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CITY OF SEATTLE
OFFICE OF HEARING EXAMINER

In Re Seattle Waterfront LID, Local
Improvement District No. 6751

Case Nos. CWF-133, 134, 136, 168,
353

OBJECTORS' BRIEF ON REMAND

12 The Hearing Examiner's Findings and Recommendation found that the specific
13 information used by John Gordon was "superior to the opinion and supporting data of the City in
14 its evaluation." Recommendation, p. 10. The Recommendation remanded the subject properties
15 to the City "for reconsideration of the property specific information provided in the hearing for
16 valuation purposes." *Id.*, p. 41. That "property specific information" is most concisely set forth in
17 paragraphs 18, 19 of the July 6, 2020 Declaration of John Gordon, but is also set forth in
18 Mr. Gordon's hearing testimony and the Kidder Matthews appraisals that he signed. The
19 Recommendation concluded that Mr. Gordon "provided testimony and evidence for hotel
20 valuations that were of higher value than the City appraisal due to the specialist nature of
21 Mr. Gordon's background and the specificity of the valuation data upon which he relied." *Id.*,
22 p. 117, 118. Accordingly, the City was ordered to conduct an "analysis consistent with the
23 findings herein concerning valuation of the subject properties..." *Id.*, p. 122.

24 At the hearing last summer, Mr. Macaulay admitted that actual data is more accurate than
25 the advertised "rack rate" Average Daily Rate numbers on which the ABS numbers relied (and
26 continue to rely on, with only slight downward adjustments). See Transcript June 23, 2020,

OBJECTORS' BRIEF ON REMAND - 1

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1 p. 107/line 7. Mr. Lukens testified that room revenue is the most important driver of hotel
2 revenue. Transcript June 26, 2020, p. 169/line 12. Mr. Gordon testified in paragraphs 18 and 19
3 of his July 6, 2020 Declaration that the room rates he used were “very close” to the actual room
4 rates. To remove all doubt on that issue, the 2019 STAR reports showing the actual rates for
5 2017, 2018 and 2019 are attached to Mr. Gordon’s January 7, 2021 Declaration filed herewith.

6 Despite all this, the City and ABS still refuse to adopt Mr. Gordon’s property specific
7 information, choosing instead to use arbitrary room rates that prop up values to fit with
8 Mr. Macaulay’s notions of what each property *should be* worth. ABS now relies heavily on a
9 comparable sales approach, despite knowing that is not the correct method for valuing hotels, but
10 is instead only used as a way of confirming that the income based analysis is in the range of
11 comparable sales. As Mr. Gordon explained in his July 6, 2020 Declaration, his value
12 conclusions for the subject hotels were within the range of comparable sales.

13 ABS’s revised analysis relies on comparable sales to justify the slight adjustments it
14 made to room rates and value, but it is clear the room rates used are still not based on achieved
15 rates. Instead of starting with achieved ADR results, ABS started with a perceived hotel value
16 and backed into a room rate that fits the perceived value. That perceived value is based on
17 supposedly comparable sales, but ABS provides very little support for the sales it chose. In
18 paragraphs 13-15 of his January 7, 2021 Declaration filed herewith, Mr. Gordon explains why
19 those comparable sales are not reliable. As he notes, ABS provides no analysis of why the
20 comparables he chose were fair.

21 Mr. Macaulay was asked in his recent deposition why he did not just adopt Mr. Gordon’s
22 room rates “knowing that he had testified that his room rates were very close to the actual room
23 rates.” Declaration of Todd Reuter on Remand, Exhibit 1, p. 7. He gave two reasons. First, using
24 Gordon’s rates would produce a “value that just isn’t supported by the market sales,” essentially
25 confirming that he was backing into room rates based on comparable sales. *Id.* Second, he
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1 contended that buyers will consider pro forma income, but are also “buying on projections that
2 just aren’t included in that data, and they’d be more reflective in the comparable sales.” *Id.*

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4 So it is clear that ABS’s analysis depends on comparable sales, but when asked to point
5 to a transaction where a buyer, when deciding how much to pay for a hotel, actually considered
6 or relied on the price some other hotel had sold for, he could not do so. *Id.*, p. 12. He also
7 claimed his colleague, Mr. Lukens, had considered the differences in age and quality between the
8 ABS comparables and the subject hotels, but again was unable to provide any evidence to
9 support that claim. *Id.*, p. 8. The City has not produced any such evidence and has represented
10 that it has provided all the evidence on which ABS relied. *Id.*, p. 9.

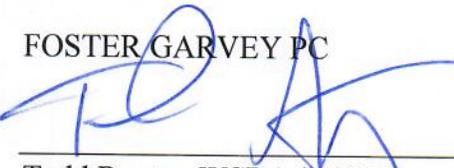
11 **Conclusion.**

12 Respectfully, the Hearing Examiner should use the actual data, presented by Mr. Gordon,
13 who is an actual hotel valuation expert. ABS concedes hotels are supposed to be valued using the
14 income approach, and it is beyond dispute that using actual numbers in an income analysis
15 produce more accurate results than using advertised “rack rates.” Mr. Gordon’s value
16 conclusions, and the resulting levy amount, may turn out to be lower than ABS or the City
17 expected, but that just means that the City and ABS assumptions about value are too high.
18 Gordon’s conclusions are based on actual numbers, and actual numbers lead to sound estimates
19 of actual value. As the Hearing Examiner has already found, Mr. Gordon “provided testimony
20 and evidence for hotel valuations that were of higher value than the City appraisal due to the
21 specialist nature of Mr. Gordon’s background and the specificity of the valuation data upon
22 which he relied.” Nothing has changed, other than the objectors have now provided their 2019
23 STAR reports to corroborate Mr. Gordons’ conclusions.

24 For the reasons discussed above, the Hearing Examiner should adopt the Kidder
25 Matthews value analysis, as shown in the “KM Appraisal” column on Exhibit 1 to the January 7,
26 2021 Gordon Declaration. Those numbers include actual room rates. Alternatively, the Hearing

1 Examiner could adopt the numbers in the "Adjusted" column, which use the ABS analysis with
2 the actual room rates. In any case, the actual numbers should be used.
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4 DATED this 8th day of January, 2021.
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