Provided by Client

Crompton Model (Crompton 2004, pp 19-21)

1. The area of proximate impact of a park should be limited to 500 feet or three blocks. The empirical results suggest this is likely to capture almost all the premium from small neighborhood parks and 75% of the premium from relatively large parks. The remaining 25% is likely to be dissipated over properties between 500 and 2000 feet. Disregarding this will lead to an underestimate of the proximate impact of large parks which may be substantial because while the premiums at these distances are relatively low, the number of properties within these parameters is relatively high. However, adopting this 500-foot parameter substantially simplifies the estimation task.

2. Grade each park in the system on the five-point scale shown in Exhibit A ranging from "unusual excellence" to "dispirited, blighted." The grading can be done either by park staff or by a panel of residents familiar with each of the sites. This scale is defined primarily by the emotional response of people in a park's area of influence. It recognizes that a park's quality is defined by people's emotional response to it, rather than only by its physical and tangible qualities. In every community there are fine, physically attractive parks that receive little use, either because the infrastructure or/and land uses around it do not encourage use, or because the behavior of existing users discourages others from using it. Such parks should not score highly on this scale and are likely to be assigned to the "average" category.

Exhibit A Park Quality Scale for Determining Proximate Premiums

Unusual Excellence: A signature park; exceptionally attractive; natural resource based; distinctive landscaping and/or topography; often mentioned in sales advertisements for nearby properties; well maintained; genuine ambiance; engenders a high level of community pride and "passionate attachment."

Above Average: Natural resource based; has charm and dignity; regarded with affection by the local community; pleasant, well maintained.

Average: Rather nondescript; not really "noticed" by the local community; adequately maintained; no distinguishing features.

Below Average: Sterile; absence of landscaping or trees; athletic fields with noise, lights, congestion; intensive use.

Dispirited, Blighted: Dilapidated, decrepit facilities; broken equipment; unkempt, dirty; unofficial depository for trash; noisy; undesirable groups congregate there; rejected and avoided by the community.

3. Based on the results reported in the monograph, the suggested premiums applied to all single family home properties within the 500 foot proximate area for each of the three highest categories shown in Exhibit A are:

   Unusual excellence: 15%
   Above average: 10%
   Average: 5%

   After reviewing the monograph, these may appear low to some readers because several of the most recent, technically strong studies reported premiums in the 16%-22% range. However, these were for the first block immediately adjacent to the park and the premiums declined for properties in the second and third blocks. The proportionate premiums suggested here in stage 3 are averages to be used for all properties within the 500-foot (three block) radius.

4. Apply the percentage premiums suggested above (15%, 10% or 5%) to the aggregate value calculated in step 3.

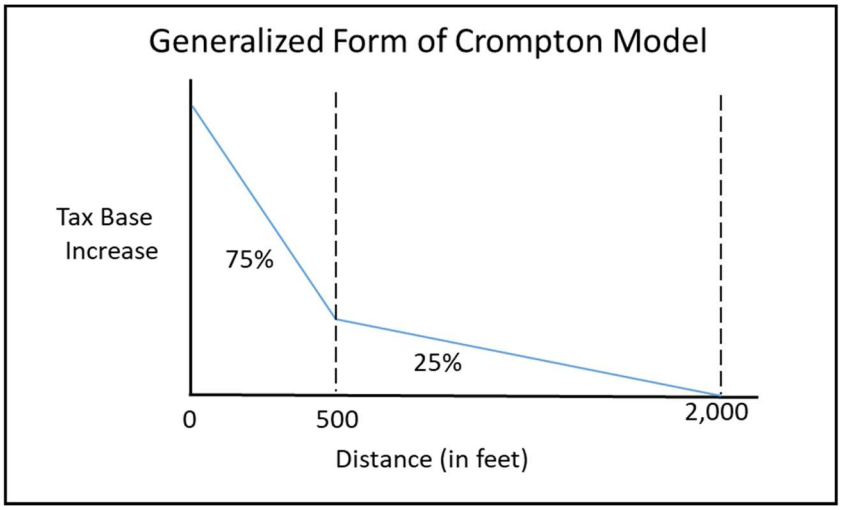
5. Aggregate the premiums calculated for each park in step 4. This figure represents an estimate of the overall change in property value attributable to the parks and open spaces examined.

With regard to step 3 above, I would also direct you to Crompton, Chapter 1: Context of the Issue, the section titled Factors Influencing Capitalization (page 34).

> "It may take 30 to 40 years for new parks to *mature*. In the beginning trees are small and spindly, plantings are scattered and immature, shade is scarce, and the landscaping often is not aesthetically pleasing. Hence, the capitalized premium initially may be relatively small, but if the park is well maintained the premium is likely to increase over time."

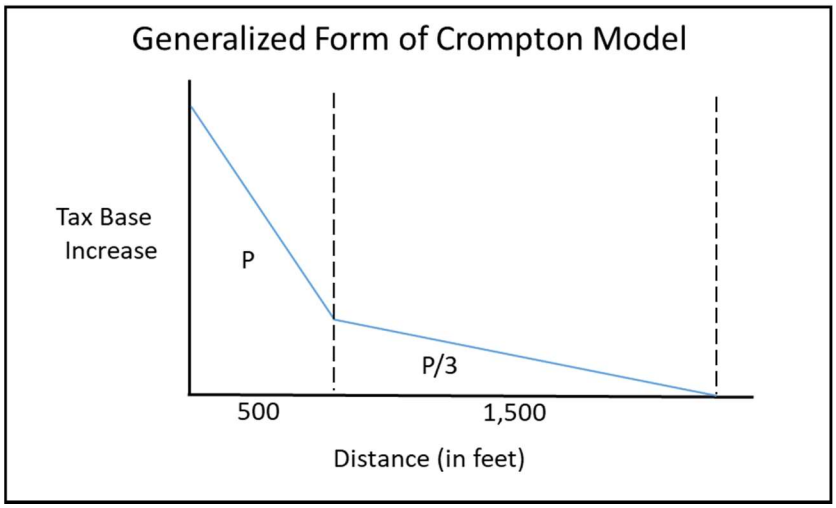
Analyzing the Crompton Model

The Crompton Model can easily be reverse engineered to generate the underlying price increases by property layer within both the 500 feet and the 500 to 2,000 feet zones described by Crompton.



The 25% tail provodes an anhchor for grading the run-off of value over the initial 500' zone. The calculations for deriving The relative points on the graph above are as follows:

Assuming that the LID improvements constitue a large park, take the premium (P) calculated in step 3 on the prior page. It is equal to 75% of the total price increase. One -third of amount , P / 3 is equal to 25% of the price ncrease and is the area of the low zone triangle.



The generalized form is confirmed in several places in John Crompton's work. In his paper *The Impact of Parks on Property values: Empirical Evidence from the Past Two Decades in the United States* (Managing Leisure 10, 203-218 (Octorber 2005) shows this graph.

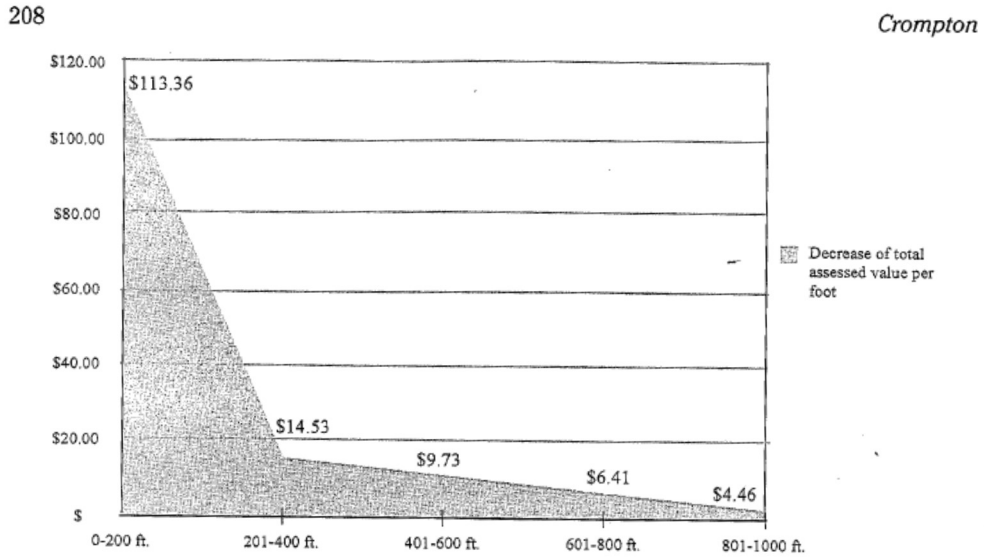
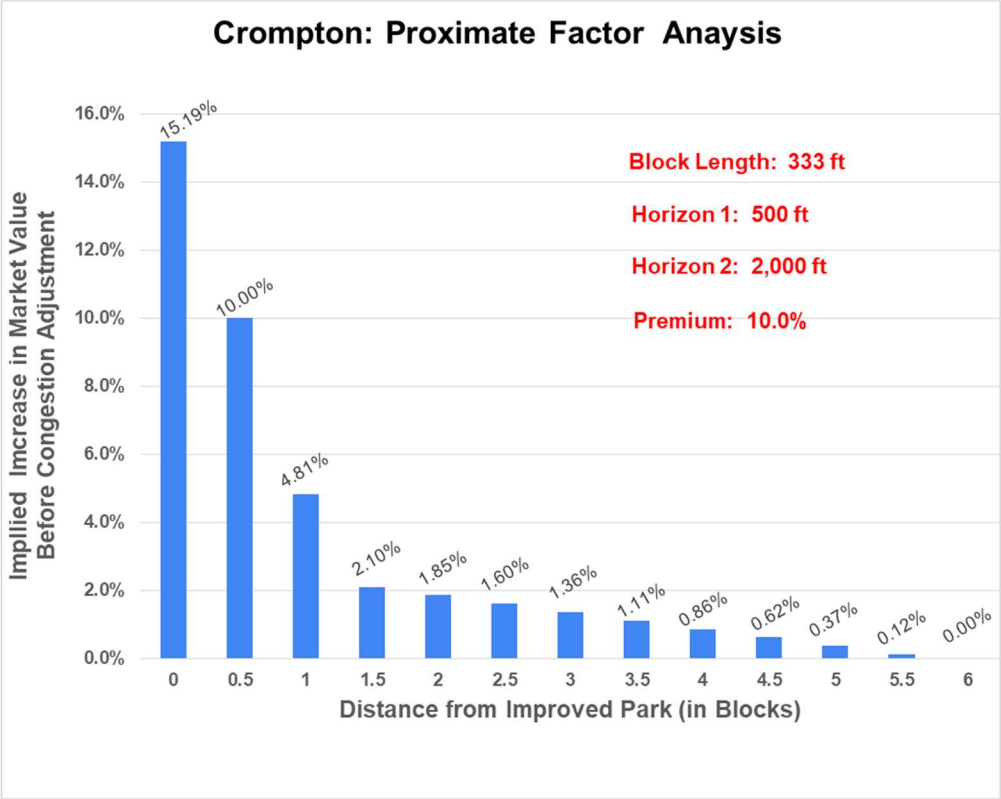


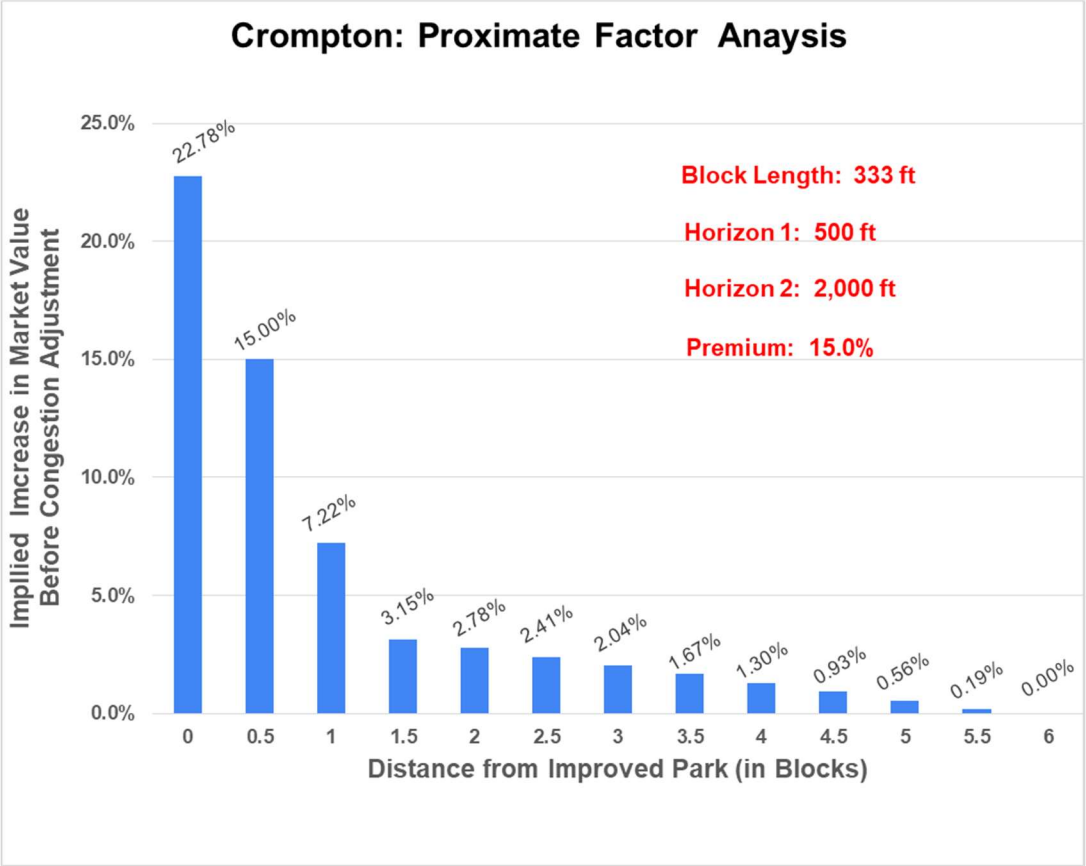
Fig. 2. Decrease of total assessed value per foot (Jackson Park)

Without even going into all of the mathematics, here is a spreadsheet generated version of the model for a 10% capitalization premium (Above Average).



It can easily be verified by checking to see that (1) the average over the first three property layers (500 feet) is 10% and (2) the amount in the tail is 10%, which is one-third of the total amount in the high zone. There is no other continuously reducing piecewise linear solution.

Similarly, here is the spreadsheet generated model for a 15% capitalization premium (Excellent).



The average premium over the first 500 feet is 15%. The total premium over the first 500 feet is 45% and the total premium over the last 1,500 feet is 15%, one-third of 45%.

It is also worth noting that the first block premiums in these two models are 15% and 23% which is in line with Crompton noting studies showing 16% to 22% in the first block.

<u>The outstanding question is what did Crompton mean by "500 feet (3 blocks)"?</u> Extending the high range of the proximate effect would dramatically increase estimated values further form the park. <u>I</u> contend that Crompton meant layers of parcels that could easily be picked up off a mapping system Like the KCA parcel viewer. Since downtown Seattle typically has alleys that separate parcels in each of its 320'x340" blocks. I contend Crompton indicates that the best choice for demarcation of a first horizon would be 3 property layers, 1½ Seattle city blocks or 480 feet, the closest demarcation for a 500' boundary.
The correct answer to the question has significant impact both on the ABS condominium valuations and on their setting of the LID boundaries.

In order to confirm my view I contacted John Crompton via email and on February 6th, 2020. I subsequently sent him a copy of (1) the Study, (2) my submitted objection with pertinent exhibits and (3) a spreadsheet generated output of an earlier version of the model shown above adapted to a first horizon of 640 feet or 2 Seattle city blocks (at this point I had not considered using the alleys as a logical break point) and a 5% capitalization premium. Mr. Crompton responded that "I see nothing inappropriate in the calculations that accompany your submission, but I simply do not have the time to engage in a detailed analysis of them."

I emailed him back, thanking him taking the time to look at my work and asking him to confirm two points: "(1) that 500' feet was the appropriate first horizon, and that his comment on my submission included the chart that was attached as Crompton Analysis.pdf. " He responded on February 8, "I confirm your interpretation of the two points you mention are correct."

I can supply copies of those emails and the associated attachments for you.

Variables Considered

Horizons

I tested three sets of horizons;

1. 480' first horizon and 1,980' second horizon
2. 640' first horizon and 1,980' second horizon
3. 640' first horizon and 2,080' second horizon

Distance

I tested four distances from 1½ to 3 Seattle blocks in ½ block increments

Capitalization Premiums

I tested 3 different capitalization premiums.

1. 2% (ABS' 3.0 % high range for condominiums)
2. 2½% (5% adjusted down for 50% maturity)
3. 3% (ABS' raw pick)

Matching of the 2% and 3% capitalization premiums to ABS is shown in Appendix 3

Results

	3% Maximum Premium		3% Average Premium
Special Benefit % @ 3 Blocks			
	Capitalization Premium		
Horizon	**2.0%**	**2.5%**	**3.00%**
480'	0.27%	0.34%	0.41%
640'	0.46%	0.57%	0.69%
640'/2,080'	0.43%	0.55%	0.64%

Special Benefit % @ 2 1/2 Blocks			
	Capitalization Premium		
Horizon	**2.0%**	**2.5%**	**3.00%**
480'	0.32%	0.40%	0.48%
640'	0.54%	0.68%	0.81%
640'/2,080'	0.49%	0.63%	0.74%

Special Benefit % @ 2 Blocks			
	Capitalization Premium		
Horizon	**2.0%**	**2.5%**	**3.00%**
480'	0.37%	0.46%	0.56%
640'	0.63%	0.78%	0.94%
640'/2,080'	0.56%	0.71%	0.84%

Special Benefit % @ 1 1/2 Blocks			
	Capitalization Premium		
Horizon	**2.0%**	**2.5%**	**3.00%**
480'	0.42%	0.52%	0.63%
640'	1.00%	1.25%	1.50%
640'/2,080'	0.94%	1.18%	1.42%

Conclusions

My analysis confirms John Crompton's conclusions that the estimated impact on property prices from proximity to a park is relatively small beyond the 500' range.

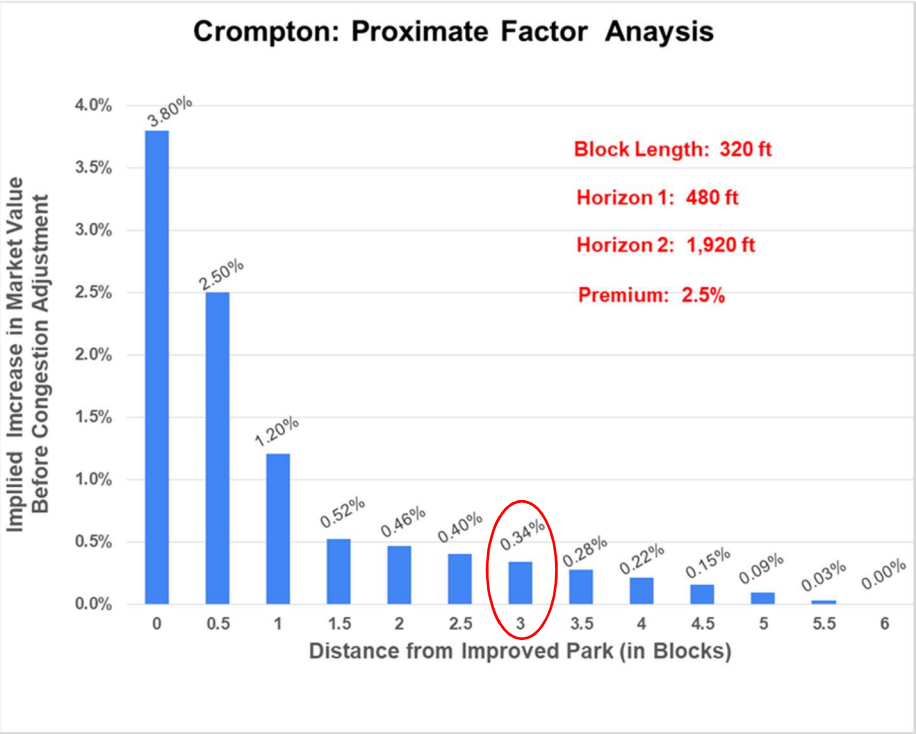
My conclusion is that a 2½% capitalization premium is appropriate. This is based on the LID Improvements raising the before condition of the park from "Average" to "Above Average" and reducing the implied capitalization by 50% for immaturity of the new "park". The "with LID" condition will provide an amenity that is "Natural resource based; has charm and dignity; regarded with affection by the local community; pleasant, [and hopefully] well maintained". It will never reach the level of Seattle's other great parks like Green Lake/Woodlawn Park, Seward Park, Washington Park/Arboretum or Discovery Park.

I considered two different distance measurements:

1. Line of sight to the waterfront (west side of Alaskan Way)
2. Line of sight to the nearest LID amenity (Central Waterfront Park, Pier 58)

Both of these scenarios put Fifteen Twenty-One in the 3 block tier of Crompton's model (maps are provided in Appendix 1. I did not consider distance to the Overlook Walk, which would have moved Fifteen Twenty- One to the 2 block tier. I believe that from a market perspective, neither a prospective buyer nor seller, would consider the Overlook Walk an amenity. It is additional and redundant access. Support for that conclusion is in Appendix 4.

I concluded that the most appropriate first horizon is 480' (1½ Seattle city blocks) and the most appropriate second horizon is 1,980 feet (6 Seattle city blocks). These are that horizons that most closely line up with the Crompton horizons. Model results showed that extending the second horizon lowered the resulting Special Benefit %. Using the tables provided above, I concluded that the appropriate Special Benefit % should be 0.34%.for all Fifteen Twenty-One condominiums.



For my home, tax parcel # 258830850, this yields:

Market Value Without LID		$2,412,200
Special Benefit	0.34%	$8,201
Market Value With LID		$2,420,401
Total Assessment %	39.18%	
Pike /Pine Adjustment	.9375	
Revised Assessment %	36.73%	$3,012

In my objection I have argued that the cost and special benefit of each of the discontinuous improvements (Central Waterfront, Pike and Pine) should have been considered separately. Consistent with that argument my Revised Assessment % reflects the adjustment to remove $10 million of Pike and Pine expenses from the total LID expense of $160 million (both numbers are before any financing and guarantee fund expenses).

This value also disregards any adjustments for the impact of pedestrian and vehicle traffic in the area which I have included in the Pike and Pine Improvements. I value the Pike and Pine improvements as having zero to negative impact of homes in Fifteen Twenty-One. Support for that is provided in Appendix 3 – Pike/Pine.

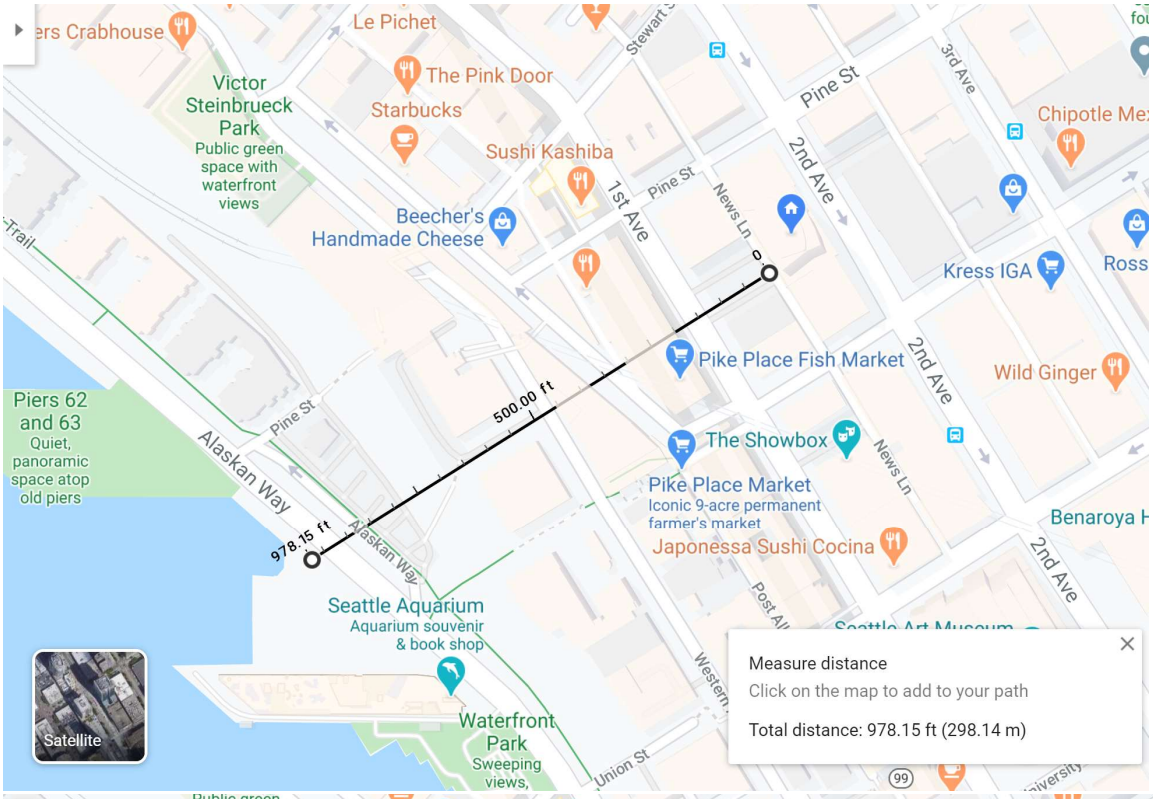
The Waterfront LD Improvements are primarily designed to aid Seattle's tourism business. Even the City's own work shows that there will be no additional utilization of the waterfront by nearby residents. Page 84 of the HR&A study done for the Friends of the Waterfront (provided in Appendix 5) shows the expected usage of the Waterfront by downtown residents at <1%. It shows the net new visitor days for downtown residents at zero. Even for city residents the net new visitor days is .11, which translates to one visit roughly every 9 years. Crompton's model was for community parks and based on their utility to proximate residents. Applying it here, even correctly applied, is generous. How ABS can posit any increase is baffling.

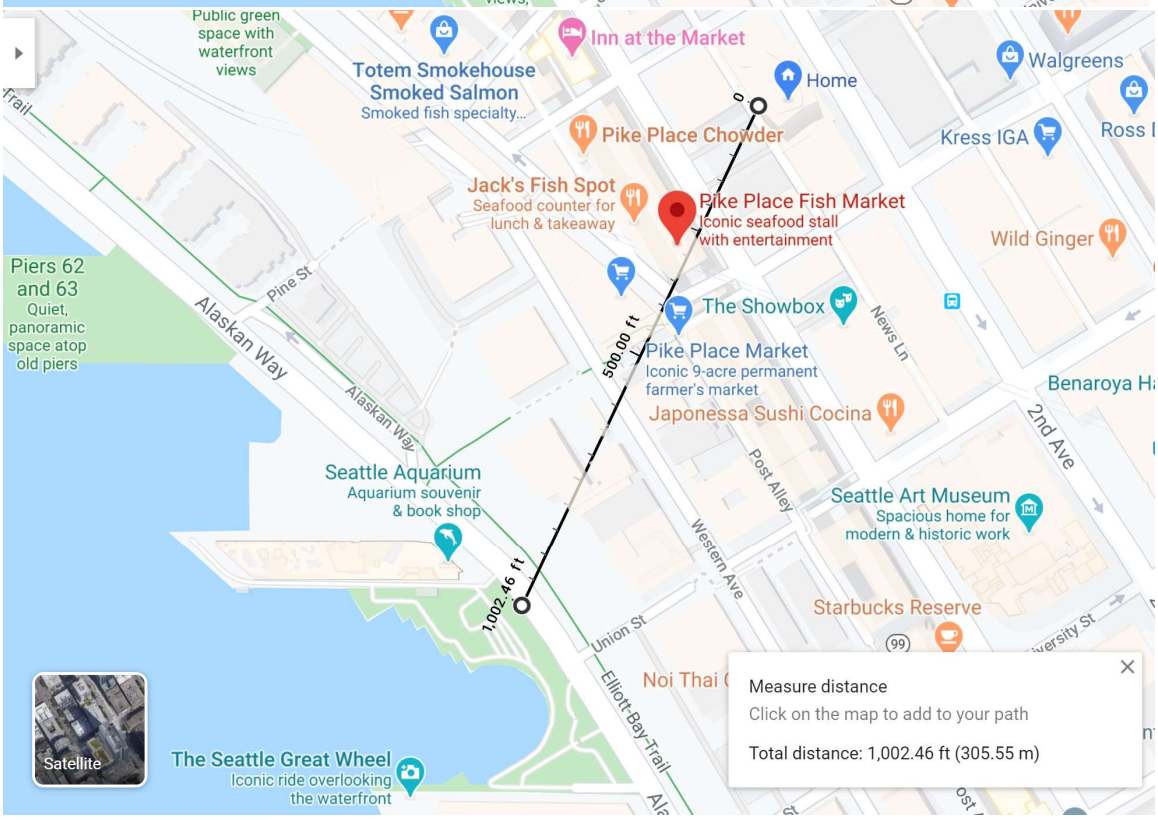
In addition, Crompton prefaced his work with this caveat (my emphasis added):

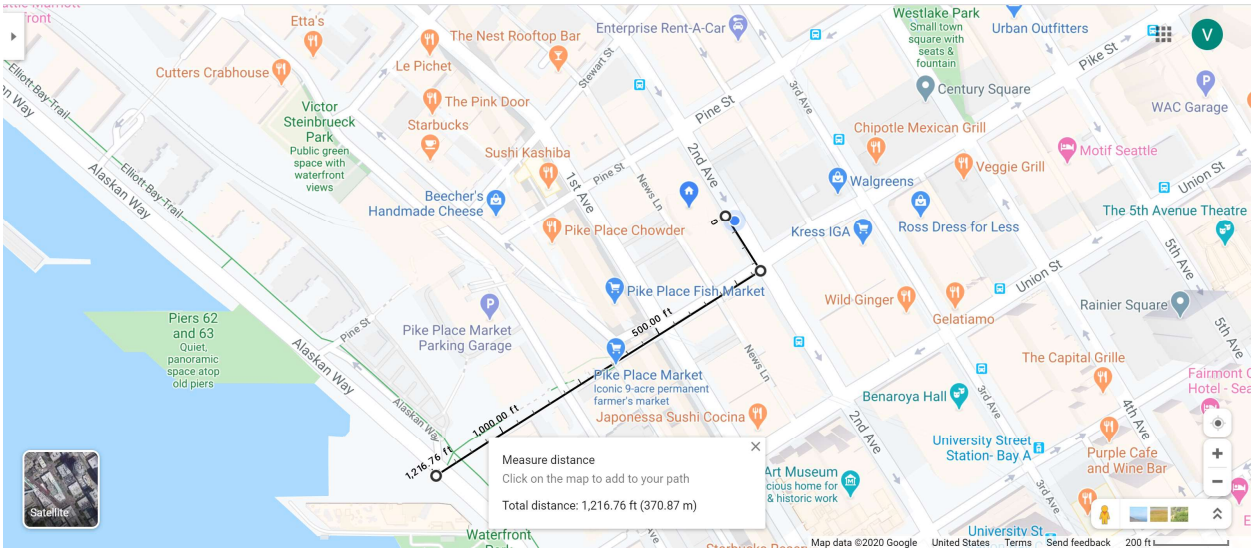
> "Nevertheless, many agencies seek a method of applying a valuation to parks that they can adapt for use in their own communities. An approach is offered here for doing this, **but it is emphasized that this approach can only offer a rather crude "best guess."** The empirical findings from the studies reviewed in this monograph provide a basis for developing a relatively simple "plug and chug" formulary approach that can be used to derive an estimate of the proximate premium in a community.

This model was never intended to be used as an assessment tool. If it indicates material increases in prices then, as it was intended, it generates an increased tax base and proximate residents will pay those taxes if and when the estimated price increases are actually realized.

Appendix 1 - Maps



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Pike Place Fish Market
Pike Place Chowder
Pike Place Market
Iconic 9-acre permanent farmer's market
Japonessa Sushi Cocina
Pike Place Market Parking Garage
Piers 62 and 63
Quiet, panoramic space atop old piers
Alaskan Way
Elliott Bay Trail
Pine St
2nd Ave
1st Ave
News Ln
Etta's
The Nest Rooftop Bar
Enterprise Rent-A-Car
Westlake Park
Small town square with seats & fountain
Urban Outfitters
Cutters Crabhouse
Le Pichet
The Pink Door
Victor Steinbrueck Park
Public green space with waterfront views
Starbucks
Sushi Kashiba
Beecher's Handmade Cheese
Stewart St
3rd Ave
Century Square
Chipotle Mexican Grill
Walgreens
Veggie Grill
Motif Seattle
WAC Garage
Pike St
Union St
Kress IGA
Ross Dress for Less
The 5th Avenue Theatre
Wild Ginger
Gelatiamo
Rainier Square
5th Ave
The Capital Grille
Benaroya Hall
University Street Station- Bay A
Purple Cafe and Wine Bar
4th Ave
Waterfront
Satellite
Map data ©2020 Google
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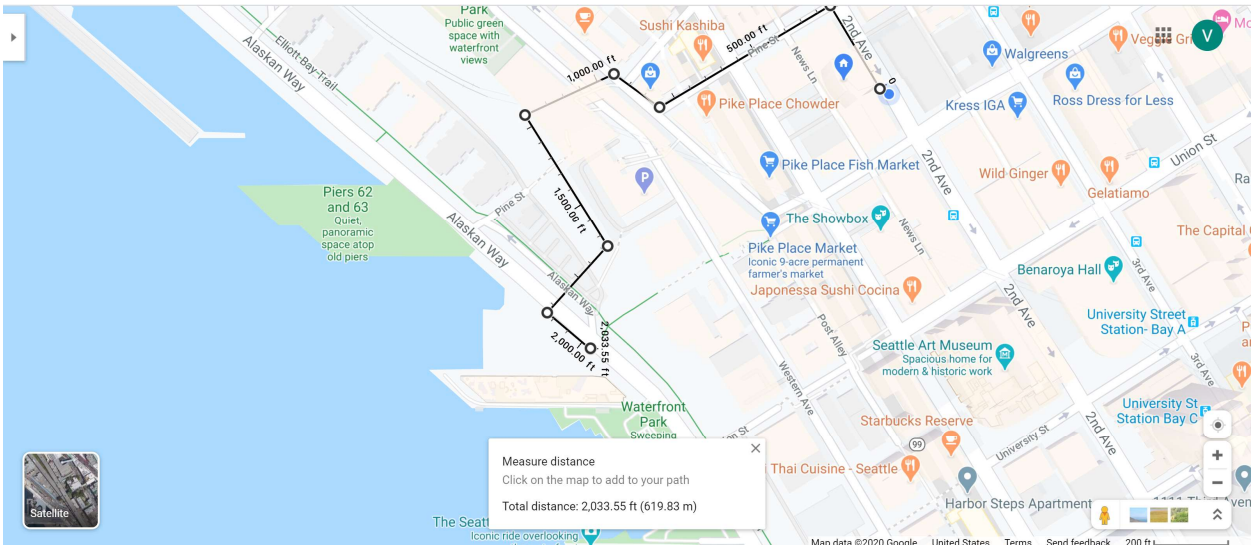
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Sushi Kashiba
Pike Place Chowder
Pike Place Fish Market
The Showbox
Pike Place Market
Iconic 9-acre permanent farmer's market
Japonessa Sushi Cocina
Seattle Art Museum
Spacious home for modern & historic work
Starbucks Reserve
Thai Cuisine - Seattle
Harbor Steps Apartment
Waterfront Park
Piers 62 and 63
Quiet, panoramic space atop old piers
Alaskan Way
Elliott Bay Trail
Pine St
2nd Ave
News Ln
Post Alley
Western Ave
University St
Walgreens
Kress IGA
Ross Dress for Less
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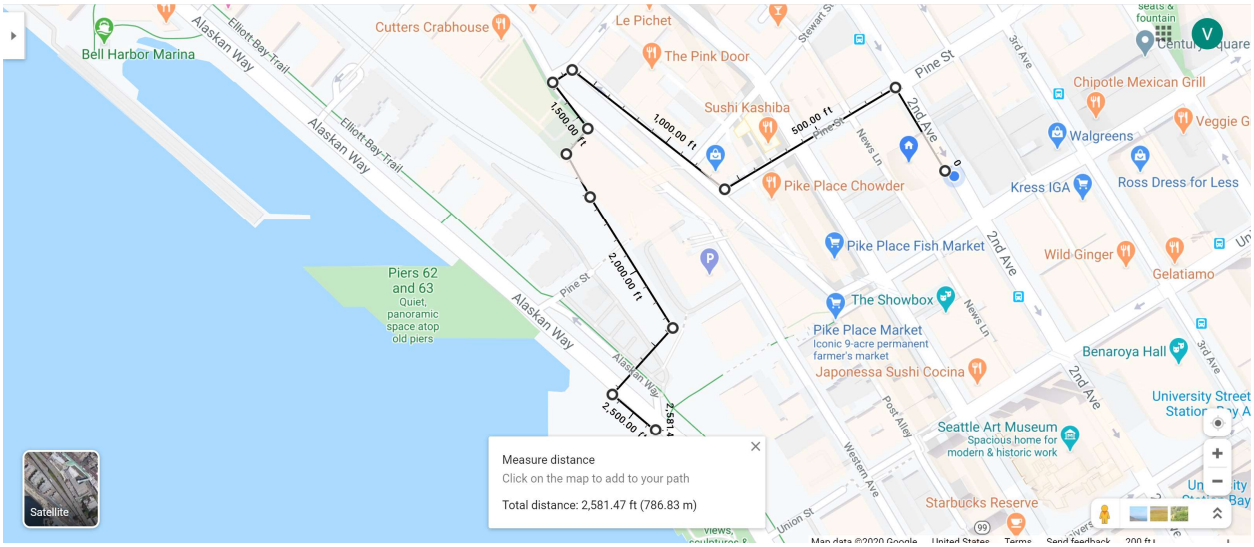
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Bell Harbor Marina
Cutters Crabhouse
Le Pichet
The Pink Door
Sushi Kashiba
Pike Place Chowder
Pike Place Fish Market
The Showbox
Pike Place Market
Iconic 9-acre permanent farmer's market
Japonessa Sushi Cocina
Seattle Art Museum
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Piers 62 and 63
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Alaskan Way
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Post Alley
Western Ave
Union St
Stewart St
3rd Ave
Chipotle Mexican Grill
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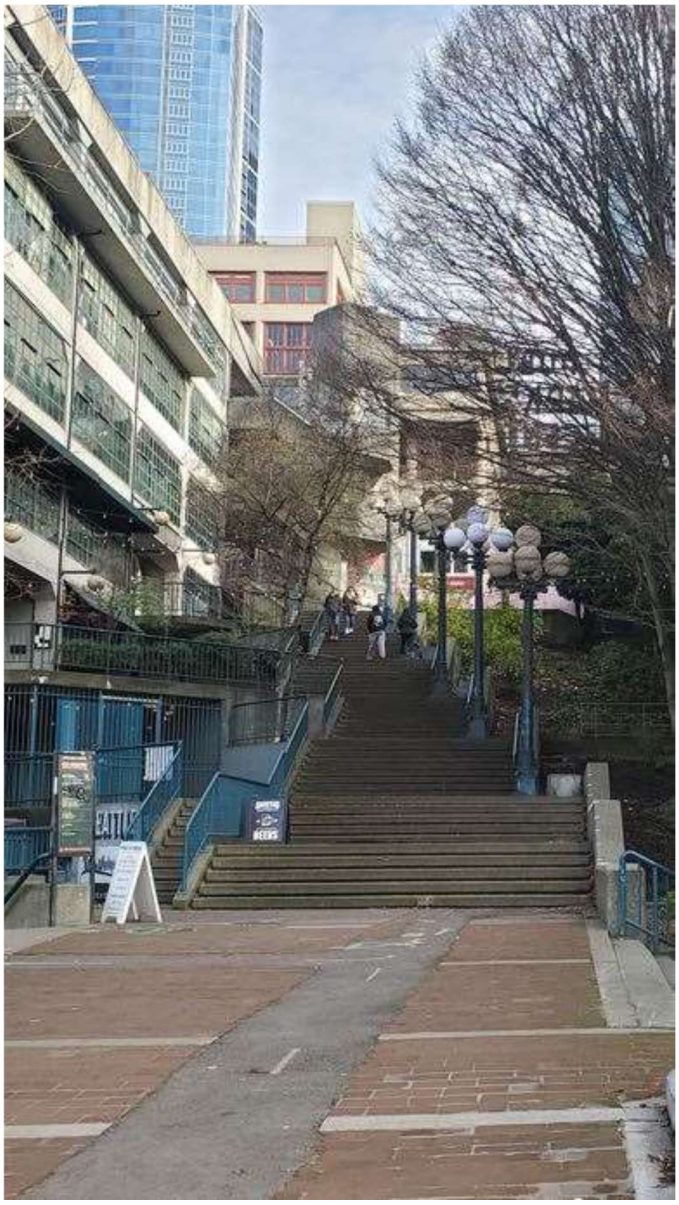
Walking Distance to Waterfront from Fifteen Twenty-One (line of Sight ~1,000')

Pike Street Hill Climb	1,216'
Overlook Walk (Market open)	~2,033'
Overlook Walk (Market closed)	~2,581'

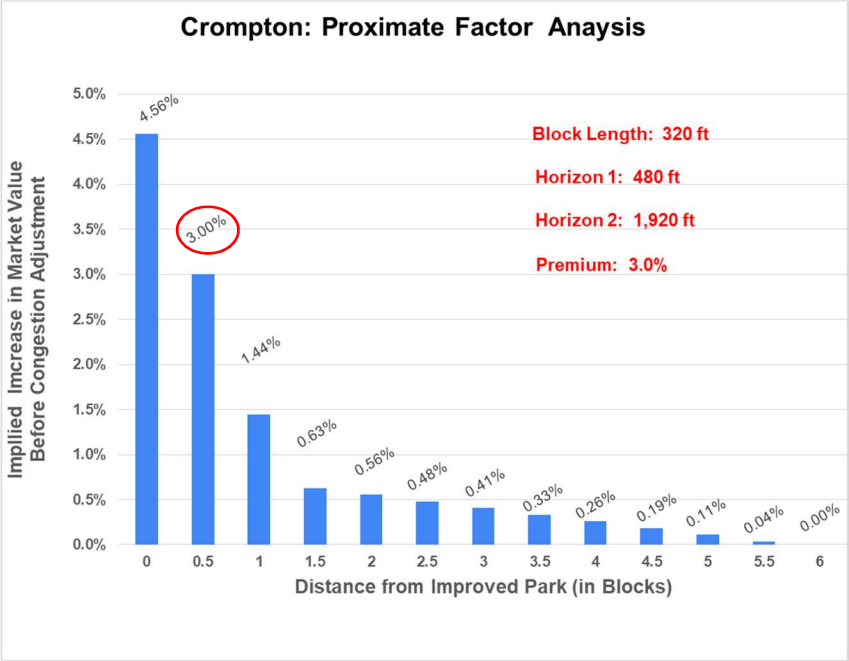
The Overlook Walk is redundant inefficient access.

Pike Street Hill Climb

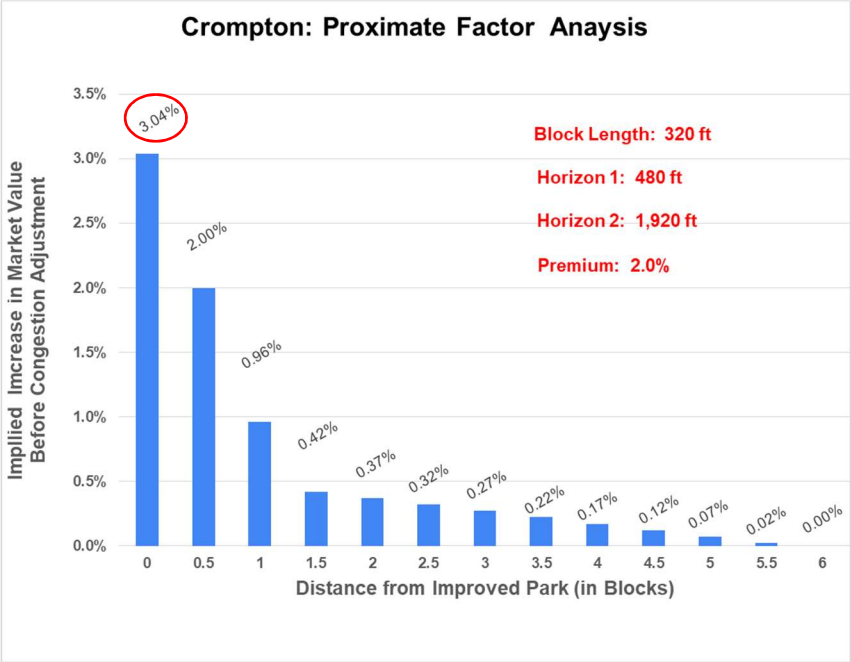
Current access to the waterfront from the Pike Place Market is the Pike Street Hill Climb, a series of steps or by elevators from the Skybridge to the Market Garage. These access points remain unchanged in the after condition.



Appendix 3 – ABS Valuation Premiums



Assuming 3% Average Capitalization Premium

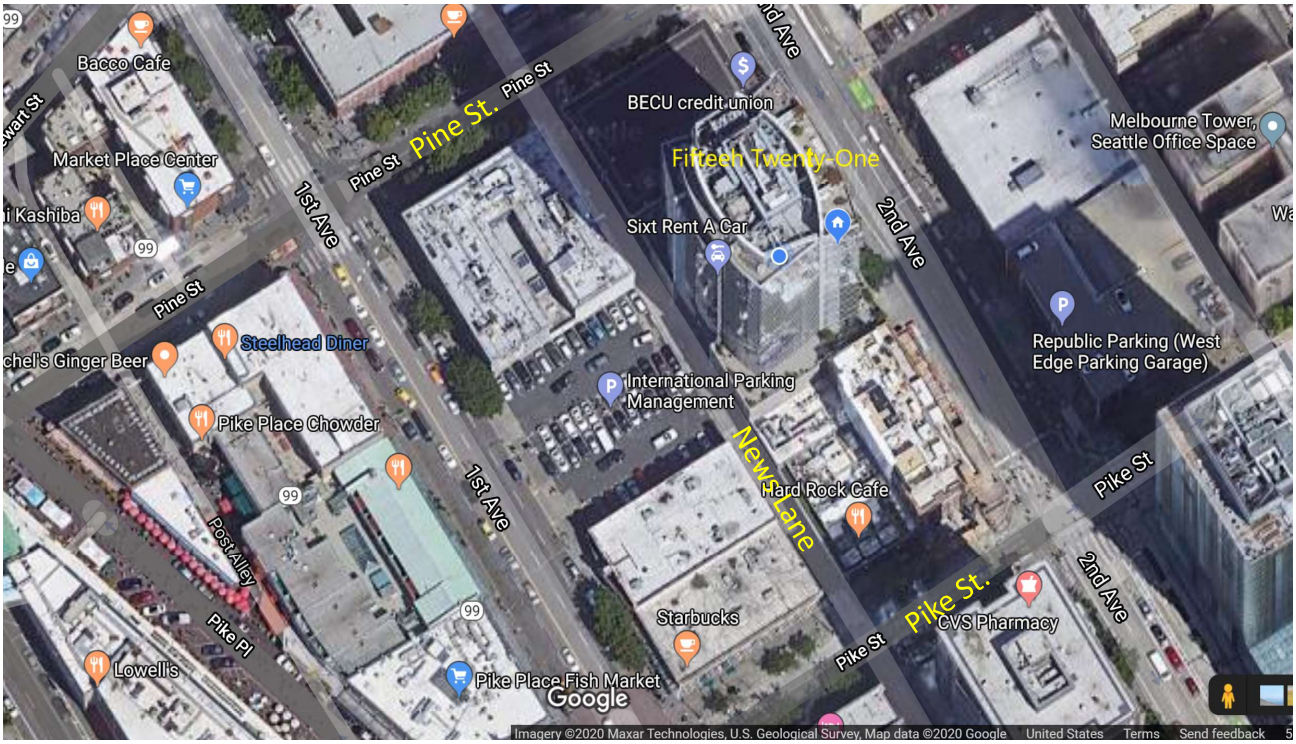


Assuming 3% Maximum Capitalization Premium

Appendix 4 – Pike and Pine

The Study has no cites providing evidence that street beautification projects, such as the Pike and Pine improvements generate any increase in residential properties. The Economic Benefits of Sustainable Streets" published in 2014 by the New York City Department of Transportation, provides only information on retail sales levels and does attempt to estimate changes in real estate prices. I conclude that here is no price appreciation for homes in Fifteen Twenty-One. If the city prevails in consolidating the costs and special benefits of the discontinuous LID Improvements, the negative value of Pike and Pine will have to be quantified and considered in the consolidated assessment.

However, there is a material negative effect that is unique to the location the building. It has two parking garages, totaling 297 parking spaces, with entry/exit at the rear of the building. The upper garage entry/exit is directly onto News Lane, the alley behind the building. The lower garage entry/exit is onto a breezeway with access to News Lane. The Pike and Pine Improvements will turn the streets at both end of News Lane into "shared space" pedestrian plazas.

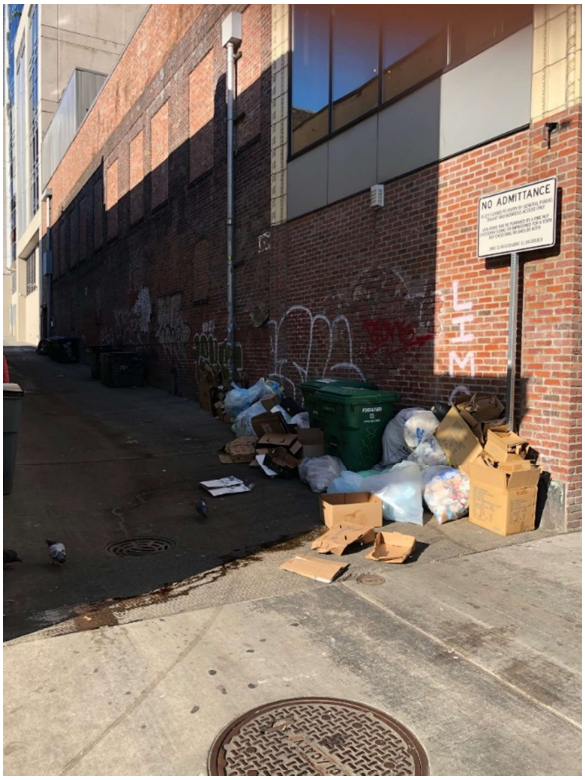


Access in and out of our garages is already an issue. These changes will further constrict access to and from our garages. Service trucks use the alleys and traffic on Pike is heavy, especially at rush hour when traffic coming north on First Avenue turns east up Pike heading for the express lane entrance to I5. On weekends and in summer it will be much more difficult for us and dangerous for the cyclists and pedestrians that we have the responsibility to avoid.

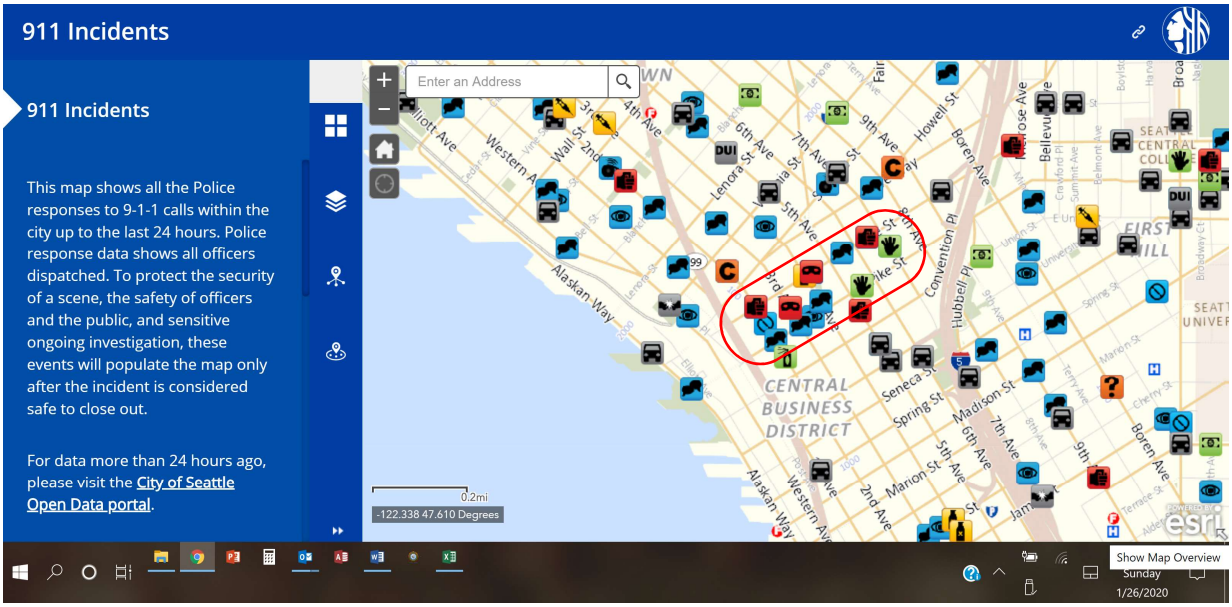
These changes are viewed as a substantial net negative by current residents. Attached is a copy of a recent Seattle Times article on the current importance of parking in downtown luxury condominiums.

Pike St. looking west from Second Ave. It will be many years before the trees mature to look anything this.

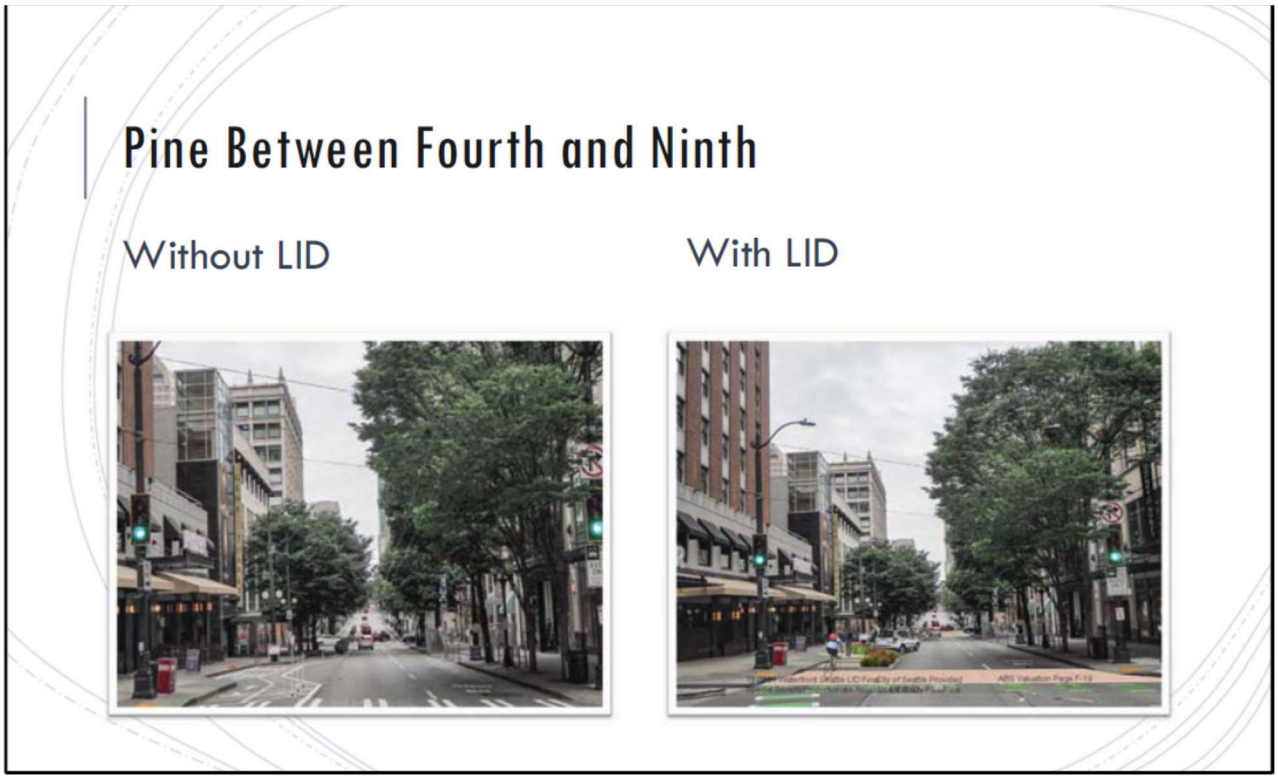
Pine Street looking west from Second Avenue. The reality of the Pike/Pine corridor is much different than pictured above.

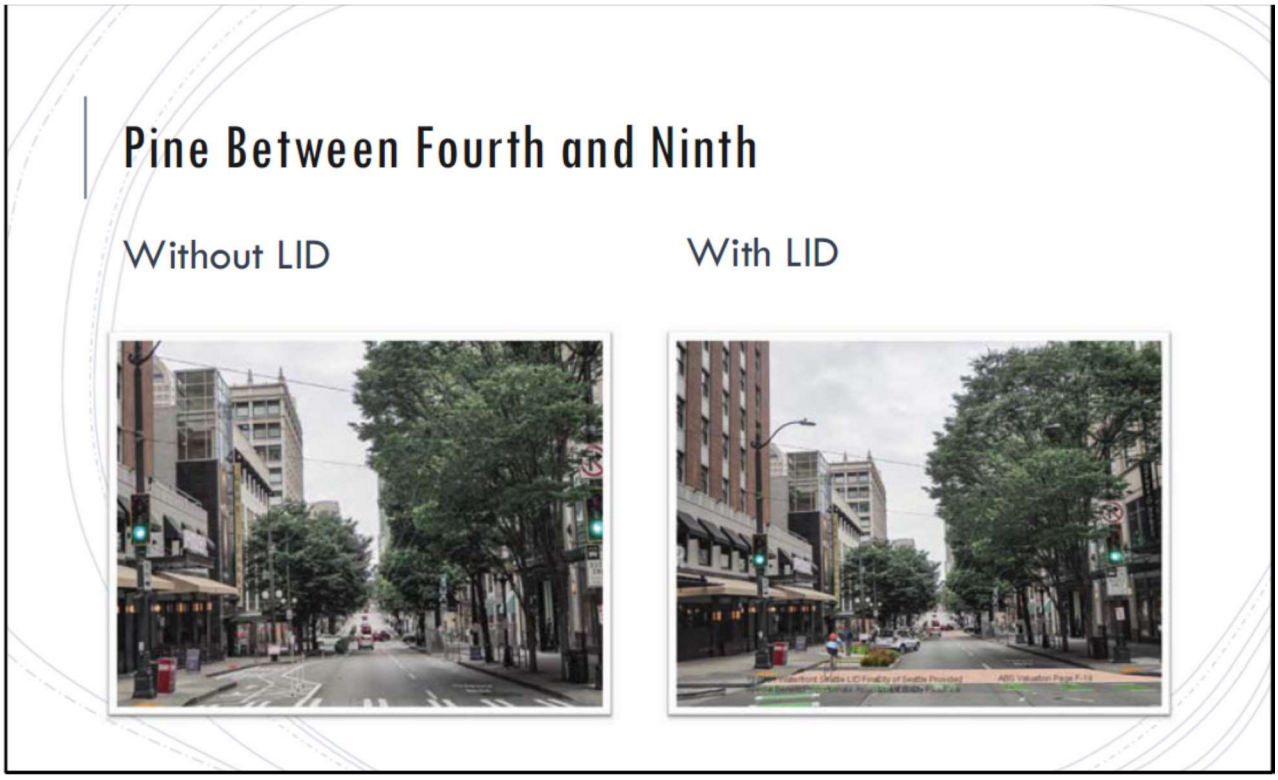


Pike St South Side 2/18/2020



No material visual differences looking east on either Pike or Pine.





Appendix 5 - HR&A Study

ECONOMIC & FISCAL IMPACTS | NET NEW VISITATION METHODOLOGY

HR&A then estimated the share of regional vs. out-of-town visitors, and how much time these visitors might spend in the park.

Visitor Type	Share of 8M Projected Visitors	Net New Visitor Days Per Person	Net New Visitor Days
Regional Residents			
Downtown (park adjacent)	<1%	0	0
City Residents (non-adjacent)	8%	.11	69K
Metro Residents (non-city)	37%	.11	327K
Subtotal	*45%*		*396K*
Tourists			
Day Visitors	28%	.25	566K
Overnight	27%	.25	539K
Subtotal	*55%*		*1.1M*
Total			**~1.5M**

Note: Distribution of visitors, % regional v. tourists, is based on comps from the High Line and Hudson River Park. Distribution of regional residents is based on population distribution. Distribution of day v. overnight tourists is based on 2016 Longwood Tourism Study for Seattle. Net new visitor days per person is based on precedent research on time spent in open spaces by residents and out-of-town visitors, based on an 8-hour day.

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