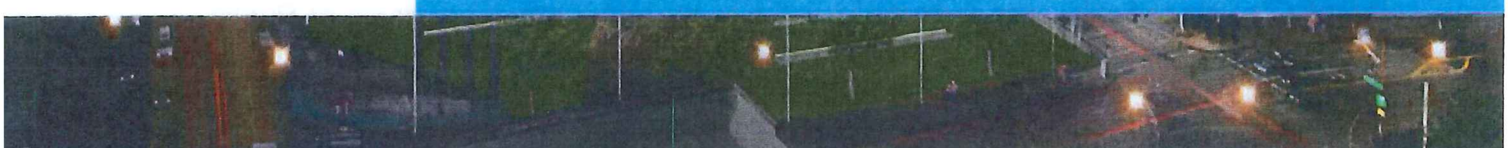
Lodging Tax Forecast

Washington State Convention Center King County, Washington



Prepared For:
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Re: Forecast of Lodging Tax Revenue – King County, Washington

Dear Mr. Eoff:

Pursuant to your request, we have prepared a forecast of lodging tax revenue for King County, Washington as well as revenue associated with the two percent sales tax rebate on hotels in Seattle. The purpose of our forecast is to project lodging tax revenue that will be available to the Washington State Convention Center ("WSCC"). Specifically, our projections will be utilized by representatives of Public Financial Management, Inc. ("Public Financial") and the WSCC to assist in evaluating the acquisition of additional land for the potential expansion of the WSCC facilities.

In this analysis, we have assumed that the current facility will be well maintained through ongoing capital improvements to the point that the Convention Center will remain competitive in the convention and meetings market. In addition, we have performed our analysis under two scenarios: the first scenario assumes the WSCC continues to operate as is, and the second assumes an expansion of the Convention Center in 2020. The expansion analysis is provided at the end of this report.

In the following pages, we have provided an overview of our analysis, methodology, and summary of findings, followed by a more in depth discussion of our projections of lodging tax revenue generated from hotels located in Seattle and in King County.

I. OVERVIEW

PKF Consulting USA ("PKF Consulting") was retained by Public Financial Management, Inc. ("Public Financial"), an independent agent to the WSCC, to develop an annual forecast of lodging tax revenue for the next 30 years, or from 2014 through 2043. As we understand it, the Board of Directors of the Washington State Convention Center ("WSCC") is desirous of pursuing an expansion of the convention center. As part of the early due diligence associated with this expansion, the Board and Public Financial require an updated forecast of lodging tax revenues generated by hotels in King County. The purpose of this analysis is to project the future lodging tax revenue and two percent sales tax rebate (additional lodging tax) on hotels in Seattle that would be available to service debt obligations associated with the potential acquisition of land that would be utilized for the expansion of the WSCC facilities.

It should be noted, PKF Consulting was previously engaged by WSCC in November 2009 to forecast lodging tax revenue in conjunction with the evaluation of a center expansion. In addition, PKF Consulting provided a forecast of lodging tax revenues in October 2010 as part of the transfer of the WSCC from a State agency to a King County Public Facilities District ("PFD"). Most recently in January 2012, PKF Consulting was retained by the principles of SMD Advisors, Inc., agents to the WSCC, to provide a forecast of lodging tax revenues as part of the ongoing evaluation of funds available to support a convention center expansion.

II. METHODOLOGY

In addition to our existing, general knowledge of Seattle and King County hotels, we have continued to develop a deeper understanding of the lodging market by interviewing management and reviewing the market performance of top lodging tax producing hotels, as well as from many smaller hotels also located throughout King County. Further, we carefully researched proposed hotel developments that have been announced in downtown Seattle and throughout King County to determine the likelihood of future supply additions. We have also worked with Visit Seattle, representatives of the WSCC, and with other municipalities in King County. Specifically, in conducting the study, we:

- Identified the supply of all hotels with 60 or more rooms in the City of Seattle and in King County;
- Reviewed the actual historical annual collection of lodging tax revenues over the last 15 fiscal years as reported by the State's Office of Financial Management ("OFM") and WSCC as well as the monthly collections over the past twelve months;

- Worked with local planning departments, nearly all of the major hotel companies, as well as with local hotel owners and developers to identify hotels in Seattle and King County that are in the construction, development, or planning stages in order to identify proposed hotels with a likelihood of opening over the next five years (2014 – 2018);

- Reviewed the trends in historical supply growth in Seattle and King County as a basis for our projections of long term average annual supply growth;

- Through our own market research, we reviewed the historical supply and demand trends as well as the average daily room rates ("ADR"), and total lodging revenues for many of the individual hotels in Seattle and King County;

- Interviewed General Managers and/or corporate representatives of the major Seattle and King County hotels to determine 2013 year-end performances, as well as performance budgets for 2014;

- Interviewed representatives of Visit Seattle to review historical convention center attendance and room night trends and the future volume of convention demand on the books and booking pace through 2019;

- Researched and analyzed current economic and demographic trends in the City of Seattle and King County to determine the trend's impact on future lodging demand within the market;

- Utilized Hotel Horizons - Seattle®, a econometric forecasting model and publication produced by PKF Hospitality Research, as a resource for estimating future growth in lodging supply, demand, and average daily room rates;

- Based on all information gathered, we developed a detailed annual forecast of future supply, demand, average daily room rate, and the resulting total lodging room revenue for the Seattle and King County lodging markets over the next five calendar years (2014 to 2018). Beginning in 2019 through 2043, our forecast of future supply, demand, ADR, and lodging room revenue is based on market wide general assumptions for annual growth. This analysis was prepared individually for Seattle and for the remaining King County hotels, and then combined for a total for all hotels in King County;

- Based on our forecast of total lodging room revenues, we then calculated the resulting lodging tax revenue for hotels based on a lodging tax rate of 7.0 percent for hotels located in Seattle and 2.8 percent for the remaining hotels located in King County; and,

- Utilizing our forecast, we also accounted for a 2.0 percent sales tax credit ("additional lodging tax") from hotels located in Seattle. Based on information provided to us by representatives of the WSCC, we have assumed that the sales tax credit will expire in June 2029.

- It should be noted that the analysis contained herein is based on the assumption that the convention center does not expand over the forecast period. However, at the request of the client, we have provided a separate forecast of lodging tax revenues under the specific assumption that the convention center expands in 2020. The primary assumptions for this alternate forecast are provided at the end of this report.

III. SUMMARY OF FINDINGS

Based on the methodology outlined above, we have projected the lodging tax revenue for the City of Seattle, King County (excluding Seattle) and for all of King County as well as the additional lodging tax revenue as summarized in the following table. The summation the lodging tax revenue and additional lodging tax revenue represents the **total** lodging tax revenues available to the WSCC over the next 30 years.

Total King County Projected Lodging Tax Revenue and Additional Lodging Tax Revenue[1]					
Calendar Year	Seattle	King County (Excluding Seattle)	King County Lodging Tax Revenue	Additional Lodging Tax Revenue[2]	Total Lodging Tax Revenue
2013	$45,699,000	$11,215,000	**$56,914,000**	$13,057,000	**$69,971,000**
2014	$50,971,000	$12,257,000	**$63,228,000**	$14,563,000	**$77,791,000**
2015	$56,480,000	$13,397,000	**$69,877,000**	$16,137,000	**$86,014,000**
2016	$61,355,000	$14,280,000	**$75,635,000**	$17,530,000	**$93,165,000**
2017	$65,582,000	$15,074,000	**$80,656,000**	$18,738,000	**$99,394,000**
2018	$73,321,000	$15,774,000	**$89,095,000**	$20,949,000	**$110,044,000**
2019	$76,351,000	$16,556,000	**$92,907,000**	$21,815,000	**$114,722,000**
2020	$80,214,000	$17,428,000	**$97,642,000**	$22,918,000	**$120,560,000**
2021	$85,099,000	$18,364,000	**$103,463,000**	$24,314,000	**$127,777,000**
2022	$89,931,000	$19,331,000	**$109,262,000**	$25,695,000	**$134,957,000**
2023	$94,019,000	$20,289,000	**$114,308,000**	$26,863,000	**$141,171,000**
2024	$98,195,000	$21,190,000	**$119,385,000**	$28,056,000	**$147,441,000**
2025	$103,164,000	$22,372,000	**$125,536,000**	$29,475,000	**$155,011,000**
2026	$109,234,000	$23,734,000	**$132,968,000**	$31,210,000	**$164,178,000**
2027	$115,324,000	$25,033,000	**$140,357,000**	$32,950,000	**$173,307,000**
2028	$120,446,000	$26,119,000	**$146,565,000**	$34,413,000	**$180,978,000**
2029	$126,045,000	$27,145,000	**$153,190,000**	$18,006,500	**$171,196,500**
2030	$132,163,000	$28,463,000	**$160,626,000**	-	**$160,626,000**
2031	$139,531,000	$30,032,000	**$169,563,000**	-	**$169,563,000**
2032	$147,166,000	$31,428,000	**$178,594,000**	-	**$178,594,000**
2033	$153,703,000	$32,791,000	**$186,494,000**	-	**$186,494,000**
2034	$160,848,000	$34,113,000	**$194,961,000**	-	**$194,961,000**
2035	$168,158,000	$35,593,000	**$203,751,000**	-	**$203,751,000**
2036	$177,360,000	$37,394,000	**$214,754,000**	-	**$214,754,000**
2037	$187,065,000	$39,016,000	**$226,081,000**	-	**$226,081,000**
2038	$194,604,000	$40,669,000	**$235,273,000**	-	**$235,273,000**
2039	$202,446,000	$42,350,000	**$244,796,000**	-	**$244,796,000**
2040	$211,439,000	$44,188,000	**$255,627,000**	-	**$255,627,000**
2041	$222,791,000	$46,105,000	**$268,896,000**	-	**$268,896,000**
2042	$234,523,000	$48,153,000	**$282,676,000**	-	**$282,676,000**
2043	$243,974,000	$50,341,000	**$294,315,000**	-	**$294,315,000**
CAGR	5.5%	5.0%	5.4%	-	4.7%

[1] Rounded to the nearest $1,000
[2] Two percent of sales taxes generated by hotels in Seattle are rebated back to the WSCC through June 2029
Note: Numbers may not foot due to rounding

As previously mentioned, lodging tax revenue is calculated at 7.0 percent of lodging room revenue for hotels located in the City of Seattle, and 2.8 percent of lodging room revenue for all other hotels located in King County. Given the strength of the local market area, lodging performance and subsequently lodging tax revenues are projected to increase by nearly $37 million between 2014 and 2019. In total, we estimate lodging tax revenue to grow at a compound annual growth rate ("CAGR") of 4.7 percent from 2014 to 2043, attributed to periodic additions to supply and the subsequent absorption of these hotels into the King County market. As a point of comparison, total lodging tax revenues for King County from fiscal years 1990/91 to 2010/11, increased at a CAGR of 5.9, and from calendar years 2006 to 2013, increased by a CAGR of 4.0 percent.

IV. INTRODUCTION AND ANALYSIS ASSUMPTIONS

In our analysis we have first analyzed the King County and Seattle area in order to make various assumptions regarding future supply and demand growth, ADR growth rates, and lodging tax rates. Based on these assumptions, we have developed our market projections individually for hotels located in the city of Seattle and throughout King County and the resulting lodging tax revenue projections. We have provided a discussion of each critical assumption below followed by our individual analysis for Seattle and King County. In addition, we have provided a brief overview of the historical trends in lodging tax revenue collections.

A. King County Market Overview

King County, with an estimated 2013 population of approximately 2.0 million, represents the largest urban population concentration in the Northwest region of the U.S. Due to the relatively high income levels generated by the local economies and high education level, King County consistently ranks among the top 100 wealthiest counties in the United States. Furthermore, the county benefits from excellent air service, a thriving port and rail system, spectacular local scenery, and subsequently ranks among the top tourist destinations on the West Coast.

The county is home to SeaTac International Airport providing excellent air service to the region, many Fortune 500 Companies including Microsoft and Amazon, three convention centers including the WSCC, Bell Harbor, and the Meydenbauer Center in Bellevue, several professional sports teams, and numerous world renowned tourist attractions including the Space Needle and Pike Place Market. As the premier economic hub for the Pacific Northwest and a gateway city to the Pacific Rim, King County and the city of Seattle are expected to remain among the top performing lodging markets in the nation.

Provided below is a brief summary of several economic indicators for King County and Seattle impacting hotel lodging demand.

Economy and Employment: Major industry sectors in King County with more than 100,000 estimated jobs include professional, scientific and technical services; government; education and health services; leisure and hospitality; retail trade; and manufacturing. Employment levels have been increasing since 2010 and finally returned to pre-recession levels of 1.2 million in June 2012, where they have remained through May 2014. Throughout the recession and recovery, unemployment rates in King County and the Seattle MSA have been lower than statewide averages, and have been consistently declining since early 2010. In April 2014, they were listed at 4.3 percent in King County and 4.8 percent in the Seattle MSA, lower than the statewide average of 6.1 percent. Employment diversification has allowed the region to recover relatively quickly from significant setbacks to any one industry and, along with the growth of high-tech companies, will ensure the county's continued strength.

Google, which already employs 1,000 workers in its Kirkland and Fremont offices, announced that it will add up to 1,000 more employees to its Kirkland campus in the near-term. This expansion will include the addition of two new buildings totaling 180,000 square feet, expected to open in 2015.

Amazon.com, the world's largest online retailer, is headquartered in the South Lake Union district of Seattle. In December 2012, it purchased an 11-building campus, totaling 1.7 million square feet of office space and 100,000 square feet of retail, for a price of $1.16 billion, or $644 per square foot. This was King County's largest sale since 2007. In January 2012, Amazon bought three Denny Triangle blocks for $207.5 million and unveiled plans for a 3.3 million square foot high-rise office complex, which is currently under construction. The first phase of this development is projected to be complete in 2015. In 2013, Amazon agreed to lease the 110,000-square foot building at 202 Westlake, and the company recently signed a ten-year lease for all the office space in the 11-story Metropolitan Park North building in the Denny Triangle. In addition, in January 2014, Amazon exercised an option to buy nearly an entire city block next to its future campus in Denny Triangle for a price of $52.2 million. In all, the company leases or owns approximately 3.2 million square feet of office space in the South Lake Union area. Furthermore, the company is close to signing leases for office space located at 1800 Ninth Avenue, 634 Elliott Avenue, 2201 Sixth Avenue, and 5th Avenue & Bell Street. The growth of Amazon in downtown Seattle is expected to generate significant business and group lodging demand for years to come.

Cost of Labor: Seattle faces a potential new wage imitative that could affect hotels within the city. Labor costs are a hotels greatest expense, and an increase in the minimum wage will make it more expensive for hotels to attract and maintain employees. While the City Council of Seattle recently unanimously approved an increase in the minimum wage to $15 per hour (implemented over the next several years), it remains premature to quantify the impact to the financial performance of individual hotels. However, it is unlikely to materially impact visitation/travel to the region.

Office Market: Following two consecutive quarters of positive absorption in 2013, the Puget Sound office market absorbed 323,136 square feet in the first quarter of 2014, led by 243,554 square feet of positive absorption in the downtown Seattle submarket. Accordingly, vacancy rates dropped 24 basis points to 11.38 percent. Fast-growing tech companies continue to drive the local office market, and this trend will continue throughout 2014 due primarily to the rapid expansion of Amazon.com and to Boeing's potential acquisition of 500,000 square feet of office space divided between Bothell and the I-90 Corridor submarkets. These moves would drive down vacancy rates and further tighten the inventory of available space. With regard to rental prices, the Seattle markets started 2014 on a mixed note with Seattle CBD rental rates for Class A spaces rising 0.4 percent and Class B rates falling 2.75 percent. Rental rates are projected to continue to rise in the near future.

Seattle Development: Several projects are planned or in process for downtown Seattle to replace aging infrastructure, capitalize on the city's waterfront space, and revive popular tourism destinations. The Waterfront Program is currently underway to replace the Elliott Bay Seawall and the Alaskan Way Viaduct, an earthquake-damaged elevated highway that has run between downtown Seattle and Elliott Bay for a half-century. The tunnel was scheduled to be completed in late 2015, but is currently experiencing delays due to construction complications. The Waterfront Program will also include several additional projects, such as the rebuilding of two public piers and the construction of new parks, paths, and pedestrian connections between the city and waterfront. These projects are in the design and environmental review processes, and are scheduled to begin construction after the Seawall is replaced and the Viaduct is demolished.

In addition, the Pike Place Market Preservation and Development Authority have released design plans for a major $65 million renovation of Pike Place Market. This project would include the construction of low-rise, mixed-use developments with parking for the Pike Place Market and the central waterfront, added retail and restaurant space, several stories of low-income housing, and expanded social services. The renovation would also connect the market with the Seattle Aquarium for easy pedestrian access.

Tourism and Events: Tourism in the region is largely concentrated within the City of Seattle. Popular attractions include the Seattle Center, Space Needle, Pike Place Market, Woodland Park Zoo, numerous art museums, and the Seattle Aquarium. With its location near water, forests, and mountains, outdoor activities are extremely popular as well. Fishing, water sports, boating, hiking, and mountain climbing are among the favorite outdoor pastimes. Seattle also continues to be a destination for cultural tourism due to its diverse cultural offerings.

Seattle is also home to several major league sports teams, such as the National Football League ("NFL") Seahawks, the Major League Soccer ("MLS") Sounders, and the Major League Baseball ("MLB") Mariners. The Seattle Seahawks' 2013 super bowl win has enhanced interest in the football team and will likely generate travel to the area for games and other events. In addition, the U.S. Open Championship will take place at Chambers Bay Golf Course in June 2015.

In 2012, according to Visit Seattle, Seattle and King County welcomed 10.2 million overnight visitors who generated a record-breaking $5.9 billion in revenues.

Furthermore, Washington State and Seattle led the nation in percentage growth of overseas visitors, with approximately 20 percent of the region's travelers visiting from outside the United States.

Transportation: Seattle is served by all modes of transportation including freeways, railroads, buses, an international airport, deep-water port facilities, a ferry system, and a light rail system known as Sound Transit. The two major interstate highways, Interstate 5 ("I-5") and Interstate 90 ("I-90"), link Seattle with Vancouver to the north, San Diego to the south, and Boston to the east. Additionally, Amtrak provides daily rail service to Denver, Chicago, Salt Lake City, and southern California, and Greyhound provides bus service from Seattle to nearly every major city in the continental United States and Canada. Within Seattle, the Sound Transit system provides light rail service from the SeaTac Airport to downtown Seattle, with a 3.5-mile extension to the University of Washington currently under construction.

The Seattle-Tacoma International Airport ("SeaTac") is the major hub for domestic and international air travel in the Pacific Northwest. SeaTac is one of the nation's most modern and efficient airports, and is the 15th busiest in the United States. It offers direct flights to 75 domestic and 21 international destinations, with service provided by 23 airlines. Total air passenger traffic increased at a CAGR of 1.6 percent from 2000 to 2013, led by growth in international travel, which increased at a CAGR of 3.0 percent during the same period. 2013 was the strongest year on record for the airport with regard to both domestic and international travel, with 34.8 million passengers flying in and out of SeaTac.

Conference Activity: Three major convention centers serve the King County area: the Washington State Convention Center ("WSCC"), the Bell Harbor ("Bell Harbor") International Conference Center, and the Meydenbauer Center.

The WSCC hosted 38 national and international events in 2013 with visitors from across the country and around the world attending a convention or conference. These events generated 341,800 total room nights of lodging demand, contributing significant group demand to the downtown Seattle market area. Booking pace remains strong for the next three years, indicating continued strength from this segment of the lodging market.

Bell Harbor is the smaller of the two conference centers in downtown Seattle, offering approximately 100,000 square feet of indoor and outdoor waterfront function space. The conference center, located on the Puget Sound waterway, caters mostly to smaller, local groups seeking a unique waterfront meeting facility.

Meydenbauer Center opened in 1993 as the Greater Seattle area's second largest convention facility. The Center includes 54,000 square-feet of event space including 36,000 square foot Center Hall, and nine meeting rooms totaling 12,000 square-feet. Also included is a 2,500 square-foot Executive Conference Suite as well as a 410 seat performing arts theatre. Meydenbauer Center is owned and operated by the Bellevue Convention Center Authority (BCCA), a public development authority.

B. Historical Lodging Tax Revenues

Presented in the following table are the historical lodging tax revenues collected for the WSCC as provided to us by representatives of the WSCC. It should be noted that historically, total lodging tax receipts were tabulated in fiscal years representing the period beginning July 1 and ending June 30 coinciding with the State's fiscal calendar. We have provided this historical data from fiscal year 1990/91 through 2010/2011 in the first table below. The second table shows collections by calendar year from 2006 to 2013, as well as year-to-date for May 2013 and 2014. It should be noted that this excludes the 2.0 percent sales tax credit on lodging revenues from hotels in Seattle.

King County Historical Lodging Tax Revenues
Fiscal Years 1990/91 to 2010/11

Fiscal Year	Lodging Tax Revenue	Percent Change
1990/91	$13,130,278	-
1991/92	$13,407,007	2.1%
1992/93	$14,833,248	10.6%
1993/94	$17,032,166	14.8%
1994/95	$18,999,011	11.6%
1995/96	$19,715,310	3.8%
1996/97	$24,604,092	24.8%
1997/98	$26,534,998	7.9%
1998/99	$30,576,635	15.2%
1999/00	$31,224,616	2.1%
2000/01	$34,604,869	10.8%
2001/02	$30,366,742	-12.3%
2002/03	$31,420,759	3.4%
2003/04	$33,183,545	5.6%
2004/05	$35,030,429	5.6%
2005/06	$40,445,951	15.4%
2006/07	$45,770,495	13.2%
2007/08	$50,304,645	9.9%
2008/09	$46,763,890	-7.0%
2009/10	$41,447,755	-11.4%
2010/11	$41,313,852	-0.3%
CAGR	**5.9%**	-

As noted, the lodging tax revenues increased at a CAGR of 5.9 percent from 1990/91 to 2010/11, generally increasing every year except in 2001/02 and between 2008/09 and 2010/11, when economic recessions negatively impacted travel spending, and subsequently lodging performance. It is also important to note that historically, there have been large annual increases in lodging tax revenues, which can be attributed to strong hotel performance and corresponding increases in the lodging supply. These periodic supply increases and continued growth in lodging demand are the leading reasons for the strong average annual growth over the last 23 years.

King County Historical Lodging Tax Revenues 2006 to 2013 and YTD May 2013 and May 2014		
Fiscal Year	**Lodging Tax Revenue**	**Percent Change**
2006	$43,322,715	-
2007	$49,208,300	13.6%
2008	$50,339,560	2.3%
2009	$41,944,342	-16.7%
2010	$40,433,108	-3.6%
2011	$47,572,477	17.7%
2012	$52,090,072	9.5%
2013	$56,914,339	9.3%
CAGR	**4.0%**	-
YTD May 2013	$17,646,996	-
YTD May 2014	$19,080,355	8.1%

In addition to the fiscal year history going back to 1990/91, we have also been provided with calendar year history going back to 2006, although the most meaningful years in this calendar year format are from 2011 to May 2014 year to date. Since the downturn of 2009, lodging tax revenues have experienced significant growth corresponding to the strong local economic recovery. Specifically, lodging tax revenues saw double digit growth of 17.7 percent, followed by strong growth of 9.5 and 9.3 percent in 2011, 2012, and 2013 respectively. These growth trends have continued into 2014, as evidenced by the May year-to-date growth of 8.1 percent over prior year levels. Following typical lodging market patterns, this strong annual growth is projected for the next several years.

C. Hotel Horizons - Seattle®

Beginning in 2007, PKF Hospitality Research unveiled its powerful *Hotel Horizons®*, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry. *Hotel Horizons®* forecasting and reports are published on a quarterly basis for 50 markets and six national chain-scales and are based on actual monthly performance data collected by STR, Inc., as well as numerous economic indicators such as real personal income, payroll employment growth, gross domestic product, and inflation, and supply forecasts based on actual construction starts. As one of these 50 markets, the Seattle market encompasses a sample of over 40,000 hotel rooms of all sizes with many outside the county limits. Based on research compiled by PKF

Hospitality Research, the following table details the long term averages for the key lodging metrics for the greater Seattle market dating back to 1988. We have also provided the average key metrics for the downtown Seattle submarket as a point of comparison.

Seattle and King County Performance Averages 1988-2013		
Measure	**Downtown Seattle**	**King County**
Average Occupancy Level	71.2%	68.6%
Annual ADR Change	3.3%	3.5%
Annual RevPAR Change	3.6%	3.4%
Annual Supply Change	2.4%	2.6%
Annual Demand Change	2.6%	2.7%
Source: PKF Hospitality Research		

The historic averages are based on actual changes to these metrics as measured by STR, Inc., a highly respected hospitality research firm that collects actual performance data for most hotels and markets throughout the nation.

D. Supply

For the purpose of this analysis, we first identified the current lodging supply in Seattle and the remaining King County area. Per state law, lodging tax is only collected from hotels with 60 or more guestrooms. Therefore, we have only included hotels with 60 or more guestrooms in our supply base. The following table details the number of properties located in Seattle and King County (excluding Seattle), as well as the number of rooms available on a daily and annual basis as of year-end 2013 that serve as the basis for our annual projections.

Summary of Supply			
Market	**Number of Properties**	**Number of Rooms Available Daily**	**Number of Rooms Available Annually**
Seattle	69	13,905	5,075,325
King County (Excluding Seattle)	117	17,973	6,560,145
Total Supply	**186**	**31,878**	**11,635,470**
Supply Figures as of year-end 2013			

As noted, the City of Seattle is comprised of 69 hotels that contain 13,905 guestrooms available daily. The remaining King County area is comprised of 117 properties with 60 or more rooms. The remaining King County hotels represent 17,973 guestrooms daily as of the date of this report. Major King County markets outside of Seattle include Auburn, Bellevue, Federal Way, Kent, Renton, Redmond, and SeaTac. In total, there are 186 properties containing 31,878 guestrooms available daily or 11,635,470 guestrooms available annually. While the above table summarizes the existing total supply, it is also important to review how the number of hotels and guest rooms has grown over the last several years.

In the following table, we have presented a summary of the number of new hotel properties and guest rooms that have opened or expanded over the last 16 years in King County.

King County - All Hotels Additions to Supply					
Year	Total Number of Properties	Number of New Properties	Total Room Supply	Addition of New Supply	Change in Supply
1998	135	-	21,664	-	-
1999	145	10	23,498	1,834	8.5%
2000	151	6	24,714	1,216	5.2%
2001	155	4	25,549	835	3.4%
2002	161	6	26,555	1,006	3.9%
2003	163	2	27,154	599	2.3%
2004	165	2	27,705	551	2.0%
2005	167	2	27,891	186	0.7%
2006	171	4	28,582	691	2.5%
2007	174	3	29,410	828	2.9%
2008	179	5	30,096	686	2.3%
2009	181	2	30,867	771	2.6%
2010	186	5	31,412	545	1.8%
2011	186	-	31,673	261	0.8%
2012	186	-	31,786	113	0.4%
2013	186	-	31,878	92	0.3%
-	**186**	**51**	**2.6%**	**10,214**	-
Average Additional Rooms Per Year:				**681**	
Source: STR, Inc.					

As noted above, over the last 15 years (1998 to 2013), 51 hotels representing 10,214 new hotel rooms have opened in King County, representing an average annual increase of 2.6 percent, or an average of 681 new hotel rooms per year. This is consistent with the CAGR in new supply dating back to 1988 of 2.6 percent as presented earlier in this report.

Of particular note is that there have been new rooms that have opened in King County in each of the last 15 years, despite the fact that the U.S. economy has endured two recessions, including the "Great Recession" between 2007 and 2009. While lodging performance is negatively impacted during a recession and new development *planning* slows or stops altogether, hotel projects that were conceived, planned, and constructed prior to a recession often open during the recession years leading to new rooms every year.

E. Future Additions to Supply

In our analysis of future supply growth, we have utilized our local market knowledge to identify any new hotels currently active in the planning or construction phase that are likely to open over the next five years. Given the end of the recent economic recession, new hotel construction and development planning has increased considerably as lodging performance between 2009 and 2013 has improved significantly. This increase in new development planning will impact supply additions over the next two to five years as this represents the typical lead time between applying for permitting on a project and the new hotel opening for business.

Based on this research, we have identified the following new hotel supply additions currently in the planning or construction phase in the city of Seattle as well as those to be located in King County outside the city of Seattle. As is typical with hotels in the planning phase of development, not all proposed hotels will ultimately be built. Therefore, we have not included all of the current proposed hotel projects we discovered during our research, just those we have deemed most likely to be built. Provided below is summary of the most likely additions over the next five years for the city of Seattle and the schedule delivery of these rooms into the overall downtown market.

City of Seattle
Changes in Average Daily Rooms Supply 2013 to 2018

Additions:	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Red Lion/Motif (Expansion with Rebranding)		11	11			
Grand Hyatt (Expansion)		16	16			
Kimpton Hotel Seattle - Palladian			80	17		
Staybridge Suites Seattle U District			100	20		
Hyatt House Seattle Downtown			131	43		
Residence Inn Seattle University District			83	82		
Hilton Garden Inn Seattle Downtown			111	111		
Embassy Suites				296		
Thompson Hotel				80	80	
Marriott					296	
9th and Stewart Hotel						1,500
Additional Seattle Supply Additions					300	300
Number of Additional Rooms	-	**27**	**532**	**649**	**676**	**1,800**
Percent Change From Prior Year	-	**0.2%**	**3.8%**	**4.5%**	**4.5%**	**11.4%**
Ending Supply	**13,905**	**13,932**	**14,464**	**15,113**	**15,789**	**17,589**

Note: Addition of rooms stated in annual proportion to the opening date of each hotel.
Source: *PKF Consulting*

As noted above, we have identified 11 hotels totaling 3,084 hotel rooms as projected to enter the downtown Seattle market over the next five years. This total also includes the expansion of two existing hotels. It should be noted that in addition to these 11 hotels, we identified another +/- 10 hotel projects that have been rumored for development in the downtown market. Since these projects are less certain, we have deemed them less likely to be developed. However, we have reflected the addition of 600 more rooms between 2017 and 2018, as it is possible two or three of these projects may ultimately come to fruition. Lastly, for those projects projected to enter the market mid-year, we have "annualized" their room addition over two years.

Like with downtown Seattle, we have summarized our projected additions to the remaining King County market in the table below.

King County (Excluding Seattle) Changes in Average Daily Rooms Supply 2013 to 2018						
Additions:	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Hampton Inn Seattle/Everett		61	61			
Hampton Inn & Suites Downtown Bellevue		53	75			
Seattle Marriott Bellevue		64	320			
SpringHill Suites Seattle Issaquah		12	133			
Holiday Inn Express & Suites North Bend			100			
Home2 Suites Seattle Tukwila			127	12		
Kemper, Bellevue					245	
Additional King County Supply Additions				200	200	200
Cumulative Number of Additional Rooms	-	**190**	**816**	**212**	**445**	**200**
Percent Change From Prior Year	-	**1.1%**	**4.5%**	**1.1%**	**2.3%**	**1.0%**
Ending Supply	**17,973**	**18,163**	**18,979**	**19,191**	**19,636**	**19,836**
Note: Addition of rooms stated in annual proportion to the opening date of each hotel. Source: PKF Consulting						

As noted above, we have identified seven projects representing 1,263 additional rooms as likely to enter the King County market over the next five years and, as with Seattle, we have reflected additional supply growth of 600 rooms between 2016 and 2018 for those projects that are still preliminary in nature.

Beginning in 2019, we have then projected cyclical supply additions over a five year period with a ramp up and ramp down in new supply over this time, consistent with typical hotel development cycles.

Based on historical trends, we have estimated that the Seattle market will add approximately 2,200 additional hotel rooms every five years beginning in 2019. Specifically, the market will add 300 rooms the first year, 400 rooms the second year, 650 rooms the third year, 550 rooms the fourth year, and 300 rooms the fifth year. This reflects a compound annual growth rate in supply of 2.5 percent for Seattle, in line with the historical supply growth levels for Seattle as previously presented. In addition, we have estimated that the remaining King County market will add approximately 1,800 additional hotel rooms every five years beginning in 2019. Specifically, the market will add 300 rooms the first year, 350 rooms the second year, 400 rooms the third and fourth year, and 350 rooms the fifth year. This future supply growth for Seattle and King County follows typical lodging market development cycles.

In total, new hotel room supply additions are projected to increase by 4,000 rooms every five years, or by 600 rooms in 2019 (the first year of the five year cycle), 750 in 2020, 1,050 in 2021, 950 in 2022, and 650 in 2023. This cycle is then repeated every five years throughout the projection period. This results in an average annual growth in supply over the 30 year forecast period of approximately 2.0 percent.

As a point of reference, the historical long-term average annual growth in supply for King County is approximately 2.6 percent. Our current long-term growth rate of supply is lower than the historic average as this takes into consideration that many of the existing markets are more highly developed today than during the late 1980s and 1990s, leaving less available land for future development throughout the greater King County area. As such, this is expected to place a physical limit on new supply in King County and future supply growth is therefore expected to occur in neighboring markets and some of the communities outside the County limits.

It is worth noting that our forecast for new supply accounts for the addition of 25,547 new hotel rooms over the 30 year forecast period. (57,425 – 31,878 = 25,547). This equates to approximately 852 new hotel rooms per year, higher than the average annual increase in rooms between 1998 and 2013, but taking into account the larger than average projects being developed over the next four years.

F. Demand Growth

Based on discussions with general managers, regional managers, Visit Seattle, and other industry participants, and our review of historic demand trends throughout King County, over the first five years of our analysis, we project demand (the number of rooms occupied) in Seattle to continue to increase, both with the continued recovery of the economy and as the recently opened new hotels are able to absorb previously unsatisfied demand during peak periods. By 2019, we project accommodated demand to taper as most markets are expected to be operating at their stabilized levels given market segmentation and seasonality patterns of demand.

For the remaining King County market, we project demand growth of 3.1 percent in 2014. Moreover, we project further demand growth in 2015 and 2016 as new rooms entering the King County (excluding Seattle) market induce demand into the area during peak periods. We project accommodated demand to taper to long run averages following this demand growth.

Based on the discussions and projections listed above, we estimate demand in 2014 for all of King County to increase approximately 3.0 percent over prior year levels. This demand growth is supported by the year-end performance of all King

County submarkets which have demonstrated demand growth of approximately 3.9 and 2.4 percent in 2012 and 2013, respectively.

The following table details our forecasted demand growth rates from 2014 to 2018.

Demand Growth 2014 through 2018			
Year	Seattle	King County (Excluding Seattle)	All King County
2014	2.8%	3.1%	3.0%
2015	2.6%	4.1%	3.4%
2016	2.0%	2.0%	2.0%
2017	1.8%	1.5%	1.6%
2018	7.5%	1.6%	4.4%

As noted above, demand growth of 7.5 percent is projected for Seattle in 2018. This large increase in demand is a direct result of the significant projected supply increase of 11.4 percent resulting mainly from the projected opening of a +/- 1,500 room convention hotel in downtown Seattle. As the City of Seattle occupancy is projected to be in the high 70 percent range at the time of this hotel's opening, the new rooms are expected to be quickly absorbed in the local market, resulting in a material increase in accommodated demand.

Beginning in 2019, we have forecasted base demand growth of approximately 2.0 percent per year, lower than the long-term average as reported on page 12. However, accommodated demand is forecasted above or below these levels in many years as markets reach stabilized levels of performance. While individual hotel performance varies widely based on the hotel size and condition, overall market occupancy levels tend to stabilize based on constraints attributed to demand segmentation and seasonality patterns. Only when new supply enters a market can additional demand be accommodated and the market experience stronger accommodated demand growth. Accordingly, with our previously assumed periodic additions to supply, accommodated demand growth will exceed 2.0 percent as this new supply is absorbed and will be below 2.0 percent when new supply is not available.

G. Segmentation of Demand

The demand captured by King County hotels is generated from numerous sources, or segments. The primary categories of demand monitored by hotels include the transient and group market segments. The transient segment is comprised of individual business travelers, domestic and international leisure travelers, government demand, and various individual wholesale or package demand. The group market segment includes association, convention, corporate, wholesale, and incentive groups as well as social groups, often referred to as SMERF groups (social, military, educational, religious, and fraternal).

Hotels located in the downtown Seattle area proximate to the WSCC, in downtown Bellevue, and near SeaTac, typically attract group demand due to their location near a convention center and/or, in house meeting space facilities.

For these hotels, such as the Sheraton Seattle, Westin Seattle, Grand Hyatt, Fairmont, Westin Bellevue, and Hyatt Bellevue, group demand typically represents between 35 and 45 percent of total hotel rooms occupied. The balance of demand, between 55 and 65 percent, is generated by the various transient demand segments. For hotels located outside of the aforementioned areas or with little to no in house meeting facilities, group demand represents a smaller portion of demand, or typically between 10 and 25 percent of demand. Transient demand is traditionally the largest segment for these hotels.

H. Average Daily Rate (ADR) Growth

Future growth in the average daily room rate has been based on our review of historical growth trends, interviews with numerous hotel owners and operators in Seattle and throughout King County with regard to 2014 year to date performance and 2014 year-end forecasts, and our experience in the local lodging market. Furthermore, we have reviewed Hotel Horizons – Seattle®. Based on the aforementioned, we have estimated ADR growth over the next five years for Seattle and the remaining King County area as detailed in the following table.

ADR Growth 2014-2018			
Calendar Year	Seattle	King County (Excluding Seattle)	All King County
2014	8.5%	6.0%	7.5%
2015	8.0%	5.0%	6.6%
2016	6.5%	4.5%	5.8%
2017	5.0%	4.0%	4.7%
2018	4.0%	3.0%	4.6%

As noted above, overall ADR is projected to increase in 2014 by 7.5 percent for all of King County. With the projected increase in lodging demand and subsequently occupancy, ADR levels are projected to experience five years of real growth between 2014 and 2018.

Thereafter, starting in 2019, we have assumed ADR to increase a three percent per year, in line with our long-term outlook for inflation. For the 30 year projection period, we have forecasted ADR to increase at a CAGR of 3.4 percent, slightly below the long-term average annual increases in ADR of 3.5 percent as reported by PKF Hospitality Research.

I. Lodging Tax Rates

Lodging tax revenue is calculated at 7.0 percent of total lodging room revenue for hotels with 60 or more rooms located in the City of Seattle and 2.8 percent of lodging room revenue for all other hotels with 60 or more rooms located in King County. In our analysis, we have assumed that the aforementioned tax rates will remain constant throughout the projection period. Also, it should be noted that we have accounted for a credit of 2.0 percent of the sales tax revenue (additional lodging tax) collected from hotels in the City of Seattle. It should be noted that the sales tax rebate will expire at the end of June 2029.

Based on the preceding methodology and assumptions outlined above, we have prepared a forecast of the future lodging room revenue and subsequent lodging tax revenue from all hotels with 60 or more rooms located in Seattle, and in King County (excluding Seattle).

J. Factors Impacting Total Lodging Tax Revenue Forecast

Although it is possible that the King County lodging market will experience growth in room night demand, ADRs, and subsequently lodging room revenue and tax revenue above those summarized in the pages below, it is also possible that sudden economic downturns, unexpected additions/deletions to the room supply, or other external factors could negatively impact the King County lodging market as stated previously.

Consequently, the estimated annual room night supply and demand, ADR levels, and lodging room revenue and total lodging tax revenue represent the most likely performance of the King County lodging market over the projection period based on our analysis of the market as of the date of this report.

However, we have provided a brief list of specific factors and assumptions that could have either a positive or negative impact on the conclusions contained this report.

- We have assumed that the greater King County infrastructure, including roadways, airports, public transportation, City and County services, and new residential and commercial development continue to grow and evolve with the changing times and expected growth in population and employment such that the region will continue to remain on the forefront of technology and represent a desirable place to live and work.

- As stated above, our conclusions contained in this section of the report do not include any specific expansion to the region's convention facilities. We have, however, provided an alternate lodging tax forecast under the specific assumption that the Washington State Convention Center in Seattle completed an expansion. This forecast is provided at the end of this report.

- In keeping with historic economic and lodging cycles, our growth estimates from 2019 to 2043 are based on long term averages and do not specifically model for future economic recessions or other "acts of God". Should the Country or the King County region fall victim to terrorist events, future geopolitical crises, seismic events, or an impact from other "unnatural or unplanned" factors, the local economy and subsequently lodging industry could experience several years of decline. However, using history as an indicator, the local lodging market has continually rebounded from similar dramatic events.

V. LODGING TAX REVENUE FORECAST – CITY OF SEATTLE

We have projected the annual supply, demand, ADR, and resulting lodging revenues for the City of Seattle from 2014 through 2043. Based on these projections, we have calculated the total room revenue for all Seattle hotels and have applied the 7.0 percent lodging tax rate to the room revenues to project lodging tax revenue for each year. The following table outlines our projections. We have presented the calendar year 2013 actual lodging tax revenue collections as a point of reference.

King County - All Hotels
2014 - 2043 Lodging Tax Projections[1]

Calendar Year	Annual Supply	Change In Supply	Total Room Nights	Room Nights Change	Market Occupancy	ADR	ADR Change	Total Room Revenue	Lodging Tax Revenue	Lodging Tax Change
2013	11,635,470	-	8,340,147	-	71.7%	$126.30	-	$1,053,378,000	$56,914,000	-
2014	11,714,675	0.7%	8,586,680	3.0%	73.3%	$135.78	7.5%	$1,165,897,000	$63,228,000	11.1%
2015	12,206,695	4.2%	8,876,994	3.4%	72.7%	$144.79	6.6%	$1,285,328,000	$69,877,000	10.5%
2016	12,520,960	2.6%	9,054,534	2.0%	72.3%	$153.13	5.8%	$1,386,491,000	$75,635,000	8.2%
2017	12,930,125	3.3%	9,203,274	1.6%	71.2%	$160.29	4.7%	$1,475,236,000	$80,656,000	6.6%
2018	13,660,125	5.6%	9,609,244	4.4%	70.3%	$167.63	4.6%	$1,610,812,000	$89,095,000	10.5%
2019	13,879,125	1.6%	9,754,108	1.5%	70.3%	$172.44	2.9%	$1,682,029,000	$92,907,000	4.3%
2020	14,152,875	2.0%	9,959,167	2.1%	70.4%	$177.56	3.0%	$1,768,358,000	$97,642,000	5.1%
2021	14,536,125	2.7%	10,222,255	2.6%	70.3%	$183.09	3.1%	$1,871,563,000	$103,463,000	6.0%
2022	14,882,875	2.4%	10,467,173	2.4%	70.3%	$188.70	3.1%	$1,975,128,000	$109,262,000	5.6%
2023	15,120,125	1.6%	10,645,500	1.7%	70.4%	$194.24	2.9%	$2,067,742,000	$114,308,000	4.6%
2024	15,339,125	1.4%	10,794,537	1.4%	70.4%	$200.06	3.0%	$2,159,591,000	$119,385,000	4.4%
2025	15,612,875	1.8%	11,037,965	2.3%	70.7%	$205.90	2.9%	$2,272,764,000	$125,536,000	5.2%
2026	15,996,125	2.5%	11,358,318	2.9%	71.0%	$212.02	3.0%	$2,408,139,000	$132,968,000	5.9%
2027	16,342,875	2.2%	11,636,462	2.4%	71.2%	$218.41	3.0%	$2,541,521,000	$140,357,000	5.6%
2028	16,580,125	1.5%	11,793,418	1.3%	71.1%	$225.00	3.0%	$2,653,494,000	$146,565,000	4.4%
2029	16,799,125	1.3%	11,939,893	1.2%	71.1%	$232.00	3.1%	$2,770,102,000	$153,190,000	4.5%
2030	17,072,875	1.6%	12,154,811	1.8%	71.2%	$238.96	3.0%	$2,904,563,000	$160,626,000	4.9%
2031	17,456,125	2.2%	12,454,965	2.5%	71.4%	$246.16	3.0%	$3,065,864,000	$169,563,000	5.6%
2032	17,802,875	2.0%	12,703,113	2.0%	71.4%	$253.86	3.1%	$3,224,790,000	$178,594,000	5.3%
2033	18,040,125	1.3%	12,874,509	1.3%	71.4%	$261.52	3.0%	$3,366,880,000	$186,494,000	4.4%
2034	18,259,125	1.2%	13,041,310	1.3%	71.4%	$269.62	3.1%	$3,516,135,000	$194,961,000	4.5%
2035	18,532,875	1.5%	13,223,736	1.4%	71.4%	$277.79	3.0%	$3,673,433,000	$203,751,000	4.5%
2036	18,916,125	2.1%	13,514,374	2.2%	71.4%	$286.30	3.1%	$3,869,206,000	$214,754,000	5.4%
2037	19,262,875	1.8%	13,763,738	1.8%	71.5%	$295.40	3.2%	$4,065,798,000	$226,081,000	5.3%
2038	19,500,125	1.2%	13,915,186	1.1%	71.4%	$304.17	3.0%	$4,232,520,000	$235,273,000	4.1%
2039	19,719,125	1.1%	14,061,326	1.1%	71.3%	$313.24	3.0%	$4,404,587,000	$244,796,000	4.0%
2040	19,992,875	1.4%	14,251,119	1.3%	71.3%	$322.69	3.0%	$4,598,680,000	$255,627,000	4.4%
2041	20,376,125	1.9%	14,507,329	1.8%	71.2%	$332.89	3.2%	$4,829,329,000	$268,896,000	5.2%
2042	20,722,875	1.7%	14,768,492	1.8%	71.3%	$343.30	3.1%	$5,070,074,000	$282,676,000	5.1%
2043	20,960,125	1.1%	14,952,933	1.2%	71.3%	$353.33	2.9%	$5,283,254,000	$294,315,000	4.1%
CAGR	**2.0%**	-	**1.9%**	-	**71.2%**	**3.4%**	-	**5.3%**	**5.4%**	-

[1]Rounded to the nearest $1,000
Note: Numbers may not foot due to rounding

In 2014, we project that lodging tax revenue will increase by 11.1 percent over 2013 figures. This is attributed to strong growth in both ADR and occupancy projected for the market. Between 2015 and 2018, we project lodging tax revenue growth to remain strong as improving market conditions and subsequent increases to demand and ADR continue. In addition, we also project strong lodging tax revenue growth due to room nights generated by the additional supply which we project to enter the market from 2015 through 2018. Thereafter we project lodging revenues to increase between approximately four and six percent. Years with stronger growth reflect years when additional supply is projected to enter the market which will allow the market to accommodate previously unsatisfied demand. The following table summarizes our projection of Seattle's room revenue, lodging tax revenue, and the 2.0 percent sales tax rebate (additional lodging tax revenue). The sales tax rebate is calculated as two percent of the room revenue through June 2029.

City of Seattle Projected Lodging Tax Revenue and Additional Lodging Tax Revenue[1]

Year	Seattle Room Revenue	Seattle Lodging Tax Revenue	Additional Lodging Tax Revenue [2]
2013	$652,839,000	$45,699,000	$13,057,000
2014	$728,164,000	$50,971,000	$14,563,000
2015	$806,864,000	$56,480,000	$16,137,000
2016	$876,496,000	$61,355,000	$17,530,000
2017	$936,886,000	$65,582,000	$18,738,000
2018	$1,047,439,000	$73,321,000	$20,949,000
2019	$1,090,730,000	$76,351,000	$21,815,000
2020	$1,145,921,000	$80,214,000	$22,918,000
2021	$1,215,707,000	$85,099,000	$24,314,000
2022	$1,284,735,000	$89,931,000	$25,695,000
2023	$1,343,126,000	$94,019,000	$26,863,000
2024	$1,402,788,000	$98,195,000	$28,056,000
2025	$1,473,769,000	$103,164,000	$29,475,000
2026	$1,560,485,000	$109,234,000	$31,210,000
2027	$1,647,483,000	$115,324,000	$32,950,000
2028	$1,720,664,000	$120,446,000	$34,413,000
2029	$1,800,640,000	$126,045,000	$18,006,500
2030	$1,888,043,000	$132,163,000	-
2031	$1,993,302,000	$139,531,000	-
2032	$2,102,375,000	$147,166,000	-
2033	$2,195,763,000	$153,703,000	-
2034	$2,297,822,000	$160,848,000	-
2035	$2,402,258,000	$168,158,000	-
2036	$2,533,709,000	$177,360,000	-
2037	$2,672,354,000	$187,065,000	-
2038	$2,780,050,000	$194,604,000	-
2039	$2,892,086,000	$202,446,000	-
2040	$3,020,552,000	$211,439,000	-
2041	$3,182,726,000	$222,791,000	-
2042	$3,350,328,000	$234,523,000	-
2043	$3,485,346,000	$243,974,000	-
CAGR	5.5%	5.5%	1.4%

[1] Rounded to the nearest $1,000.
[2] Two percent of sales taxes generated by hotels in Seattle are rebated back to the WSCC through June 2029.
Note: Numbers may not foot due to rounding.

VI. LODGING TAX REVENUE FORECAST – KING COUNTY (EXCLUDING SEATTLE)

Like our projections for the city of Seattle, we have projected the annual supply, demand, ADR, and resulting lodging room revenues for the remaining hotels located in King County from 2014 through 2043. We have calculated the total room revenue for King County hotels (excluding Seattle) and have applied the 2.8 percent lodging tax rate to the room revenues to estimate the projected lodging tax revenue for each year. The following table outlines our projections. The actual lodging tax figures for calendar year 2013 have been provided as a point of reference.

King County Hotel (Excluding Seattle Only) 2014 - 2043 Lodging Tax Projections[1]										
Calendar Year	Annual Supply	Change In Supply	Total Room Nights	Room Nights Change	Market Occupancy	ADR	ADR Change	Total Room Revenue	Lodging Tax Revenue @ 2.8 %	Lodging Tax Change
2013	6,560,145	-	4,336,234	2.5%	66.1%	$92.37	5.9%	$400,539,000	$11,215,000	-
2014	6,629,495	1.1%	4,470,657	3.1%	67.4%	$97.91	6.0%	$437,733,000	$12,257,000	9.3%
2015	6,927,335	4.5%	4,653,954	4.1%	67.2%	$102.81	5.0%	$478,464,000	$13,397,000	9.3%
2016	7,004,715	1.1%	4,747,033	2.0%	67.8%	$107.43	4.5%	$509,995,000	$14,280,000	6.6%
2017	7,167,140	2.3%	4,818,239	1.5%	67.2%	$111.73	4.0%	$538,350,000	$15,074,000	5.6%
2018	7,240,140	1.0%	4,895,331	1.6%	67.6%	$115.08	3.0%	$563,373,000	$15,774,000	4.6%
2019	7,349,640	1.5%	4,988,342	1.9%	67.9%	$118.54	3.0%	$591,299,000	$16,556,000	5.0%
2020	7,477,390	1.7%	5,098,085	2.2%	68.2%	$122.09	3.0%	$622,437,000	$17,428,000	5.3%
2021	7,623,390	2.0%	5,215,341	2.3%	68.4%	$125.76	3.0%	$655,856,000	$18,364,000	5.4%
2022	7,769,390	1.9%	5,330,079	2.2%	68.6%	$129.53	3.0%	$690,393,000	$19,331,000	5.3%
2023	7,897,140	1.6%	5,431,350	1.9%	68.8%	$133.41	3.0%	$724,616,000	$20,289,000	5.0%
2024	8,006,640	1.4%	5,507,389	1.4%	68.8%	$137.42	3.0%	$756,803,000	$21,190,000	4.4%
2025	8,134,390	1.6%	5,645,074	2.5%	69.4%	$141.54	3.0%	$798,995,000	$22,372,000	5.6%
2026	8,280,390	1.8%	5,814,426	3.0%	70.2%	$145.78	3.0%	$847,654,000	$23,734,000	6.1%
2027	8,426,390	1.8%	5,953,972	2.4%	70.7%	$150.16	3.0%	$894,038,000	$25,033,000	5.5%
2028	8,554,140	1.5%	6,031,374	1.3%	70.5%	$154.66	3.0%	$932,830,000	$26,119,000	4.3%
2029	8,663,640	1.3%	6,085,656	0.9%	70.2%	$159.30	3.0%	$969,462,000	$27,145,000	3.9%
2030	8,791,390	1.5%	6,195,198	1.8%	70.5%	$164.08	3.0%	$1,016,520,000	$28,463,000	4.9%
2031	8,937,390	1.7%	6,346,361	2.4%	71.0%	$169.00	3.0%	$1,072,562,000	$30,032,000	5.5%
2032	9,083,390	1.6%	6,447,903	1.6%	71.0%	$174.07	3.0%	$1,122,415,000	$31,428,000	4.6%
2033	9,211,140	1.4%	6,531,726	1.3%	70.9%	$179.30	3.0%	$1,171,117,000	$32,791,000	4.3%
2034	9,320,640	1.2%	6,597,043	1.0%	70.8%	$184.68	3.0%	$1,218,313,000	$34,113,000	4.0%
2035	9,448,390	1.4%	6,682,804	1.3%	70.7%	$190.22	3.0%	$1,271,175,000	$35,593,000	4.3%
2036	9,594,390	1.5%	6,816,461	2.0%	71.0%	$195.92	3.0%	$1,335,497,000	$37,394,000	5.1%
2037	9,740,390	1.5%	6,905,075	1.3%	70.9%	$201.80	3.0%	$1,393,444,000	$39,016,000	4.3%
2038	9,868,140	1.3%	6,987,935	1.2%	70.8%	$207.85	3.0%	$1,452,470,000	$40,669,000	4.2%
2039	9,977,640	1.1%	7,064,803	1.1%	70.8%	$214.09	3.0%	$1,512,501,000	$42,350,000	4.1%
2040	10,105,390	1.3%	7,156,645	1.3%	70.8%	$220.51	3.0%	$1,578,128,000	$44,188,000	4.3%
2041	10,251,390	1.4%	7,249,682	1.3%	70.7%	$227.13	3.0%	$1,646,603,000	$46,105,000	4.3%
2042	10,397,390	1.4%	7,351,177	1.4%	70.7%	$233.94	3.0%	$1,719,746,000	$48,153,000	4.4%
2043	10,525,140	1.2%	7,461,445	1.5%	70.9%	$240.96	3.0%	$1,797,908,000	$50,341,000	4.5%
CAGR	**1.6%**	-	1.8%	-	**69.4%**	**3.2%**	-	**5.0%**	**5.0%**	-

[1] Rounded to the nearest $1,000
Note: Numbers may not foot due to rounding

In 2014 and 2015, we project that lodging tax revenue will increase 9.3 percent over previous year figures, attributable to the strong growth in market ADR as well as increases in supply. Between 2016 and 2018, we project strong but steadily decreasing lodging tax growth as both ADR and supply growth levels return to long-run historical averages. Thereafter we project lodging revenues to increase between approximately four and six percent. Years with stronger growth reflect years when additional supply is projected to enter the market which will allow the market to accommodate previously unsatisfied demand.

On the following page we have combined our forecasts for Seattle and all of King County (excluding Seattle) lodging markets.

King County - All Hotels
2014 - 2043 Lodging Tax Projections[1]

Calendar Year	Annual Supply	Change In Supply	Total Room Nights	Room Nights Change	Market Occupancy	ADR	ADR Change	Total Room Revenue	Lodging Tax Revenue	Lodging Tax Change
2013	11,635,470	-	8,340,147	-	71.7%	$126.30	-	$1,053,378,000	$56,914,000	-
2014	11,714,675	0.7%	8,586,680	3.0%	73.3%	$135.78	7.5%	$1,165,897,000	$63,228,000	11.1%
2015	12,206,695	4.2%	8,876,994	3.4%	72.7%	$144.79	6.6%	$1,285,328,000	$69,877,000	10.5%
2016	12,520,960	2.6%	9,054,534	2.0%	72.3%	$153.13	5.8%	$1,386,491,000	$75,635,000	8.2%
2017	12,930,125	3.3%	9,203,274	1.6%	71.2%	$160.29	4.7%	$1,475,236,000	$80,656,000	6.6%
2018	13,660,125	5.6%	9,609,244	4.4%	70.3%	$167.63	4.6%	$1,610,812,000	$89,095,000	10.5%
2019	13,879,125	1.6%	9,754,108	1.5%	70.3%	$172.44	2.9%	$1,682,029,000	$92,907,000	4.3%
2020	14,152,875	2.0%	9,959,167	2.1%	70.4%	$177.56	3.0%	$1,768,358,000	$97,642,000	5.1%
2021	14,536,125	2.7%	10,222,255	2.6%	70.3%	$183.09	3.1%	$1,871,563,000	$103,463,000	6.0%
2022	14,882,875	2.4%	10,467,173	2.4%	70.3%	$188.70	3.1%	$1,975,128,000	$109,262,000	5.6%
2023	15,120,125	1.6%	10,645,500	1.7%	70.4%	$194.24	2.9%	$2,067,742,000	$114,308,000	4.6%
2024	15,339,125	1.4%	10,794,537	1.4%	70.4%	$200.06	3.0%	$2,159,591,000	$119,385,000	4.4%
2025	15,612,875	1.8%	11,037,965	2.3%	70.7%	$205.90	2.9%	$2,272,764,000	$125,536,000	5.2%
2026	15,996,125	2.5%	11,358,318	2.9%	71.0%	$212.02	3.0%	$2,408,139,000	$132,968,000	5.9%
2027	16,342,875	2.2%	11,636,462	2.4%	71.2%	$218.41	3.0%	$2,541,521,000	$140,357,000	5.6%
2028	16,580,125	1.5%	11,793,418	1.3%	71.1%	$225.00	3.0%	$2,653,494,000	$146,565,000	4.4%
2029	16,799,125	1.3%	11,939,893	1.2%	71.1%	$232.00	3.1%	$2,770,102,000	$153,190,000	4.5%
2030	17,072,875	1.6%	12,154,811	1.8%	71.2%	$238.96	3.0%	$2,904,563,000	$160,626,000	4.9%
2031	17,456,125	2.2%	12,454,965	2.5%	71.4%	$246.16	3.0%	$3,065,864,000	$169,563,000	5.6%
2032	17,802,875	2.0%	12,703,113	2.0%	71.4%	$253.86	3.1%	$3,224,790,000	$178,594,000	5.3%
2033	18,040,125	1.3%	12,874,509	1.3%	71.4%	$261.52	3.0%	$3,366,880,000	$186,494,000	4.4%
2034	18,259,125	1.2%	13,041,310	1.3%	71.4%	$269.62	3.1%	$3,516,135,000	$194,961,000	4.5%
2035	18,532,875	1.5%	13,223,736	1.4%	71.4%	$277.79	3.0%	$3,673,433,000	$203,751,000	4.5%
2036	18,916,125	2.1%	13,514,374	2.2%	71.4%	$286.30	3.1%	$3,869,206,000	$214,754,000	5.4%
2037	19,262,875	1.8%	13,763,738	1.8%	71.5%	$295.40	3.2%	$4,065,798,000	$226,081,000	5.3%
2038	19,500,125	1.2%	13,915,186	1.1%	71.4%	$304.17	3.0%	$4,232,520,000	$235,273,000	4.1%
2039	19,719,125	1.1%	14,061,326	1.1%	71.3%	$313.24	3.0%	$4,404,587,000	$244,796,000	4.0%
2040	19,992,875	1.4%	14,251,119	1.3%	71.3%	$322.69	3.0%	$4,598,680,000	$255,627,000	4.4%
2041	20,376,125	1.9%	14,507,329	1.8%	71.2%	$332.89	3.2%	$4,829,329,000	$268,896,000	5.2%
2042	20,722,875	1.7%	14,768,492	1.8%	71.3%	$343.30	3.1%	$5,070,074,000	$282,676,000	5.1%
2043	20,960,125	1.1%	14,952,933	1.2%	71.3%	$353.33	2.9%	$5,283,254,000	$294,315,000	4.1%
CAGR	2.0%	-	2.0%	-	71.2%	3.4%	-	5.3%	5.4%	-

[1] Rounded to the nearest $1,000
Note: Numbers may not foot due to rounding

VII. TOTAL KING COUNTY LODGING TAX REVENUE

In the table below, we have provided our projection of the total lodging tax revenue for all of King County in total.

Total King County Projected Lodging Tax Revenue and Additional Lodging Tax Revenue[1]

Calendar Year	Seattle	King County (Excluding Seattle)	King County Lodging Tax Revenue	Percent Change
2013	$45,699,000	$11,215,000	**$56,914,000**	9.3%
2014	$50,971,000	$12,257,000	**$63,228,000**	11.1%
2015	$56,480,000	$13,397,000	**$69,877,000**	10.5%
2016	$61,355,000	$14,280,000	**$75,635,000**	8.2%
2017	$65,582,000	$15,074,000	**$80,656,000**	6.6%
2018	$73,321,000	$15,774,000	**$89,095,000**	10.5%
2019	$76,351,000	$16,556,000	**$92,907,000**	4.3%
2020	$80,214,000	$17,428,000	**$97,642,000**	5.1%
2021	$85,099,000	$18,364,000	**$103,463,000**	6.0%
2022	$89,931,000	$19,331,000	**$109,262,000**	5.6%
2023	$94,019,000	$20,289,000	**$114,308,000**	4.6%
2024	$98,195,000	$21,190,000	**$119,385,000**	4.4%
2025	$103,164,000	$22,372,000	**$125,536,000**	5.2%
2026	$109,234,000	$23,734,000	**$132,968,000**	5.9%
2027	$115,324,000	$25,033,000	**$140,357,000**	5.6%
2028	$120,446,000	$26,119,000	**$146,565,000**	4.4%
2029	$126,045,000	$27,145,000	**$153,190,000**	4.5%
2030	$132,163,000	$28,463,000	**$160,626,000**	4.9%
2031	$139,531,000	$30,032,000	**$169,563,000**	5.6%
2032	$147,166,000	$31,428,000	**$178,594,000**	5.3%
2033	$153,703,000	$32,791,000	**$186,494,000**	4.4%
2034	$160,848,000	$34,113,000	**$194,961,000**	4.5%
2035	$168,158,000	$35,593,000	**$203,751,000**	4.5%
2036	$177,360,000	$37,394,000	**$214,754,000**	5.4%
2037	$187,065,000	$39,016,000	**$226,081,000**	5.3%
2038	$194,604,000	$40,669,000	**$235,273,000**	4.1%
2039	$202,446,000	$42,350,000	**$244,796,000**	4.0%
2040	$211,439,000	$44,188,000	**$255,627,000**	4.4%
2041	$222,791,000	$46,105,000	**$268,896,000**	5.2%
2042	$234,523,000	$48,153,000	**$282,676,000**	5.1%
2043	$243,974,000	$50,341,000	**$294,315,000**	4.1%
CAGR	**5.5%**	**5.0%**	**5.4%**	-

[1] Rounded to the nearest $1,000
Note: Numbers may not foot due to rounding

We have projected lodging tax revenues to increase at a CAGR of 5.4 percent, which is below historical level CAGR of approximately 5.9 percent recorded between 1990/91 and 2010/2011.

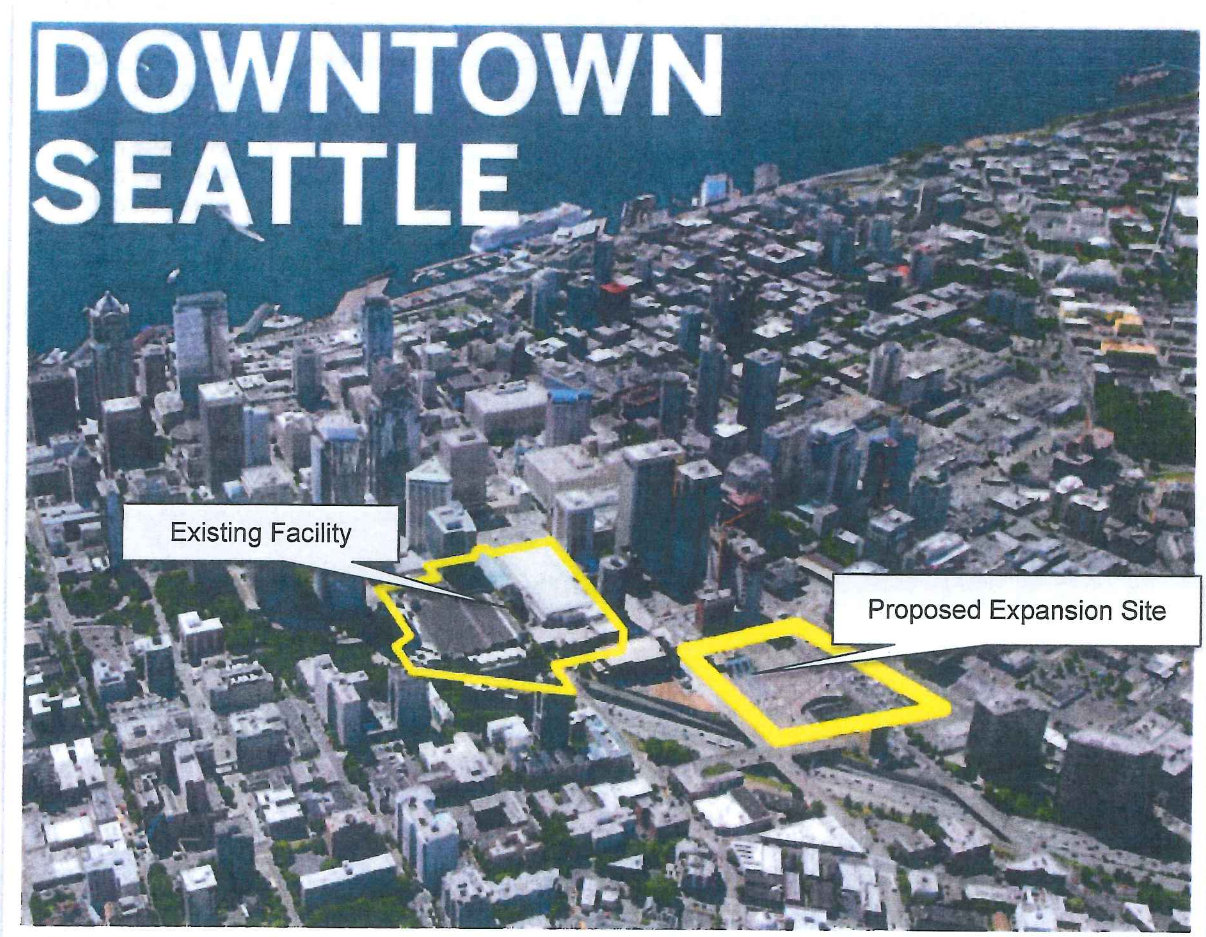
The following table includes our lodging projections for Seattle and the remaining King County area, the 2.0 percent sales tax rebate (additional lodging tax revenue), and the total lodging tax revenue available to the WSCC.

Total King County Projected Lodging Tax Revenue and Additional Lodging Tax Revenue[1]					
Calendar Year	**Seattle**	**King County (Excluding Seattle)**	**King County Lodging Tax Revenue**	**Additional Lodging Tax Revenue[2]**	**Total Lodging Tax Revenue**
2013	$45,699,000	$11,215,000	**$56,914,000**	$13,057,000	**$69,971,000**
2014	$50,971,000	$12,257,000	**$63,228,000**	$14,563,000	**$77,791,000**
2015	$56,480,000	$13,397,000	**$69,877,000**	$16,137,000	**$86,014,000**
2016	$61,355,000	$14,280,000	**$75,635,000**	$17,530,000	**$93,165,000**
2017	$65,582,000	$15,074,000	**$80,656,000**	$18,738,000	**$99,394,000**
2018	$73,321,000	$15,774,000	**$89,095,000**	$20,949,000	**$110,044,000**
2019	$76,351,000	$16,556,000	**$92,907,000**	$21,815,000	**$114,722,000**
2020	$80,214,000	$17,428,000	**$97,642,000**	$22,918,000	**$120,560,000**
2021	$85,099,000	$18,364,000	**$103,463,000**	$24,314,000	**$127,777,000**
2022	$89,931,000	$19,331,000	**$109,262,000**	$25,695,000	**$134,957,000**
2023	$94,019,000	$20,289,000	**$114,308,000**	$26,863,000	**$141,171,000**
2024	$98,195,000	$21,190,000	**$119,385,000**	$28,056,000	**$147,441,000**
2025	$103,164,000	$22,372,000	**$125,536,000**	$29,475,000	**$155,011,000**
2026	$109,234,000	$23,734,000	**$132,968,000**	$31,210,000	**$164,178,000**
2027	$115,324,000	$25,033,000	**$140,357,000**	$32,950,000	**$173,307,000**
2028	$120,446,000	$26,119,000	**$146,565,000**	$34,413,000	**$180,978,000**
2029	$126,045,000	$27,145,000	**$153,190,000**	$18,006,500	**$171,196,500**
2030	$132,163,000	$28,463,000	**$160,626,000**	-	**$160,626,000**
2031	$139,531,000	$30,032,000	**$169,563,000**	-	**$169,563,000**
2032	$147,166,000	$31,428,000	**$178,594,000**	-	**$178,594,000**
2033	$153,703,000	$32,791,000	**$186,494,000**	-	**$186,494,000**
2034	$160,848,000	$34,113,000	**$194,961,000**	-	**$194,961,000**
2035	$168,158,000	$35,593,000	**$203,751,000**	-	**$203,751,000**
2036	$177,360,000	$37,394,000	**$214,754,000**	-	**$214,754,000**
2037	$187,065,000	$39,016,000	**$226,081,000**	-	**$226,081,000**
2038	$194,604,000	$40,669,000	**$235,273,000**	-	**$235,273,000**
2039	$202,446,000	$42,350,000	**$244,796,000**	-	**$244,796,000**
2040	$211,439,000	$44,188,000	**$255,627,000**	-	**$255,627,000**
2041	$222,791,000	$46,105,000	**$268,896,000**	-	**$268,896,000**
2042	$234,523,000	$48,153,000	**$282,676,000**	-	**$282,676,000**
2043	$243,974,000	$50,341,000	**$294,315,000**	-	**$294,315,000**
CAGR	**5.5%**	**5.0%**	**5.4%**	-	**4.7%**

[1] Rounded to the nearest $1,000
[2] Two percent of sales taxes generated by hotels in Seattle are rebated back to the WSCC through June 2029
Note: Numbers may not foot due to rounding

VIII. CONVENTION CENTER EXPANSION SCENARIO

As previously stated, the prior analysis is based on the specific assumption the WSCC does not expand. However, we have also projected tax revenues assuming the expansion of the WSCC. We understand the Public Facilities District has purchased land located in downtown Seattle located between Ninth Avenue North and Boren Avenue, and Howell Street and Olive Way and is evaluating additional site acquisitions to effectively assemble enough land to accommodate an expansion of the WSCC While not contiguous to the existing facilities, the planned expansion site would allow for the development of new facilities that would be only a short distance from the existing facilities and proximate to several new office and hotel developments in the Denny Triangle neighborhood. We have provided an aerial map highlighting the location of the existing and planned new site below.



While the ultimate design program for an expansion is still in the preliminary stages, there are currently two development options that are being evaluated, as summarized below.

Existing WSCC:		New: Option 1		New: Option 2	
Ballroom	44,400	Ballroom	50,000	Ballroom	50,000-60,000
Meeting	94,900	Meeting	100,000	Meeting	100,000
Prime Exhibit	205,700	Prime Exhibit	100,000	Prime Exhibit	140,000
Conference Center	34,800	Prime Exhibit	100,000	Prime Exhibit	170,000
Prime Exhibit: 205,700 sf		Prime Exhibit: 200,000 sf		Prime Exhibit: 310,000 sf	

As shown above, the current convention center has 205,700 square feet of meeting space and almost 140,000 square feet of ballroom and meeting space. Option 1 is very similar to the current WSCC, but would provide for more meeting and ballroom space, whereas option 2 would add significantly more exhibit space. Regardless of the final development option, the expanded facilities will allow the center to accommodate more events and be more competitive with other west coast cities for group and association business. In addition, we understand that any expansion scenario would provide for additional development potential, which could include residential, commercial office, and/or a hotel.

For the purpose of this analysis, we have assumed construction on the new facilities would begin in 2018, and that the new space would be ready for use in 2020.

B. Effect on Local Hotel Market

Should the Washington State Convention Center in Seattle undergo an expansion, this would have a positive impact on total lodging tax revenues. Specifically, with an expanded Center, it is likely that new supply growth in the years coinciding with the expansion would exceed those outlined in this report to meet the growth in convention center utilization and room night demand. This additional new convention demand and subsequent supply growth would represent a direct increase to lodging tax and additional lodging tax revenues and likely expedite supply growth in the surrounding cities in King County by outside the City of Seattle. In preparing our forecast under this scenario, we have therefore relied upon the following assumptions:

- Construction on the expansion would commence in 2018 and the new facility would be open in 2020.
- Based on independent consulting reports, the expanded facility would be able to accommodate +/- 20 additional events per year, thus contributing significant room night demand to the local market
- In conjunction with the expansion, we have assumed the addition of 1,000 more hotel rooms to the local market in downtown Seattle, specifically reflecting 500 more rooms in 2019 and 500 more in 2020

C. Revenue Projections

Since the expansion would take place in the city of Seattle, we have provided our lodging projections for both Seattle and King County (including Seattle), the 2.0 percent sales tax rebate (additional lodging tax revenue), and the total lodging tax revenue available to the WSCC, assuming an expansion of the WSCC.

City of Seattle - All Hotels
2014 - 2043 Lodging Tax Projections[1]

Calendar Year	Annual Supply	Change In Supply	Total Room Nights	Room Nights Change	Market Occupancy	ADR	ADR Change	Total Room Revenue	Lodging Tax Revenue @ 7%	Lodging Tax Change
2013	5,075,325	-1.3%	4,003,913	2.2%	78.9%	$163.05	7.1%	$ 652,839,000	$ 45,699,000	9.4%
2014	5,085,180	0.2%	4,116,023	2.8%	80.9%	$176.91	8.5%	$ 728,164,000	$ 50,971,000	11.5%
2015	5,279,360	3.8%	4,223,040	2.6%	80.0%	$191.06	8.0%	$ 806,864,000	$ 56,480,000	10.8%
2016	5,516,245	4.5%	4,307,500	2.0%	78.1%	$203.48	6.5%	$ 876,496,000	$ 61,355,000	8.6%
2017	5,762,985	4.5%	4,385,035	1.8%	76.1%	$213.66	5.0%	$ 936,886,000	$ 65,582,000	6.9%
2018	6,419,985	11.4%	4,713,913	7.5%	73.4%	$222.20	4.0%	$ 1,047,439,000	$ 73,321,000	11.8%
2019	6,711,985	4.5%	4,803,477	1.9%	71.6%	$228.87	3.0%	$ 1,099,361,000	$ 76,955,000	5.0%
2020	7,040,485	4.9%	4,952,385	3.1%	70.3%	$235.73	3.0%	$ 1,167,444,000	$ 81,721,000	6.2%
2021	7,277,735	3.4%	5,133,147	3.7%	70.5%	$242.81	3.0%	$ 1,246,357,000	$ 87,245,000	6.8%
2022	7,478,485	2.8%	5,276,875	2.8%	70.6%	$250.09	3.0%	$ 1,319,693,000	$ 92,379,000	5.9%
2023	7,587,985	1.5%	5,398,244	2.3%	71.1%	$257.59	3.0%	$ 1,390,547,000	$ 97,338,000	5.4%
2024	7,697,485	1.4%	5,511,607	2.1%	71.6%	$265.32	3.0%	$ 1,462,341,000	$ 102,364,000	5.2%
2025	7,843,485	1.9%	5,621,839	2.0%	71.7%	$273.28	3.0%	$ 1,536,336,000	$ 107,544,000	5.1%
2026	8,080,735	3.0%	5,779,250	2.8%	71.5%	$281.48	3.0%	$ 1,626,734,000	$ 113,871,000	5.9%
2027	8,281,485	2.5%	5,923,732	2.5%	71.5%	$289.92	3.0%	$ 1,717,424,000	$ 120,220,000	5.6%
2028	8,390,985	1.3%	6,006,664	1.4%	71.6%	$298.62	3.0%	$ 1,793,712,000	$ 125,560,000	4.4%
2029	8,500,485	1.3%	6,102,770	1.6%	71.8%	$307.58	3.0%	$ 1,877,084,000	$ 131,396,000	4.6%
2030	8,646,485	1.7%	6,212,620	1.8%	71.9%	$316.81	3.0%	$ 1,968,198,000	$ 137,774,000	4.9%
2031	8,883,735	2.7%	6,367,936	2.5%	71.7%	$326.31	3.0%	$ 2,077,925,000	$ 145,455,000	5.6%
2032	9,084,485	2.3%	6,517,582	2.4%	71.7%	$336.10	3.0%	$ 2,190,558,000	$ 153,339,000	5.4%
2033	9,193,985	1.2%	6,605,570	1.4%	71.8%	$346.18	3.0%	$ 2,286,735,000	$ 160,071,000	4.4%
2034	9,303,485	1.2%	6,707,956	1.6%	72.1%	$356.57	3.0%	$ 2,391,845,000	$ 167,429,000	4.6%
2035	9,449,485	1.6%	6,805,221	1.5%	72.0%	$367.27	3.0%	$ 2,499,322,000	$ 174,953,000	4.5%
2036	9,686,735	2.5%	6,965,144	2.4%	71.9%	$378.28	3.0%	$ 2,634,798,000	$ 184,436,000	5.4%
2037	9,887,485	2.1%	7,128,825	2.4%	72.1%	$389.63	3.0%	$ 2,777,617,000	$ 194,433,000	5.4%
2038	9,996,985	1.1%	7,200,113	1.0%	72.0%	$401.32	3.0%	$ 2,889,555,000	$ 202,269,000	4.0%
2039	10,106,485	1.1%	7,272,114	1.0%	72.0%	$413.36	3.0%	$ 3,006,004,000	$ 210,420,000	4.0%
2040	10,252,485	1.4%	7,373,924	1.4%	71.9%	$425.76	3.0%	$ 3,139,531,000	$ 219,767,000	4.4%
2041	10,489,735	2.3%	7,543,524	2.3%	71.9%	$438.53	3.0%	$ 3,308,092,000	$ 231,566,000	5.4%
2042	10,690,485	1.9%	7,709,482	2.2%	72.1%	$451.69	3.0%	$ 3,482,296,000	$ 243,761,000	5.3%
2043	10,799,985	1.0%	7,786,576	1.0%	72.1%	$465.24	3.0%	$ 3,622,633,000	$ 253,584,000	4.0%
CAGR	**2.6%**	-	**2.2%**	-	**73.0%**	**3.4%**	-	**5.7%**	**5.7%**	-

[1] Rounded to the nearest $1,000
Note: Numbers may not foot due to rounding

Total King County Projected Lodging Tax Revenue and Additional Lodging Tax Revenue[1]					
Calendar Year	Seattle	King County (Excluding Seattle)	King County Lodging Tax Revenue	Additional Lodging Tax Revenue[2]	Total Lodging Tax Revenue
2013	$45,699,000	$11,215,000	**$56,914,000**	$13,057,000	**$69,971,000**
2014	$50,971,000	$12,257,000	**$63,228,000**	$14,563,000	**$77,791,000**
2015	$56,480,000	$13,397,000	**$69,877,000**	$16,137,000	**$86,014,000**
2016	$61,355,000	$14,280,000	**$75,635,000**	$17,530,000	**$93,165,000**
2017	$65,582,000	$15,074,000	**$80,656,000**	$18,738,000	**$99,394,000**
2018	$73,321,000	$15,774,000	**$89,095,000**	$20,949,000	**$110,044,000**
2019	$76,955,000	$16,556,000	**$93,511,000**	$21,987,000	**$115,498,000**
2020	$81,721,000	$17,428,000	**$99,149,000**	$23,349,000	**$122,498,000**
2021	$87,245,000	$18,364,000	**$105,609,000**	$24,927,000	**$130,536,000**
2022	$92,379,000	$19,331,000	**$111,710,000**	$26,394,000	**$138,104,000**
2023	$97,338,000	$20,289,000	**$117,627,000**	$27,811,000	**$145,438,000**
2024	$102,364,000	$21,190,000	**$123,554,000**	$29,247,000	**$152,801,000**
2025	$107,544,000	$22,372,000	**$129,916,000**	$30,727,000	**$160,643,000**
2026	$113,871,000	$23,734,000	**$137,605,000**	$32,535,000	**$170,140,000**
2027	$120,220,000	$25,033,000	**$145,253,000**	$34,348,000	**$179,601,000**
2028	$125,560,000	$26,119,000	**$151,679,000**	$35,874,000	**$187,553,000**
2029	$131,396,000	$27,145,000	**$158,541,000**	$18,771,000	**$196,083,000**
2030	$137,774,000	$28,463,000	**$166,237,000**	-	**$166,237,000**
2031	$145,455,000	$30,032,000	**$175,487,000**	-	**$175,487,000**
2032	$153,339,000	$31,428,000	**$184,767,000**	-	**$184,767,000**
2033	$160,071,000	$32,791,000	**$192,862,000**	-	**$192,862,000**
2034	$167,429,000	$34,113,000	**$201,542,000**	-	**$201,542,000**
2035	$174,953,000	$35,593,000	**$210,546,000**	-	**$210,546,000**
2036	$184,436,000	$37,394,000	**$221,830,000**	-	**$221,830,000**
2037	$194,433,000	$39,016,000	**$233,449,000**	-	**$233,449,000**
2038	$202,269,000	$40,669,000	**$242,938,000**	-	**$242,938,000**
2039	$210,420,000	$42,350,000	**$252,770,000**	-	**$252,770,000**
2040	$219,767,000	$44,188,000	**$263,955,000**	-	**$263,955,000**
2041	$231,566,000	$46,105,000	**$277,671,000**	-	**$277,671,000**
2042	$243,761,000	$48,153,000	**$291,914,000**	-	**$291,914,000**
2043	$253,584,000	$50,341,000	**$303,925,000**	-	**$303,925,000**
CAGR	5.7%	5.0%	5.6%	-	4.8%

[1] Rounded to the nearest $1,000
[2] Two percent of sales taxes generated by hotels in Seattle are rebated back to the WSCC through June 2029
Note: Numbers may not foot due to rounding

Under this scenario, total lodging tax revenues (excluding the sales tax credit) would exceed the non-expansion scenario in 2020 by approximately $1.5 million, increasing to approximately $10.0 million by 2043.

If you require any assistance in the interpretation of our findings, please do not hesitate to contact us. As always, it has been our pleasure working with you on this interesting project.

Yours sincerely,

PKF Consulting

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ADDENDA

A. CERTIFICATION OF THE CONSULTANTS

B. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

ADDENDUM A

CERTIFICATION OF THE CONSULTANTS

CERTIFICATION OF THE CONSULTANTS

We, Christopher A. Kraus, MAI, and Stefanie Griffith certify that to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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 the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- No one has provided significant professional assistance to the persons signing this report.
- We certify that, to the best of our knowledge and belief, the reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- As of the date of this report, Christopher A. Kraus, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

- Christopher A. Kraus, MAI is a Certified General Real Estate Appraiser in the States of California and Washington.

Respectfully submitted,

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ADDENDUM B

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing the report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the properties, subsoil, ground water or structures. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the subject property is assumed to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the performance estimates contained in this report are based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS
(Continued)

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the Americans with Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Utilization of the Land and/or Improvements - It is assumed that the utilization of the land and/or improvements is within the boundaries or property described herein and that there is no encroachment or trespass.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the consultant(s).

Distribution and Liability to Third Parties - The party of whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

Limits to Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.