the bottom of 120 and wraps to 121.
23 There are seven bullet points introduced by the
24 sentence "Major changes assumed to be in place in the
25 'before' condition include." And then there's seven

1 bullet points.

2 A Right.

3 Q My question is: Where did you get this list
4 of seven bullets?

5 A Yeah. This list was provided by the City.

6 Q Okay. And how did you use this list of major
7 changes assumed to be in place in the before
8 condition?

9 A Again, it just really helped define our before
10 valuation conditions, and so these -- these -- these
11 conditions were assumed to be complete in our before
12 valuation.

13 Q I believe you've told us, and then we have a
14 summary of what would happen in the six LID
15 improvements for after. So if a reader wanted
16 additional detail beyond the before and after
17 descriptions for the six Waterfront LID improvements
18 contained in this section entitled "Waterfront Seattle
19 LID Project," where would they go?

20 A Again, they could use the addenda as a real
21 good reference. It goes into much more detail on each
22 before and after development.

23 Q I'd ask you to jump ahead to page 130 of
24 Exhibit C-17, and you've got the next section entitled
25 here "Items Forming the Basis of Recommended Final

1 Assessments." I do have specific question for you in
2 this section, but please tell us what -- why include
3 this section of the report, and what are you
4 conveying?

5 A Yeah. Part of it is for reporting
6 requirements that are needed under USPAP and also just
7 for informational purposes for the reader.

8 Q Okay. And then I see on page 130, third
9 subheading, you memorialize the "Client and Intended
10 Users" of this study. Why -- why do you do that?

11 A Yeah. We're letting the reader know that the
12 intended use of this report is for the City and their
13 appointed representatives but also for all of the
14 owners in the LID. Once -- once an LID is formed,
15 they're considered an intended -- a client and an
16 intended user. So we're just letting them know that,
17 that they -- they have that ability to use the report.

18 Q Okay. And then you have a number of
19 definitions then starting on the bottom of this page
20 and continuing on. Why include the definitions of
21 some terms here?

22 A Yeah. Again, a lot of these terms are used
23 for informational purposes and also to comply with
24 USPAP requirements.

25 Q I'll take you to page 134, please, Exhibit

1 C-17, page 134. And before you tell me about what
2 they are here, I have -- I have a general question for
3 you. What are extraordinary assumptions?

4 A Yeah. Extraordinary assumptions are something
5 that if they're found to be false could alter the
6 opinion of market value. So, you know, they're
7 otherwise things that are soon-to-be-fact or otherwise
8 certain information about the legal, physical, or
9 economic characteristics of the property. We're
10 letting the reader know what those are and how they
11 affect our appraisal analysis.

12 Q Okay. And what -- what were your
13 extraordinary assumptions employed here?

14 A Yeah. After or with the LID improvements, you
15 know, we're assuming that the project is complete, you
16 know, both before and after under the conditions that
17 we're looking at.

18 Q And how about hypothetical, what is a
19 hypothetical condition?

20 A Yeah. Again, because these elements that
21 we're talking about, both before and after, haven't
22 occurred, we're letting the reader know that
23 hypothetically we're -- we're assuming that they're
24 completed for purposes of the analysis.

25 Q Okay. And so that was my next question. But

1 just to be clear, what hypothetical conditions did you
2 apply here?

3 A Yeah. Again, the -- in the before condition,
4 we're assuming that the conditions as stated in the
5 addenda and in the report are in place and, again,
6 without -- with the LID completed, but we're assuming
7 those factors.

8 Q Bob, if you could look pages -- the best I
9 could tell, Bob, pages 135 through 150 of Exhibit C-17
10 are all one -- one section entitled "Identification of
11 LID Study Areas and Neighborhoods." But I would like
12 you to look through that and see if you agree because
13 I have some questions for you.

14 A Yeah.

15 Q So it's 135 through 150?

16 A Yeah.

17 Q Okay. Those are all under the heading
18 "Identification of LID Study Areas and Neighborhoods"?

19 A Correct, yeah.

20 Q And my question to you is: Why describe the
21 LID -- the LID study areas? First question: Why
22 describe the LID study areas in your report here?

23 A Just for informational purposes, again, to let
24 the reader know the various characteristics of each
25 area. When we first got into doing the feasibility

1 study and doing our mapping, we allocated the areas
2 that A, B, C, D, and E just based on their locational
3 characteristics from the main Waterfront Promenade
4 components.

5 So we just kind of stuck to that because we
6 used it both in the feasibility study and the
7 formation study, and that's how our map numbering is
8 too. So this is used for informational purposes for
9 the reader to be able to identify what's in those
10 different areas.

11 Q Okay. And then inside in pages 135 through
12 150 -- hold on one -- I'll take you to an example,
13 Bob. Let me ask: Do you discuss zoning of the
14 various neighborhoods? Oh, I'm sorry. It's on
15 page 146 and 147.

16 A Yeah. So after the area discussions, we,
17 again, elaborate more on the individual neighborhood
18 characteristics discussion, and we get into -- on
19 page -- at the bottom of page 148 or the midportion of
20 page 146, excuse me, we get into the discussion of the
21 land use regulations.

22 Q Okay. And that continues through to page 150?

23 A That's correct.

24 Q On page -- you can actually stay on page 150,
25 Bob. My next question for you is there. What is the

1 purpose of the next section entitled "Comparable
2 Projects and Research"?

3 A Yeah. So this is an important component of
4 the study. Due to the unique nature of the subject
5 improvements, we did extensive research into other
6 cities where other similar parklike improvements were
7 completed to help us see how the market is reacting to
8 these types of amenities that have been constructed in
9 numerous cities such as Boston; New York; Chicago; San
10 Francisco; Portland; Vancouver, B.C.; and other areas,
11 other studies that we didn't include here.

12 But it's to give the reader an idea of the
13 amount of research we went into just to determine how
14 the market reacts to these parklike and park
15 amenities, streetscape amenities, and the elements
16 that are within the LID project.

17 Q I'll ask you to skip ahead -- well, let me
18 ask, Bob: Does this section, Comparable Projects and
19 Research beginning on page 150, does it go through
20 page 164? Take your time and flip through.

21 A Yes.

22 Q Okay. Please turn to page 165 entitled
23 "Valuation Analysis." It's a long section, so let me
24 ask you: Generally speaking, what are you addressing
25 in the Valuation Analysis section of your final study?

1 A Yeah. Essentially, it's just a summation of
2 the findings that we came up with throughout the
3 analysis of the individual properties within the LID
4 boundary area.

5 Q How do you -- I'll ask you first, Bob, to take
6 a -- flip through -- wait, let me get you an exact
7 page number. You mentioned proportionality -- or we
8 discuss proportionality in the bottom of page 165, and
9 I do believe that you testified on this earlier. But
10 to be clear, what's the significance of
11 proportionality to your work in a special benefit
12 study?

13 A Again, proportionality is, you know, very
14 important so that similarly situated properties have a
15 roughly proportionate benefit and, therefore,
16 assessment amount increase throughout the LID boundary
17 area.

18 Q On page 167, Bob, if you could turn there,
19 there is -- it starts at the top. It says "Land Sales
20 Summary - General Discussion." Do you see that?

21 A Yes.

22 Q My question for you is: What is a land sales
23 analysis?

24 A Yeah. Again, this deals with proportionality
25 and the bundle of rights and highest and best use, but

1 we're just going through an analysis to let the reader
2 know what's going on in the market, and particularly
3 as it relates to land value, what's happening in the
4 market, what happened historically.

5 We go back to about 2015 and then walk the
6 reader forward to show that land values increased
7 significantly since that time, and, again, that gets
8 back to the key economic factors that we talked about
9 as far as the market's perception of the market goes
10 as far as increasing revenue trends and things of that
11 nature. So --

12 Q Okay. And how long is your land sales
13 analysis in this section?

14 A It goes on to -- just to the top of page 175.

15 Q Okay. And then leads to my next question,
16 page 175 I see the heading "Improved Sales Summary."
17 My question for you is: What is an improved sales
18 analysis?

19 A Yeah. An improved sales analysis is, just as
20 you would compare condominium sales within a condo
21 building to arrive at a value, when you're appraising
22 in large office buildings, high-rise buildings,
23 historic Pioneer Square buildings, it's a summary of
24 what's sold, how the market is reflecting the value of
25 these various different property types.

1 And they were used for comparison purposes.
2 It's a test of reasonableness within our worksheet and
3 to enhance and really support the analysis that we did
4 under the definition of market values of a willing
5 buyer and willing seller, and these provide a good
6 example of what willing buyer and willing sellers are
7 paying for these various property types throughout the
8 LID boundary area. And we utilize these for
9 comparison purposes and test of reasonableness to
10 support our worksheets.

11 Q Okay. And when you say "these," Bob, are you
12 referencing, I believe, the information that is
13 contained in this Improved Sales Summary subheading?

14 A Correct, yes.

15 Q And how far does that go in your report?

16 A That takes us to -- well, page 179, and then
17 that gets into the residential condominium sales.

18 Q Okay. And let me ask you while we're there:
19 What is a comparable -- again, page 179, I'm looking
20 at the heading "Comparable Residential Condominium
21 Sales." My question is: What is a comparable
22 residential condo sales analysis?

23 A Yeah. So we're -- again, we're letting --
24 we're letting the reader know, you know, what -- what
25 the value -- what condo sale values are doing in the

1 marketplace, how much they're selling for per square
2 foot, you know, what we're seeing happening as far as
3 supply and demand in the market. Is the common market
4 going up? Is it going down? And where is it at as of
5 our date of value?

6 And, again, as I discussed earlier, these are
7 used for comparison purposes when we were doing the --
8 when we were doing the individual condo -- condominium
9 analysis.

10 Q If you could turn the page, Bob, page 180, it
11 says "Income Approach." But my question to you is:
12 What is an income approach?

13 A Yeah, the income approach is looking at the
14 potential revenue a property can generate in the
15 market, less -- less expenses to arrive at a net
16 operating income, and then that net operating income
17 is then capitalized into a market value. And those
18 capitalization rates are derived from the improved
19 sales analysis that we looked at earlier, so they --
20 they definitely have a relationship with each other.

21 And this, again, is talking about various
22 aspects of the income-generating capabilities of the
23 various types of properties that are within the LID to
24 give the reader a good idea of, you know, what's going
25 on with the various property types in relation to

1 income, expenses, vacancy, and things of that nature.

2 Q And so, for example, in this income approach
3 section, the information you have here, these are
4 inputs that you use in your income analysis?

5 A Yeah. They're -- they're kind of summarizing
6 in a range the various rent rates that are used for
7 the various sets of properties, and those ranges were
8 applied to -- depending on the property type and the
9 condition of the property to the various properties
10 within the LID.

11 Q Okay. I'll ask you to turn to page 185 of
12 Exhibit C-17. Do you see the heading "Valuation
13 Summary---without LID"?

14 A Yes.

15 Q And what's conveyed to the reader in this
16 section?

17 A Again, this is a summary of our valuation
18 conclusions without the LID for the various property
19 types.

20 Q Okay. Similar or same question, Bob, if you
21 turn the page to page 186, "Valuation Summary---with
22 LID." What -- what are you conveying there?

23 A This is a valuation summary of our value
24 conclusions with the LID for -- for the various
25 components, land value, office, retail, hotel,

1 properties, and the like.

2 Q Okay. So you broke it down by property type?

3 A Correct.

4 Q I don't have any more questions for you in
5 that section of your report, Bob. So I'll ask you to
6 turn to page 194 of Exhibit C-17 entitled "General
7 Assumptions and Limiting Conditions." So what -- why
8 is this in your report, this section?

9 A Yeah. General assumptions and limiting
10 conditions are a USPAP requirement, and so they're put
11 here for those purposes to show the reader the general
12 assumptions and limiting conditions that were relevant
13 to our analysis.

14 Q Okay. And then I'll take you ahead to
15 page 200 entitled "Certification." What is the
16 certification page of your -- or I suppose it's two
17 pages, 200 and 201. What is this certification?

18 A Yeah. This is also a USPAP requirement to
19 provide statements to certification, for instance, who
20 assisted me on this report, you know, just to let the
21 reader know I know a few property -- a few condo
22 owners within the LID, discusses opinions and
23 conclusions that were further developed based on the
24 code of ethics and appraisal standards. It's a
25 standard USPAP requirement.

1 Q And if you could turn to page -- well, 202
2 actually, if you could look at that, entitled
3 "Addenda." It's blank. Can you tell us why? Please
4 tell us why.

5 A We're just -- we're just letting the reader
6 know that there's -- there's a separate addenda
7 document. We probably should have been clearer there
8 and letting the reader know there's a separate
9 addenda.

10 Q And the addenda is what we previously marked
11 and looked through today as C-18?

12 A Yeah, that's correct.

13 Q Almost done with the report here. I'll ask
14 you to look at page 203 and ask why do you have a
15 section entitled "Additional Reporting Requirements"?

16 A Yeah. Again, these are primarily USPAP
17 requirements, and we're including them in the report
18 to -- to comply -- make sure that we complied with all
19 the USPAP requirements. So, again, they're included
20 for informational purposes and comply with USPAP.

21 Q And then on pages -- I'm looking at the corner
22 here. On pages 206 through 235, you have a section
23 entitled "Seattle Market Data." And what -- if I
24 could ask you: What information is contained in this
25 Seattle Market Data section?

1 A Yeah. So the market section data is broken
2 out into the various different types of retail --
3 excuse me. The various types of market area, such as
4 retail, apartment, hotels, office, and whatnot.
5 It's -- it's there to show market data, vacancy rates,
6 supply and demand factors that are impacting the
7 market, the different rental rates, the absorption
8 rates, things of that nature to give the reader a good
9 idea of what's going on in each of these market
10 segments that comprise the properties that are within
11 the LID boundary area.

12 Q All right. I don't have any additional
13 further questions for you on C-17 at this time.

14 I apologize. I had to get more paper. If you
15 could take a look at Exhibit C-21, please.

16 A Okay.

17 Q And for the folks at home, Exhibit C-21 is a
18 January 30, 2020, letter from Anthony Gibbons, MAI, to
19 Jerry Lutz at Perkins Coie.

20 Have you had a chance to review this document
21 previously, Bob?

22 A Yes, I have.

23 Q And are you familiar with Mr. Gibbons's
24 testimony in this hearing?

25 A Yes.

1 Q At the top of page 1 of Exhibit C-21, there's
2 a -- I'm going to read the second sentence and ask you
3 a question. "The letter is intended as a
4 consultation, and not as an appraisal review."

5 So my first question to you, Bob, is: What is
6 an appraisal review?

7 A An appraisal review is a -- either a desk
8 review or a field review of an appraiser's work, and
9 so it's a critique of what the appraiser did in a
10 report that he or she prepared.

11 Q Okay. Is an appraisal review governed by
12 USPAP?

13 A Yes, it is.

14 Q What is a consultation?

15 A A consultation is used to advise the client on
16 various aspects of the -- of doing subject matter on
17 appraisals or valuation methods or -- or it could be
18 used to provide the client consultation on information
19 relative to whether they should or shouldn't invest in
20 a property, things of that nature.

21 Q Is a consultation governed by USPAP?

22 A Yes.

23 Q And then I'm going to ask you to look, now, at
24 this point at page -- not page. I'm sorry.

25 Exhibit C-22, which is a two-page document, and just

1 tell me when you're there, and I'll ask you a
2 question.

3 A Yeah.

4 Q Okay. Please tell us what we're looking at.
5 What is Exhibit C-22?

6 A Yeah. This is an excerpt from the
7 14th Edition of the Appraisal of Real Estate. That's
8 one of the main publications that's done by the
9 Appraisal Institute, and they often update it every
10 several years. So this is an excerpt from the most
11 recent Appraisal Institute book publication.

12 Q Okay. And I'll ask you to -- well, did you
13 put this two-page exhibit together?

14 A Yes, yes.

15 Q Okay. And what was -- why?

16 A Well, after reading Gibbons's letter, he just
17 is talking nothing else about -- he's purely talking
18 and critiquing my report, and he's calling it a
19 consultation. And when, in fact, it should be -- it
20 should be an appraisal review and comply with the
21 requirements of and appraisal review and USPAP, and he
22 just obviously doesn't do that.

23 Q Okay. And if you could read the blow-up box
24 on page 684 in the upper left-hand corner.

25 A Yeah. So it says "If the purpose of the

1 assignment is to express an opinion about another
2 appraiser's work, then the assignment is not
3 consulting but rather appraisal review."

4 Q Okay. And what is your understanding of the
5 difference in the requirements between a consultation
6 and an appraisal review?

7 A Yeah. He needs to go in and comply with all
8 of the various reporting requirements that are
9 outlined under USPAP for appraisal reviews. So it's
10 kind of a way of skirting that and just calling it a
11 consultation assignment and not having to comply with
12 other elements that are outlined under USPAP for
13 appraisal review.

14 Q Okay. All right. I'm going to take you back
15 to C-21, and I'm actually going to take you, Bob,
16 directly to C-21, page 2. We're going to -- we're
17 under the heading "Special Benefit." So Exhibit C-21,
18 page 2, point 2, numerical point 2, heading "Special
19 Benefit," let me know when you're there.

20 A Yes.

21 Q There's a reference here to a WPI instruction,
22 and one is quoted. What is WPI?

23 A Washington Pattern Instruction.

24 Q Do you know what they're used for?

25 A To advise on a legal basis is my

1 understanding.

2 Q Okay. Are you familiar with this -- the
3 letter cites WPI 150.07.01. Are you familiar with
4 this instruction?

5 A Not other than having looked at it for
6 purposes of looking at what Mr. Gibbons did.

7 Q Okay. And what did you learn about this
8 instruction? What -- what did you learn about this
9 instruction?

10 A That it's eminent domain based.

11 Q And have you used it in connection with LID
12 valuation?

13 A No, never.

14 Q Have you seen it used in connection with LID
15 valuation?

16 A In the 30 years I've done over 100-plus
17 benefit studies that are outlined in my
18 qualifications, I've never seen this before.

19 Q Let me ask: How was the concept of special
20 benefit for an LID valuation, how does that compare to
21 the concept of special benefit in the eminent domain
22 valuation?

23 A A special benefit is, again, as we discussed,
24 the creature of state statutes and outlined in the
25 state statutes on -- on how to cover all of the bases

1 within doing the proportionality and other aspects
2 that are relative to doing a benefit study.

3 In eminent domain, it's used in condemnation
4 cases where the property right or maybe a part of
5 the -- part of a property is being condemned, and it
6 may go to court and -- or if there's a public
7 improvement happening where they're building a road in
8 front of a property and that road is taking part of
9 the property, sometimes in these cases the property
10 can specially benefit from that road improvement that
11 may go in front of the property.

12 So -- and in this case you would be referring
13 to more of an eminent domain case relative to a
14 condemnation case. It has absolutely nothing to do
15 with the concept of appraising properties for purposes
16 of a local improvement special benefit district.

17 Q Okay. There's a -- there's a quote at the
18 bottom of page 2, and I'll read it into the record.
19 That's going to be faster than me parsing it out.

20 "It should be noted that project
21 enhancement...may be composed of general benefits,
22 special benefits, or a combination of the two. Thus
23 it may be necessary...to allocate the beneficial
24 effects of project enhancement between special and
25 general benefits and to consider only the special

1 benefits in estimating the value of the property in
2 the after situation."

3 My first question with you, Bob -- first
4 question for you: This quotation purported to come
5 from a work entitled "Real Estate Valuation in
6 Litigation." Are you familiar with that work?

7 A I have referenced it in the past, not often,
8 but I'm somewhat familiar with it.

9 Q Okay. Have you seen this treatise used in
10 connection with LID valuations?

11 A No, never.

12 Q And having used it, do you believe that it is
13 relevant to LID -- LID valuations?

14 A No.

15 Q And why not?

16 A Well, any -- any measurable increase in value
17 in the State of Washington is a special benefit.
18 This -- this has no relevance to or applicability to
19 laws governing local improvement districts.

20 Q And then the quote says it's by Jim Eaton,
21 MAI. Who is Jim Eaton?

22 A Mr. Eaton was a well-known and well-respected
23 MAI that authored a number of different books I think
24 primarily dealing with eminent domain law and
25 litigation support and relative to different case

1 studies and things of that nature that may arise
2 through eminent domain court cases in various
3 jurisdictions.

4 Q And how do you measure general benefit in a
5 special benefit study for an LID?

6 A Well, I mean, by definition, a general benefit
7 is a benefit that benefits the public at large. So
8 from a special benefit perspective, it's really not
9 measurable. I mean, you know, where -- how would
10 you -- how would you estimate what the general benefit
11 is if it benefits the public at large? I mean, where
12 does a general benefit stop? Does it stop in Edmonds
13 or North Seattle, or does it stop in Sea-Tac or
14 Bellevue? I mean, there's really no way to define or
15 really measure the amount of general benefit that may
16 be reflected from -- from a project like this.

17 Q So I take it you don't measure the general
18 benefit?

19 A We do not -- in 30 years of doing this, I've
20 never seen anything like this that would be relative
21 to the type of work that I do for local improvement
22 districts.

23 Q I'll ask you to turn to page 3 of
24 Exhibit C-21. There's a quote on page 3 toward the
25 top from a case -- well, I know it's a case because I

1 looked it up, but it is a case, United States v.
2 2,477.79 Acres of Land. My question is: Are you
3 familiar with this case?

4 A Other than having looked at it here as --
5 that's my only familiarity with it.

6 Q Okay. And what -- what is the subject matter
7 in that litigation?

8 A It's an eminent domain case.

9 Q Have you used that case before in your work?

10 A No, never, never used that in doing special
11 benefit work for local improvement districts.

12 Q And then I'll ask you, last quote in this
13 Section 2, it appears to be another quote from the
14 work Real Estate Valuation in Litigation.

15 Again, are you familiar with this quote?

16 A Are you talking about the fair market value of
17 the remainder?

18 Q Yes.

19 A I have done -- I have done some eminent domain
20 work. I think Mr. Gibbons more specializes in that
21 type of work than I do, but I've done -- I've done a
22 fair amount of right-of-way work over the years, so
23 I've seen similar types of quotes.

24 But, again, there's no applicability to
25 special benefit studies. We don't -- you don't have a

1 remainder when you're doing a special benefit study.
2 One of the main premises of our studies is that we
3 assume if there's any -- any right-of-way that is
4 involved in a -- in a local improvement district, we
5 assume, both in the before and after, that that
6 right-of-way has been fairly acquired and that the
7 property owner has already been compensated.

8 So both in the before and after of any LID we
9 do, we make it real clear that those property rights
10 that are associated with any right-of-way have the --
11 it's settled. It's not -- it's not part of the
12 property rights we're appraising. So there's just no
13 applicability to this to doing a benefit study.

14 Q Okay. And then this quote appears to come
15 from the Uniform Eminent Domain Code 1974. What
16 relevance does the Uniform Eminent Domain Code 1974
17 have to LID assessments?

18 A Absolutely nothing.

19 Q Let's look at Section 3 of the exhibit. It
20 begins on that same page, page 3. It has the heading
21 of Valbridge Study. Start on -- I will start on
22 subheading A entitled "Special Benefit Definition and
23 Distinction from General Benefits." As I go through
24 this, Bob, I'll read some language into the record or
25 otherwise direct your attention to a section and I'll

1 ask you questions.

2 In the first bullet point under this
3 Section 3, Mr. Gibbons opines that "The appraisal" --
4 quote, The appraisal: Makes no attempt to assess
5 General Benefit, and does not offset the apparent
6 measure of special benefits with general benefits.

7 What is your response to that statement?

8 A Well, it's irrelevant in the applicability to
9 doing special benefit studies.

10 Q Why is that?

11 A Because we don't measure special benefit. We
12 measure -- we don't measure general benefit. We
13 measure special benefit.

14 Q Okay. Right below that, there's another
15 bullet point, sub bullet point maybe. The sentence
16 reads "The appraisal ignores the basic equation:
17 Total Benefit minus General Benefit = Special
18 Benefit."

19 What is your position on this equation?

20 A Again, in 30 years of doing a wide variety of
21 local improvement districts all over the state, I have
22 never -- never seen that equation.

23 Q Okay. I know you testified that you don't
24 measure general benefit. Do you measure total
25 benefit?

1 A No. We measure special benefit.

2 Q Okay. So you don't -- okay. Understood.

3 And, again, I believe you mentioned this, Bob,
4 when I asked you about this letter. But what is your
5 definition of special benefit?

6 A As is shown in our report, it's the difference
7 in fair market value and fee simple interest in an
8 individual property without and, again, with the
9 improvements in place as of the same date and time.

10 Q And so does your special benefit number
11 capture any measurable increase in property value as a
12 result of the improvement?

13 A Yes, as of a specified date and time.

14 HEARING EXAMINER VANCIL: Mr. Filipini.
15 Mr. Filipini.

16 MR. FILIPINI: Yes.

17 HEARING EXAMINER VANCIL: I will -- if
18 you could ask one more question and then we're going
19 to wrap up for the day with some procedural items I
20 need to address.

21 If you could ask one more question of the
22 witness for today, I'm going to proceed then with some
23 procedural items before we wrap up, and then we'll
24 continue tomorrow. Do you understand?

25 MR. FILIPINI: Okay. Yes. Thank you.

1 BY MR. FILIPINI:

2 Q My last question, Bob, will just wrap up this
3 small section. Mr. Gibbons states "If the evidence of
4 benefit presented by the appraiser is to be believed,
5 it is apparent that General Benefits have been
6 included in the Special Benefit Study."

7 And, again, did you include general benefits
8 in the special benefit study?

9 A No.

10 HEARING EXAMINER VANCIL: Thank you.

11 I just want to address a few items before we
12 wrap up for the day. We've made some good progress.
13 I should have checked with the City. Do you have much
14 time more just estimating -- obviously, I won't hold
15 you to that, but what do you estimate is remaining
16 time for Mr. Macaulay to be on direct tomorrow?

17 MR. FILIPINI: I would estimate that we
18 would end by maybe 2:00 or 3:00 and certainly finish
19 tomorrow by early or mid-afternoon.

20 HEARING EXAMINER VANCIL: Okay. Thank
21 you.

22 We have covered Exhibits 13 to 20 -- sorry.
23 No. We've gone through 21. I don't know if you --
24 did you get to 22 yet, Mr. Filipini? Did you
25 reference that?

1 MR. FILIPINI: We did. We referenced
2 it in --

3 HEARING EXAMINER VANCIL: Okay. Are
4 there any objections to Exhibits 13 through 22 being
5 admitted?

6 Again, are there any objections to
7 Exhibits 13, 14, 15, 16, 17, 18, 19, 20, 21, or 22
8 being admitted to the record?

9 Exhibits 13 through 22 are admitted.

10 (Exhibit 13, Exhibit 14, Exhibit 15,
11 Exhibit 16, Exhibit 17, Exhibit 18, Exhibit 19,
12 Exhibit 20, Exhibit 21, and Exhibit 22 were admitted.)

13 HEARING EXAMINER VANCIL: I want to
14 check with the objectors. If you don't have anything
15 to say, that's fine, but I want to check about
16 capacity for opening exhibits. If anybody could not
17 open exhibits or was not able to access them, then I
18 need to hear from you now.

19 MR. REUTER: It's Todd Reuter. I
20 couldn't open any of them.

21 HEARING EXAMINER VANCIL: Okay. Anyone
22 else?

23 MR. BURRUS: Yes. Gene Burrus here. I
24 had trouble opening just the ones from Marshall
25 Foster. One of the folders had -- it just said the

1 pdf files were broken, but the rest of them I could.

2 HEARING EXAMINER VANCIL: Okay. So you
3 couldn't get to Exhibits 1 to 3?

4 MR. BURRUS: I think that's right.

5 MS. GIELEN: This is Karen Gielen. I
6 could not get -- download Exhibit 22.

7 HEARING EXAMINER VANCIL: Okay. Anyone
8 else not able to open an exhibit or all of them? Any
9 or all?

10 MS. MORENO: Yeah. This is Mary
11 Moreno. I could also not open Exhibit 22, and I
12 didn't try every single one of them. I tried several
13 of them. That was one that I didn't open, so I can't
14 say if there are others.

15 HEARING EXAMINER VANCIL: Okay. Any
16 other objectors have challenges opening an exhibit?

17 MS. DONNELLY: This is a Judy Donnelly
18 from the Women's University Club. I had three or four
19 of them that I could not open either.

20 HEARING EXAMINER VANCIL: Which ones?

21 MS. DONNELLY: I would have to go back
22 and look through them.

23 HEARING EXAMINER VANCIL: Okay. We're
24 happy to try to connect you with them, but if we don't
25 know what they are, then I don't know how to do that.

1 So make a note of it and we'll start out tomorrow.
2 Please remind me at the outset. I'll ask if there's
3 any procedural issues we need to address before we get
4 started. At that time identify any exhibits that you
5 were not able to open, and we'll try to connect you
6 with those.

7 MS. DONNELLY: Thank you.

8 HEARING EXAMINER VANCIL: Any other
9 objectors unable to open --

10 MS. DANNER: Yes.

11 HEARING EXAMINER VANCIL: -- or access
12 an exhibit?

13 MS. DANNER: Yes. This is Ruth Danner.
14 I'm appellant number 92, and I didn't receive any of
15 them. I haven't chimed in because I'm not a
16 cross-examiner, but I haven't been able to receive any
17 of them.

18 HEARING EXAMINER VANCIL: Okay. If
19 you're not a cross-examiner, you shouldn't be on the
20 call, and you wouldn't have received any.

21 MS. DANNER: But I received the notice
22 to be on the call. I asked to be on the call, and I
23 asked to be an appellant. I mean, not an appellant,
24 an exhibitor -- not an exhibitor. Sorry. A
25 cross-examiner.

1 HEARING EXAMINER VANCIL: But you just
2 said you weren't a cross-examiner. You contradicted
3 yourself.

4 MS. DANNER: I wasn't -- Number 92
5 is -- well, I don't know. I think I'm Number 92, and
6 Number 92 isn't in the list that was included in
7 Galen's e-mail of lists of exhibitors. So I don't
8 know. I don't know what my status is. All I know is
9 I was --

10 HEARING EXAMINER VANCIL: Were your --
11 is your case number -- hold on a second. You should
12 know by now whether you're a cross-examiner objector
13 or not. You said just a minute ago you are not, but
14 it sounds like you are because I don't know how you
15 got an invite.

16 MS. DANNER: Right. I asked to be. So
17 I don't see my number on the list. Maybe I have the
18 wrong number.

19 HEARING EXAMINER VANCIL: You're
20 identified as Case Number 92?

21 MS. DANNER: I believe so.

22 HEARING EXAMINER VANCIL: Case
23 Number 92 is not listed as one of the cases that's
24 participating as a cross-examiner, and certainly --

25 MS. DANNER: And I don't know -- and I

1 don't know why.

2 HEARING EXAMINER VANCIL: You need to
3 go back through the record and look at the orders I've
4 issued. Everyone that asked did get an order, and it
5 was issued. It's also available on the Hearing
6 Examiner website.

7 MS. DANNER: Okay. And I also got the
8 invitation to participate in this hearing.

9 HEARING EXAMINER VANCIL: Well, I don't
10 know why you received it if you're not one of the
11 cross-examining, so I think we resolved that. At
12 least as far as I can tell you are not -- if you're
13 correct about your case number -- and by now I hope
14 everyone is familiar with their case numbers. If your
15 case number is 92, you are not listed as a participant
16 in cross-examination.

17 MS. DANNER: Okay. I will go back
18 through the documents, and perhaps I have the wrong
19 case number.

20 HEARING EXAMINER VANCIL: All right.
21 If you have a different case number, let us know.

22 MS. DANNER: And if that's the case, I
23 don't have the exhibits.

24 HEARING EXAMINER VANCIL: If you were
25 not part of the cross-examination, you would not have

1 received them, and the invitation to participate in
2 this call was a mistake.

3 MS. DANNER: All right.

4 MR. JUSTEN: This is William Justen. I
5 was not -- did not receive a verification code in
6 order to open the exhibits.

7 HEARING EXAMINER VANCIL: There is no
8 verification code.

9 MR. JUSTEN: Well, it tells me to enter
10 a verification code.

11 HEARING EXAMINER VANCIL: Are you
12 indicating that you could not open the exhibits?

13 MR. JUSTEN: Correct.

14 HEARING EXAMINER VANCIL: Thank you.
15 You were unable to open any of them; is that correct?

16 MR. JUSTEN: That's right. So I just
17 took a lot of notes.

18 HEARING EXAMINER VANCIL: Okay. Any
19 other objector have a challenge accessing the
20 exhibits?

21 All right. Everyone who just spoke has been
22 made a note of, and you'll receive a new copy of them.
23 Please, if you cannot access items, mention it during
24 the hearing. I know that sometimes I've indicated
25 that I don't want you interrupting, but don't be so

1 intimidated you don't say anything. You were supposed
2 to have received exhibits.

3 I do want you to be able to participate in the
4 hearing to the degree possible, and we could always
5 remedy that in part by doing screen share. And -- but
6 we will make another attempt to serve them on you by
7 e-mail. If you're not able to open them, please let
8 us know first thing in the morning when we get
9 started. And thank you for letting me know that there
10 were some complications when I asked.

11 Are there any parties that want to bring to
12 the Examiner's attention any problems with the tech,
13 not on your end, just from your computer. I don't
14 need to know how your computer is working, but for the
15 facility of today's hearing, are there any issues that
16 you need to bring attention to the Examiner for the
17 record?

18 I will note for the record that there were a
19 couple moments where City witnesses had a small break
20 up of a word, but I was able to understand what they
21 were saying. And they were able to convey it to the
22 record. Are there others that an objector or the City
23 would like to note for the record at this time?

24 Thank you. I will note that we have looked at
25 screenshots today. I just want you to note that the

1 actual exhibits that are being exchanged are intended
2 to be the exhibits for the record. The screenshots
3 are for illustrative purposes only.

4 So, for example, if there's a highlighted
5 version, that's just for illustrative purposes. That
6 is not the actual exhibit that's in the record. Only
7 the electronic copies that have been submitted are
8 part of the record.

9 Lastly, as we wrap up today in anticipation
10 looking forward to next week, one item I'd like to
11 make sure -- I'd like to discuss -- and I think this
12 is pretty quick, and if not, we can address it
13 tomorrow -- is that I believe it would be best to
14 proceed with Mr. Macaulay first, if that's possible,
15 in order of witnesses starting on Tuesday. My
16 reasoning for that is that I believe most of the
17 objectors' energy will be directed at Mr. Macaulay.

18 And, frankly, I don't want to start out with
19 Mr. Foster and Lukens getting cross-examined for
20 longer than they need to when the real questions need
21 to be directed at Mr. Macaulay. You'll have an
22 opportunity to cross-examine Mr. Foster and Lukens, of
23 course, afterwards. But we don't want to spend a
24 bunch of time on what -- speculating what Mr. Foster
25 and Lukens may know about the appraisal report when

1 what you all really want to be doing is
2 cross-examining Mr. Macaulay.

3 Is there any issue with proceeding in that
4 order with the City?

5 MR. FILIPINI: No issue for the City.

6 HEARING EXAMINER VANCIL: All right.

7 Then that should be a heads-up for the objectors that
8 that's how we'll be proceeding. There will be a --
9 that's the order we'll proceed with Mr. Macaulay first
10 and then in the order of Foster and Lukens afterwards.

11 That concludes the hearing for today. We'll
12 address any other procedural issues at the outset
13 tomorrow when we open at 9:00 a.m. Thank you.

14 (The proceedings concluded at
15 5:01 p.m.)

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STATE OF WASHINGTON
COUNTY OF KING

I, Nancy M. Kottenstette, a Certified
Shorthand Reporter in and for the State of Washington,
do hereby certify that the foregoing transcript of the
proceedings on June 18, 2020, is true and accurate to
the best of my knowledge, skill, and ability.

I do further certify that I am a disinterested
person in this cause of action; that I am not a
relative of the attorneys for any of the parties.

IN WITNESS WHEREOF, I have hereunto set my
hand and seal this 19th day of June, 2020.

Nancy M. Kottenstette
Nancy M. Kottenstette, RPR, CRR, CTR

