

BEFORE THE HEARING EXAMINER
FOR THE CITY OF SEATTLE

In the Matter of the Appeals of:

621 APARTMENTS LLC, ROY STREET
COMMONS LLC, ERIC AND AMY
FRIEDLAND, RAISSA RENEE LYLES,
SEATTLE SHORT TERM RENTAL
ALLIANCE, SEA TO SKY RENTALS, AND
MICHELLE ACQUAVELLA

of the adequacy of the Determination of Non-
Significance (DNS) for Land Use Code and
Licensing Code text amendments relating to short
term rentals issued by the Director, Seattle
Department of Construction & Inspections.

Hearing Examiner Files:

W-17-002
W-17-003

DECLARATION OF WILLIAM REID

I, Willaim Reid, declare as follows:

1. I am competent to testify and make this declaration based on my personal
knowledge. I am a Principal at PNW Economics in Hillsboro, Oregon. I have been a land use,
real estate, economic development and public finance consultant for nearly 20 years to both
private and public sector interests throught the Pacific Northwest and other U.S. markets. I have
particular exeperioence with complex market and financial determinants of economic and
community development objectives, real estate holdings, and land use regulations in the Pacific

1 Northwest. My resume is attached as Exhibit A to this declaration.

2 2. I have reviewed the City of Seattle's ("City's") proposed regulations for short
3 term rental housing. The primary effect of the proposed limitations of short term rental by
4 households is, simply stated, a planned reduction in the supply of short term rental housing units
5 in the City. While the legislation will reduce the supply of short term rentals, demand for those
6 units will remain and grow with the increasing population and employment in the City.
7 Unabated demand for this product in the face of regulatory-constrained supply creates perverse
8 economic incentives for that demand to be met in other ways that pose new public challenges.
9 This will create nearly certain impacts to Seattle that have not been fully considered for their
10 incidence and intensity. Potential impacts are described below.
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12 3. Impacts to Housing. The most obvious impact is the intended, direct impact of
13 the proposed regulations. The regulations will eliminate some short term rental housing units
14 and reduce their overall numbers throughout the City. Short term housing is a unique housing
15 type that serves a market need, providing housing for temporary or relocating workers, people
16 seeking medical treatment and their families, and those visiting the City for personal reasons.
17 The purpose and effect of the legislation is to reduce this housing.
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19 Growing demand for short term rentals in the face of constrained supply will also have
20 the effect of seeking other supply means within the City. This will likely take a number of
21 forms. New development projects that are eligible to be classified as "hotel" rather than
22 "residential" use (i.e., projects located within a zone that permits lodging) will opt to establish
23 their use as lodging. This will provide these projects with the flexibility to rent on a short or long
24 term basis as the market demands. Existing multifamily buildings will likely also seek to change
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1 their use to lodging to achieve this flexibility. This will reduce the supply of multifamily
2 housing in Seattle.

3 In addition, constrained supply will have the effect of greater “executive housing” or
4 “corporate housing” extended contract reservations by companies within existing, traditional
5 apartment projects. Supply of extended-stay homes for business usage before peer-to-peer
6 supply such as AirBnB was almost exclusively done through businesses that would contract to
7 long-term lease traditional apartment units that would otherwise have been rented by ordinary
8 households seeking traditional apartment housing. With peer-to-peer rentals, demand for short
9 stays in apartment projects has been diminished and those units have otherwise been made
10 available to households for traditional housing rental. Reduced supply of short term rentals
11 would threaten the return of “corporate housing” demand on traditional apartment units, taking
12 them off of the market and reducing rental housing supply for Seattle residents.
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14 These impacts will affect Seattle residents who are seeking short term or long term rental
15 housing, including those Appellants in this matter who utilize short term rental housing.
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17 4. Impacts to Infrastructure & Public Services. Unabated demand for short term
18 housing will seek supply where it is available, in this case outside of Seattle within jurisdictions
19 with more flexible regulations. This is of particularly strong likelihood for business-related short
20 term housing demand. This includes extended-stay housing need related to temporary
21 assignment employment, predominantly in health care, higher education, major construction and
22 infrastructure projects, and any other short-duration employment opportunity within Seattle.
23 This will necessarily mean short term housing rentals of further distance from Seattle job sites,
24 necessarily increasing commute distance and adding to traffic and demand for related public
25 services. This increased traffic will affect Seattle residents, but particularly those who live in
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1 areas that are currently well-served by short term rental, but which will have less short term
2 rental availability due to the proposed regulations, including some of the appellants in this case.

3 5. Impacts to Built Environment and Aesthetics. In Seattle, a range of housing types
4 are used for short term rental, including single family homes, townhouses, condominiums and
5 apartments. The income from short term rental finances the improvement and maintenance of
6 these properties. As in other cities, Seattle supply of short term rental includes historical
7 properties with significant maintenance cost. The income from short term rental allows these
8 properites to be preserved, improved and maintained, when in the absence of short term rental
9 use they would deteriorate or be demolished and redeveloped to a higher economic use. There is
10 also evidence that new housing units designed to accommodate short term rental but not well
11 suited to long term rental due to size or amenities have been constructed specifically to meet the
12 needs of this market. Limits on short-term rental supply would threaten the economic viability
13 of both of these types of built improvements, likely permanently, either creating redevelopment
14 pressure on historical properties that have lost their economic viability, or creating conditions for
15 blight due to newer improvement value buildings suddenly losing viable economic usage due to
16 regulation with inhibitive expense to repurpose them. In addition, the short term rental market
17 demands well maintained visually attractive product. Maintenance is done by owners or
18 managers with an economic incentive to keep these properties competitive. In contrast, the
19 quality of exterior maintenance for long term rentals varies. With a reduction in short term
20 rentals, the exterior appearance of buildings will be affected, causing localized aesthetic impacts.

21 6. I understand that the City has asserted that any impacts from the proposed
22 regulation are speculative. This is contradicted by fundamental principles of land use planning
23 and economics. The past is replete with examples of land use regulation and economic
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1 conditions affecting the physical environment. One need only look to the famous example of the
2 City of Detroit, its economic decline and its recent land use planning efforts, to see how both
3 economic conditions and land use regulation can and do affect the physical environment.
4 Likewise, the environmental impacts discussed in this declaration are direct, immediate and
5 concrete consequences of the proposed short term rental regulations.
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7 I declare under penalty of perjury that the foregoing is true and correct. Executed this
8 13th day of July, 2017, at Hillsboro, Oregon.

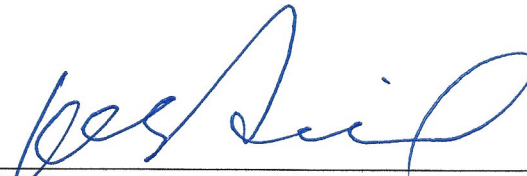
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11 
12 William Reid

EXHIBIT A

WILLIAM REID, Principal

PNW Economics

Real estate, land use, economic, fiscal, and financial feasibility consultant for 19 years to both private and public sector interests throughout the Pacific Northwest, Alaska, and other U.S. markets. Experienced with complex market and financial determinants of economic and community development objectives, real estate holdings, and land use regulation and policies.

Over the course of his career he has managed over 220 real estate development feasibility, economic, land use, and public finance projects for both public and private interests throughout the Pacific Northwest. Mr. Reid also serves as Adjunct Professor of Real Estate with the Portland State University School of Business Administration.

SELECTED PROJECT EXPERIENCE

- City of Seattle Broadway District Mixed-Use Zoning Economic Analysis
- Quarterly Economic & Real Estate Market Update, US Bank & Key Bank
- Expert Witness Testimony in Appeal of SEPA Non-Significance Designation of Newly Proposed Accessory Dwelling Unit/Detached Accessory Dwelling Unit Regulation
- Expert Witness in Property Value Takings Regarding LINK Light Rail Station Development, Northgate Mall, Seattle
- South Lake Union Redevelopment Forecast, Economic Impact, & Tax Revenue Analysis, Vulcan Real Estate, Seattle, WA
- Downtown Seattle & Core Eastside Office/Corporate Employment Growth & Commercial Office Development Cycle Analysis
- Lower Queen Anne & South Lake Union Mid-Rise Apartment Feasibility
- First Hill High-Rise Condominium Tower Feasibility
- Belltown High-Rise Towers Apartment Feasibility
- First Hill High-Rise Tower Apartment Feasibility
- Downtown Bellevue High-Rise Condominium Feasibility
- Mountlake Terrace TOD Mixed-Use Apartments Feasibility
- Central Seattle Boutique Hotel Development Feasibility, Columbia West Properties
- Coalition for Seattle Housing Options City Tax Revenue Contributions and Economic Impact Analysis of Prototypical Downtown Development Projects
- DuPont, Washington Business Park Development Demand, WRECO
- South Lake Union Up-Zone Property Value & Fiscal Impact Analysis, Vulcan Real Estate
- City of Lynnwood City Center Economic Feasibility Study & Pro Forma Analysis
- Paine Field-Dependent Hospitality Development Feasibility in Everett, Washington
- Auburn/Kent Valley Apartment Feasibility Study, Legacy Partners
- Real Estate Economist & Land Use Impact Testimony for Wal-Mart Corporation, Various Locations throughout State of Washington
- Comparison of Washington & Oregon Corporate Recruitment Incentives, Oregon Economic Development Association
- Suncadia Resort Market Feasibility, Economic & Public Services Impacts (EIS)

REPRESENTATIVE CLIENT LIST

Public Interests

City of Seattle
Port of Seattle
City of Lynnwood
Alaska Industrial Dev. & Export Authority
Alaska Department of Transportation
Alaska Railroad Corporation
Oregon Business Development Department
Idaho Department of Lands
Metro
Portland Development Commission
Port of Portland
Tri-Met
Oregon Economic Development Association
Municipality of Anchorage
Confederated Tribes of the Grand Ronde
Oregon Health Sciences University
Portland State University
Multnomah County, Oregon
Washington County, Oregon
Clark County, Washington
Ada County, Idaho
City of Hillsboro, Oregon
City of Beaverton, Oregon

Private Interests

Downtown Seattle Association
Queen Anne Neighborhood Association
Vulcan Real Estate
Daniels Real Estate
Bosa Washington
Forgestone Capital
McCullough Hill Leary, PS
Perkins Coie, LP
DOWL
Cardno, Inc.
NAIOP
Trammell Crow
Weyerhaeuser Real Estate
Holland Development
Sabey Corporation
Columbia West Properties
Cook Inlet Region, Inc.
Gerding Edlen
Westside Economic Alliance
Portland Business Alliance

AFFILIATIONS

Portland State University, School of Business
Administration, Adjunct Professor of Real Estate
Westside Economic Alliance, Land Use & Government Affairs Committees
City of Hillsboro Housing Policy Committee
Business & Economics Guest Columnist, Pamplin Media
Guest Contributor, Alaska Politics & Elections

EDUCATION

MA, Economics & Public Finance,
University of Oregon
BA, Economics, Baylor University