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May 1, 2017

Hearing Examiner Phyllis Macleod
Tacoma City Clerk
City of Tacoma
747 Market Street
Tacoma, WA 98402



RE: *William and Ann Riley's Objections to LID Assessments – Broadway LID No 8645*
LID Parcel Nos. 107, 108, 128, 131, 136, 137, 138, 146, 147

As the Examiner will recall, I represent William and Ann Riley, who own, or are members of entities that own the following parcels that are within the Broadway LID No. 8654.¹ The chart below shows the assessments the City proposes to levy against Riley's properties, inclusive of the so-called assessments for "additional work" that the City alleges were for the exclusive benefit of the specific property.

LID	Tax Parcel	Street No. Broadway	Est. Assmnt	LID Assessment	Add'l Work	Total Assessment
107	200406-006-0	440	71,359	91,123		91,123
108	200406-007-0	454	95,668	122,084		122,084
128	200705-014-0	747-753	37,573	46,130	14,381	60,511
131	200706-001-6	702-704	36,187	57,949	18,132	76,081

¹ LID Parcel No. 128, located at 747-753 Broadway is owned by William and Ann Riley, Doris Carlisle and the Estate of Dale Carlisle. LID Parcel No. 147, located at 740-744 Broadway, is owned by Bimbo Associates, LLC. William Riley is one of the owning members of the LLC.

CC: HEX
Legal
LID

COPY
EX.59

Reply to:
Tacoma Office
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LID	Tax Parcel	Street No. Broadway	Est. Assmnt	LID Assessment	Add'l Work	Total Assessment
136	200706-003-0	712-714	33,568	32,417	13,675	46,092
137	200706-004-0	718-720	33,568	32,417		32,417
138	200706-006-0	722	50,254	48,625	31,903	80,529
146	200706-009-0	736-738	33,568	77,704	5,310	83,014
147	200706-010-0	740-744	39,429	52,158	6,076	58,234

This letter is intended to supplement the written objection (with attachments) dated and submitted to the Hearing Examiner on March 29, 2017, as well as the direct and cross-examination testimony elicited at the March 29 hearing.

PROFESSIONAL CRITIQUE OF THE VALBRIDGE SPECIAL BENEFIT STUDY

At the March 29, 2017 hearing, Riley presented a significant critique of the Valbridge Special Benefit Study, which is the sole basis for the City's proposed assessments. The criticisms include, without limitation that:

- Valbridge failed to prepare a before and after valuation analysis for office/retail properties. Valbridge determined "asking rents" for these properties (ranging from \$6 to \$12 per square foot) to establish a "before value" using the income approach to valuation. (See Valbridge Report at p. 6.) But Valbridge did not determine an "after value." Instead, Valbridge arbitrarily selected 4% as the increase in value attributed to the LID improvements and uniformly applied this rate to the "before values" for all office retail properties. (*Id.*, at pp. 7-10.) The Valbridge study provides no data or analysis to support the selected 4%.
- Valbridge based its special benefit analysis for office retail properties exclusively on the following: (1) Valbridge compared the change in vacancy rates and "walkability scores" for each subject property to four other nearby areas that Valbridge claims are comparable, but the four areas did not have a streetscape LID improvements and (2) Valbridge considered a study that evaluated the impact of streetscape improvements on sales activity (not sales prices) in New York, but Valbridge acknowledged the study is "not definitive." Valbridge failed to present any evidence that these improvements are

EX-21

indicators of value increases, much less that special benefits may be quantified based on this data.

- With respect to the vacancy rate comparison, Valbridge noted a “dramatic” drop in vacancy rates in 2014 for the subject LID area as compared to the 5-year average, but failed to inform the Examiner that the vacancy rates for the LID areas were artificially high due to the extended construction period that started in 2008, and did not end until 2011. Thus, the comparison was unreliable as a measure of valuation for the special benefits from the LID improvements.
- Valbridge failed to present any data that walkability scores are a reliable or even viable measure for property value.
- The Valbridge Special Benefit Study, as it relates to office/retail properties, was based on the income approach, which calculates property value by applying a capitalization rate to market rents. But the study failed to address the data provided in the report addenda that rents in the subject LID area not only declined after the LID improvements, but compared unfavorably to the four comparison areas. This data indicates that property values in the subject LID area actually decreased after the LID improvements were completed.

Since the March 29, hearing, Riley retained Appraiser Barbara Montro, who is not only a certified MAI appraiser, but is also certified for appraisal review. Ms. Montro prepared a detailed Appraisal Review, which is attached as Exhibit A to this letter. Her professional opinion confirms that the Valbridge Report is unreliable and cannot support the proposed assessments as being representative or equivalent to the value of special benefits conferred to the LID parcels.

The Montro Report identifies several specific errors in the Valbridge Report, including that the Report does not meet the Uniform Standards of Professional Appraisal Practice (“USPAP”) so as to qualify as an Appraisal Report, Restricted Appraisal Report or Mass Appraisal. The summary of Ms. Montro’s conclusions is set forth on pages 17 and 18 of her Appraisal Review Report. Ms. Montro concluded that “the work product reviewed is incomplete and is not a USPAP compliant appraisal report format,” and that there “is an abundance of errors that are deemed to be material errors affecting the credibility of the results and the value conclusions are not reasonable.” (*Id.* at p. 17.)

With regard to the claimed 4% increase for office/retail properties, Montro concludes that the Valbridge Report presents “no supportable evidence that overall property values increased from 2008 to 2011.” (*Id.* at p. 18.) With regard to the comparable vacant commercial land sales presented in the Valbridge Report, Montro concludes the Report “misleads the client and intended users that there was a 40% increase in land values from 2008 to 2011” (presenting a

purported before value of \$25/sf and a purported after value of \$35/sf). But the market data will not support a value increase of more than 10%. (*Id.*)

Ms. Montro does express an opinion that there is a benefit to the Broadway LID project. But she concludes:

[T]he [Valbridge] Report does not provide adequate data, analysis or reliable conclusions to quantify the value of the LID improvements. There is no data to support the 40% increase in land values stated in the Report. Likewise, no credible data was presented to support the 4% increase for office-retail properties in the LID area. Based on my review, the data presented is misleading, the Report has an abundance of errors, the value conclusions are not credible, and the conclusions appear to be substantially overstated.

As noted in Riley's prior submittal, special assessments cannot simply spread the costs of the improvements. The property upon which assessments are imposed must be peculiarly benefited so that the owner does not, in fact, pay substantially more than he receives by reason value of the improvement. *Sterling Realty Co., v. City of Bellevue*, 68 Wn.2d 760, 415 P.2d 627 (1966); *Hasit, LLC, v. City of Edgewood*, 179 Wn. App. 917, 933, 329 P.3d 163 (2014). The value of the special benefit from an LID is measured by the difference between the fair market value immediately before and immediately after the improvements – it is the increase in fair market value attributable to the local improvements. *Hasit, LLC, supra*, 179 Wn. App. at 933; *Kusky v. City of Goldendale*, 85 Wn. App. 493, 498, 933 P.2d 430 (1997); *Doolittle v. City of Everett*, 114 Wn.2d 88, 93, 786 P.2d 253 (1990). Special assessments levied against any given parcel may not exceed the value of the special benefit conferred to that parcel solely by the improvement. *Hasit*, 179 Wn. App. at 933; *Bellevue Plaza, Inc. v. City of Bellevue*, 121 Wn.2d 397, 404, 851 P.2d 662 (1993); *Doolittle*, 114 Wn.2d at 102-04. An assessment against property that exceeds the value of the special benefit from the improvements constitutes a deprivation of property without due process of law. *Hasit*, 179 Wn. App. at 933

A reviewing Examiner may initially presume that the properties within the LID are specially benefited and that the recommended assessments are fair. *Indian Trail Trunk Sewer v. City of Spokane*, 35 Wn. App. 840, 841-42, 670 P.2d 675 (1984). But the Examiner may not simply rest on that initial presumption. The presumption does no more than place the initial burden going forward with evidence upon the party challenging the assessment. *Id.* at 842. It means only that an assessment will be presumed valid in the absence of a timely filed objection supported by evidence.

A presumption is not evidence and its efficacy is lost when the other party adduces credible evidence to the contrary. Presumptions are the “bats of the law, flitting in the twilight but disappearing in the sunshine of actual facts. The sole purpose of a presumption is to establish which party has the burden of going forward with the evidence on an issue. The ultimate burden of showing that the LID is specially benefited remains with the City. (Citations omitted.)

Id. at 843. See also, *Bellevue Plaza, Inc. v. City of Bellevue*, 121 Wn.2d 397, 404, 851 P.2d 662 (1993). Thus, upon the presentation of credible evidence contrary to these presumptions, the burden of proof shifts to the City. *Hasit*, 179 Wn. App. at 935-36.

Here, Riley has presented more than sufficient evidence to negate any initial presumption that assessments as set forth by the Valbridge are fair and representative of any actual special benefit value. Indeed, the evidence establishes that the Valbridge Report does not present credible special benefit valuations and cannot be the basis for levying assessments on the LID properties. The City has failed to meet its burden of proof to support the proposed assessments.

RILEY’S PROPOSED ASSESSMENT ADJUSTMENTS

Riley questions that value was added to his office-retail properties. Nonetheless, he proposes that his office retail properties be assessed based upon a 1% increase in value attributable to the LID improvements. (Certainly no data has been presented to support a special benefit value greater than 1%.) In the chart on the following page, a proposed assessment is calculated for each office-retail parcel by applying 1% to the “before value” for each parcel set forth in the Valbridge Report summary spreadsheet, which are as follows: 128/197 (\$1,186,380), 131/214 (\$1,490,342), 136/219 (\$833,706), 137/220 (\$833,706), 138/121 (\$1,250,555), 146/234 (\$1,998,383), and 147/235 (\$1,341,400). Relevant pages of the Valbridge summary spreadsheet, with the Riley properties highlighted, are attached as Exhibit B.

For LID Parcels 107 and 108, which are largely unimproved, Riley proposes assessments based upon a 9.75% increase in value. LID Parcels 107 and 108 are vacant lots that are paved and striped and currently used for parking. Thus, the analysis applied to properties fully improved for office-retail use does not apply. The Montro Report’s critique of the Valbridge vacant land comparable land sales (*see* pages 8-10), supports the conclusion that the \$10 per square foot special benefit value applied by Valbridge is grossly overstated. As noted on page 9, ¶ d of the Montro Report, the 2009 and 2012 sales of the LID property located at 545 Broadway (Valbridge Comparable Sales 2 and 8) present viable comparables, respectively, for before and after values of vacant land LID parcels. As reported by Valbridge, the increase in land value for this property over the three-year period was \$3.41 per square foot. For the proposed assessment, Riley

generously assumes that the entire increase in value is attributed to the LID improvements, even though the improved market conditions in 2012 (as compared to 2009) likely explain the majority of the increased value. Applying a \$3.41 per square foot special benefit value to 9,374 square feet for LID Parcel 107 and 12,559 feet for LID Parcel 108, the proposed assessment for LID Parcels 107 and 108 are \$31,853 and \$42,826, respectively.

Finally, Riley proposes no assessment for LID Parcel 131. This is the parcel that was already improved with new sidewalks along both the Broadway and 7th Street frontage before the LID work. The City did not increase the value of this property. To the contrary, the City's negligent construction of these sidewalks caused flooding in the building, subjecting Riley to a lawsuit, a lost tenant and substantial repair expenses.

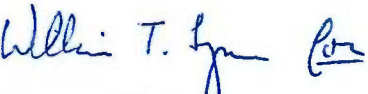
LID	Tax Parcel	Street No. Broadway	LID Assessment per Valbridge	Special Benefit (1% value increase)	Additional Work (only as documented) ²	Total Proposed Assessment
107	200406-006-0	440	91,123	31,853		\$31,853
108	200406-007-0	454	122,084	42,826		42,826
128	200705-014-0	747-753	46,130	11,864	<i>11,000</i>	22,864
131	200706-001-6	702-704	57,949	0 / 14,903	<i>11,000</i>	0 / 11,000
136	200706-003-0	712-714	32,417	8,337	<i>11,000</i>	19,337
137	200706-004-0	718-720	32,417	8,337		8,337
138	200706-006-0	722	48,625	12,506	<i>11,000</i>	32,506
146	200706-009-0	736-738	77,704	19,984	0	19,984
147	200706-010-0	740-744	52,158	13,411	6,076	19,487

² Numbers in italics are reduced from the "additional work" assessments proposed by the City. As discussed in Riley's March 29 written objection, the City has failed to present documentation to demonstrate that Riley consented to additional work charges in excess of those amounts.

Gordon Thomas Honeywell LLP
April 28, 2017
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Thank you for your consideration.

Very truly yours,


Margaret Y. Archer

MYA:mya
Enclosures
cc: William Riley



Barbara R. Montro, MAI, AI-GRS

Montro & Johnston Appraisals

308 Tacoma Avenue South
Tacoma, Washington 98402
253-584-5505

Appraisal Review Report

PROPERTY & INFORMATION:

Project Name: Broadway LID Special Benefits Study

Property Location: Properties in a 14.75 acre section of downtown Tacoma within Pierce County, Washington state located in the Broadway LID Special Benefits Study. Comprised of 411 tax parcels containing 295 properties.

APPRAISAL INFORMATION:

Appraisers: Darin A. Shedd, MAI, Matthew C. Sloan and Mary Hammel of Valbridge Property Advisors.

Date of Appraisal Report: January 20, 2017

Date of Appraisal Report Value: August 1, 2011 Before Value
August 1, 2011 After Value

Appraisal Scope: To develop the retrospective, 'before' and 'after' Market Value of the Fee Simple interest in 295 properties located on 411 parcels in the Broadway LID Special Benefits area. The subject of this review is the Appraisal Report prepared by the appraisers on January 20, 2017, herein referred to as the Report.

Client of Appraisal: City of Tacoma Public Works

Intended User of Appraisal: City of Tacoma, its representatives and legal counsel.

Intended Use of Appraisal: To allow the City to allocate the project cost to specially benefitted project parcels based on special benefits and individual property assessments concluded by the appraisers.

Extraordinary Assumptions: Pages *i* and *ii* in the Report identify Extraordinary Assumptions.

The Report appears to rely on land sizes and building sizes reported by the assessor and commercial databases. This should be identified as an extraordinary assumption.

The Report did not state the use of their extraordinary assumptions may have affected the assignment results, which is a USPAP Standard 2 requirement.

Property Interest Appraised: Fee Simple interest.

REVIEW INFORMATION:

Reviewer: Barbara R. Montro, MAI, AI-GRS

Date of Appraisal Review Report: This review was completed April 25, 2017.

Date of Appraisal Review Value: October 1, 2008 – Effective Date of the Before Value based on commencement of the Broadway LID improvements.

August 1, 2011 – Effective Date of the After Value based on completion of Broadway LID improvements.

Review Type: Appraisal Review Report.

Client: William Riley.

Intended User of Review Report: William Riley and his legal representative Margaret Archer.

Intended Use of Review: The Intended use is for submittal to the City of Tacoma's Hearing Examiner who will make recommendations on the LID assessments.

The intended use is to determine if the referenced appraisal presents credible conclusions for the seven parcels owned by the client and if the appraisal complies with USPAP.

To intended use is to determine if the appraisal reviewed applied appropriate appraisal methods to determine if there are any special benefits from the completion of the Broadway LID streetscape improvements and utility upgrades from before the project and after completion of the project.

Purpose of Review: The purpose is to determine the completeness of the analysis, the adequacy of the data, the accuracy of the comparable land sales, the relevance of the methodology and the reasonableness of the appraiser's before and after land values for the parcels which William Riley has an ownership interest.

Extraordinary Assumptions The review relies on these extraordinary assumptions in the Report and recognizes their use might have affected the assignment results.

The review process extraordinary assumption is that the data reported from the assessor and commercial databases is accurate, and recognizes their use might have affected the assignment results.

Hypothetical Conditions There are no hypothetical conditions associated with the appraisal review process.

Scope of Work The appraisal was reviewed to determine its conformance to USPAP, the quality of the appraisal report and the reliability of its conclusions.

This review is limited in scope to USPAP compliance and to determine if the appraisal utilized appropriate methods in developing the land value and office-retail value conclusions.

The multi-family statistics, methods and conclusions in the Report is not part of the scope of this review assignment.

I performed a drive-by of the streets identified in the Broadway LID. I inspected the client's land parcels which are improved as a parking

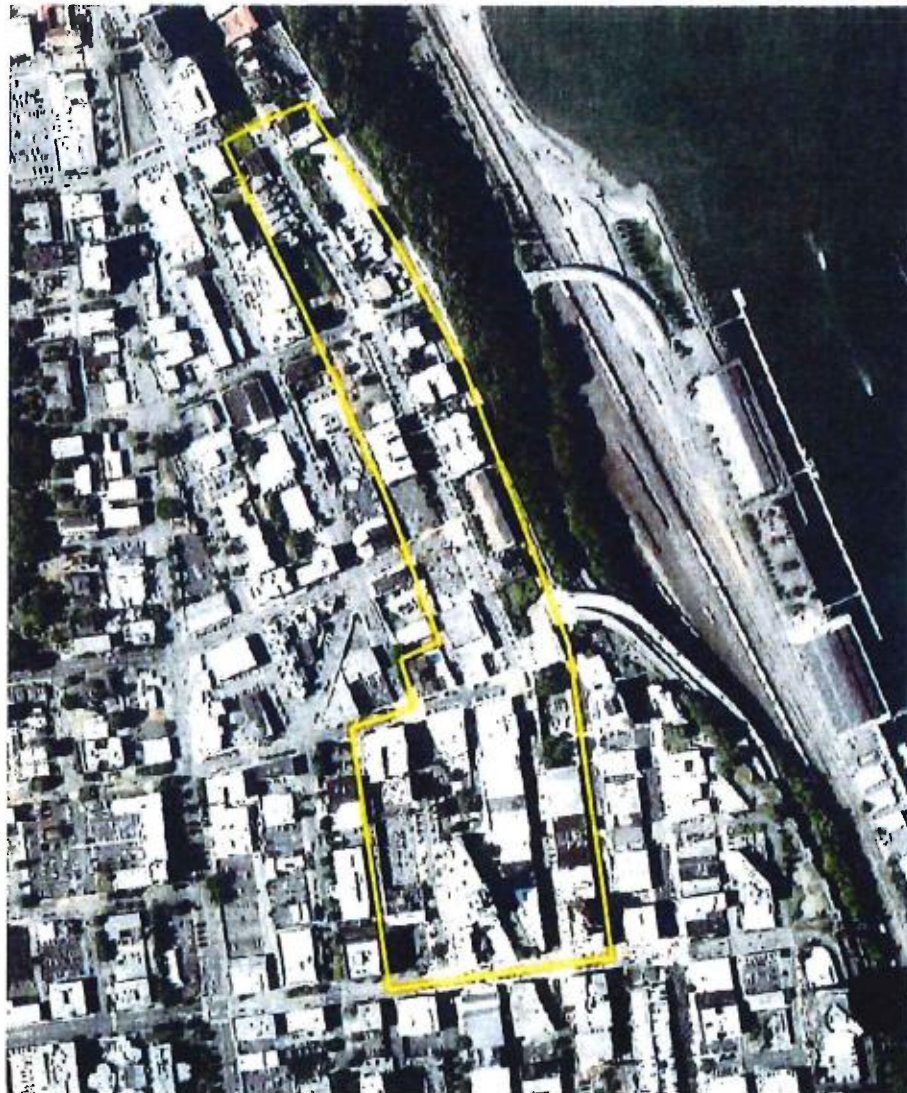
lot and took pictures of the client's four improved buildings.

Property Interest Reviewed

Fee Simple interest which is an absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation eminent domain, police power and escheat.

DEFINITION OF MARKET VALUE From the Washington Pattern Instruction 150.08: "*Fair Market Value is the amount in cash which a well-informed buyer, willing but not obligated to buy the property, would pay, and which a well-informed seller, willing but not obligated to sell it, would accept, taking into consideration all uses to which the property is adapted and might in reason be applied*".

Broadway LID Area Identified in Appraisal



North Boundary: South 2nd Street

South Boundary: South 9th Street

West Boundary: Alley on west side of Broadway from 2nd to 7th, then west to include Webster Bldg, then travels along S. 7th Street to forming a west border from S. 7th to S. 9th Streets.

East Boundary: Stadium Way & Commerce from S. 2nd to S. 9th

Summary of Findings:

1. The Report states it is a 'Restricted Use Appraisal Analysis'. USPAP identifies an Appraisal Report and a Restricted Appraisal Report but no Restricted Use Appraisal Analysis report option.

Letter of Transmittal from Appraisal

*This is a **Restricted Use Appraisal Analysis**, intended to comply with the reporting requirements of the Code of Ethics and Standards of Professional Appraisal Practice, which include **Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute**. The intended use is to allow the city to allocate the project cost to specially*

USPAP is published by The Appraisal Standards Board of The Appraisal Foundation, not by the Appraisal Institute.

USPAP Definition of Type of Appraisal Reports

Standards Rule 2-2

655
656 **Each written real property appraisal report must be prepared under one of the following options and**
657 **prominently state which option is used: **Appraisal Report** or **Restricted Appraisal Report**.**¹⁸

USPAP requires that the analysis be complete and that the results be prepared as an Appraisal Report or as a Restricted Appraisal Report. The Restricted Use Appraisal Analysis prepared is not a recognized appraisal or work product by USPAP.

Once a value conclusion is reported on any property, USPAP requires that the Report be developed as a Restricted Appraisal Report, which states the conclusions, or as an Appraisal Report, which summarizes its conclusions. However, as demonstrated in the following sections the Report prepared by Valbridge does not satisfy the requirements for either an Appraisal Report or a Restricted Appraisal Report. Also, as discussed later in this Review, the Report prepared by Valbridge likewise does not meet the minimum USPAP requirement for developing a Mass Appraisal.

2. On page 3 the appraisers disclosed they did not inspect the subject properties located in the Broadway LID. In the Certifications signed on pages 17-19, the appraisers stated they did inspect the subject properties, which is misleading.

Page 3 of Appraisal

Given the large number of properties impacted by the proposed project, **the appraisers did not conduct full property inspections of each individual property** or interviews with the owners/ taxpayers to obtain the most current, property specific information. This

Certification Page 17 of Appraisal

- **I have made a personal inspection of the subject property.**

It is misleading for the appraisers to declare they inspected the subject properties.

3. The Broadway LID improvements began in October 2008, and were completed August 1, 2011, which is a retrospective value.

Page 2 of Appraisal

sent from the City of Tacoma to the project contractor **on August 1, 2011 and therefore, the before and after project property values reflect a retrospective valuation date.**

The charts in the addenda show the appraisal process relied on market activity from 2009 to 2014.

Area 1 – Wright Park Data Relied Upon - from Addenda



Data from four years after the effective date of value is not representative of market conditions in 2011.

USPAP Effective Date of Value

- 780 (vi) state the **effective date of the appraisal and the date of the report;**⁴¹
- 781 **Comment:** The **effective date of the appraisal establishes the context for the value**
- 782 **opinion,** while the date of the report indicates whether the perspective of the
- 783 appraiser on the market and property as of the effective date of the appraisal was
- 784 prospective, current, or retrospective.

4. The Report concludes a misleading Exposure Period of 3-12 months to sell a property in the subject area.

Page 3 of Appraisal

Exposure Period

This study is based upon a "typical" exposure period of roughly 3 to 12 months, similar to the sales researched. **A 3- to 12-month exposure period is considered reasonable for the subject properties at the appraised values.**

This is misleading as the commercial market was in a recession with exposure times exceeding well over one year.

The chart in the Addenda for the Subject Area is reproduced below and reports that in 2014 the Months on Market (Exposure Period) was 24 months and the five-year period from 2009-2014 averaged 19 months annually.

Subject Area in Addenda – Months on Market - Exposure Period

Availability	Survey	5-Year Avg
Rent Per SF	\$12.82	\$13.05
Vacancy Rate	4.1%	13.7%
Vacant SF	16,500	55,806
Availability Rate	9.1%	17.2%
Available SF	36,947	70,082
Sublet SF	0	600
Months on Market	24.2	19.0

NOTE: The SURVEY Category is as of 2014

The data the appraisal relied upon in the Addenda contradicts the appraiser's conclusion of Exposure Period and is misleading to conclude an active sale market existed in 2011, when the commercial sector was in a recession and properties were not selling from a 3 to 12 month Exposure Period.

5. USPAP Standard 3 for developing a Restricted Appraisal Report requires the appraiser to consider all approaches to value and to state why an approach is excluded.

USPAP Appraisal Methods

794 (viii) state the appraisal methods and techniques employed, state the value opinion(s) and
795 conclusion(s) reached, and reference the workfile; exclusion of the sales comparison
796 approach, cost approach, or income approach must be explained;

The Report did not comply with USPAP's development standards to explain why it excluded the cost approach.

Page 4 of Appraisal

For commercial properties within the LID, the valuation analysis is based on an application of the Income Approach with market rents and expenses applied for each property and capitalized into a value indication. Adjustments are then made for differences such as age, quality, and condition. Comparable sales are also analyzed to ensure that value conclusions are consistent with contemporaneous sales, including sales of the subject properties themselves. Vacant land and individually owned residential condominium units were valued based on a Sales Comparison Approach considering recent like kind property sales. This study sets forth the appraisers' conclusions and a summary discussion of the data, reasoning, and analyses used in the appraisal process.

6. The Report states that for commercial properties the valuation analysis is based on application of the Income Approach. On page 4 it states adjustments were made for age, quality and condition.

Page 4 of Appraisal

For commercial properties within the LID, the valuation analysis is based on an application of the Income Approach with market rents and expenses applied for each property and capitalized into a value indication. Adjustments are then made for differences such as age, quality, and condition. Comparable sales are also analyzed to

The Appraisal of Real Estate 14th edition published by the Appraisal Institute identifies the basic elements for comparisons.

The basic elements of comparison that should be considered in sales comparison analysis are as follows:

real property rights conveyed	fee simple estate, leased fee interest, leasehold interest
financing terms—i.e., cash equivalency	all cash, market financing, seller-financing, special or atypical terms
conditions of sale—i.e., motivation	short sale, bank-owned real estate (REO)
expenditures made immediately after purchase	new roof, renovation costs
market conditions	changes in supply and demand
location	interior lot, waterfront
physical characteristics	size, soils, access, construction quality, condition
economic characteristics	expense ratios, lease provisions, management, tenant mix
legal characteristics	zoning, environmental regulations, building codes, flood zones
non-realty components of value	personal property, furniture, fixtures, and equipment (FF&E), franchises, trademarks

The Report stated it only considered physical comparison characteristics of age, quality and condition. This is an incomplete analysis.

The Report did not perform an appropriate development of the income analysis. An income analysis must start with market rent for a specific property, and consider adjustments for the elements of

comparison to the rent. It is not an appropriate development of the income approach to deduct vacancy and expense from the rent, capitalizing the net income and then make only physical comparison adjustments to develop an 'average market rent'.

7. The Report developed a master spreadsheet and declares it is pursuant to USPAP on Page 4 for a mass appraisal. In a mass appraisal process, USPAP requires the Certification to declare the following:

USPAP Mass Appraisal – Certification Missing

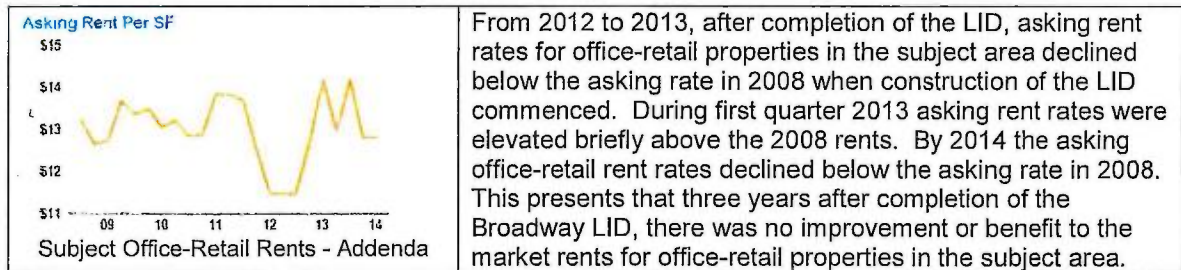
1479 **Standards Rule 6-9**

1480 Each written mass appraisal report must contain a signed certification that is similar in content to the
1481 following form:

1507 — **no one provided significant mass appraisal assistance to the person signing this**
1508 **certification. (If there are exceptions, the name of each individual providing**
1509 **significant mass appraisal assistance must be stated.)**

This is omitted from the Certification pages 17-19 and is not in compliance with USPAP for a mass appraisal.

8. The Report states that for commercial properties the valuation analysis is based on application of the Income Approach with market rents and expenses. The Report fails to disclose the trend for the subject area has been declining asking rent rates.



There is not enough information provided in the Report to determine how the Income Approach was applied.

Page 6 stated Rents utilized ranged from \$6 to \$12 SF for retail and office space. The Report did not state what rents were applicable to the before value conclusion and what rents were applicable to after value conclusion.

9. The Report's Land Sales:

In developing the land value conclusion before the LID of \$25 per square foot and the after land sale value of \$35, the appraisal included the following Comparable Land Sales chart in the Addenda:

Comparable Land Sales

	Subject	Date of Sale		Sale Price	Size Sf.	Zoning	Price Per/sf.
1	217 E. 25th Street 207518-002-1	10/9	Parking Lot	\$800,000 \$310,000 \$490,000	15,423	UCX-1D	\$31.77
2	545-565 Broadway	10/9		\$900,000	24,687	DCC	\$36.46
3	910 Market Street Parking Lot 200906-0020	12/9	Improvement	\$550,000 \$182,000 \$368,000	9,748	DCC	\$40.23
4	1944 S. Fawcett Avenue 201910-016-0	4/10		\$347,500	13,939	DMU	\$24.93
5	3602 S. 19th Street 022072-106-7; -101-3; -103-1; -135-7	6/10		\$1,700,000	58,000	CCX	\$29.31
6	1543 Dock Street 895000-189-3	9/10	Engineering	\$2,100,000 \$600,000 \$1,500,000	60,632	SA	\$24.74
7	2611 Pacific Avenue 207613-004-0; -005-0; 207614-004-0	10/10		\$725,000	29,882	WR	\$24.26
8	545 Broadway Avenue McMenamins 200505-0050	7/12		\$979,741	24,572		\$39.87
9	802-810 S. G Street 200814-001-0; -002-1	6/13	Improvement	\$1,070,000 \$640,000 \$430,000	16,250	DCC	\$26.46
10	633 Division Street 203072-0030 et al.	7/13	Improvement	\$5,825,000 \$2,250,000 \$3,575,000	58,303	NCX	\$61.32
11	601 St. Helens Street 200607-0010	12/13	Improvement	\$750,000 \$340,000 \$410,000	6,000	DCC	\$68.33
12	725 Broadway Avenue 200705-0060/70/80/90/100	7/14		\$700,000	22,000	DCC	\$31.82
13	220 Stadium Avenue 200205-0030/40/50/60 et al.	Listing		\$2,650,000	33,106	DR	\$80.05
14	409 St. Helens Street 200407-0030/40/50/61	Listing		\$2,400,000	27,733	DR	\$86.54
15	454-453 Broadway Avenue 200406-006-0	Listing		\$1,600,000	21,993	DR	\$72.75
16	740 Fawcett Avenue 200710-007-0	Listing		\$700,000	9,000	DCC	\$77.78

Deficiencies in the Report's Land Value Conclusions

- It is unclear why the first column is labeled 'Subject', when this appears to relate to the "Land Sales" utilized to estimate market value.
- Land Sale 1** is the sale of a Diamond parking lot which sold in 2009 prior to completion of the LID and is an indicator of the 'before' land value. The subject of this review is the parking lot owned by Riley at 440 Broadway at the northwest corner of 4th and Broadway.

The Report's Land Sale 1 is the Diamond parking lot that sold in 2009. Since the subject is also a paved parking lot, the parking lot improvements should not be deducted.

The unadjusted sale price is \$51.87 per square foot, and the adjusted price was \$31.77 SF. The parking lot improvements appear to be in good condition and were constructed in 1984. Market conditions in 2009 were superior to 2011.



Land Sale 1 in Appraisal – CBA photo

Land Sale 1 is a parking lot that sold for \$51.87 SF in 2009. The \$20.10 per square foot deduction made by the Report for the contributory value of the parking lot improvements adjusts this sale downwards to \$31.77 SF to arrive at a before value for vacant land.

Marshall and Swift Valuation guide estimates the cost new to install storm drainage, pave and stripe this 42 stall site with signage, lighting, security gate and fencing is approximately \$95,000, which equates to \$6.16 per square foot. This is for new construction for a parking lot improvements, without considering depreciation.

The impact of the appraiser deducting \$20.10 SF, overstates its contributory value of the depreciated parking improvement that results in a lower before land value conclusion. The impact creates a wider spread of the before and after values.

- c. **Land Sale 3** is the sale of a 26 space parking lot on 910 Market Street which sold in December 2009. The parking lot was constructed in 1968. It is partially fenced, but does not have a gate controlling access. This is an interior parcel with narrow frontage (75 feet) compared to the subject's 120 x 182 frontage. This site is overall inferior to the subject's parking lot with corner frontage and better views. The appraiser deducted the parking lot improvements at \$19.90 SF. The site is not fenced and does not have a gate. Estimating the cost new of \$1,800 per stall for engineering, survey, permits, rough grading, drainage, paving, striping lighting and signage indicates \$47,000 or \$5.14 SF. The parking lot was constructed in 1968, indicating the depreciated cost new would be less than \$5.14 SF.

Adjusting the Land Sales 1 and 3 for the cost new of their parking lot improvements would indicate a before land value in the range from \$45 to \$55 per square foot and comparing it with the Report's Land Sale 8 and 12 would indicate land values decreased.

Before Land Sales	Location	Date of Sale	Sale Price	Land Size Sq. Ft.	Price per Sq. Ft.	Parking Lot Improvements	Unimproved Land Value
Valbridge Sale 1	217 E. 25th Street	Oct. 2009	\$800,000	15,423	\$51.87	(\$6.00)	\$45.87
Valbridge Sale 3	910 Market Street	Dec. 2009	\$550,000	9,148	\$60.12	(\$5.00)	\$55.12
After Land Sales							
Valbridge Sale 8	545 Broadway	Jul-12	\$979,741	24,572			\$39.87
Valbridge Sale 12	725 Broadway	Jul-14	\$700,000	22,000			\$31.82

The Report's land sales average of \$50 SF in 2009 compared to the average \$35 land value in 2012/2014, represents a 30% decline. This does not support the Report's conclusion of a 40% increase in land values, from their conclusion of \$25 before to \$35 SF after the LID.

This declining trend in land values is consistent with market conditions observed when 2008 was reaching a market top for commercial properties and by 2011 there was very limited demand and declining values. Demand for new construction would not reappear until 2016, and resulted from improving market conditions, job and population growth. Financing for new construction was problematic and limited during the Great Recession, which affected demand for land values.

- d. **Land Sale 2** is reported to have sold for \$36.46 per square foot in October 2009. This property resold and is identified as **Land Sale 8** in the table. The Appraisal reports it resold for \$39.87 per square foot in July 2012. This property is located in the Broadway LID area. From October 2009 to July 2012 the land value increased 9.35% over the span of 3.75 years. While some portion of the increased land value might be attributed to the LID improvements, it is impossible from the data provided in the Report to quantify an increase in value, if any, that may be attributed to LID improvements as opposed to general improvements in market conditions.

The Report's before land value conclusion of \$25 and the after land value conclusion of \$35

represents a 40% increase in land values. This conclusion is not supported by their market data.

- e. **Land Sales 9-11** are less reliable indicators as the appraiser deducted improvements. The reliability is in question, since the adjustments to Land Sales 1 and 3 are misleading.
- f. **Land Sale 12** sold in 2014, after the August 2011 date of value.
- g. **Land Sales 13-16** are listings which ultimately did not sell in 2014 nor in 2015, and thus cannot be used to determine market value.
- h. The Report provides no comparable land sales from 2011. In 2011 there was no demand for new construction and closed land values had declined to the range from \$5.38 to \$16.67 per square foot. The following chart represents closed Land Sales researched by Montro & Johnston that are significantly less than the Report's \$35 SF after land value conclusion for 2011 and indicates there was a declining trend in land values since 2008.

Montro & Johnston Closed Land Sales	Sale Date	Land Size	Zoning	Price/SF Land
1. Vacant Land 1920 S. Fawcett Ave, Tacoma	11/11	6,000 SF	DMU	\$16.67
2. Redevelopment Site 1940 S. Yakima Ave, Tacoma	9/11	19,500 SF	RCX	*\$5.38
3. Proposed Townhouse Site 2131 S. G Street, Tacoma	9/11	17,860 SF	DR	\$7.23
4. Multi-Family Redevelopment 2909 S. Fawcett Ave, Tacoma	8/11	15,125 SF	R4	*\$8.96
5. Vacant Land 1928 Fawcett Ave, Tacoma	5/11	3,000 SF	DMU	\$10.00

*Adjusted for demolition.

Listings of land sales researched by Montro & Johnston in 2011 also indicates there was a declining trend in asking values:

Montro & Johnston Listings of Land Parcels	Land Size	Zoning	Asking Price/SF In 2011	Notes of Listings in 2011
6. Vacant Site 2347-2349 Tacoma Ave S.	12,196 SF	WR	\$24.43	Initially listed for \$34.43/SF.
7. DTI Sports Site 110 Puyallup Ave.	32,520 SF	WR	\$17.00	Sold for \$30/SF in 4/10. In foreclosure in 2011, asking \$17 SF
8. Vacant Land 1806 S. G Street	9,583 SF	DR	\$10.96	Listed \$51.13/SF in 5/10, \$25.56/SF in 7/10, then \$23.47/SF in 12/10 Bank owned in 10/12.
9. Vacant Land 1317 S. G Street	9,500 SF	DR	\$18.42	Listed for 9.5 months. No price reductions.
10. Vacant Land 2300 S. I Street	22,500 SF	RCX	\$18.22	Bank owned. Listed for \$32/SF in 2/11. Reduced in 7/11.

*Includes demolition allowance.

- 10. **Office/Retail Statistical Analysis.** The appraisal relied upon trends in vacancy rates in the Subject Area compared to Areas 1-4 in concluding there is a 4% increase in property values after the LID was completed. The data is misleading and does not support this conclusion.

Office/Retail Statistics

Area	Walkability Score	Total # of Buildings	Current Vacancy Rate	5 Year Average Vacancy Rate
Subject LID	93	32	4.10%	13.70%
Area 1	93	46	4.50%	7.60%
Area 2	88	26	15.30%	11.20%
Area 3	89	27	19.30%	10.80%
Area 4	71	25	6.50%	4.90%

Area 3 is the Stadium District and has the least number of properties in Costar's survey. Mark Abbott is the CoStar representative for the Pierce County market. Abbott confirmed that Costar reports what he calls datapoints of all the properties they survey in an area. In replicating Area 3 office and retail properties surveyed, the vacancy spiked because CoStar confirmed an investor purchased the building at 633 Division with the intention of repurposing it from the Titus-Will dealership to retail. CoStar then erroneously treated this retail space as vacant, which spiked the vacancy in Area 3 after its purchase in 2013. However, the building was not vacant. From the google picture in July 2015, Titus-Will was still occupying the building.



The leasing agent, Justin Holmes, confirmed Titus-Will did remain in the property through 2015 and it was not vacant in 2014.

Abbott stated that CoStar provides datapoints of properties and it is up to the appraiser to sort out any inconsistencies and analyze that data to produce credible results. This was not done in the Report, which treated the Titus-Will portion of the building as vacant, when it was not. Therefore, Area 3 never did have a 19.3% vacancy in 2014.

Moreover, the Report fails to address the fact that the extended LID construction period contributed to the '5 Year Average Vacancy Rate' of 13.7% in the subject area. The Report concluding the significant drop from the '5 Year Average Vacancy rate' resulted from the LID improvements is misleading. The elevated vacancy rate in the subject area was likely the result of impeded access to properties in the LID area, as the client reported elevated vacancy rates during the construction period necessitated lowering market rents to attract tenants during the construction period. The Report fails to inform the intended users the construction phase contributed to the cause of the elevated five-year average vacancy rate.

The inputs into the Report's vacancy survey are incorrect, which makes this analysis unreliable. The scope of this review did not research all the inputs of the areas in the Report's vacancy study.

Walkability Score. The relevant question is did the Walkability Score improve due to the street improvements in the subject area. In the Office-Retail Statistics, the appraiser reported a Walkability Score for the subject area in 2014. Since the before and after walkability scores were not analyzed, the Report did not present there was improvement in its Walkability Score, rendering this analysis is irrelevant.

The relevance of the Walkability Score as an indicator of new developments is questionable since Thea's Landing on Dock Street has a Walkability Score of 57, significantly lower than the subject area's Walkability Score of 93. Although Dock Street has a lower Walkability Score than the subject area, it has attracted new developments such as Thea's Landing. While Walkability Score may have an influence, it is not the primary indicator attracting new developments.

11. **Vacancy Analysis.** In addition to reporting erroneous results, the Retail-Office Vacancy analysis is not a recognized measure to estimate before or after market values. It is not a benchmark to indicate the change in the before or after market values.
12. **New York Study (NYCDOT)** was referenced as an indicator of value. This pertains to eight areas located in New York City and only reports an increase in sales activity. The Report does not analyze sale prices and does not quantify an increase in value from the streetscape improvements in NYC. The Report ultimately concludes this is not a 'definitive study'. Including it as support for increased values associated with LID improvements in Tacoma is misleading.
13. **Subject LID Retail/Office map.** The survey of the retail/office properties map located in the Addenda is different from the Broadway LID map of the subject properties produced in the Report.



Subject Area Map of Broadway LID



Subject Area of Retail-Office Properties in
The Broadway LID in the Addenda

The Report's map of office-retail properties in the addenda omitted a rectangular area from Broadway to St. Helens just north of 7th Street. There is a building with office and retail space that is located in the subject area that was omitted.

14. **Residual Land analysis.** When there are no land sales, land residual analysis is a recognized land valuation method. In 2011 the majority of lenders were not lending on proposed multi-family developments. The Report makes assumptions of what will be built and is a 'what if' analysis.

	Before	After
5-story		
50 unit project		
Initial Value \$200,000 per unit	\$10,000,000	\$10,300,000
Less Sales Costs at 8%	\$800,000	\$824,000
Less Profit 12.5 %	\$1,250,000	\$1,287,500
Less Development costs at \$150,000 per unit	\$7,500,000	\$7,500,000
Less Frontage Improvements	\$30,000	
Land	\$420,000	\$688,500
	\$35.00 /sf.	\$57.37 /sf.
4-story		
40 unit project		
Initial Value \$200,000 per unit	\$8,000,000	\$8,240,000
Less Sales Costs at 8%	\$640,000	\$659,200
Less Profit 12.5 %	\$1,000,000	\$1,030,000
Less Development costs at \$150,000 per unit	\$6,000,000	\$6,000,000
Less Frontage Improvements	\$30,000	
Land	\$330,000	\$550,800
	\$27.50 /sf.	\$45.90 /sf.
3-story		
30 unit project		
Initial Value \$200,000 per unit	\$6,000,000	\$6,180,000
Less Sales Costs at 8%	\$480,000	\$494,400
Less Profit 12.5 %	\$750,000	\$772,500
Less Development costs at \$150,000 per unit	\$4,500,000	\$4,500,000
Less Frontage Improvements	\$30,000	
Land	\$240,000	\$413,100
	\$20.00 /sf.	\$34.42 /sf.

The Report concludes there is an increase in the after land values. Yet, the Report failed to deduct the increased property tax expense from the LID in the after condition. There should be a category 'Less Increase in Property Tax from LID' for the after state. The Report's after conclusions are therefore overstated using this method as well as the conclusion that land values increased is misleading.

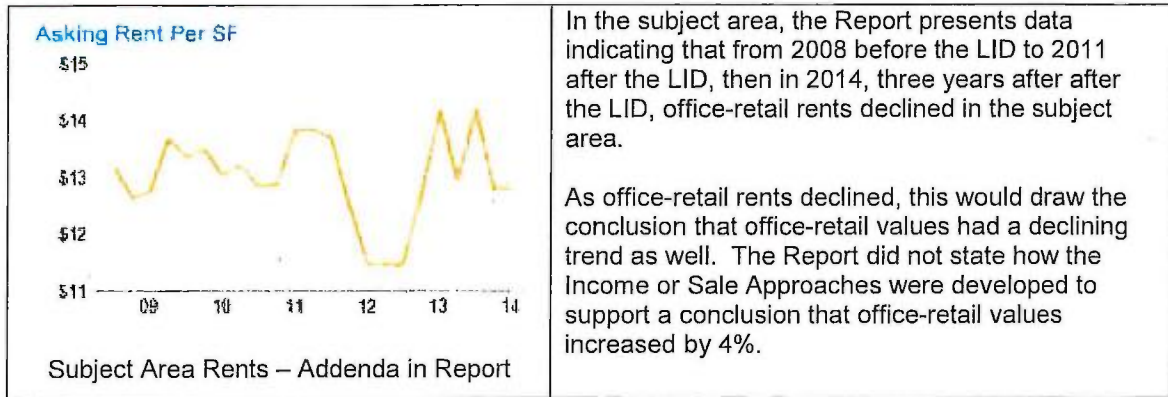
15. **Mass Appraisals – Assessor.** The Assessor utilizes mass appraisal analysis with closed sales. For the properties owned by Riley, Assessor concluded for the following tax assessed values:

Riley								Assessed
LID	Use	2009	2010	2011	2012	2013	2014	Value Trend
107	Parking Lot	\$530,400	\$477,600	\$455,600	\$309,300	\$309,300	\$282,200	-47%
108	Parking Lot	\$710,100	\$639,400	\$609,900	\$371,400	\$312,800	\$312,800	-56%
128*	Office-Retail*	\$516,400	\$525,600	\$532,200	\$347,900	\$323,600	\$323,600	-37%
131	Office-Retail	\$949,900	\$756,400	\$693,900	\$693,900	\$707,800	\$743,200	-22%
136	Office-Retail	\$530,700	\$493,700	\$482,400	\$542,700	\$516,400	\$516,400	-3%
137	Parking Garage	\$530,700	\$493,700	\$482,400	\$542,700	\$516,400	\$516,400	-3%

*Assessment For Condo 101

The Report's conclusion of increasing values is inconsistent with market conditions and with the mass appraisal techniques utilized by the assessor.

16. **Office-Retail Sale Trends.** In addition to market condition trends from 2008 to 2011 indicating decreasing values, the Report included charts in the addenda of rent rate trends.



The Report does not present credible data or analysis to support the conclusions that the value of the office-retail properties in the subject area increased as a result of the LID improvements. There is no credible data whatsoever to support the conclusion that the value of the office-retail properties increased by 4%. In fact, the declining trend in asking rent rates is likely an indicator that values decreased.

17. USPAP requires the client and the intended users to be the same for a Restricted Appraisal Report. On page 1, the Report, the client is named as "The City of Tacoma Public Works" and the intended users are identified as the "City of Tacoma and its agents, representative, and legal counsel". These are different entities.

Page 1 of Appraisal

The client for this assignment is the City of Tacoma Public Works. This report is authorized for use by the City of Tacoma and its agents, representatives, and legal counsel.

USPAP Requirements for an Appraisal Report vs Restricted Appraisal Report

655 Standards Rule 2-2

658 Comment: When the intended users include parties other than the client, an Appraisal Report
659 must be provided. When the intended users do not include parties other than the client, a
660 Restricted Appraisal Report may be provided.

When the client and intended users are not the same, USPAP requires an Appraisal Report be prepared, which at a minimum summarizes and describes in greater detail how the conclusions developed.

The work product reviewed is not an appraisal report. It is the responsibility of the appraiser to recommend an appropriate appraisal report format which the client and intended users can understand. An Appraisal Report presents its conclusion in a summary format, which would provide sufficient detail for the client and intended users to understand how the conclusions were developed. Given the scope of the assignment, in my opinion a USPAP compliant Restricted Appraisal Report is not appropriate to understand how the appraiser formed their value conclusions.

18. With any of the three USPAP compliant appraisal report types (Appraisal Report, Restricted Appraisal Report or a Mass Appraisal) that could have been developed, the Report reviewed is not in compliance with any of the minimum requirement. The Report reviewed identified it is a Restricted Use Appraisal Analysis which developed then conveyed results that are not a USPAP compliant.

The following checklists pertain to the minimum requirements that **MUST** be present in an appraisal report in order to comply with USPAP:

USPAP APPRAISAL REPORTING REQUIREMENTS – APPRAISAL REPORT

STND 2	EACH WRITTEN REPORT MUST	<u>YES</u>	<u>NO</u>	<u>N/A</u>
2.1.a	Set forth appraisal in a manner that is not misleading:		√	
2.1.b	Report contains sufficient information to support the intended use:		√	
2.1.c	Clearly and accurately disclose extraordinary assumptions and hypothetical conditions:		√	
2-2	Prominently state which report option is used, Appraisal Report or Restricted Appraisal Report:		√	
2.2.a.i	State identity of client; state the identity of any intended users by name or type:	√		
2.2.a.ii	State the intended use of the appraisal:	√		
2.2.a.iii	Summarize information to sufficiently identify the real estate involved in the appraisal, including the physical, legal and economic property characteristics relevant to the assignment:		√	
2.2.a.iv	State the real property interest appraised:	√		
2.2.a.v	State the type and definition of value and cite the source of the definition:	√		
2.2.a.vi	State the effective date of the appraisal and the date of the report:	√		
2.2.a.vii	Summarize the scope of work used to develop the appraisal:		√	
2.2.a.viii	Summarize information analyzed, appraisal methods and techniques employed and the reasoning that support the analysis, opinions and conclusions; exclusion of the sales comparison approach cost approach or income approach must be explained:		√	
2.2.a.ix	State the use of the real estate existing as of the date of value and the use of the real estate in the report:	√		
2.2.a.x	When an opinion of highest and best use is developed by the appraiser, summarize the support and rationale for that opinion:		√	
2.2.a.xi	Clearly and conspicuously state the use of all extraordinary assumptions and hypothetical conditions and state that their use might have affected the assignment results:		√	
2.2.a.xii	Include a signed certification in accordance with USPAP Standards Rule 2-3:		√	

USPAP APPRAISAL REPORTING REQUIREMENTS – RESTRICTED APPRAISAL REPORT

STND 2	EACH WRITTEN REPORT MUST	<u>YES</u>	<u>NO</u>	<u>N/A</u>
2.1.a	Set forth appraisal in a manner that is not misleading:		√	
2.1.b	Report contains sufficient information to support the intended use:		√	
2.1.c	Clearly and accurately disclose extraordinary assumptions and hypothetical conditions:		√	
2-2	Prominently state which report option is used, Appraisal Report or Restricted Appraisal Report:		√	
2.2.b.i	State identity of client and any intended users by name or type:	√		
2.2.b.ii	State the intended use of the appraisal:	√		
2.2.b.iii	State information sufficient to identify the subject:	√		
2.2.b.iv	State the real property interest appraised:	√		
2.2.b.v	State the type and definition of value and cite the definition source:	√		
2.2.b.vi	State the effective date of the appraisal and the date of the report:	√		
2.2.b.vii	State the scope of work used to develop the appraisal:	√		
2.2.b.viii	State appraisal methods and techniques employed and state the value opinions and conclusions reached, and reference the workfile; exclusion of the sales comparison approach cost approach or income approach must be explained:		√	
2.2.b.ix	State the use of the real estate existing as of the date of value and the use in report:	√		
2.2.b.x	When an opinion of highest and best use is developed, state that opinion:		√	
2.2.b.xi	Clearly and conspicuously state the all extraordinary assumptions and hypothetical conditions and state that their use might have affected the assignment results:		√	
2.2.b.xii	Include a signed certification in accordance with USPAP Standards Rule 2-3:		√	

USPAP APPRAISAL REQUIREMENTS – MASS APPRAISAL

1154 **STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING**

1155 **In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those**
 1156 **recognized methods and techniques necessary to produce and communicate credible mass appraisals.**

The Report has violated the USPAP Competency Requirements for developing a mass appraisal analysis.

STND 6	EACH WRITTEN REPORT MUST	YES	NO	N/A
6.8.j	Describe the scope of work used to develop the appraisal; exclusion of the sales comparison approach, cost approach or income approach must be explained.		√	
6.8.k	Describe and justify the model specifications considered, data requirement and the model chosen.		√	
6.8.m	Describe the calibration methods considered and chosen, including the mathematical form of the final models; describe how value conclusion were reviewed; and, if necessary, describe the availability of individual value conclusions.		√	
6.8.n	When an opinion of the highest and best use, or the appropriate market or market level was developed, discuss how that opinion was determined.		√	
6.8.o	Identify the appraisal performance tests used and set forth the performance measures attained.		√	
6.8.p	Describe the reconciliation performed, in accordance with Standards Rule 6-7; and include a signed certification in accordance with Standards Rule 6-9.		√	

REVIEW SUMMARY:

	Before and After Valuation	yes	no	n/a
1.	Is the Before Value of Property reasonable?		x	
2.	Are Damages reasonable?			x
3.	Are Special Benefits reasonable?		x	
4.	Is the After Value of Property reasonable?		x	
5.	Is the Difference between Before and After values reasonable		x	
6.	Was the Larger Parcel or 'Parent Parcel' considered?	x		

The work product reviewed is incomplete and is not a USPAP compliant appraisal report format. Analysis of vacancy trends is not an adequate measure of the before and after values. The Report did not filter out buildings in the Stadium district which were inaccurately reported by Costar as vacant. The Walkability score is meaningless without a before and after comparison. The Walkability Score is not an indicator of where development occurs. New apartment construction occurred at 1705 Dock Street along Thea Foss way, which has a Walkability score of 57. There is an abundance of errors that are deemed to be a material errors affecting the credibility of the results and the value conclusions are thus not reasonable. In my opinion the walkability was most improved for properties along Stadium Way. While the streetscape improvements and utility upgrades are a positive influence on the aesthetic appearance of the street, the Report failed to quantify

its contributory value with supportable conclusions from market data.

The appraisal is misleading in concluding land values increased from Oct. 2008 to August 2011, when market conditions in 2008 was near the peak of demand for commercial properties and by 2011, the area was in a Great Recession. After adjusting Land Sales 1 and 3 and comparing them to Land Sales 8 and 12, they indicate a downward trend in land values. The Report misleads the client and intended users that there was a 40% increase in land values from 2008 to 2011. Land Sale 2 is located in the Broadway LID and sold in 2009 (\$36.46 sf) before the Broadway LID, then resold as Land Sale 8 in 2012 (\$39.87 SF), after the Broadway LID. The Report's analysis of this land sale supports a $\pm 10\%$ increase in Land Values. But no data is provided to allow the intended users to conclude, much less quantify, that all or a portion of the increase is attributed to the LID improvements.

The Vacancy rate analysis has flawed inputs (including buildings that were not vacant) and therefore does not support a 4% increase in property values. There is no supportable evidence that overall property values increased from 2008 to 2011. The Report presented data that asking rent rates decreased after construction in the subject area. Well into 2014 asking rent rates still had not recovered to post LID construction rates in the subject area. While the inputs to the Income Approach were not stated, generally the impact of declining asking rents is declining office-retail values.

Studying the asking rent rates in the subject area is not the best indicator to determine the change in value over a period of time. A rent study of actual rent rates before and actual rent rates after the LID could measure changes in value. Even if the Report was intended to be a Restricted Appraisal Report, in the appraiser's work file they have to show their concluded market rent before and after the LID to establish the change in market rents. It is not appropriate to conclude an asking rent rate for a specific property or an area. It is not uncommon for an agent to ask for unsupported or unrealistic market rents, then fail to obtain their asking rent rate.

In my opinion there is a benefit from the Broadway LID project. The streetscape improvements along Stadium Way likely has the most benefit and is now a safe and attractive area for walking. However, the Report does not provide adequate data, analysis or reliable conclusions to quantify the value of the LID improvements. There is no data to support the 40% increase in land values stated in the Report. Likewise, no credible data was presented to support the 4% value increase for office-retail properties in the LID area. Based on my review, the data presented is misleading, the Report has an abundance of errors, the value conclusions are not credible, and the conclusions appear to be substantially overstated.

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The report, analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal review. Further, this review was performed without pressure from someone who desires a specific value nor was my compensation predicted on loan approval.
- I have *not* made a personal inspection of the 295 subject properties of the work under review. I have made an inspection of the two land parcels owned by the client which are improved as a parking lot. I also drove through the entire Broadway LID subject area observing the condition of the streetscape improvements.
- No one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The review report is in conformance with the Uniform Standards of Professional Appraisal Practice. (Standard 3 together with Standard Rules 3-1 and 3-2).
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have *not* previously provided appraisal services for the subject property in the prior three years.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Barbara R. Montro, MAI, AI-GRS



Qualifications for Barbara R. Montro, MAI, AI-GRS

Professional Affiliation

AI-GRS Appraisal Institute-General Review Specialist (AI-GRS #42) awarded May 13, 2014
First Fee Appraiser in WA State designated for excellence in Reviewing Commercial Appraisals.

MAI Member of the Appraisal Institute (MAI #11680) awarded February 14, 2001

Certified General Real Estate Appraiser, Washington State (27011-1100-193) since April 29, 1996

Education

San Diego State University (Calif.)

B. S. in Business Administration, emphasis in Information Systems, 1984, 3.6 GPA in major.

Appraisal Institute Real Estate Courses

Completed over 680 hours of Appraisal Institute real estate courses. Most recent education includes:
Review Theory-General; Extreme Appraising-Appraising Unstable Properties in an Unstable Market;
Appraisal Curriculum Overview-General; Valuing Commercial Green Buildings; Eminent Domain and
Condemnation; Valuation of Detrimental Conditions in Real Estate and Litigation Skills for the Appraiser.

Experience

Owner & Appraisal Manager
Since 1998

Montro & Johnston Appraisals
308 Tacoma Avenue South, Tacoma, WA

- Prepared or managed 2,900+ commercial narrative real estate appraisal reports.
- Desk or field reviews of 170+ commercial real estate appraisal reports.
- Maintains propriety database with over 3,000 verified sales and 2,200 verified rentals.
- Qualified as Expert Witness in Pierce and Thurston County courts.
- Review and appraise properties for damages in Condemnation or EPA contaminated properties.

Appraisal Manager
1996 - 1998

Ockfen & Montro
9615 Bristol Avenue SW, Lakewood, WA

Commercial Appraiser
1993 to 1996

Roger D. Ockfen & Associates
9615 Bristol Avenue SW, Lakewood, WA

Prepared and/or reviewed commercial real estate Appraisal Reports, in compliance with FIRREA, USPAP & Appraisal Institute standards for financing, tax appeals, estate planning and courts.

- | | | |
|--------------------|--------------------|------------------------|
| • Apartment | • Retail | • Eminent Domain |
| • Church & Schools | • Restaurants | • Condemnation |
| • Golf Course | • Shopping Centers | • Feasibility Analysis |
| • Industrial | • Subdivisions | • Life Estate |
| • Office | • Vacant Land | • Partial Interest |

Systems Analyst
1983-1993

SAIC & SAFECO
San Diego & Seattle

Systems analyst and developer specializing in the Defense and Insurance sectors.

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\$7,544,445.00	Total Assessment Amount
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City's
LID#

Subject Property Summary

2024-2025

2025-2026

2026-2027

2027-2028

2028-2029

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Broadway LID #8645

Subject Property Summary

\$7,644,445.00 Total Assessment Amount

City Ass No.	Parcel	Plat	County	Building Name	Owner Name (First/Last)	Address	Type	Year Bldg	Fee Simple	Improved	Land	Unimproved	LID	Additional	Total
					Predecessor				Assess	Special	Special	Special	Assess	Work	Assess
212		900872-015-0		THE MECCA BUILDING CONDOMINIUM	Broadway & Commerce LLC	760 Commerce St #506	Res Condo	\$84,100.00	\$86,623.00	\$2,523	\$1,452	\$2,523	\$2,452.57	\$3,999.27	\$6,452
213		200705-015-0		THE WINTHROP - Apartment	Winthrop Hotel LLC	773 Broadway	Apartment	\$6,331,416.67	\$6,418,359.17	\$186,943	\$109,817	\$186,943	\$181,723.71	\$339,901.73	\$557,861
214		200706-001-0		THE WINTHROP - Retail	Winthrop Hotel LLC	773 Broadway	Retail	\$93,001.49	\$93,177.35	\$27,276	\$30,383	\$27,176	\$26,385.44		Allocated
215		900812-001-0		PASSAGES OFFICE CONDO #1	The Passages Partnership Inc	708 Broadway #1	Com Condo	\$261,509.10	\$1,000,073.10	\$38,493	\$32,177	\$38,493	\$37,385.03		
216		900812-002-0		PASSAGES OFFICE CONDO #2	Dr Chambers LLC	708 Broadway #2	Com Condo	\$257,737.88	\$86,047.40	\$38,335	\$29,153	\$38,310	\$37,240.05		
217		900812-003-0		PASSAGES OFFICE CONDO #3	Casino Holdings LLC	708 Broadway #3	Com Condo	\$251,892.72	\$1,031,390.45	\$38,658	\$34,739	\$38,640	\$38,560.32		
218		900812-004-0		PASSAGES OFFICE CONDO #4	Passages Venture LLC	708 Broadway #4	Com Condo	\$254,853.80	\$1,034,850.34	\$38,795	\$34,793	\$38,795	\$38,693.82		
219	15	200706-003-0		WINTHROP	Winthrop Hotel LLC	773 Broadway	Com Condo	\$833,708.00	\$837,014.24	\$33,348	\$40,000	\$33,348	\$32,417.04	\$13,875.00	\$46,992
220	15	200706-004-0			Winthrop Hotel LLC	773 Broadway	Com Condo	\$833,708.00	\$837,014.24	\$33,348	\$40,000	\$33,348	\$32,417.04		
221	15	200706-005-0			Winthrop Hotel LLC	773 Broadway	Industrial	\$1,253,559.00	\$1,300,581.84	\$58,023	\$50,000	\$58,023	\$48,825.58	\$21,903.31	\$80,539
222		900915-001-0		COURT C CONDO	1390us LLC	728 Broadway #A1	Com Condo	\$309,425.04	\$321,802.04	\$12,377	\$9,456	\$12,377	\$12,031.48		\$12,032
223		900915-002-0		COURT C CONDO	1390us LLC	728 Broadway #B1	Com Condo	\$320,351.00	\$333,200.64	\$12,818	\$9,791	\$12,818	\$12,457.81		\$12,458
224		900915-003-0		COURT C CONDO	1390us LLC	728 Broadway #A2	Com Condo	\$104,110.50	\$108,274.08	\$4,164	\$3,182	\$4,164	\$4,048.17		\$4,048
225		900915-004-0		COURT C CONDO	1390us LLC	728 Broadway #B2	Com Condo	\$162,773.84	\$169,282.71	\$6,511	\$4,074	\$6,511	\$6,329.11		\$6,330
226		900915-005-0		COURT C CONDO	1390us LLC	727 Court E RC	Com Condo	\$354,742.20	\$368,831.80	\$14,190	\$10,841	\$14,190	\$13,793.56		\$13,794
227		900915-006-0		COURT C CONDO	1390us LLC	728 Court E	Com Condo	\$217,147.36	\$225,853.25	\$8,686	\$23,016	\$8,686	\$8,585.08		\$8,585
228		900678-001-0		732 Broadway Condo	Brook @ 732 LLC	732 Broadway #101	Com Condo	\$318,124.40	\$325,649.38	\$12,525	\$9,399	\$12,525	\$12,175.32	\$745.55	\$12,921
229		900678-002-0		732 Broadway Condo	K & B Commercial Properties LLC	732 Broadway #102	Com Condo	\$347,475.60	\$361,374.62	\$13,898	\$10,430	\$13,899	\$13,511.01	\$826.99	\$14,337
230		900678-003-0		732 Broadway Condo	Broadway Holdings LLC	732 Broadway #201	Com Condo	\$328,979.80	\$342,137.95	\$13,159	\$8,874	\$13,159	\$12,791.79	\$782.17	\$13,574
231		900678-004-0		732 Broadway Condo	Broadway Holdings LLC	732 Broadway #202	Com Condo	\$363,310.00	\$377,863.20	\$14,553	\$10,905	\$14,553	\$14,127.48	\$869.95	\$14,991
232		900678-005-0		732 Broadway Condo	Broadway 55 LLC	732 Broadway #301	Com Condo	\$297,270.00	\$309,160.80	\$11,891	\$8,023	\$11,891	\$11,558.85	\$707.04	\$12,266
233		900678-006-0		732 Broadway Condo	Matara Investments LLC	732 Broadway #302	Com Condo	\$346,796.80	\$362,748.07	\$13,952	\$10,408	\$13,952	\$13,602.38	\$828.71	\$14,432
234		200706-009-0		W. M. Riley Building	Winthrop Hotel LLC	736-738 Broadway	Office	\$1,999,389.04	\$2,078,323.51	\$79,936	\$60,000	\$79,936	\$77,704.00	\$5,310.00	\$83,014
235		200706-010-0		CLUB SILVERSTONE	Winthrop Hotel LLC	740-744 Broadway	Retail	\$1,341,400.82	\$1,395,058.33	\$53,651	\$68,850	\$53,651	\$52,158.11	\$6,075.15	\$58,234
236		200706-011-0		ANTIQUES	Gonschik Alex & Cheryl	746 Broadway	Retail	\$767,273.01	\$797,669.93	\$30,391	\$38,640	\$30,391	\$29,894.21		\$29,894
237		900911-001-0		ST HELENS OFFICE SUITES**	2000 Armstrong Family LP	747 St Helens Ave #100	Com Condo	\$111,672.51	\$126,539.48	\$4,867	\$2,580	\$4,867	\$4,731.03	\$20,540.60	\$25,311
238		900911-002-0		ST HELENS OFFICE SUITES**	2000 Armstrong Family LP	747 St Helens Ave #101	Com Condo	\$42,202.57	\$44,010.67	\$1,728	\$1,058	\$1,728	\$1,679.88	\$6,588.60	\$8,318
239		900911-003-0		ST HELENS OFFICE SUITES**	2000 Armstrong Family LP	747 St Helens Ave #103	Com Condo	\$91,285.70	\$93,265.12	\$2,979	\$1,555	\$2,979	\$2,899.15	\$8,408.76	\$10,305
240		900911-004-0		ST HELENS OFFICE SUITES**	2000 Armstrong Family LP	747 St Helens Ave #200	Com Condo	\$284,192.40	\$295,794.09	\$11,602	\$6,960	\$11,602	\$11,298.12	\$40,704.25	\$51,902
241		900911-005-0		ST HELENS OFFICE SUITES**	2000 Armstrong Family LP	747 St Helens Ave #300	Com Condo	\$285,845.50	\$298,111.45	\$11,266	\$7,020	\$11,266	\$11,045.74	\$46,704.25	\$57,750
242		900911-006-0		ST HELENS OFFICE SUITES**	2000 Armstrong Family LP	747 St Helens Ave #400	Com Condo	\$288,883.50	\$302,238.08	\$11,355	\$8,500	\$11,355	\$11,045.54	\$57,013.25	\$68,058
243		200706-013-0		C & K MARKET / OLD TOPS	Grubly Jones M	754-756 Broadway	Retail	\$806,798.30	\$834,838.35	\$28,040	\$20,000	\$28,040	\$27,818.72	\$32,328.07	\$60,147
244		200706-014-0		BOSTWICK BUILDING APES	Bostwick LLC	764-770 Broadway	Apartment	\$1,779,573.45	\$1,825,748.81	\$46,175	\$40,400	\$46,175	\$45,892.00	\$24,104.45	\$70,000
245		200707-001-0		TRULINE BUILDING	711 Saint Helens St	711 St Helens Ave	Office	\$435,726.85	\$453,895.01	\$18,168	\$13,120	\$18,168	\$17,871.61	\$24,039.10	\$42,911
246		200707-002-0		NEW DENTAL SERVICES	Charron Villan T	725 St Helens Ave	Office	\$435,475.88	\$453,895.01	\$18,419	\$13,120	\$18,419	\$18,071.61		\$18,072
247		900803-001-0		ROBERTSON COMMERCIAL	710 Market Street LLC	710 Market St	Com Condo	\$403,621.70	\$416,946.57	\$13,325	\$8,601	\$13,325	\$13,049.40	\$3,608.17	\$16,658
248		900803-002-0		ROBERTSON COMMERCIAL	Light Legacy Holdings LLC	706 Market St	Com Condo	\$255,951.20	\$264,890.87	\$8,939	\$5,896	\$8,939	\$8,698.40	\$667.29	\$9,366
249		900965-001-0		New Urban Properties LLC	710 Market St	710 Market St								\$0.00	\$0.00
250		900965-002-0		New Urban Properties LLC	710 Market St	710 Market St								\$0.00	\$0.00
251		900965-003-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
252		900965-004-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
253		900965-005-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
254		900965-006-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
255		900965-007-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
256		900965-008-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
257		900965-009-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
258		900965-010-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
259		900965-011-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
260		900965-012-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
261		900965-013-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
262		900965-014-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
263		900965-015-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
264		900965-016-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
265		900965-017-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
266		900965-018-0		New Urban Properties LLC	Blaine and Catherine Johnson	714 Market St								\$0.00	\$0.00
267		900965-019-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
268		900965-020-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
269		900965-021-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
270		900965-022-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
271		900965-023-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
272		900965-024-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
273		900965-025-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
274		900965-026-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
275		900965-027-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
276		900965-028-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
277		900965-029-0		New Urban Properties LLC	710 Market Street LLC	710 Market St								\$0.00	\$0.00
278		900965-030-0		THE ROBERTSON ON LEDGER SQUARE CONDO	Blaine and Catherine Johnson	708 Market St #401	Res Condo	\$212,600.00	\$216,852.00	\$4,252	\$3,188	\$4,252	\$4,139.30	\$716.10	\$4,855
279		900965-031-0		THE ROBERTSON ON LEDGER SQUARE CONDO	Renee Tobben	708 Market St #402	Res Condo	\$195,800.00	\$199,716.00	\$3,916	\$2,936	\$3,916	\$3,806.00	\$654.00	\$4,460
280		900965-032-0		THE ROBERTSON ON LEDGER SQUARE CONDO	James P. Wood	708 Market St #403	Res Condo	\$247,400.00	\$252,848.00	\$5,448	\$4,170	\$5,448	\$5,309.87	\$866.13	\$6,176

Before Value

City's LID #

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