WATERFRONT SEATTLE PROJECT

Summary Memorandum
Local Improvement District (LID) Feasibility Study
Seattle, Washington

FOR
City of Seattle
Ms. Jen Chan, Assistant City Finance Director
Department of Finance and Administration Services
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Valbridge Job No.: 17-0003-001
MEMORANDUM

August 9, 2017

Ms. Jen Chan, Assistant City Finance Director
City of Seattle
Department of Finance and Administrative Services
700 Fifth Avenue, Suite 4300
PO Box 94669
Seattle, WA  98124-4996


Dear Ms. Chan:

In response to your request, we have completed a feasibility study for the Waterfront Seattle Local Improvement District (LID), which includes development of an overlook walk, promenade, waterfront park improvements and streetscapes. The client for this assignment is the City of Seattle, Seattle Department of Finance and Administrative Services. This memorandum presents a summary of the findings and conclusions reached in the study. The intended use is to assist the City in estimating a range in probable special benefit (increase in market value) to affected property resulting from the LID funded improvements within the Waterfront Seattle Project. The depth of discussion is specific to the needs of the client, per the limited scope of this analysis, and for only the intended use stated above. This memorandum is authorized for use by the client and its agents, representatives and legal counsel.

The scope of the feasibility study is to estimate the probable preliminary range in special benefit resulting from the LID funded improvements within the Waterfront Seattle Project as it is currently designed and described in the Addenda. The study area analyzed is bounded to the west by the Seattle waterfront, on the east by Interstate Highway 5, north by Denny Way and south by South Holgate Street, as visually illustrated by the maps on the following pages. Special benefit is defined as the difference in market value before (without the project) and after (with the project assumed complete) as of the same date.
The special benefit estimates presented herein are based on research and analysis of the project area. Review of current Seattle market area data includes market sale transactions and rental data for the various property types in the project area. Valuation analysis was completed on representative samples of properties based on use. The special benefit estimates (expressed as ranges) were then extrapolated over similar property. Types or classifications are office/retail, hotels, condominiums/multi-family, historic properties, etc. Recognizing this valuation method, the scope of the study is limited in nature and provides a preliminary special benefit range for the Waterfront Seattle Project. A more detailed special benefit study (parcel by parcel) would be needed to estimate proportionate special benefit to individual properties.

A primary assumption of this feasibility study is that in the before (without LID) scenario, the Alaskan Way viaduct has been removed and Alaskan Way is re-built to SDOT standards at waterfront level. Therefore, any view amenity enhancement created by removal of the viaduct is not considered in the analysis as it would be the same both in the before (without) and after (with) LID valuation scenarios.

The LID project would construct seven main project elements; each is briefly described below:

1) **The Promenade** would be a continuous public open space extending along the west side of Alaskan Way from King Street to Pine Street.

2) **The Overlook Walk**, situated at the terminus of the Pike/Pine corridor, would include several buildings, a 40-foot-high elevated lid over the surface street, 40,000 SF of open space with excellent view amenities and an accessible pedestrian pathway with many connections between the Pike Place Market and the waterfront.

3) **Pioneer Square Street Improvements** would involve streetscape and new roadway/sidewalk improvements to portions of S Main Street, S Washington Street, Yesler Way and S King Street from Alaskan Way/First Avenue east to 2nd Avenue S. The improvements would create pedestrian-friendly links from Pioneer Square to the waterfront.

4) **Union Street Pedestrian Connection** is a universally accessible pedestrian link between the new waterfront and Western Avenue. An elevated pedestrian walkway and elevator extends from the southwest corner of Union Street and Western Avenue to the eastern side of Alaskan Way.

5) **Pike/Pine Streetscape Improvements** would include pedestrian improvements along Pike and Pine Streets from First Avenue to Ninth Avenue, providing enhanced pedestrian access to and from the Pike Place Market and Waterfront.

6) **Waterfront Park**, located at the base of Union Street, would provide a unique atmosphere for social gathering/performance spaces with excellent view amenities.
7) Bell Street Park Extension would continue public park space two blocks further west from the recently constructed Bell Street Park between Elliott and First Avenues, providing gathering and seating areas with landscaping and trees and connecting the existing Bell Street Park to the Waterfront and Bell Harbor Marina.

The total cost for the above improvements is approximately $320 million, with funding provided through a variety of sources. Further discussion of both the before (without) and after (with) elements is in subsequent sections of this memorandum and a more detailed description is contained in the Addenda.

As shown on the map (page 3), the study area is segregated into distinct study areas identified herein as areas A, B, C, D and E. Properties within these areas experience different degrees of special benefit due to variations in proximity to the above project elements and other factors that affect value.

The main valuation methods used in this study are the Income Approach and the Sales Comparison Approach. The primary reason the market reflects increased value due to the project is enhanced location and appeal created by the waterfront improvement amenities. In the Income Approach, this is reflected in increased rents, lower vacancy levels/capitalization rates as well as lower perceived investment risk. In the Sales Comparison Approach, higher land values and resulting overall property values result from improved market perception. Supporting data on the office, retail, hotel, apartment and condominium markets is contained in the Addenda, as well as a brief discussion of land values.

The above factors are interrelated in the decision-making process of an investor/developer/market participant when buying income-generating property similar to many properties in the study area. Condominium values typically increase due to enhanced location/appeal and positive market perception of the elements of the waterfront improvement project.

This study also recognizes that with the LID projects constructed, Alaskan Way will be widened to eight lanes at the south end of the project. Additionally, some parking loss will occur as a result of the project. This loss will be documented as part of the more detailed special benefit/proportionate assessment study.
Based on research into the Seattle market area, together with review of studies in other cities where similar project elements have been installed, ranges in probable special benefit for each of the five study areas are summarized below.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Low</th>
<th>High</th>
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<tr>
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<td>Study Area C</td>
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**Total Estimated Range:** $300,000,000 - $420,000,000

The following analysis is primarily an appraisal document which is intended to comply with Standard 6 of the Uniform Standards of Professional Appraisal Practice (USPAP). It presents a discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser’s opinions. The analysis contains elements of a mass appraisal, also pursuant to Standard 6 of USPAP. The depth of discussion contained in this report is specific to the needs of the client and for the intended use previously stated. The appraiser is not responsible for unauthorized use of this memorandum and use by a third party is not intended.

The conclusions herein are presented subject to the specific assumptions and limiting conditions listed at the end of this memorandum, as well as the special assumptions contained in the analysis section. The comments made herein on the currently strong downtown market trends are not meant to infer that the project would create further strong demand and intense development activity but rather that the new waterfront amenities and improved waterfront access would enhance positive trends already in evidence in the various downtown Seattle real estate markets. For example, as discussed in the “Seattle Market Data” section in the Addenda, there is a strong supply of new hotel, office, multi-family and retail space coming on-line in the subject study area over the next several years. Although it is recognized that this new supply will be competing with existing space, the currently strong demand will be enhanced by the subject LID project and is expected to shorten the absorption period and aid in lowering vacancy rates, increasing rental rates and lowering capitalization rates within the subject study area.
The preliminary findings resulting from this limited assignment appraisal, which is subject to the accompanying assumptions and limiting conditions, as of August 2, 2017, are as follows:

**Estimated Special Benefit Range**

$300,000,000 to $420,000,000

If you have questions not answered in the accompanying memorandum, please do not hesitate to contact us.

Respectfully submitted,

VALBRIDGE PROPERTY ADVISORS | ALLEN BRACKETT SHEDD | MACAULAY & ASSOCIATES

Robert J. Macaulay, MAI

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WATERFRONT SEATTLE LID – PROJECT OVERVIEW

The Seattle waterfront is densely developed with various maritime docks, (public ferry, tour boat, cruise ship), public piers/parks, hotels and retail/cultural attractions including the Seattle Aquarium and adjacent Pike Place Market. East of the generally west-facing waterfront are the Belltown neighborhood, Pioneer Square and the commercial core; one of the most densely developed portions of the downtown central business district. The Seattle waterfront is the most urbanized portion of the Elliott Bay shoreline and attracts local residents and tourists year-round. The area is a famous for its public attractions including the Seattle Aquarium, Pike Place Market, Great Wheel and a variety of retail spaces, marinas and restaurants with spectacular views of Puget Sound.

WITHOUT THE LID PROJECT (BEFORE)

Without the LID project, or in the “before” condition of the feasibility analysis, none of the LID project elements would be built. However, as stated above, there are several ongoing projects in the subject area that are separate from the LID and are assumed complete for purposes of this analysis. Major changes assumed to be in place in the “before” condition are:

- The Alaskan Way Viaduct Replacement project is assumed complete; the viaduct is gone and Alaskan Way is reconstructed at conventional street level.
- The Seawall project is assumed complete, with new sidewalks.
- The Pike Place MarketFront project is assumed complete.
- The Pier 62/63 Phase 1 rebuild is assumed complete.

Without the LID project, it is assumed that SDOT (Seattle State Department of Transportation) will finish improvements along the new Alaskan Way to their design standards and using WSDOT (Washington State Department of Transportation) funding.
WITH THE LID PROJECT (AFTER)

The purpose of the project is to create a more pedestrian-friendly waterfront with convenient and safe connections to the downtown core, Pike Place Market, Pioneer Square, the Stadium District and Belltown. The goal is to improve safety and accessibility with high-quality pedestrian connections as well as provide public gathering spaces, permanent and temporary amenities, access to the water and educational experiences to draw both locals and tourists to businesses and destinations along the waterfront.

The major improvements are:

- **The Promenade** is a continuous open public space along the west side of the new Alaskan Way from King Street to Pine Street designed for walking, sitting, gathering and viewing the waterfront.

- **Overlook Walk** occupies the existing and new public space south of Victor Steinbruek Park, west of Pike Place Market and northeast of the Seattle Aquarium. The Overlook Walk includes smaller buildings, an elevated pedestrian connection extending southwest from Pike Place Market across the new Elliott Way, staircases and two elevators. The Overlook Walk features approximately 40,000 SF of public open space with vast opportunities for scenic views.

- **Pioneer Square Street Improvements** features paving and landscape improvements to create more pedestrian-friendly links between the waterfront and Pioneer Square. Streets to be improved include S Main St, S Washington St, Yesler Way and S King Street from Alaskan Way /First Avenue east to 2nd Avenue S.

- **Union Street Pedestrian Connection** is a universally accessible pedestrian link between the new waterfront and Western Avenue. An elevated pedestrian walkway and elevator extends
from the southwest corner of Union Street and Western Avenue to the eastern side of Alaskan Way.

- **Bell Street Park Extension** continues the recently constructed Bell Street Park two blocks further west. Bell Street includes a wide public space with landscaping and local vehicular access.

- **Pike/Pine Streetscape Improvements** between First and Ninth Avenue create high-quality pedestrian connections to and from the Pike Place Market and Waterfront. This project features new sidewalks, crosswalk paving, intersection treatments, lighting, seating, bike racks and public art installations.

- **Waterfront Park** is located at the foot of Union Street and includes water features, a play area and public space for events, performances and other activities.

More detailed information provided by the City of Seattle on the LID project elements is contained in the Addenda.

### IDENTIFICATION OF THE SUBJECT PROPERTIES AND STUDY AREAS

The initial LID study area contains approximately 760 acres and 9,610± individual property parcels comprised of 1,330± commercial-related parcels and 8,280± individual condominiums that are primarily residential, but also include office and retail units. It is bounded by Denny Way to the north, Puget Sound to the west, Interstate 5 to the east and S Massachusetts Street/S Holgate Street to the south. The properties include a range of commercial, public/institutional, and multi-family residential uses.

Below are brief descriptions of the five study areas that are the focus of this feasibility memorandum. In all, the LID study area incorporates approximately 1,330 commercial properties, 8,280± condominium units, and various civic centers.

**Study Area A**

Study Area A incorporates the central waterfront; this is one of the most directly impacted portions of the subject LID as this section incorporates the Waterfront Park. Generally, Study Area A starts to the south at S Washington Street and extends north to Vine Street (directly along the Elliott Bay shoreline and Alaskan Way).
Overall, in the “before” condition, the area to the west of Alaskan Way (Elliott Bay piers) is highly developed with various maritime uses and WSF Colman Dock ferry terminal, retail centers, public parks/piers, the Seattle Aquarium, the Edgewater Hotel, small boat marinas, the Bell Street Pier and a cruise ship terminal and conference center. Generally, the greatest concentration of retail and cultural development is located on Piers 54 through 59 (Seattle Aquarium). To the north is Pier 66 (private small boat marina), a cruise ship terminal, Pier 67 (Edgewater Hotel) and Pier 69 (Port of Seattle headquarters and Victoria Clipper dock), parking lots and additional improvements.

The east side of Alaskan Way, south of Pike Street, is less developed. This is due in large part to the former presence of an elevated viaduct and to a lesser extent the overall uphill slope that leads from the waterfront to the downtown core. Generally, more developed east/west connections between the waterfront and the uphill core area are centered around the Harbor Steps apartments development, Pike Place Market and the Bell Street pedestrian stairs/elevator and overpass, which connects the waterfront to the upland portion of the World Trade Center as well as the Belltown neighborhood.

North of Pike Street, Alaskan Way was not encumbered by the former viaduct and current development includes a Marriot Hotel, Waterfront Landing residential condominiums and World Trade Center Seattle. With the LID completed, the waterfront Area A is benefited by the Promenade, which creates better streetscapes, open space and aesthetic amenities. Additionally, the area is enhanced by the Overlook Walk/Pike Place Market new pedestrian connections, together with the new Union Station connection.

In the Pioneer Square area, the new S Washington Street, S Main Street, S Jackson Street and Yesler Way connections will help provide better pedestrian connections to the waterfront. It should be noted that Alaskan Way will be widened to eight lanes in this area both without and with the LID completed.

Study Areas B and C
Study Areas B and C are approximately ¼- to ½-mile east of the waterfront park improvements and incorporate several of the project’s smaller east-west streetscape upgrades. Study Area B starts at the south at S King Street and extends north to Denny Way (moving east from Alaskan Way S/Elliott Avenue to 2nd Avenue). Study Area C has the same north/south start and end points but begins near 3rd Avenue and extends east to the vicinity of 4th Avenue.
As discussed further in this memorandum, the roughly rectangular shaped area north of Union Street and south of Olive Way (east of Alaskan Way and west of Convention Place) is excluded from Study Areas B and C as it represents the Pike/Pine Corridor (Study Area E).

These two study areas incorporate the Pioneer Square, West Edge, Retail Core and Belltown downtown neighborhoods. Overall, in the “before” condition, highly developed east/west connections between the waterfront and this core area of downtown Seattle are centered around the Harbor Steps and Pike Place Market. While other pedestrian/street connections exist, they are relatively underdeveloped and consist of older and less visible stairwells, pedestrian bridges, and/or lower traffic roadways with various levels of streetscape buildout that lead to dead end cul-de-sacs, alleyways or parking lots. These underdeveloped streetscape connections are due largely to the past presence of an elevated viaduct and, to some extent, the overall uphill slope of the downtown core. In the “after” condition, key east/west streets within Study Areas B and C will receive streetscape upgrades that create more welcoming, cohesive and navigable connections from the waterfront/Alaskan Way to the core areas of these neighborhoods. S King Street, S Main Street, S Washington Street, Yesler Way, Columbia, Seneca, and Bell Streets will see two to four city blocks of streetscape upgrades that start at Alaskan Way (the Pike and Pine Street corridors will be upgraded east to 9th Avenue).

Within Study Areas B and C, Pioneer Square is the southernmost neighborhood. The district has one of the highest concentration of historic (late 19th century and early 20th century) buildings in Seattle and is on the National Registry of Historic Places (Pioneer Square-Skid Row Historic District). Notable structures include the Smith Tower, Pioneer Building, Occidental Square, Union Station and the Arctic Building. Due in part to its historic nature, the neighborhood draws extensive tourism activity and predominant building uses center on boutique ground level retail, restaurant, coffee shop, and art gallery businesses with office and/or multi-family uses above. Newer construction mixed use multi-family and hotel complexes are located at the southern end of the area, in the vicinity of the athletic stadiums. Several large social service providers are also located within the Pioneer Square area.

Pioneer Square is bounded roughly by Alaskan Way S on the west; by S King Street on the south; by 4th Avenue S on the east (north to Yesler Way) and located between Alaskan Way S and 3rd Avenue northwest to Columbia Street. Because Yesler Way marks the boundary between two different plat areas, the street grid north of Yesler Way does not necessarily line up with the area’s narrower and more angled southern street grid area;
therefore, the northern "border" of the Pioneer Square district has a zigzag pattern along numerous streets. Generally, elevation changes within the neighborhood are upward from west to east.

The southern end of the district, west to east from Alaskan Way S to 2nd Avenue S and south to north from S King Street to Yesler Way, has overall level topography. Elevations start at around 20 feet above mean sea level to the west and end at around 25 feet at the easternmost boundary. North of Yesler Way, topography begins a distinct upward climb. From Alaskan Way S to 1st Avenue, average elevation increases by 10 feet and from 1st Avenue to 2nd Avenue, average elevation increases by 15 feet. From 2nd Avenue to 3rd Avenue, average elevation increases another 30 feet. Overall, the northern end of the Pioneer Square neighborhood has an elevation increase, west to east, of over 50 feet.

Due to the historic nature of the Pioneer Square neighborhood, in addition to the conventional zoning regulations, the area is subject to the Pioneer Square Preservation District overlay. Per city ordinance “……the Pioneer Square Preservation Board (hereafter “the Board”) was created to advise the Director of the Department of Neighborhoods. In accordance with the ordinance establishing the District and the Use and Development Guidelines, the Board recommends appropriate use, site development and architecture of the private and public buildings and the use of the space therein. The Board also reviews and rules upon any improvements within the public rights of way, open space and areaways throughout the District. (7/99)”.

The improvements within the historic district require a Certificate of Approval to be issued by the Board and the Director of the Department of Neighborhoods before the City will issue any permits. Due in large part to the underlying zoning restrictions on height and density and the extra certifications, land values in this portion of Study Areas B and C are lower than what is observed through most of the downtown core.

The “West Edge” neighborhood of the Seattle downtown core is located in the center of the LID study area. The area consists of mid- to high-rise mixed use buildings that generally feature ground level retail with residential, office, or hotel uses above. Along Western Avenue, Post Alley and 1st Avenue, improvements are generally low- to mid-rise mixed use residential, retail, civic and parking garages. Moving east between 2nd and 3rd Avenues, the general character of the neighborhood changes, with a substantial increase in high-rise office-oriented construction that
includes several sky-line buildings such as the Wells Fargo Financial Center, Chase Tower (formerly WaMu) and Russell Investment Center. The West Edge is also home to the Benaroya Symphony Hall, Seattle Art Museum and Moore Theater.

The district’s boundaries begin at Columbia Street, east of Alaskan Way S and west, but not including the buildings on the west side of 3rd Avenue and end at Virginia Street. Currently, this section of downtown Seattle is experiencing tremendous growth and redevelopment, with several mixed-use high-rise towers currently under construction on what were once multiple tax lot sites improved with older low-rise retail and office structures. Overall elevation changes within the neighborhood are upward from west to east. The western side, along Western Avenue and Post Alley, has overall level topography. East of Post Alley, topography begins a steep upward slope. From Post Alley to 1st Avenue, average elevation increases by 10 feet and from 1st Avenue to 2nd Avenue, average elevation increases by 40 feet. From 2nd Avenue to 3rd Avenue, the average elevation climbs another 35 feet. Overall, the neighborhood has an elevation change from west to east of over 95 feet.

The commercial core is located east of the West Edge neighborhood, in the east-central portion of the LID study area. This is one of the most densely developed portions of the downtown Seattle business core. The southern end of the district consists of mid- to high-rise office and mixed use buildings that generally feature ground level retail with office, multi-family, hotel or civic uses above.

The northernmost section of the district consists of a dense retail center of low- to mid-rise buildings anchored by national flagship retail stores, multi-story indoor retail malls, several mid to high-rise hotels, and the Seattle Convention Center. Civic and art centers located within this northern area include the Seattle Public Library Main Branch, the 5th Avenue Theater, Paramount Theater, and the ACT Theater.
Generally, the district’s boundaries begin at Yesler Way, east of 3rd Avenue S. and west of the I-5 Interstate. Moving north, the district eastern boundary line follows Interstate 5 and expands out to 9th Avenue; the Retail Core district ends south of Olive Way. Properties within the West Edge and Retail Core areas have highly permissible zoning overlays that allow for various levels of density that include high-rise construction; the three-main zoning designations in these two study areas are Downtown Mixed Commercial, Downtown Office Core I and II, and Downtown Retail Core.

Downtown Mixed Commercial (65, 85, 125, 160, 240/290-400, 340/290-400): “Areas characterized by lower scale office, retail and commercial uses related to activity in the office core, retail core or other moderate-scale commercial cores in the Downtown Urban Center, and with use patterns that may include housing. These areas provide for less intensive activity along the western and northern edges of the Downtown retail core and Downtown office core.” The area between the government sector and University Street is more office/commercial than retail-oriented.

Maximum Height: 65 to 400 feet (Depends on official zoning designation, Building Use, and other permitted variances/bonuses).

Base FAR*:
- DMC 65: 4
- DMC 85: 4.5
- DMC 85/65-150: 3
- DMC 125; 160; 240/290-400; and 340/290-400: 5

Maximum FAR:
- DMC 65: 4
- DMC 85: 4.5
- DMC 85/65-150: 5
- DMC 125; 240/290-400: 7
- DMC 340/290-400: 10

*Acquisition of Regional Development Credits can add bonus FAR, as can various uses and amenity additions.

Downtown Office Core I: “Areas that provide high density office and commercial activities with related support services and retail shopping. The density of office activity shall be greater in this area than any other part of downtown.”

Maximum Height: Unlimited
Base FAR: 6
Maximum FAR*: 20

*Acquisition of Regional Development Credits can add bonus FAR as can various uses and amenity additions.
**Downtown Retail Core:** “Areas that provide highly concentrated, regional retail shopping activity in the core of downtown. Retail shopping, entertainment and consumer services predominate at street level, and related and supporting uses occur in the upper floors of buildings. Office and other commercial uses may also be present, but at a density and scale of development that does not conflict with the primary retail function or make the street level environment less conducive to shopping.”

- **Minimum Height:** 85 feet
- **Maximum Height:** N/A (Depends on official zoning designation, Building Use, and other permitted variances/bonuses)
- **Base FAR:** 3
- **Maximum FAR:** 5

At the northern end of Study Areas B and C is the Belltown neighborhood. The vicinity consists mainly of mid- to low-rise mixed use buildings that generally have ground level retail with residential, office, or hotel uses above. Currently, this section of Downtown Seattle is experiencing visible growth and redevelopment, with several mixed use mid- to high-rise towers currently under construction on what were once multiple tax lot sites improved with older low-rise retail and office buildings, as well as significant remodeling and updating of older historic apartment and retail building sites. Recently, a high concentration of proposed or under construction high-rise developments have made a presence along the northeast and southeast portions of the neighborhood.

Overall, the neighborhood is predominantly known for its residential, retail, restaurant, and nightlife amenities. Well known establishments and sites include the Cinerama, Moore Theater, and the outdoor Olympic Sculpture Park. In addition to its concentration of restaurant, bar, and boutique retail establishments, Belltown has a high concentration of private universities, including the Art Institute of Seattle, Antioch University, Argosy University, and the Seattle School of Theology and Psychology.

Belltown is bounded on the north by Denny Way, beyond which lies the Seattle Center and Queen Anne Hill, on the southwest by Elliott Bay, on the southeast by Virginia Street, and on the northeast by 5th Avenue, beyond which lies the Denny Triangle. All of the neighborhood’s northwest- and southeast-bound streets are major thoroughfares (Alaskan Way and Elliott, Western, 1st, 2nd, 3rd, and 4th Avenues); major northeast- and southwest-bound thoroughfares are Broad, Wall, and Battery Streets (State Route 99).

Properties within the Belltown neighborhood have a slightly less permissible zoning overlay than those directly to the south. The southern end of the area has a mix of Downtown Mixed Commercial (DMC) and Downtown Mixed Residential (DMR) designations. The DMR zoning overlay generally has lower height limits than the DMC and is predominantly focused on encouraging mixed use multi-family style construction.
**Downtown Mixed Residential and Commercial (65, 85, 125, 160, 240/290-400, 340/290-400):**

“Areas characterized by lower scale residential, office, retail and commercial uses related to activity in the office core, retail core or other moderate-scale commercial cores in the Downtown Urban Center, and with use patterns that may include housing. These areas provide for less intensive activity along the western and northern edges of the Downtown retail core and Downtown office core.”

Maximum Height: 65 to 400 feet (Depends on official zoning designation, building use, and other permitted variances/bonuses).

**Downtown Mixed Residential (DMR) Coverage and Floor Size Limits (except lots in DMR/R 95/65 zones):**

<table>
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<th>Elevation of portion of structure (in feet)</th>
<th>0—19,000 square feet</th>
<th>19,001—25,000 square feet</th>
<th>25,001—38,000 square feet</th>
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*Acquisition of Regional Development Credits can add bonus FAR, as can various uses and amenity additions.*

**Study Area D**

Study Area D is approximately ¾- to 1-mile to the east and south of the proposed waterfront park improvements. Generally, this area represents the outer limits of the potential LID boundary and demonstrates the lowest level of project impact/benefit. The study area incorporates the Stadium/SODO business and industrial areas to the south of Safeco Field (ending at S Holgate Street), the historical International District (south of Yesler Way, east of 4th Avenue S, and west of Interstate 5), downtown areas along 5th and 6th Avenue (west of Interstate 5) and the Denny Triangle ("Denny Regrade") neighborhood to the north (south of Denny Way, east of 5th Avenue, northwest of Olive Way and west of Interstate 5). As previously mentioned, the roughly rectangular area north of Union Street and south of Olive Way (east of Alaskan Way and west of Convention Place) is excluded from Study Area D as it represents the Pike/Pine Upgrade Corridor.
The northernmost section of this study area consists of the Denny Triangle ("Denny Regrade") neighborhood. Once a lower intensity area dominated by single story warehouse and retail uses, within the last 10 years it has rapidly expanded to become an intensely developed multi-family and office mid- to high-rise expansion region due to the growth of Amazon.com and the large, speculative developments by local firms such as Vulcan and Graystar.

Generally, the Denny Triangle neighborhood boundaries begin at Denny Way, east of 5th Avenue and west of I-5. Moving south, the eastern boundary line follows Interstate 5 and its western boundary follows 5th Avenue; both end at the neighborhood’s southern boundary along Olive Way. Zoning includes a mix of DMC and DMR overlays.

Moving south along 5th and 6th Avenue, through the retail core and municipal tower areas of downtown Seattle, Study Area D ends at the International District. Generally, the neighborhood boundaries begin at Yesler Way, east of 4th Avenue and west of Interstate I-5. Moving south, the district’s eastern boundary line follows I-5 and its western boundary follows 4th Avenue; both end at the neighborhood’s southern boundary along the S Royal Brougham Way/I-90 freeway on/off ramps. There are three distinct areas within the overall International District: Chinatown, Japantown, and Little Saigon. The Seattle Chinatown Historic District is in the National Register of Historic Places.
Like Pioneer Square and Pike Place Market, the area is covered under the International Special Review District overlay under which, per City ordinance, various development and improvement changes must first gain approval from the historical preservation board and the Director of the Department of Neighborhoods. Due in large part to the underlying zoning restrictions on height and density and the extra certifications required, plus the unique characteristics of the historic buildings, land values in this region of Study Area D mirror those observed in the Pioneer Square neighborhood and are generally significantly lower than surrounding higher density development areas.

**Study Area E**

Study Area E incorporates the main Pike/Pine corridor of downtown Seattle. As previously discussed, significant streetscape additions and reconstruction will be performed along the length of Pike and Pine Streets, from Alaskan Way to the south to Interstate 5 at the north. Study Area E includes the immediate areas to the north and south, beginning on the south side of Olive Way and ending along the north side of Union Street.

In the “before” condition, the Pike and Pine corridor streets have various levels of overall streetscape buildout that varies from minimal older concrete sidewalks/curbs with vintage street lights, little public landscaping and no pedestrian and bike amenities to the more robust public pavilion space buildout found at Westlake Park, Westlake Center and the Washington Convention Center. In the “after” condition, this study area has a cohesive updated streetscape buildout along both major arterial roadways that will incorporate new wider sidewalks, crosswalks, lighting, public seating, extensive landscaping, bike facilities and wayfinding signage.

The southwestern end of Study Area E centers around the Pike Place Market. Moving north, the streetscape transitions into the downtown area’s main retail center, consisting of a mix of historic and new construction mid-rise buildings anchored by national flagship retail stores (Nordstrom, Macy’s), two multi-story indoor retail malls (Westlake Center and Pacific Place), several mid- to high-rise hotels, and the Seattle Convention Center at the district’s northernmost point. Currently, this section of downtown Seattle is experiencing sustained growth and redevelopment, with several significant remodels and expansions recently announced at both the Pacific Place and Westlake Center malls, the recent completion of the Premier on Pine, and the current construction of the Helios project at 2nd Avenue and Pike Street.
Overall, properties within Study Area E have highly permissible zoning overlays that allow for various levels of density including high-rise construction; the four main zoning designations in this study area are Pike Market Mixed, Downtown Office Core I and II, and Downtown Retail Core.

Due to the historic nature of the Pike Place Market, the market and immediately surrounding area fall under the **Pike Place Market Historical District** overlay. Per city ordinance, a preservation board was created to oversee various improvement changes within the designated district. The Board recommends appropriate use, site development and architecture of the private and public buildings. Improvements located within the historic district require a Certificate of Approval to be issued by the Board and the Director of the Department of Neighborhoods before the City will issue any permits. Due in large part to the underlying zoning restrictions on height, density, and extra certification requirements, plus the overall unique characteristics of the market, land values in this region mirror those observed in the Pioneer Square neighborhood and are generally significantly lower than the surrounding higher density areas.

**COMPARABLE PROJECTS AND RESEARCH**

Projects involving similar improvements across the country were researched for indications of impacts on property values and the geographic radius of special probable benefit created by such projects. Research includes published studies and reports on waterfront, park and street beautification projects, as well as interviews with real estate brokers and appraisers in many of the affected neighborhoods. These projects are compared to the elements of the Waterfront Seattle LID to help understand how project improvements affect real estate marketing times, demand and overall property values. Again, it is important to remember that 1) none of the projects discussed are highly similar to the Waterfront Seattle LID (i.e., differences in view amenity, specific improvements, neighborhood and parcel characteristics, etc.) and 2) ongoing and proposed construction will have profound impacts on market value of individual properties; the magnitude of such impacts, considering the current strength of local market demand, is the major influence on property values with waterfront projects (the subject and others, including removal of the viaduct) contributing in varying degrees.

**Economic Studies**

HR&A Advisors completed an economic study in 2013 to determine the benefits of investment in public space and related infrastructure specific to the Seattle waterfront. However, their study considered the economic impacts of all waterfront area improvements, including removal of the existing two-tiered viaduct (viewed herein as a separate project, together with others listed on page 5). HR&A estimated that the waterfront area has potential to generate $1.7 billion to $3.6 billion in new economic value (tourism and real estate values) with redevelopment as envisioned by the City of Seattle. This benefit is in fact created by a combination of several factors: 1) current and forecasted strong demand and extensive new and proposed construction; 2) several other projects not related to the LID (including viaduct removal and Alaskan Way reconstruction); and 3) improvements and enhancements provided by the subject project.
An article titled The Impact of Parks on Property Values: A Review of the Empirical Evidence, published by the National Recreation and Park Association in 2001 (updated in 2014) summarized the findings of a study completed by the Department of Recreation, Park and Tourism Sciences at Texas A & M University. This article refers to approximately 30 studies that investigate the “proximate principle” that suggests a positive impact of 20%, on average, on property values “abutting or fronting a passive park area.” It goes on to conclude that if it is a heavily used park catering to large numbers of active recreation users, then the proximate value may only reach 10% and affect properties two or three blocks away. Key points in the article include:

- “The premise that parks and open space have a positive impact on property values derives from the observation that people frequently are willing to pay a larger amount of money for a home located close to these types of areas, than they are for a comparable home further away.”
- Some types of parks are more desirable than others; large, flat open spaces are less preferred than natural areas.
- Large public parks tend to encourage new residential development within a city which can expand and strengthen the tax base.
- Linear parks tend to create a higher benefit since there is more frontage compared to large circular or rectangular parks.
- Properties that have frontage along the park or a superior view of the park tend to see the greatest increase in value.
- Design features of the park can affect the impact on surrounding property values; “parks that serve primarily active recreation users were likely to show much smaller proximate value increase than those accommodating only passive use.” Neighborhood parks that are primarily used by the surrounding residents result in a higher increase in property value than larger parks that attract active users from outside the neighborhood due to the adverse effects of noise, nuisance and congestion.
- Some circumstances can negatively affect surrounding property values including poor park maintenance or the fact that the “park is not easily visible from nearby streets and, thus, provides opportunities for anti-social behavior,” or the privacy of nearby properties is compromised.

The author of the article, John L. Crompton, most recently updated his study in 2014 and the findings have been used by municipalities across the country. Crompton based his findings on empirical evidence going back to early 1900s England and early developments in the United States, all the way through major municipal development in the 1990s and beyond. He looked at greenway trails, water-based features, golf courses, parks and open space. The “proximate principal” represents a “capitalization” of park land into increased property values and a widening of the tax base. Two major findings based on his results include the location and proximity of property to the park improvements and a grading system as described below.
In relation to residential and multi-unit buildings – both in urban and suburban environments:

- 75% of the benefit from a park is captured within 500 feet, or three blocks.
- The remaining 25% of the benefit is likely dissipated over a 500- to 2,000-foot range, or 4 to 12 city blocks.

The following exhibit summarizes Crompton’s grading scale for park amenities.

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**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.

- Condominiums within a three-block radius experience an increase in property value of:

<table>
<thead>
<tr>
<th>Quality of Park</th>
<th>Distance</th>
<th>Green Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent – Average</td>
<td>1 block</td>
<td>16-20%</td>
</tr>
<tr>
<td>Excellent</td>
<td>1-3 blocks (500ft)</td>
<td>15%</td>
</tr>
<tr>
<td>Above Average</td>
<td>1-3 blocks (500ft)</td>
<td>10%</td>
</tr>
<tr>
<td>Average</td>
<td>1-3 blocks (500ft)</td>
<td>5%</td>
</tr>
<tr>
<td>Poor</td>
<td>1-3 blocks (500ft)</td>
<td>-5%</td>
</tr>
</tbody>
</table>

When looking at the Waterfront Seattle project, it is important to consider that there is an existing waterfront amenity; the current waterfront area can be rated above average since it provides a unique public amenity. With the project elements completed, the area will be upgraded to excellent, which indicates an average 5% increase in condominium values situated within three blocks. Note that this is an average based on empirical data and is utilized for background information when analyzing the subject project elements.

The above article sets up a good basis for the argument that a large, linear, well-maintained public park that attracts active users—such as the Seattle waterfront park—will likely have a positive impact on residential property values and that the most benefit is evident within a two- to three-block radius.
The Waterfront Seattle LID also includes elements of street beautification along the waterfront as well as along the Pike and Pine corridors. *The Economic Benefits of Sustainable Streets* was published in 2014 by the New York City Department of Transportation and looks at the effects of “street projects that improve safety and design and that welcome pedestrians, cyclists and transit riders...” Similar to the previous article cited, this publication is the summary of a multitude of studies but is focused on street design projects. This study relies on retail sales as a measure of the impact on surrounding property values. The basic premise of the New York study is that “changes in travel patterns, spending patterns and neighborhood desirability caused by changes in the street environment can impact businesses’ and property owners’ bottom lines, most directly by affecting retail sales but also retail rents, office rents, and commercial property values.” Some additional key observations in the study include:

- Changes to the street have a direct correlation to the “potential customers making trips to that street or change the frequency or spending patterns of their trips.”
- Improving access through parking, bike lanes, bike parking and transit services can increase the customer base.
- “Creating a more comfortable and enjoyable public realm” will encourage potential customers, once already on site, to stay for longer durations and “potentially result in their patronizing local businesses more than they otherwise would.” Features with this goal in mind usually include “functional improvements such as benches, tables and chairs, wayfinding signage and urban design enhancements such as distinctive paving, landscaping, street lighting and public art.

The study noted that while there exists a long history of studies documenting the increases to safety and mobility that updated streetscapes provide, it has only been in the last four to five years that municipalities have focused on the economic impacts that a cohesive “urban village” streetscape can produce. The New York report evaluated several measures of local economic activity, including sales at street level retail and restaurant/food service businesses, to provide indicators of the overall market health of a particular neighborhood. A paired data approach was taken where specific areas of study were charted based on recent street improvement projects and then compared to areas without similar streetscape upgrades. Before and after data was collected on the subject sites and compared to changes seen within comparable neighborhoods in the same time period.

The NYCDOT study focused on eight case study areas; all had project components similar to the subject LID. Project features included the addition of a significant amount of converted pedestrian space with the introduction of coordinated landscaping, public seating areas, and improved loading areas for people leaving their parked cars. Angled parking was introduced along the roadways and improvements were made to all marked crosswalks. One case study found that within the first year of the project’s completion, sale prices in the study area went up 18% and within the second year, prices were up 48%. The three comparison or control neighborhoods saw only a 4% to 13% rise in the same 1-year time period and only 7% to 22% rise in the second year (one test neighborhood actually had a 9% drop in sales). These figures indicate an increase in value due to the project of 5% to 14%. The same type of increased sale prices were observed throughout the various case study areas.
While the New York real estate market is unique, this study provides a good indication of the positive effect that streetscape projects provide to a neighborhood while excluding the water view amenity. Assuming the Alaskan Way viaduct replacement is complete in the “before” scenario, it is reasonable that enhancing the streetscapes in the subject area will increase property values in the neighborhood of 4% up to 10%, reflected in lower vacancy and higher rental rates for well-located properties abutting the streetscape area and less for those further away from the improvements.

**Specific Improvement Projects**

Research was also completed on six improvement projects across the country and in Canada to compare various project components and the general effect on real estate markets. Many of the projects researched included an enhanced view amenity that is not being considered for the subject area; since the Alaskan Way viaduct replacement project is assumed complete, the view amenity will not change due to the LID project. Observation of projects in other markets is not necessarily indicative of the Seattle market and the following sections are presented to provide market-based historical evidence in a similar vein and is to be used as background data only.

**Tom McCall Waterfront Park, Portland OR**

This is a 36.59-acre park located along the Willamette River at the east end of the Portland, Oregon CBD. Spurred by the 1974 removal of six-lane Harbor Drive, the park was constructed and opened to the public in 1978. The park extends approximately 2.1 miles and is bordered by River Place to the south, the Steel Bridge to the north, Naito Parkway and the Portland CBD to the west, and the Willamette River to the east. In October 2012, Tom McCall Waterfront Park was voted one of America’s ten greatest public spaces by the American Planning Association.

In 2000, prompted by the need for extensive repairs to the seawall and reconfiguration of Naito Parkway, plans began for an extensive remodel of the existing park facilities. Starting in 2003 and continuing through 2011, overall improvements to the green space included new designated pathways for pedestrians, cyclists, and joggers, updated public boat docks, new public gardens, upgrades to existing kids’ play fountains, and the construction of three distinct public plazas suitable for larger public events. In particular, the Salmon Springs/Waterfront Plaza at the north end of the park was designed to accommodate an expansion of the weekly Burnside Saturday Market craft fair from its historical neighborhood location to the west down to and within the park. Street beautification projects along several connector roadways were completed to facilitate better overall pedestrian circulation from the park to the adjacent Portland CBD. This included the installation of larger, decorative pedestrian crosswalks, expanded sidewalks, streetscape landscaping, and new directional signs.
To date, six interviews have been conducted with area brokers familiar with the residential, commercial, and office markets in downtown Portland. The brokers were asked how, if at all, the waterfront park upgrades affected overall market rental rates and what general perceptions were held by market participants regarding the park’s influence on potential values. Generally, in terms of retail and office rents, due to the presence of heavily trafficked Naito Parkway between the river park amenities and the larger downtown, the consensus of brokers has been that the highest level of positive influence was seen within the immediate one- to two-block radius of the three new/upgraded public pavilions. These three public spaces primarily act as the main entry points to the park and have the greatest sense of overall connectivity to the larger Portland CBD. It was noted several times by brokers that the expansion of the Saturday market into the park helped bring larger crowds to the Historic/Burnside neighborhood areas and contributed to the lowering of overall vacancy rates.

Two brokers familiar with the business district located at the southern end of the park area (World Trade Center office buildings and several other high-rise medical/office structures) indicated that before the upgrades were completed, proximity to the park was negatively perceived due to lack of upgraded infrastructure and perception of the area as being somewhat unsafe. That perception has drastically changed over the last 10 years and proximity to the park is currently used in marketing materials to attract larger companies from neighborhoods further west.

Based on research from CoStar, properties within the six blocks adjacent to the park maintain much lower vacancy rates and show an average of 16% higher sale prices. It is important to note that some of the increase in property values can be attributed to the waterfront view amenity. Similar to the Waterfront Seattle project, the view amenity exists without the park enhancements. However, conversations with brokers in the Portland area, including Nick Kassab, director of HFF, indicated that before park renovations were complete, the waterfront area had the perception of being unsafe and was not inviting to pedestrians or tourists. Since completion of the park improvements, development has increased and perception of the area has drastically changed; it is now viewed as a significant amenity to surrounding property and much of the increase in property values is attributable to the park.

In comparison to the subject project and recognizing the viaduct removal before the project, currently strong tourism and economic conditions, it is reasonable to conclude that the impact from the Waterfront Seattle project on surrounding property would be most significant in the immediate two- to three-block radius of the improvements and dissipate further away. The data collected on Tom McCall Waterfront Park indicated an average 16% higher sale price per square foot for similar properties within six blocks of the park compared to those further away; some of the value is created by the waterfront view amenity. It is reasonable that the subject improvement project, which excludes any increased view amenity, would range from nominal (outlying areas) up to 10% (areas directly adjacent to project elements).
Rose Kennedy Greenway, Boston MA

The Rose Fitzgerald Kennedy Greenway officially opened in Boston, Massachusetts in October 2008 and consists of an approximately 1-mile long, 15-acre greenway created on land that opened up due to demolition of the John F. Fitzgerald Expressway (the park is located above the “Big Dig” tunnel). One of the largest public park projects completed in Boston to date, it consists of landscaped greenways, gardens, several plazas, public fountains and art, and public boat docks within the river frontage portions. The park travels through the Waterfront, North End, Financial, and Historic Chinatown neighborhoods of Boston. Funding for the improvements was based on a 50%-50% public/private funding model. Currently, each dollar from the state/city government is leveraged by more than one dollar of private support.

In March 2010, a study was completed by HR&A Advisors for the Boston Redevelopment Authority detailing overall market changes within a four-block radius of the RFK Greenway. The study used several different valuation approaches and took into careful consideration various controls to account for real estate trends and variations in the data sets. The market areas abutting the expressway demonstrated property values and market rents significantly lower than other nearby Boston CBD neighborhoods. Once demolition of the expressway and construction of the greenway was completed, these four-block radius neighborhoods quickly saw increases in overall market values to levels that mirror and in some markets exceed the overall Boston CBD. This trend was most visible in the residential and office markets.

Fifteen years since the Central Artery/Tunnel project began, the value of commercial properties along the mile-long Rose Fitzgerald Kennedy Greenway strip increased by $2.3 billion, up 79% - close to double the citywide 41% increase in assessed commercial property values in the same period. A 2006 study indicated that projects worth $5.3 billion had been completed or were underway within ¼-mile from the project from 2003 through 2005 – including 4,200± housing units.

While Boston features a diverse CBD, the impact of the Rose Kennedy Greenway is visible, based on research from CoStar Properties. Since the CBD is surrounded by water on three sides, the six-block radius immediately west of the park was researched so as not to have the results impacted by other water or unique features. Commercial properties within the closest three blocks maintain a lower vacancy rate and higher per square foot sale price. The three-block radius has a five-year average vacancy rate of 9.6% and is currently at 5%, while the three blocks further west have a five-year average vacancy rate of 11.9% and a current rate of 10.7%. Properties closer to the park also generally command a higher sale price; office properties within a three-block radius of the park currently sell for approximately $562/SF with a 5-year average of $440/SF while properties further west are currently selling for $473/SF with a 5-year average of $426/SF. Properties within the three-block radius are selling for approximately 19% more than properties in the four- to six block-radius.
Neighborhoods near the Rose Kennedy Greenway have experienced a large increase in property values based on land use changes and demolition of the expressway. The enhanced view amenity is a major factor that is not considered for the Waterfront Seattle project. Research was done while attempting to eliminate the view amenity; values within six blocks of Rose Kennedy Greenway still show a 19±% premium compared to those further away but even that increase is influenced by changes in land use. Vacancy rates may be the best indicator of the park’s influence on nearby property values; within three blocks of Rose Kennedy Greenway, vacancy rates are historically 2% to 5% lower than the adjacent three blocks further away, even considering buildings with similar view amenity. A lower vacancy rate in a strong economy is correlated with higher rental rates and overall sale prices.

**Hudson River Park, New York NY**

Hudson River Park contains 500± acres and is located on Manhattan’s west side waterfront in an area that was previously known as a wasteland, featuring only minimal warehouse properties and older businesses. After over 25 years of planning, the park began to take shape in the late 90s and was finished in the early 2000s. It features sports fields, mini golf, a carousel, a promenade, dog parks, play areas, bike paths and other waterfront amenities. Evidence of a revitalized neighborhood directly corresponded to the park project; with real estate sales activity increasing as soon as park construction began. Condominium construction and prices also rose.

In 2008, a report entitled *The Impact of the Hudson River Park on Property Values* was completed by an appointed committee known as “Friends of Hudson River Park”. The committee was made up of objective local real estate professionals, public planners, lawyers, and government employees. The committee reviewed all sales of property bordering the park from 1990 through 2005 as well as various economic studies published in reference to the area. Based on their research, the following key conclusions were made:

- The properties within a three-block radius of the park saw the most increase in value and “approximately 20% of the value of properties within the first two blocks of the Greenwich Village section of the park can be attributed to the park.”
- Real estate prices saw a significant increase when the park officially opened in 2003 and continued to grow at a fast pace through 2005.
- The park made a significant impact on condominium values; price increases of up to 80% were observed.
- The study qualifies their research and acknowledges an improving real estate market overall as well as an increase in value due to high quality condominium developers.
Value of the properties within three blocks of the completed Greenwich Village section of the park were positively impacted.

The Hudson River Park project featured a dramatic change in land use and complete redevelopment of the area, unlike the enhancement project for the Seattle waterfront. This study is included for informational purposes to illustrate the positive effect of parks in metropolitan areas; however, it is reasonable that the Seattle waterfront will see a lesser increase in property values than the Boston neighborhoods, as shown above, based on the project elements.

**The Embarcadero, San Francisco CA**

The Embarcadero parkway is a series of interconnected parks, pedestrian/cycle rights-of-way, public plazas and public/private docks that run alongside the eastern waterfront and the 8-lane Embarcadero in San Francisco. The three-mile long parkway runs along an engineered sea wall and covers reclaimed land formally occupied by the elevated Embarcadero Freeway. The freeway was demolished in 1991, after being damaged in a 1989 earthquake. The Embarcadero right-of-way begins at the intersection of Second Street and King Street, near AT&T Park, and travels north, passing under the San Francisco–Oakland Bay Bridge. From there, the Embarcadero continues north past the Ferry Building at Market Street, Fisherman’s Wharf, and Pier 39, before ending at Pier 45. The vision behind the extensive public space improvements and park land was to reestablish a connection between the expanding San Francisco CBD to what at the time was an underutilized Bayfront area. The main components of the project, all of which were completed by the early 2000s, were:

- A new alignment for the Embarcadero boulevard that incorporates bicycle lanes and an exclusive right-of-way for an extension of the F streetcar line from the Ferry Building to Fisherman’s Wharf (service started in 2000); a water-side pedestrian promenade that runs from Fisherman’s Wharf to China Basin Channel (Herb Caen Way); an extension of MUNI’s light-rail system south of Townsend Street along an exclusive right-of-way in the center of the Embarcadero, completed in 1997;
- An underground MUNI switching yard that was originally to be placed under the elevated freeway;
- Open-space pavilions and greenscape public park improvements.

The Embarcadero is a well-studied public benefit project and the area has several ongoing improvement/enhancement projects currently under review. Overall, a Port of San Francisco public statement that the waterfront partnership “singularly changed the character of the northern waterfront from an industrial service corridor to an outdoor living room for San Francisco” best sums up project impacts.
Current market-related reports indicate that the greatest value enhancement due to the Embarcadero project was observed within the bayfront/port side public/private properties (most located on piers). Residential and retail properties located alongside the eastern half of the Embarcadero expressway have shown marked improvements associated with proximity to the public park/pavilion areas along the three-mile stretch. While the project is considered to have completely revitalized the waterfront area, there are no special benefits associated with the project beyond a one- to two-block radius east of the expressway.

Due to the unique geographical and neighborhood characteristics of San Francisco, as well as design of the interconnected parks, it is difficult to measure the direct impact on property values due to the project. The CBD has many points of interest and features that attract pedestrians, tourists and property owners. Also, the park project was completed during the same time the Embarcadero Freeway was demolished, which created an enhanced view amenity that many adjacent properties lacked. According to reports published by the city and interviews with brokers, there has been a positive impact on demand for property near the park and it is used as a marketing tool for leasing and sales. The greatest impact is reportedly within the two-block radius east of the expressway and on the bayfront properties. Brokers indicate a 10% to 20% increase in values of properties adjacent to the enhanced portions of the park compared to similar properties a few blocks away.

Recognizing that the value increase in San Francisco is largely related to the enhanced view amenity, it is reasonable that the market impact from the subject waterfront development would be significantly less, based on the assumption utilized herein that the Alaskan Way viaduct was removed in the before (without LID) valuation scenario.

**Millennium Park, Chicago IL**

Millennium Park is a portion of Grant Park in Chicago, IL. It is one of the world’s largest “green roofs” as it is constructed on top of a railroad yard and large parking garages; an area that was previously underutilized. Although some features were completed earlier, the park officially opened in 2004 and upgrades have continued since. The park features major art installations, an ice skating rink, a pedestrian bridge, a theater, a promenade and other public spaces including a 4,000-seat band shell. The cost of the park reached $500± million when completed and it had a reported 3 million visitors within the first year with annual attendance growing thereafter. The park won praise from The New York Times and Time magazine for being an accessible and innovative public space that helps define the city.
A 2014 article published in the *Chicago Tribune* recognized the ten-year anniversary of the park and looked at its impact on surrounding real estate. The article refers to a study conducted by Texas A & M University that found condominium units with a view of the park had purchase prices approximately 29% higher than comparable units without a view. The study also attributed $2.45 billion in new condominium, office and hotel construction in the park vicinity to the year-round benefit and attraction of the park’s amenities, while also considering the improving economy in this timeframe. “To be sure, some of the building would have happened anyway. But without Millennium Park, the boom wouldn't necessarily have occurred to the degree and not with the speed it has”, said Gail Lissner, vice president of Appraisal Research Counselors, a Chicago-based company that appraises commercial and residential properties. The case study prepared by Texas A & M University in 2011 showed that Millennium Park has a significant economic impact on the overall city of Chicago. They concluded that approximately 12% of Chicago tourists visit the park and these visitors account for $1.4 billion in direct spending in the park vicinity and over $78 million in tax revenue. This directly creates jobs in the neighborhood and “increased the number of residential units in a previously underutilized part of the city by 57%, resulting in an increase in residential housing and population growth.”

According to CoStar, rental rates and sale prices vary widely in the area due to property specifics, points of interest and geographical features; however, there is a clear trend of lower vacancy rates for office properties within a three-block radius of the park and similar results were shown for retail property. The three-block radius from the park has a five-year average vacancy rate of 13.1% and is currently at 10.1%, while the three blocks further west have a five-year average vacancy rate of 16.2% and a current rate of 14±%.

A study conducted by Texas A&M University found that condominium units with a view of Millennium Park had purchase prices that were 29% higher than comparable units without a view. The same study also attributed $2.45 billion in new condominium, office and hotel construction in the park vicinity to the new public amenities, noting that market conditions were improving since the opening of the park. Mesa Development LLC in Chicago reported that between 2005 and 2014, 1,391 new condo units were constructed adjacent to the park (within a two-block radius) and the units with views sell for 25% to 30% higher than those lacking the view amenity.

Similar to the Hudson River Park project, Millennium Park drastically changed the neighborhood and surrounding land uses. The higher sale prices for condominiums is largely a result of the view amenity. Similar to Boston, the best indicator of positive influence from the park project is lower vacancy rates for properties within a six-block radius of the park, with the lowest rates in the immediate three-block area. Based on the research conducted on the Chicago market and the impact of Millennium Park, the market evidence derived from the study shows decreases in vacancy. It is reasonable to conclude that the Waterfront Seattle project will experience stronger demand and substantially lower vacancy with the most benefit to properties within the first three-block radius of the improvements.
The Southeast False Creek Master Plan is a recently approved public/private redevelopment project located at the east end of False Creek harbor by the City of Vancouver, BC. This represents the third and last segment of a waterfront revitalization project that started in the mid 90's. In October 2015, the city approved the removal of the current Georgia and Dunsmuir Viaducts and implementation of the proposed redevelopment plan. The 80-acre area is owned by the city and land use has historically been industrial. A large segment (60 acres) has been set aside for public/private development of multi-family mixed use retail buildings and a 20-acre segment designated for waterfront parkland and public open space. This project offers a unique opportunity to interview various market participants concerning the influences of an approved and funded waterfront redevelopment plan.

Collingwood Appraisal Ltd. in New Westminster, BC provided data on 322 sales of apartments and condominium units occurring between June 2016 and March 2017. The properties were located within a 6-block radius of Stanley Park and the waterfront of English Bay and Coal Harbor. Paired analysis suggests a premium of 12% to 16% paid for properties within a six-block radius of the park and waterfront amenities. In comparison to the subject project, some of the paired sales data is influenced by view amenities. Recognizing this, together with the unique nature of the Stanley Park/Coal Harbor market areas, it is probable that the value impact of the Waterfront Seattle project on the condominium market would be below the above range.

Summary
It is clear that well-designed park and street improvement projects have a positive effect on surrounding neighborhoods and property values. Parks and “walkable” streets spur more activity from local residents as well as make areas more inviting to tourists. These projects create a wider tax base for the city and create jobs in construction, public service, hotels, retail and services in nearby neighborhoods.

Most of the comparable projects include an enhanced view amenity, which is not considered for the subject neighborhood since the Alaskan Way Viaduct replacement project is assumed to be complete in the “before” scenario and therefore the view amenity does not change due to the LID project.

Based on research conducted and discussed, there is definitely a positive impact on all property types within a three-block radius of an improved park with a lower yet still measurable impact on properties up to twelve blocks away. Many studies show that approximately 75% of the benefit from an improved park is captured within the first three blocks and the remaining 25% dissipated for a distance of up to twelve blocks.
This increase is well-supported in the indicated ranges shown in New York, Boston, Portland and Chicago. The economic studies on parks and streetscape improvements indicate increases in property value of 5% on average, with some properties benefitting up to 10% of overall value. Both of these studies indicate a geographical radius of benefit within 12 blocks, but most significantly within the first three blocks. Based on Crompton’s park rating scale and considering the existing waterfront amenity, the Waterfront Seattle project would increase the quality rating from above average to excellent, which indicates an average increase in value of 5% for condominiums situated within a three-block radius. The Boston and Chicago park projects are strong indicators of the effect these types of projects have on vacancy rates for office and retail properties in the immediate vicinity; both indicated a decrease in vacancy of 2%-5% for properties within a three- to six-block radius.

All the projects reviewed indicated increases in demand and construction activity, decreases in vacancy rates and higher sale prices across all property types resulting from the completion of parks and streetscapes. Based on this research, the following is concluded for the Waterfront Seattle LID project:

- Positive increases in property values within a three-block radius of park and streetscape improvements;
- Measurable increases in property values within a twelve-block radius (depending on specific location) or bounded by geographical features such as Interstate 5;
- The waterfront grading on Crompton’s scale will be positively increased from above average to excellent.
- A positive increase in condominium values of up to 5% or more, depending on location;
- Positive increase in demand resulting in lower vacancy rates, predominantly within three blocks of the improvements.

The increase in property values can be measured by lower vacancy rates, lower capitalization rates (risk) and higher rental rates. Based on the comparable projects researched and the project elements of the Waterfront Seattle LID project, it is reasonable that the benefit would range from nominal up to a 10% increase in the “before” market value of individual parcels based on proximity to improvements, property use and unique characteristics; properties located closest to the park and enhanced streetscapes experience the most special benefit.
Preliminary Feasibility Analysis Summary

As mentioned at the beginning of this memorandum, increases in market value of individual parcels result primarily from enhanced location (improved pedestrian connections, open space, streetscapes) all of which enhance the aesthetic appeal of the waterfront and a large segment of the downtown CBD. This study also considers the widening of Alaskan Way at the project’s south end and the elimination of some parking associated with the LID project.

It is important to note that the comments made herein on the currently upbeat downtown market trends are not meant to infer that the project would create further strong demand and intense development activity but rather that the new waterfront amenities and improved waterfront access would enhance positive trends already in evidence in the various downtown Seattle real estate markets. Two main valuation methods are utilized; the Income and Sales Comparison Approaches, as briefly summarized below.

**The Income Approach** is based on the capitalization of income (rent) into value of an income-producing property. The capitalization rate is essentially a function of risk and market perception of future value changes. A lower capitalization rate reflects a higher overall property value compared to a higher capitalization rate that indicates a lower overall property value. In the case of the subject project, based on the factors previously discussed, it is probable that the market will reflect a combination of 1) increases in market rents and 2) lower vacancy rates.

These factors are reflected in lower overall capitalization rates resulting from lower perceived investment risk and greater future income-generating potential. Typical capitalization rates for the various property types range from 4% to 8%, depending on the type of use and investment risk. Apartments generally reflect the lower end of the range (around 4% or slightly higher), with office/retail uses in the 5% to 6% range. Subsidized housing or other special use properties generally reflect capitalization rates at the high end of the range.

**The Sales Comparison Approach** looks at both improved property and vacant or underdeveloped land. Market value increases are based on similar elements discussed in the Income Approach relative to enhanced location and improved market perception. Any market value increases associated with the condominium market are estimated using the Sales Comparison Approach.

Based on research into the Seattle market, together with study of other improvement projects with varying degrees of similarity to the subject project and limited analysis of the properties/property types, the resulting valuation conclusions are summarized below.

**STUDY AREA A**

Area A extends along both sides of Alaskan Way from approximately Vine Street at the north to S Washington Street to the south. Waterfront ownerships are unique as there is limited upland area and ownership interests are a combination of submerged land leased from the Washington State Department of Natural Resources (DNR), pier improvements and leasehold improvements. Based on Washington State Statutes, these property interests are analyzed based on fee simple ownership.
Utilizing representative property types, value increases due to the project generally range from 1% to 2% of “before” market value for properties located near the Edgewater Hotel and Port of Seattle ownerships, increasing to 2% to 5% of “before” value extending south to the Overlook Walk/Union Street connection. Properties in close proximity, such as Piers 54 through 57, typically reflect increases of 4% to 5% of market value resulting from enhanced location (i.e., improved pedestrian waterfront access, tourism amenities and aesthetic aspects of the waterfront project desirable for retail-based users). Properties on the east side of Alaskan Way generally reflect an increase in market value from 2% to 5%, depending on location and land use. A number of parcels have historical designations that limit the owner’s ability to renovate or redevelop to a more intensive use.

**STUDY AREA B**

Area B covers a large expanse, extending both north and south of Area E (Pike/Pine corridor). The most specially benefited vicinities are those between the Bell Street Park extension and the Overlook Walk and Pike/Pine corridor, with a general benefit range from 2% to 5% (or higher) of market value, depending on use and specific location. Similar to Study Area A, many of these properties have historical use designations. The Pike Place Market property has zoning limitations and other factors such as affordable housing requirements that impact special benefit estimates. Properties near the Sculpture Park, which also extends along the waterfront, have zero to nominal benefit due to distance from the LID improvements and because they currently have existing park amenities. Moving south from this area, parcels located between Broad Street and Bell Street Park have market value increases that are nominal to around 2% (or higher) of market value, depending on location and use. Properties extending south from Study Area E, south of Union Street to Pioneer Square ending at S. King Street, generally reflect an increase in market value of 1% to 3% of “before” value, depending on specific location and use.

**STUDY AREAS C AND D**

Areas C and D are furthest in proximity from the LID improvements and experience the lowest range in special benefit. The area north of Study Area E, from Olive Way to Denny Way, typically reflects a 1% (or higher) increase in value to nominal or zero near Denny Way, particularly from near Boren Avenue to I-5. The area south of Union Street is similar and reflects a 1% or higher to nominal or zero increase further south. The Stadium District, south of S King Street between Alaskan Way S and 4th Avenue S, has estimated value increases of around 1% or higher to nominal, extending south of Century Link Stadium and Safeco Field. The Industrial-zoned Port of Seattle waterfront property does not benefit from this project due to the lack in change of use and minimal impact of this type of new amenities on the existing use. Similarly, the International District, located east of 4th Avenue S, would experience nominal to zero special benefit from the project due to location and lack of probable intensity of use changes resulting from the project.
STUDY AREA E
Study Area E shows a general market value increase from around 1% at the eastern end (near I-5) and 2% to 5% (or higher) near the Pike Place Market and along the retail corridor of Pike/Pine Streets, to the highest benefits around the Overlook Walk. Similar to the other areas discussed, the estimated special benefit is impacted by historical use designations, zoning and proximity to the waterfront. For example, a number of the Pike Place Market area ownerships that experience the most prominent change due to location adjacent to the Overlook Walk have historic designations and use limitations that impact special benefit. Conversely, other properties located further east along this corridor not subject to use restrictions experience a higher range in special benefit.

SUMMARY COMMENTS
In total, the subject study area encompasses a large vicinity with some parcels experiencing nominal or zero special benefit while others in closer proximity to the LID improvements reflect an increase in “before” market value of 5% or higher. The main factors impacting market value increases due to the LID improvements are change in location, which includes enhanced pedestrian access connections, and increased market aesthetic appeal. Based on review of projects in other cities, together with economic studies completed for the City of Seattle, tourism is improved with resulting increased retail and hotel revenues. The office market also shows improvement, but to a slightly lesser degree than retail/hotel uses. The condominium market also experiences special benefit from improvements like the Waterfront Seattle Project, as strongly supported by the studies discussed.

Many properties in the study area feature mixed uses, as discussed above, and are comprised of office/retail, retail/condominium or retail/apartment/condominium/hotel, making extrapolation of special benefit more difficult. Recognizing these factors, the conclusions summarized below reflect a wide range in estimated benefit to allow flexibility in the analysis of the more complex properties. As stated throughout this memorandum, this preliminary feasibility analysis reflects a relatively low level of precision. More detailed individual parcel analysis would be provided by a complete special benefit/proportionate assessment study.

A low/high end market value range change for the predominant use types is summarized below.

<table>
<thead>
<tr>
<th>Use Type</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office *</td>
<td>0%-2%</td>
<td>2%-5%**</td>
</tr>
<tr>
<td>Retail</td>
<td>0%-3%</td>
<td>3%-5%**</td>
</tr>
<tr>
<td>Hotel</td>
<td>0%-3%</td>
<td>3%-5%**</td>
</tr>
<tr>
<td>Historic Designation***</td>
<td>0%-2%</td>
<td>2%-5%**</td>
</tr>
<tr>
<td>Residential Condominium</td>
<td>0%-2%</td>
<td>2%-5%**</td>
</tr>
</tbody>
</table>

*Most office buildings include some ground floor retail space.

**Increase in value dependent on proximity to improvements - no value increase over 10% of "before" market value estimated in study area.

***Typical use is Office with some retail component.
Based on the above discussion, the preliminary findings resulting from this limited assignment appraisal, which is subject to the accompanying assumptions and limiting conditions, and as of August 2, 2017, are as follows:

**Feasibility Study - Estimated Special Benefit Ranges**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study Area A</td>
<td>$20,000,000</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>Study Area B</td>
<td>$70,000,000</td>
<td>$80,000,000</td>
</tr>
<tr>
<td>Study Area C</td>
<td>$25,000,000</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>Study Area D</td>
<td>$25,000,000</td>
<td>$45,000,000</td>
</tr>
<tr>
<td>Study Area E</td>
<td>$90,000,000</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>Residential Condominiums</td>
<td>$70,000,000</td>
<td>$130,000,000</td>
</tr>
<tr>
<td><strong>Total Estimated Range:</strong></td>
<td><strong>$300,000,000</strong></td>
<td><strong>$420,000,000</strong></td>
</tr>
</tbody>
</table>
General Assumptions and Limiting Conditions

This limited appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.

2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.

3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.

4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.

5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.

6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.

7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser’s then current hourly rate plus reimbursement of expenses.

8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed herein apply are set forth in this memorandum. No responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein, is assumed. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.

10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.

13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.

14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.

15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.

16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property’s flood zone classification from a licensed surveyor.

20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our “Income and Expense Projection” are anticipated.

21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client’s responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.

23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or “as-built” plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.

25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.

32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
35. You and Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates for this assignment, and under no circumstances shall any claim for consequential damages be made.

36. Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates shall have no obligation, liability, or accountability to any third party. Any party who is not the “client” or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates. “Client” shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates in such action, regardless of its outcome.

37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.
Certification – Robert J. Macaulay, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported 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.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed consultation services for the City of Seattle regarding the Waterfront Seattle Project and the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. I have made a personal (exterior) inspections of most of the property that is the subject of this report.
10. Mr. Paul Bird, Ms. Mary Hamel and Mr. Matthew Sloan provided assistance in researching, analysis and report writing.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
Based on above discussion, the preliminary findings resulting from our limited assignment appraisal, which is subject to the accompanying assumptions and limiting conditions, and as of August 2, 2017, are as follows:

<table>
<thead>
<tr>
<th>Estimated Special Benefit Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000,000 to $420,000,000</td>
</tr>
</tbody>
</table>

Date of Value: _____________________

August 2, 2017

_______________________________

Robert J. Macaulay, MAI
State Cert. #1100517
Addenda

Additional Reporting Requirements
Seattle Market Data
Description of “Before and After” LID Conditions (Provided by the City of Seattle)
Additional Reporting Requirements

— Client
The client for this assignment is the City of Seattle, Seattle Department of Finances and Administrative Services.

— Intended Use/Users
The intended use of this memorandum is to assist the City in determining the feasibility of forming a Local Improvement District (LID) based on the anticipated special benefit (increase in market value) resulting from the Waterfront Seattle LID Project. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser’s file. The depth of discussion contained in this memorandum is specific to the needs of the client and per the limited scope of this analysis, and for only the intended use stated above. This memorandum is authorized for use by the client and its agents, representatives and legal counsel.

— Effective Date of Study
In completing this LID feasibility study, approximately 90% to 95% of the properties in the study area were physically inspected (exterior only) on numerous dates. The effective date of this study is August 2, 2017.

— Purpose of the Analysis
The purpose of this analysis is to provide an estimate of the most probable range in special benefit accruing to the varying ownerships within the Waterfront Seattle LID study area.

— Legal Description
No defined legal description of the Waterfront Seattle LID study area was provided. Each individual parcel is identified by its King County Assessor’s Tax Parcel Number (TPN). A spreadsheet based on King County Assessor’s data was compiled showing various characteristics of individual parcels such as property owner, address, land area, building area, zoning, etc.

— Property Rights Analyzed
The property rights analyzed in this memorandum constitute the fee simple interest.

— Scope of the Study
In preparing this study, property data and physical characteristics were researched and exterior inspections performed of approximately 90% to 95% of the properties within the study area. We also researched comparable improvement projects and their documented impact on surrounding/proximate property values in order to quantify a range in probable special benefit for affected properties in the vicinity of the waterfront project. A summary of work and research completed for this assignment follows:

• Researched land and improved sales, rents, operating expenses, vacancy rates, and capitalization rates.
• Analyzed historical and current market information from the subject market area and competitive neighborhoods in nearby areas.

• Researched CoStar, CBA, NWMLS, Metroscan and King County Assessor databases.

• Researched Valbridge Property Advisors | Allen Brackett Shedd’s existing databases.

• Reviewed all documents as cited throughout this report.

• Researched comparable waterfront/parks/streetscape projects throughout the United States.

Given the large number of properties within the project area, the appraiser did not conduct thorough inspections of each individual property, nor were property owners solicited for the most current, property-specific information. This level of investigation would be typical in appraising individual properties but is beyond the scope of an LID feasibility analysis. In addition, due to the large number of properties involved and limited scope of the assignment, individual appraisal reports for each property were not prepared; rather, a master spreadsheet with relevant property information was developed. Such an approach is pursuant to USPAP and is typical for large LID projects (see “Local and Road Improvement Districts Manual for Washington State,” Sixth Edition). If requested, thorough inspections of individual properties, owner outreach and individual mass appraisal analysis will be completed in the next phase of work for the formation of the LID and the supporting special benefit/proportionate assessment study.

— Definitions

*Fair Market Value* - Fair Market Value is the amount in cash which a well-informed buyer, willing but not obliged 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.1

*Fee Simple* - 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. 2

*Highest and Best Use* - The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.3

*Special benefit* may be defined as a specific and measurable increase in value of certain real property in excess of enhancement to the general area (and benefitting the public at large) due to a public improvement project. It is measured as the difference, occurring by reason of the LID project, between the market value of the parcels studied without the LID project, and market value of the same parcels with the LID project assumed completed.

— Area Description

Demographic, economic and growth data on western Washington, King County and the city of Seattle’s neighborhoods were reviewed to inform the analysis; this data can be furnished on request.

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1Washington Pattern Instruction 150.08


— Hypothetical Conditions
This term is defined as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

The without LID (before) and with LID (after) conditions are assumed as to be described in this memorandum.

— Extraordinary Assumptions
This term is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions. It presumes as fact otherwise uncertain information about the legal, physical or economic characteristics of the subject property.

Other than the submerged land along the waterfront (western boundary of the study area), no significant sensitive areas within the potential LID boundary area were identified, including but not limited to wetlands, creeks/streams, steep slopes, or other environmentally critical or sensitive areas.

— Highest and Best Use
A highest and best use analysis for each property within the study area was not completed. Individual highest and best use analysis would be prepared for a special benefit/proportionate assessment study, which would provide individual market value estimates for each property specially benefited by the Waterfront Seattle LID Project.
Seattle Market Data

— Retail Real Estate Market

According to a 1st quarter 2017 retail study of the three-county region (King, Snohomish and Pierce counties) by CoStar, the overall retail vacancy rate was 3.6%, down from 3.7% at the end of last year. Quoted retail rental rates for the region were at $18.89 per square foot, which has slowly increased over the past two years. During the first quarter of 2017, three retail buildings were completed encompassing 414,952 square feet with another 248,198 square feet is under construction. In fourth quarter 2016, 17 sales of retail space were reported at an average sale price of $262.10/SF and average cap rates were reported at 6.05%.

The subject area is within the Downtown Seattle submarket, more specifically the Seattle CBD, Belltown/Denny and Pioneer Square/Waterfront neighborhoods. First quarter 2017, Downtown Seattle had two retail buildings under construction containing 27,275 SF that are 100% preleased. There are currently 3,125 retail buildings in the submarket that total 26,277,071 SF with only 2.2% vacancy and quoted rental rates averaging $26.65 per square foot.

The Seattle CBD maintains the highest rental rates, currently reported at an average of $38.03 per square foot, compared to $28.56/SF in Pioneer Square/Waterfront and $26.27/SF in the Belltown/Denny neighborhood. Belltown/Denny neighborhood includes 114 retail buildings with an average of 8.2% vacancy. Pioneer Square/Waterfront neighborhood includes 86 retail buildings with a current vacancy rate of 2.2% and the Seattle CBD offers 64 buildings with a current vacancy of 2.7%. There are no general retail buildings under construction in these neighborhoods.

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Existing Inventory</th>
<th>Vacancy</th>
<th>SF Under Construction</th>
<th>Average Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belltown/Denny</td>
<td>114 bldgs.</td>
<td>8.2%</td>
<td>0</td>
<td>$26.27</td>
</tr>
<tr>
<td></td>
<td>1,381,847 SF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pioneer Square/Waterfront</td>
<td>86 bldgs.</td>
<td>2.2%</td>
<td>0</td>
<td>$28.56</td>
</tr>
<tr>
<td></td>
<td>1,352,804 SF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seattle CBD</td>
<td>64 bldgs.</td>
<td>2.7%</td>
<td>0</td>
<td>$38.03</td>
</tr>
<tr>
<td></td>
<td>2,713,163 SF</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Office Market

The 1st quarter 2017 vacancy rate was 7.7% in the Puget Sound area (King, Snohomish and Pierce counties), and has been on a gradually declining trend since 2011. Average rental rates for the region were $30.96/SF over all office classes; Class A space was $40.76/SF, Class B was $26.70/SF and Class C was $21.53/SF. Three buildings totaling 78,358 SF were completed in the first quarter of 2017 with another 8,021,277 SF under construction. There were 55 reported sales of office buildings in the fourth quarter of 2016 with an average sale price of $403.70/SF, up from the average of $356.25/SF the previous quarter. Capitalization rates for retail space averaged 6.38% over 2016.

First quarter 2017, Downtown Seattle had 18 office buildings under construction containing 6,311,915 SF and 67.6% preleased. There are currently 1,736 office buildings in the submarket that total 81,271,809 SF with 7.3% vacancy and quoted rental rates averaging $37.98 per square foot; Class A was $43.05/SF, Class B was $33.39/SF and Class C was $25.32/SF. Nine of the 15 top construction projects in the region are located within the Downtown Seattle submarket, eight of which are Class A buildings and 1 is Class B. The Amazon II building is 100% preleased, features 37 floors and 1,100,000± SF and is expected to be complete in the second quarter of 2017. The Block 20 building is similar in size, 100% preleased and expected to be complete by the first quarter of 2018.
The Seattle CBD maintains the highest office rental rates, currently reported at an average of $41.87 per square foot, compared to $33.93/SF in Pioneer Square/Waterfront and $31.33/SF in the Belltown/Denny neighborhood. Belltown/Denny neighborhood includes 110 office buildings with an average of 6.1% vacancy. Pioneer Square/Waterfront neighborhood includes 107 retail buildings with a current vacancy rate of 5.7% and the Seattle CBD offers 128 buildings with a current vacancy of 10.4%. There is currently 4,239,908 SF of office space under construction in the three subject neighborhoods; all is designated Class A space. The following tables show statistics by class (A, B, C) for the three subject downtown neighborhoods (as defined by the commercial market data research service CoStar).

### Class A Office Space

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Existing Inventory</th>
<th>Vacancy</th>
<th>SF Under Construction</th>
<th>Average Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belltown/Denny</td>
<td>14 blds. 3,818,519 SF</td>
<td>2.8%</td>
<td>2,265,000</td>
<td>$31.70</td>
</tr>
<tr>
<td>Pioneer Square/Waterfront</td>
<td>10 bldgs. 1,972,198 SF</td>
<td>4.4%</td>
<td>375,612</td>
<td>$45.81</td>
</tr>
<tr>
<td>Seattle CBD</td>
<td>49 bldgs. 24,228,051 SF</td>
<td>10.1%</td>
<td>1,599,296</td>
<td>$43.99</td>
</tr>
</tbody>
</table>

### Class B Office Space

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Existing Inventory</th>
<th>Vacancy</th>
<th>SF Under Construction</th>
<th>Average Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belltown/Denny</td>
<td>46 blds. 3,098,879 SF</td>
<td>10.7%</td>
<td>0</td>
<td>$31.48</td>
</tr>
<tr>
<td>Pioneer Square/Waterfront</td>
<td>57 bldgs. 3,702,802 SF</td>
<td>6.8%</td>
<td>0</td>
<td>$31.90</td>
</tr>
<tr>
<td>Seattle CBD</td>
<td>58 bldgs. 6,886,986 SF</td>
<td>12.6%</td>
<td>0</td>
<td>$36.59</td>
</tr>
</tbody>
</table>

### Class C Office Space

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Existing Inventory</th>
<th>Vacancy</th>
<th>SF Under Construction</th>
<th>Average Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belltown/Denny</td>
<td>50 bldgs. 636,096 SF</td>
<td>2.8%</td>
<td>0</td>
<td>$27.95</td>
</tr>
<tr>
<td>Pioneer Square/Waterfront</td>
<td>40 bldgs. 998,879 SF</td>
<td>3.9%</td>
<td>0</td>
<td>$26.48</td>
</tr>
<tr>
<td>Seattle CBD</td>
<td>21 bldgs. 806,549 SF</td>
<td>2.0%</td>
<td>0</td>
<td>$24.10</td>
</tr>
</tbody>
</table>
— Industrial Market

The 1st quarter 2017 vacancy rate was 3.2% in the Puget Sound area (King, Snohomish and Pierce counties), and has been on a gradual declining trend since 2011; warehouse space was at 3.0% and flex space at 5.2%. Rental rates for the region averaged $8.44/SF for industrial space, $16.19/SF for flex and $7.23 for warehouse. Five buildings totaling 898,870 SF were completed in the first quarter of 2017 with another 2,405,262 SF under construction. There were 32 reported sales of industrial buildings in the fourth quarter of 2016 with an average sale price of $132.11/SF, up from the average of $104.43/SF the previous quarter. Cap rates for industrial space averaged 6.67% over 2016.

There are currently no industrial projects under construction in the Downtown Seattle submarket. There are currently 2,001 industrial buildings in the submarket that total 58,080,923 SF with only 1.5% vacancy and quoted rental rates averaging $11.29 per square foot; $18.61/SF flex and $10.77/SF warehouse.

The Seattle CBD does not contain any significant industrial space. Most of the submarket industrial space is within the Waterfront neighborhood and includes 33 buildings with 1,130,744 SF at 1.3% vacancy and rental rates averaging $13.70/SF for warehouse space and $15.00/SF for flex, as shown in the tables below. Many of the existing, older industrial uses in this area are currently being converted to higher intensity development such as office space and condominium units.
Downtown Seattle Industrial Space - Warehouse

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Existing Inventory</th>
<th>Vacancy</th>
<th>SF Under Construction</th>
<th>Average Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belltown/Denny</td>
<td>9 bldgs. 134,460 SF</td>
<td>0.0%</td>
<td>0</td>
<td>$0* (*owner user)</td>
</tr>
<tr>
<td>Waterfront</td>
<td>31 bldgs. 1,026,999 SF</td>
<td>0.2%</td>
<td>0</td>
<td>$13.70</td>
</tr>
<tr>
<td>Seattle CBD</td>
<td>1 bldg. 6,240 SF</td>
<td>0.0%</td>
<td>0</td>
<td>$0* (*owner user)</td>
</tr>
</tbody>
</table>

Downtown Seattle Industrial Space – Flex

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Existing Inventory</th>
<th>Vacancy</th>
<th>SF Under Construction</th>
<th>Average Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belltown/Denny</td>
<td>5 bldgs. 79,241 SF</td>
<td>8.4%</td>
<td>0</td>
<td>$0* (*owner user)</td>
</tr>
<tr>
<td>Waterfront</td>
<td>2 bldgs. 103,745 SF</td>
<td>0.0%</td>
<td>0</td>
<td>$15.00</td>
</tr>
<tr>
<td>Seattle CBD</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>$0</td>
</tr>
</tbody>
</table>

— Apartment Market
The regional apartment market (King, Pierce, Snohomish, Thurston and Kitsap Counties) was the first category to recover from the recession. Per Kidder Mathews, development started in 2012 with more than 31,900 units delivered between 2012 and 2015. Of the 68,162 units planned for delivery over the next five years, 58,533 units are located in King County. The regional vacancy is currently 3.4% and the new space is only expected to increase vacancy temporarily as there is consistent demand. Partially offsetting new construction is the loss of units demolished or converted to other uses such as condominiums.
Average rental rates for the region are at historic highs, ending at $1,457 per unit for the 1st quarter 2017. The Central King County sub region has the highest overall rent in the region, averaging $1,876/month, up 6.2% over the previous year. Overall capitalization rates have remained stable over the past year, ending 2016 at 5.1%. Sales volume for 2017 is expected to remain strong across all investor classes. Seattle is expecting to see almost 10,000 new market rate apartments open in 2017, nearly twice as many as in any other year in the city’s history.

— Condominium Market

In order to understand the study area’s overall 2017 residential condominium market, both for new construction and overall residential sites, a review of Northwest Multiple Listing Service (NWMLS) information for median housing prices, marketing times, and units sold has been performed. The subject LID area is within MLS area 710. It should be noted that these statistics are only for properties listed through the NWMLS service; while most resales are conducted through this system, newer condominium units and under construction buildings that conduct pre-sales will often contract their sales with a specific real estate firm and the units are not necessarily entered into the NWMLS database.
NWMLS Residential Market Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Units Sold</th>
<th>Median Price</th>
<th>Average Days on Market</th>
<th>% Change in Median Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area 710 All Condominiums</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017*</td>
<td>111</td>
<td>$373,888</td>
<td>18</td>
<td>25.65%</td>
</tr>
<tr>
<td>2016</td>
<td>285</td>
<td>$278,000</td>
<td>14</td>
<td>15.65%</td>
</tr>
<tr>
<td>2015</td>
<td>268</td>
<td>$234,500</td>
<td>22</td>
<td>9.59%</td>
</tr>
<tr>
<td>2014</td>
<td>215</td>
<td>$212,000</td>
<td>33</td>
<td>17.45%</td>
</tr>
<tr>
<td>2013</td>
<td>243</td>
<td>$175,000</td>
<td>38</td>
<td>5.71%</td>
</tr>
<tr>
<td>2012</td>
<td>212</td>
<td>$165,000</td>
<td>63</td>
<td>-15.12%</td>
</tr>
<tr>
<td>2011</td>
<td>138</td>
<td>$189,950</td>
<td>78</td>
<td>- -</td>
</tr>
</tbody>
</table>

Area 710 New Construction Condominiums

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Units Sold</th>
<th>Median Price</th>
<th>Average Days on Market</th>
<th>% Change in Median Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017*</td>
<td>19</td>
<td>$827,990</td>
<td>32</td>
<td>-6.37%</td>
</tr>
<tr>
<td>2016</td>
<td>1</td>
<td>$880,734</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2014</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>$239,500</td>
<td>6</td>
<td>-1.04%</td>
</tr>
<tr>
<td>2012</td>
<td>8</td>
<td>$242,000</td>
<td>136</td>
<td>-1.03%</td>
</tr>
<tr>
<td>2011</td>
<td>8</td>
<td>$244,500</td>
<td>71</td>
<td>- -</td>
</tr>
</tbody>
</table>

As indicated, condominium sale prices continued a downward trend through 2012; starting in 2013, however, prices began to display gradual upward momentum, with significant gains of 15% and 25% over the last two years. In addition to recovering home prices, the average number of days
required to sell a unit (the marketing period) has shown steady declines to lows of 14 to 18 days and the volume of overall sales continues to steadily increase.

Discussions with area brokers indicate that after years of sluggish sales of older units and no new residential condominium construction, the area is experiencing a strong developer/sellers’ market; there are not currently enough units on the market to meet demand and units are often selling for above list price with multiple offers. This rebound has been building, but many brokers indicate that the largest increases in potential buyer interest have been in the last year. The significant number of new residents moving to Seattle for employment in the South Lake Union and Downtown markets, combined with overall high rental rates and long commute times, has created a larger pool of buyers interested in purchasing centrally-located condo units. This is especially true for buildings within the north Downtown neighborhoods of West Edge and Denny Triangle. After years with no new condominium construction, a search of New Home Trends for the Downtown Seattle market reveals a total of 28 listed “future” projects that include residential condominium components located within the overall project study area.

Per a recent report from Urban Condo Spaces, a Seattle-based real estate research group, in January of 2017, median condo prices were up 48% (although this median includes outlier sales such as a $2.5 million penthouse unit). Neighborhood-specific data for the month of May 2017 is as follows:

**Belltown:**

*Overview - Last 30 days*

- **Median Price**
  - Sold $549,950
  - New $550,000
  - Active $725,000
- **Sale-to-List Price**
  - 105%

- **Median Days on Site**
  - Active 7
- **Inventory**
  - Sold 23
  - New 14
  - Active 19
### Denny Triangle:

#### Overview - Last 30 days

<table>
<thead>
<tr>
<th>Median Price</th>
<th>Sale-to-List Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sold $642,500</td>
<td></td>
</tr>
<tr>
<td>New $989,950</td>
<td></td>
</tr>
<tr>
<td>Active $1,074,950</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Median Days on Site</th>
<th>Active 30</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Inventory</th>
<th>Sold 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>New 8</td>
<td></td>
</tr>
<tr>
<td>Active 14</td>
<td></td>
</tr>
</tbody>
</table>

### Pioneer Square:

#### Overview - Last 30 days

<table>
<thead>
<tr>
<th>Median Price</th>
<th>Sale-to-List Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sold $595,000</td>
<td></td>
</tr>
<tr>
<td>Active $751,900</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Median Days on Site</th>
<th>Active 53</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Inventory</th>
<th>Sold 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active 11</td>
<td></td>
</tr>
</tbody>
</table>
Hotel Market
According to Kidder Mathews 4th quarter 2016 “Hotel Market Review” (latest available), occupancy rates in the Seattle area were very strong through 2016 with rates at 84% for the upscale tier, which is the highest annual rate in 30 years. Room rates increased rapidly over the past year and steady growth is expected through 2017 after five years of record performance. There are 22 hotels (nearly 5,000 rooms) under construction in the area, which will lower occupancy rates and result in more competitive pricing when they enter the market.

Hotels that opened in 2016 include a Residence Inn in the University District, a Hampton Inn & Suites near Northgate Mall and the Thompson Hotel in Downtown. Four hotels (including the 1,260-room Hyatt Regency, expected to open in 2018) are under construction in the CBD and two more in South Lake Union. There are 1,471 rooms scheduled for completion in 2017 and an additional 1,468 in 2018.

There were 23 sales of hotels in the Puget Sound Region (King, Snohomish and Pierce Counties) in 2016. These transactions included 3,792 guestrooms at an average weighted price per room of $228,871. In January 2016, the 120-room Hotel 1000 in Downtown Seattle sold for $83.5M, or $695,833/room, which is the highest price ever recorded in this market. The average room rate in the Seattle CBD in 2016 was $218, up 3.9% from the previous year.
— Land Sales Discussion

Land sales of commercial property within the subject area were reviewed, dating back to 2006. According to CoStar, there were approximately 120 transactions in the subject area. As shown below, there has been a generally increasing trend in price per square foot of land since 2011.

Below is a summary of sales within the subject study area with transaction dates from 2014 to current; there were 28 transactions with an average sale price of $754 per square foot of land. The highest prices are captured within the Downtown Office Core and Downtown Mixed Residential zones.
### Subject Area Land Sales Summary - January 2014 to May 2017

<table>
<thead>
<tr>
<th>Zoning</th>
<th>High/SF</th>
<th>Low/SF</th>
<th>Average/SF</th>
<th># of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC 240/290-400</td>
<td>$1,733</td>
<td>$661</td>
<td>$1,033</td>
<td>11</td>
</tr>
<tr>
<td>DMC 340/290-400</td>
<td>$717</td>
<td>$347</td>
<td>$587</td>
<td>3</td>
</tr>
<tr>
<td>DMC 160</td>
<td>$364</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>DMC 65</td>
<td>$322</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>DMR/C 240/125</td>
<td></td>
<td></td>
<td>$1,034</td>
<td>1</td>
</tr>
<tr>
<td>DMR/C 85/65</td>
<td>$598</td>
<td>$370</td>
<td>$484</td>
<td>3</td>
</tr>
<tr>
<td>DMR/R 240/65</td>
<td></td>
<td></td>
<td>$941</td>
<td>1</td>
</tr>
<tr>
<td>DMR/R 125-65</td>
<td></td>
<td></td>
<td>$400</td>
<td>1</td>
</tr>
<tr>
<td>DMR/R 95/65</td>
<td></td>
<td></td>
<td>$698</td>
<td>1</td>
</tr>
<tr>
<td>DOC1 U/450-U</td>
<td></td>
<td></td>
<td>$1,707</td>
<td>1</td>
</tr>
<tr>
<td>DOC2 500/300-500</td>
<td></td>
<td></td>
<td>$988</td>
<td>1</td>
</tr>
<tr>
<td>PSM 100/100-120</td>
<td>$630</td>
<td>$268</td>
<td>$492</td>
<td>3</td>
</tr>
<tr>
<td>HR-High Rise</td>
<td></td>
<td></td>
<td>$393</td>
<td>1</td>
</tr>
<tr>
<td>LR3</td>
<td></td>
<td></td>
<td>$150</td>
<td>2</td>
</tr>
<tr>
<td>NC2-40</td>
<td>$299</td>
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*Source: CoStar Property*
Description of “Before and After” LID Conditions (Inserted as written and provided by the City of Seattle)

--- LID “Before” Conditions

Under the “Before” condition, none of the LID Project Elements would be built. However, as a result of several ongoing projects that are separate from those elements, conditions in the area would be different from those that currently exist. Major changes assumed to be in place under the “Before” condition are:

- The Alaskan Way Viaduct Replacement Project (AWVRP) will be complete, with the viaduct eliminated and the SR 99 tunnel in operation.
- The Seawall project will be complete, and will include a new sidewalk inset with light-penetrating surface (LPS).
- The Pike Place MarketFront (MarketFront) Project will be complete.
- The Pier 62/63 Phase 1 rebuild will be complete.

In addition, the “Before” condition assumes a rebuilt “Main Corridor” (see description below). It would serve some of the functions that will no longer be provided by SR 99 after the Alaskan Way Viaduct, serve both local and regional transportation needs and providing access between SR 99, downtown Seattle, and northwest Seattle. The proposed improvements would consist of:

- Construction of the new Alaskan Way between S. King Street and Pine Street, along the east side of the right of way
- Construction of a new arterial connection, called Elliott Way, which would follow the path of the existing Alaskan Way Viaduct from Alaskan Way at Pine Street up the hill into Belltown, where it would connect with Elliott and Western Avenues
- A new intersection at Pine Street (referred to as the Pine Street extension) that would connect the new Alaskan Way and new Elliott Way with the existing Alaskan Way north of Pier 62/63
- A dedicated transit lane in each direction along Alaskan Way between S. King Street and Columbia Street and on Columbia Street between Alaskan Way and First Avenue
- Northbound ferry queuing lanes between S. King Street and Yesler Way, which include double left-turn lanes between S. Main Street and Yesler Way onto Colman Dock
- On-street parking and loading zones located along the curbside where space is available
Improvements for pedestrians would include wider sidewalks along the east and west sides of the new Alaskan Way. Sidewalks would continue along both sides of Elliott Way, with other pedestrian improvements including:

- Rebuilding the portion of the Marion Street pedestrian bridge over Alaskan Way, which connects to the Seattle Ferry Terminal.
- Reconstructing sidewalks and parking at Seneca Street between Alaskan Way and Western Avenue.
- Reconnecting the Lenora Street pedestrian bridge to the new Elliott Way.

A two-way bicycle facility would run along the west side of the new Alaskan Way. The facility would begin at S. King Street and continue north on the west side of Alaskan Way to about Virginia Street, where it would cross the road to join the existing path on the east side of the roadway. At the new intersection with Elliott Way, the bicycle facility would transition to separate northbound and southbound paths that would connect with existing bicycle lanes on Elliott and Western Avenues in Belltown.

Within the footprint of the proposed “Promenade” LID element, the City could either install an extensive sidewalk or a double aisle, 60-degree angled parking arrangement between Union and Pike streets, and a single aisle parking arrangement between Union and Madison Street, totaling 115 new parking spaces.

— LID “After” Conditions

Promenade

The Promenade would be a continuous public open space along the west side of the new Main Corridor from S. Washington Street to Pine Street that would be designed for walking, sitting, gathering, and viewing the waterfront. The “Light Penetrating Surface” panels are considered part of the “Before” condition and so are not factored into the LID special benefit calculations for the Promenade. The southern end of the Promenade would be adjacent to the Washington Street Boat Landing and Pioneer Square. Design features and landscaping would create a series of three different environments, or “places,” in specific segments of the Promenade that would reflect the character of the surrounding areas. From south to north, these places are:

- **Colman Dock Transit Hub** – This area would support the regional transit hub in front of the Seattle Ferry Terminal. It would accommodate the heavy pedestrian, bicycle, and vehicle traffic coming through the Yesler Way, Columbia Street, and Marion Street intersections. The area’s primary design features would be a grouping of trees, seating, and bicycle facilities. The curb zones along Alaskan Way near the Colman Dock Transit Hub would be designed to accommodate general-purpose vehicles, transit, taxi, and ADA drop-offs and pick-ups.

- **Historic Piers 54 through 59** – This area of the Promenade would be a wide-open space along the front of the piers. Along its east edge, the Promenade would have a narrow path that would traverse planted terraces with integrated seating. These areas would provide social and gathering spaces. The lower terraces would be designed to collect storm water runoff from portions of the street and from the Promenade. Kiosks would be located in this area of the Promenade near Spring, Seneca, University, and Union Streets (the LID does not fund the construction of the kiosks).
• **Aquarium Plaza** – This area would be a broad public gathering area where the Overlook Walk stairs meet the Promenade between the Seattle Aquarium and the Pike Street Hillclimb. In this location, the Promenade would widen because of Alaskan Way’s eastward shift to transition into Elliott Way. The Aquarium Plaza would connect the Aquarium’s existing buildings with the new Overlook Walk, Pier 62/63, and pedestrian facilities to the north. Public amenities could include elements such as bench seating, recreational features, and a café area with movable tables and chairs.

Artwork is anticipated to be installed in several locations, primarily along the Promenade. The planning and design efforts for artwork installations are being led by the Seattle Design Commission (the LID does not cover the installation of public art).

New, permanent railings would replace the temporary railings installed by the Seawall project at the western edge of the Light Penetrating Surface panels. The remainder of the Promenade would be constructed of an architectural concrete surface that would feature exposed aggregate, grooved concrete, and metal inlays.

A linear canopy of trees would provide a buffer between the Promenade, bicycle facility, and Alaskan Way along the majority of the street. The species mix would combine native plants with non-native, non-invasive, and salt-tolerant species. Many areas have been identified as open planting areas, which would be completely pervious. Where paving is required adjacent to planting zones, a supported pavement system would provide tree roots with access to soil underneath the adjacent pavement.

Lighting along the Promenade would be designed in a layered pattern to provide visual interest and wayfinding clarity. The Promenade would include pedestrian-scale column luminaires, integrated into seating where possible. In some locations, LED light sources would provide low-level illumination of benches, handrails, and trees. Linear in-ground accent lighting may be installed to provide visual accents, such as at places where multiple boardwalk sections intersect.
Visualization of the Promenade, looking south from Union Street Pier (Waterfront Park)

Overlook Walk
The Overlook Walk would occupy existing and new public space south of Victor Steinbrueck Park, west of Pike Place Market, and northeast of the existing Seattle Aquarium. The Overlook Walk begins east of Elliott Way and west of Marketfront, with walkways, landscaping and play elements above building space below fronting on Elliott Way. That space connects to a lid structure spanning Elliott Avenue, a café and covered terrace atop the space, staircases, and two elevators. The sloping lid would include pedestrian pathways, open space, and landscaping that would extend southwest from the Pike Place Market across the new Elliott Way, where the lid would be approximately 40 feet above the Promenade. Space for park operations and maintenance, as well as public restrooms, would be provided under the staircases.

On the west side of Alaskan Way, near the southwest corner of the Overlook Walk, two staircases and an elevator would connect down approximately 40 vertical feet to the Promenade near the Seattle Aquarium. One staircase would be oriented towards the south, and people walking down the stairs would have a view of the piers to the south. A crosswalk just south of this staircase would connect to the Pike Street Hillclimb and the Fix/Madore buildings. Near the northwest corner of the Overlook Walk there would be another set of stairs adjacent to the Pine Street extension on the north side of the Aquarium Plaza; pedestrians walking down this flight of stairs would have views over Pier 62/63. On the east side of the Elliott Way-Pine Street intersection, a set of stairs and an elevator would connect the northern part of the Overlook Walk to Elliott Way.

The Overlook Walk lid would include approximately 40,000 square feet of public open space that would provide public gathering spaces with opportunities for scenic views. The lid also would create an accessible pedestrian pathway with many connections between Pike Place Market and the
waterfront, thereby providing opportunities to enhance the pedestrian experience and revitalize the area. Views from the lid would include Elliott Bay to the west and the piers to the south as well as city views from several vantage points. The public open space would include landscaping and benches to provide seating at various points.

The configuration of the Overlook Walk against the hillside would provide an opportunity to create a new building structure containing 9,000 square feet of office space. The office space would contain a Park operations space and could also be leased out to additional civic and/or community-oriented organizations. The café would be leased to a private food and beverage operator, with the outdoor pavilion used for seating during the summer months and enclosed with weather-protecting materials for off-season use. The kitchen would be designed to be able to accommodate catering functions for public and private events.

**Pioneer Square Street Improvements**

Improvements to Pioneer Square streetscape will include locations on S. Main, S. Washington, Yesler Way, and S. King Streets. The improvements would include new sidewalk paving and landscaping to create more pedestrian-friendly links between the waterfront and Pioneer Square. Improvements could include curb extensions, new seating opportunities and coordinated development of sidewalk cafes with food and beverage uses fronting on these streets. Because this area lies within the Pioneer Square Preservation District, improvements would be made in accordance with the Preservation District guidelines.

**Union Street Pedestrian Connection**

The Union Street Pedestrian Connection, located on Union Street from Alaskan Way to just east of Western Avenue, would serve as a universally accessible pedestrian link between the new waterfront and Western. This one-block portion of Union Street currently has access problems stemming from a steep, hard-to-find staircase.

The Union Street Pedestrian Connection would construct an elevated pedestrian walkway and associated elevator and stairs in the right of way along the south side of Union Street between Western and Alaska Way. It would extend from the southwest corner of the Union Street and Western Avenue intersection to a single elevator to be installed on the eastern side of Alaskan Way, adjacent to the existing Public Storage building.

Stairs would be integrated into the elevated pedestrian walkway. The walkways width would be approximately 16 feet wide, providing space for social gatherings and lookouts. The improvements include lighting that would operate during nighttime hours to illuminate the pathway. The elevator tower would be illuminated to provide wayfinding for individuals at night.
The Union Street pavement would be reconstructed from Alaskan Way to the retaining wall on the west side of Western Avenue. The reconstruction would incorporate street-level pedestrian improvements, including portions of widened and rebuilt sidewalks. At the intersection of Union Street and Western Avenue, on the west side of the street, a curb-bulb would be added to extend into the existing parking lane to create a shorter pedestrian crossing. Curb ramps would also replace the existing curb returns, and the elevation of Western Avenue would be raised slightly through the intersection to create a smoother transition for pedestrians crossing the intersection.

Bell Street Park Extension
- The City of Seattle constructed Bell Street Park between Fifth and First Avenues in 2013 and 2014. The Bell Street Park Extension would continue this shared street (roadway and public park space) two blocks farther west, between Elliott and First Avenues. On these blocks, Bell Street would be converted to include a wide public space with landscaping and trees on both sides of the street. The street would be rebuilt without curbs, and vehicular areas would be paved at the same grade as pedestrian areas. The public space would feature gathering and seating areas. Street lights would be installed to increase the nighttime ambient lighting as well as to provide improved pedestrian lighting along the street. Bell Street itself would have one lane of traffic.

Traffic control measures would likely be installed at the Bell Street and Western Avenue intersection to allow pedestrians to safely cross Western Avenue. Crosswalks would be located at each intersection corner. Similar to the existing Bell Street Park, there would be limited parking and loading zones along Bell Street to help create a park-like setting.
Pike/Pine Streetscape Improvements
The Pike and Pine Streetscape Improvements Project will design and construct pedestrian improvements on Pike and Pine Streets between First Avenue and Melrose Avenue on Capitol Hill. This project will create high-quality pedestrian connections between Capitol Hill and the Pike Place Market, capturing the spirit of the Pike-Pine Renaissance Streetscape Design Vision (a plan commissioned by the Downtown Seattle Association), and achieving placemaking goals in tandem with improving the safety and quality of the pedestrian experience. Only improvements west of 9th Ave will be funded using LID funds. Improvements east of 9th would be funded using separate sources.

The project potentially includes: new and widened sidewalks, curb bulbs, crosswalk paving inlays, intersection treatments, curbless street treatments, drainage and green storm water infrastructure, street trees, planting, lighting, seating (fixed and movable), transit shelters and infrastructure (including real time information signs and Orca card readers), bike racks, public art and wayfinding elements. Key corridor-wide improvements should be implementable without significantly disrupting existing hardscape. For example, these elements might include supplemental lighting, public art, paving inlays, vertical elements, seating and wayfinding. A more detailed scope of improvements will be defined as part of the initial 10% design.

Waterfront Park
At the foot of Union Street, the new Waterfront Park will become a lively, fun and flexible space that will play host to events, performances and activities while providing open views to Elliott Bay. The park has two primary features, the Cloud and the Bay Steps. The Cloud is a large in-ground water feature that produces a variety of effects ranging from a mirror-like reflective surface, to a hovering mist cloud to interactive fountain jets. The Cloud evokes the dramatic weather patterns of Elliott Bay and provides a large social gathering space in close proximity to the Historic Piers and the Seattle Aquarium. At times, the Cloud will transform into an event space for gatherings and festivals.