

# CITY OF West Linn

## Memorandum

Date: May 12, 2009

To: Chris Jordan, City Manager

From: Chris Kerr, Acting Planning Director

Subject: AP-09-02 and CUP-09-01 economic study

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Attached is the economic feasibility study submitted by the applicant during the May 11, 2009 hearing.

Rec'd  
5-11-09  
hearing

# Highest & Best Use and Economic Feasibility

## Holiday Inn Express West Linn, Oregon

*Prepared For:*

**Vic Patel**

*Prepared By:*

**John D. Gordon, MAI**

**GVA Kidder Mathews  
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Ref. A90306

The logo for GVA Kidder Mathews, featuring the company name in white text on a dark blue background with a stylized orange swoosh to the left.

May 11, 2008

Vic Patel  
12700 SE McLoughlin Boulevard  
Milwaukie, Oregon 97222

Mr. Patel:

At your request, we have completed this study concerning land located at 2400 Willamette Falls Drive in the city of West Linn, Clackamas County, Oregon. The site is proposed for development of a 70-room Holiday Inn Express.

The purpose of the study is to evaluate the highest and best use of the vacant land and the economic feasibility of the proposed hotel. This report is intended for use in securing a conditional use permit for the project. The intended users are the developer (Vic Patel) and the City of West Linn.

Our scope of work included an inspection of the subject site, a review of demographic trends, research into the performance of the local lodging market, and an analysis of potential demand for the proposed hotel. We developed a forecast of stabilized operating performance and evaluated the economic feasibility of the hotel. Finally, we evaluated the highest and best use of the land based on a comparison of three generic property types: lodging, retail, and office.

This report has been prepared in conformance with the current Uniform Standards of Professional Appraisal Practice as they relate to general consulting assignments. A copy of the written instructions adhered to in the preparation of this report is contained in the Addendum. Our study has been conducted in accordance with the certification that follows this letter.

Respectfully submitted,



John D. Gordon, MAI  
State Certified General Appraiser  
OR Certificate C000237, exp 3/31/2011

## Certification

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

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial and unbiased professional analyses, opinions and conclusions.
- 3) I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
- 7) My analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* as they relate to general consulting assignments.
- 8) I have made a personal inspection of the property that is the subject of this report.
- 9) Tyler R. Tennyson, GVA Kidder Mathews, Bellevue, provided significant professional assistance to the person signing this certification.
- 10) The reported analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- 11) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 12) As of the date of this report, John D. Gordon, MAI has completed the requirements of the continuing education program of the Appraisal Institute.



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John D. Gordon, MAI  
State Certified General Appraiser  
OR Certificate C000237, exp 3/31/2011

## Limiting Conditions

Limiting conditions specific to this study are as follows:

- 1) The consultant has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures (including asbestos, soil contamination or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The consultant is not required to give testimony or attendance in court by reason of this study unless such arrangements are specifically prescribed in the engagement contract.
- 7) The consultant is competent and qualified to perform the assignment.
- 8) Valuation Advisory Services is a subsidiary of GVA Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed and the report has been made absent of any influence from these parties.

### RESTRICTION UPON DISCLOSURE & USE:

Disclosure of the contents of this report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the consultant, or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the consultant.

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**ADDENDUM**

- A1 Engagement Contract
- A2 Maps and Photographs, Subject Site
- A3 Maps and Photographs, Lodging Market
- A4 Qualifications

# Executive Summary

## Study Parameters

**SUBJECT PROPERTY** The subject of this study is a vacant site located at 2400 Willamette Falls Drive in the city of West Linn, Clackamas County, Oregon. The site is proposed for development of a 70-room Holiday Inn Express. The site is identified for assessment purposes as Tax Account Nos. 01814978, 00409329, 00409338, and 00493470.

**PURPOSE AND USE** The purpose of the study is to evaluate the highest and best use of the vacant land and the economic feasibility of the proposed hotel. This report is intended for use in securing a conditional use permit for the project. The intended users are the developer (Vic Patel) and the City of West Linn.

**SCOPE OF WORK** Our scope of work included an inspection of the subject site, a review of demographic trends, research into the performance of the local lodging market, and an analysis of potential demand for the proposed hotel. We developed a forecast of stabilized operating performance and evaluated the economic feasibility of the hotel. Finally, we evaluated the highest and best use of the land based on a comparison of three generic property types: lodging, retail, and office.

This report has been prepared in conformance with the current Uniform Standards of Professional Appraisal Practice as they relate to general consulting assignments. A copy of the written instructions adhered to in the preparation of this report is contained in the Addendum.

## Description and Analysis

**REGION AND CITY** West Linn is a suburban community situated in the southern portion of the Portland-Vancouver MSA. Both the city and the MSA benefit from a growing population, a diverse economy, and an attractive environment. The regional economy supports significant employment in manufacturing, wholesale and retail trade, finance, health care, education, and tourism. While the area has not been immune to the current recession, its broad economic base should support a relatively rapid recovery.

**LODGING MARKET** The proposed hotel would compete most directly with six mid-price limited service properties. The current market supply is 521 guestrooms; with the addition of the subject hotel, the market supply will increase to 591 guestrooms. During 2008, the competitive hotels generated a market occupancy rate of 66.8%, a market average room rate of \$86.80, and aggregate annual room revenue of \$11MM.

**SUBJECT SITE** The subject site is irregular in shape, with a land area of 1.58 acres. It is sandwiched between a primary surface arterial and Interstate Highway 205. The site is easily accessible from the highway, and is convenient to West Linn retail districts.

**PROPOSED IMPROVEMENTS** The site is proposed for development a four-story hotel. The hotel will have 70 guestrooms, a breakfast room, business and recreational amenities, and surface parking. The gross building area of the structure is estimated at 44,000 sq ft.

**PROJECTED PERFORMANCE** On a stabilized basis, we project that the subject hotel will achieve a room occupancy rate of 68%. Stated in current dollars, we are projecting an average daily room rate of \$95, daily RevPAR of \$65, annual revenue of \$1,685,278, operating expenses of \$987,847, and net operating income of \$697,431.

**HOTEL FEASIBILITY** A project is considered to be economically feasible when the estimated value at stabilization exceeds the development cost. Based on our income analysis, the stabilized value of the hotel would exceed the estimated cost by \$650,000 to \$1,020,000. In our opinion, this margin would provide an adequate return to the land and the developer.

**HIGHEST AND BEST USE** To evaluate whether hotel development is the highest and best use of the subject site, we compared building costs and recent sale prices for three generic property types: lodging, retail, and office. The resulting estimates of residual value were \$720,000, \$430,000, and \$360,000, respectively. Among the uses tested, lodging is considered the highest and best use.

## Region and City

### Introduction

This section of the report presents a brief overview of the greater Portland area and the city of West Linn. We begin with a summary of regional geography and patterns of transportation. We then discuss the various forces within the market area that influence real property values, including social trends, economic conditions, environmental factors, and governmental regulations. Finally, we note salient features of the city and neighborhood.

### Regional Parameters

**GEOGRAPHY** The Portland-Vancouver MSA encompasses four Oregon counties (Multnomah, Clackamas, Washington, and Yamhill), and one county in Washington (Clark). Portland is 160 miles south of Seattle, Washington and about 300 miles north of the California state line. West Linn is a suburban community in Clackamas County, about 19 highway miles southeast of the Portland CBD.

**TRANSPORTATION** Primary highway routes include Interstate Highway 5 (I-5), which extends north to Washington and south to California; Interstate Highway 205 (I-205), a bypass through eastern Portland and Vancouver; and Interstate Highway 84 (I-84), which extends east from Portland to central and eastern Oregon and southern Idaho. The region also is served by multiple marine port facilities, and by rail service for passengers and freight.

### Influences on Value

**SOCIAL** In 1990, the population of the five-county area that makes up the current Portland MSA was 1,477,895. By the time of the 2000 census, the population had risen to 1,874,449. As of 2007, the population of the MSA was estimated at 2,174,631. Over the past 17 years, the population of this area has increased at an average annual rate of 2.3%.

With over 700,000 residents, Multnomah County is the most populous in the state. The current population of Portland is estimated at 550,795. Since 2000, the city population has increased at an average annual rate of 0.6%. Most of the growth in population recorded for the MSA has taken place in suburban areas and neighboring counties.

**ECONOMIC** The economies of the state and the Portland-Vancouver MSA were dependant on the lumber and wood products industries until the mid-1980s, when mergers, automation, international competition, and court mandated environmental restrictions on logging caused a substantial reduction in employment in this sector. High technology became a major part of the economy in the 1990s, particularly in the metropolitan area.

The region enjoyed prosperity and robust growth in employment, personal income, and population between 1993 and 2000. However, a nationwide recession that began in March 2001 resulted in severe job losses in the construction, metals, and high technology and transportation equipment industries. The national recession that began in late 2007 is expected to have a similar impact through at least the middle of 2009.

A peak in unemployment levels in the current economic cycle was reached in June 2003, with rates (not seasonally adjusted) at 8.8% for the MSA and 8.5% for the state. As the economy recovered, rates of unemployment declined, reaching a low of 5.0% in early 2007. Over the next 18 months, the statewide rate of unemployment crept up gradually to about 6%. Since mid-2008, this increase has accerated. As of February 2009, the statewide unemployment rate was 10.8%.

The Portland-Vancouver MSA accounted for approximately 56.6% of the State of Oregon's employment in 1988, and it is projected that it will reach 61.5% by 2018. This is an indication that the MSA is growing at a rate above that of the state, and it is anticipated that it will continue its lead in the future. The average household income for the MSA also has been higher than that of the state, and it is forecast that this will continue to be the case.

The rate of unemployment in the Portland MSA has mirrored that of the state as a whole. Unemployment bottomed out at 4.5% in May 2007, and then began to climb. The current unemployment rate in the MSA is estimated at 10.7%.

**ENVIRONMENTAL** Residents of the Portland area enjoy a moderate climate, though with occasional extremes of heat or cold. The proximity of the city to the Pacific Ocean, recreational opportunities along the Columbia River and the ski areas of Mt. Hood and central Oregon have proven to be a substantial draw for both summer and winter tourism.

**GOVERNMENTAL** Land use in West Linn is regulated through the city zoning code. Commercial and multifamily development is encouraged to varying degrees along the primary commercial corridors.

Property taxes are levied on real estate and commercial personal property. Real market value is estimated based on the sales history of the subject, sales of comparable properties, and analysis of operating performance. Maximum taxable value is determined under the provisions of Measure 50, a tax limitation statute approved in 1997. The effective taxable value is the lesser of the real market value and the maximum taxable value. The current levy rate is about 2% of the effective taxable value.

The state also imposes taxes on personal and corporate income. The maximum personal income tax rate is 9.0%. The current corporate income tax rate is 6.6%.

The State of Oregon does not impose a sales tax. However, there are state and local taxes on transient lodging. The current lodging tax rate in this area is 12.5%.

**West Linn**

Located about 12 miles south of Portland along the Willamette River, West Linn was incorporated in 1913 and has an area of roughly 7.5 square miles. Originally a town of flour and lumber mills, the city now serves primarily as a bedroom community for Portland. West Linn has over 600 acres of public parks, including several riverside parks and a skate park. Major employers include the West Linn School District and the West Linn Paper Company.

**Neighborhood**

The subject is located on Willamette Falls Drive, just east of one of West Linn's retail nodes. Directly to the west of the subject is a one-story lawyer's office, while directly to the east is a two-story multi-tenant office building. The subject is bounded on the north by Interstate 205 and on the south by Willamette Falls Drive. Directly across Willamette Falls Drive is a mature residential neighborhood. Despite the presence of some commercial uses, the subject's immediate neighborhood has retained a residential feel.

**Demographics**

The population of Clackamas County is estimated at about 371,500 residents, up from 338,500 residents as recorded in the 2000 census. As compared to the state as a whole, the population of Clackamas County is slightly older, with a higher median income and a higher median home value. Nearly 6% of individuals in the county have income below the poverty line, as compared to about 13% for the state.

West Linn has a current population of about 26,000 residents. Since 2000, the population of the city has grown at an average annual rate of 3.8%, well above the rates recorded for the county and the state. West Linn's population is characterized by large families, expensive homes, a median income nearly double that of the state, and a very low rental housing ratio.

**Summary**

West Linn is a suburban community situated in the southern portion of the Portland-Vancouver MSA. Both the city and the MSA benefit from a growing population, a diverse economy, and an attractive environment. The regional economy supports significant employment in manufacturing, wholesale and retail trade, finance, health care, education, and tourism. While the area has not been immune to the current recession, its broad economic base should support a relatively rapid recovery.

**Table 1  
Demographics**

	City of West Linn		Clackamas County		State of Oregon	
	2000	2005/2007	2000	2005/2007	2000	2005/2007
<b>Population</b>						
Total Population	20,261	26,356	338,391	371,340	3,421,399	3,747,455
Median Age	38.1	38.7	37.5	38.9	36.3	37.9
Under 18 Years	29.0%	25.6%	26.2%	23.2%	24.7%	23.1%
Over 65 Years Old	7.8%	9.3%	11.1%	12.0%	12.8%	13.0%
<b>Housing</b>						
Average Household Size	2.48	2.76	2.64	2.67	2.51	2.55
Owner-Occupied Units	6,413	7,558	91,142	99,242	856,951	950,773
Renter-Occupied Units	1,749	2,005	37,059	39,895	476,772	521,192
Total Households	8,162	9,563	128,201	139,137	1,333,723	1,471,965
Vacant Units	536	557	8,753	10,192	118,986	137,799
Total Housing Units	8,698	10,120	136,954	149,329	1,452,709	1,609,764
Vacancy Rate	6.2%	5.5%	6.4%	6.8%	8.2%	8.6%
Rental Housing Ratio	21.4%	21.0%	28.9%	28.7%	35.7%	35.4%
Median Home Value	\$246,500	\$435,300	\$199,000	\$310,200	\$152,100	\$257,300
<b>Employment</b>						
Labor Force	11,908	NA	178,581	198,173	1,740,298	1,933,814
Employed	11,484	NA	169,648	186,099	1,627,769	1,807,861
Unemployed	424	NA	8,933	12,074	112,529	125,953
Unemployment Rate	3.6%	NA	5.0%	6.1%	6.5%	6.5%
<b>Income</b>						
Median Household Income	\$72,010	\$94,844	\$52,080	\$59,709	\$40,916	\$48,730
Median Family Income	\$83,252	\$108,821	\$60,791	\$72,639	\$48,680	\$59,152
Per Capita Income	\$34,671	\$45,502	\$25,973	\$31,291	\$20,940	\$25,501
Families Below Poverty Level	2.9%	3.2%	4.6%	5.8%	7.9%	8.9%
Individuals Below Poverty Level	3.9%	5.1%	6.6%	8.9%	11.6%	12.9%
<b>Compound Annual Growth Rates</b>						
Total Population		3.8%		1.3%		1.3%
Total Employment		NA		1.3%		1.5%
Total Housing Units		2.2%		1.2%		1.5%
Median Home Value		8.5%		6.5%		7.8%
Median Household Income		4.0%		2.0%		2.5%

# Lodging Market Analysis

- Introduction** This section of the report includes our analysis of lodging supply and demand in the south Portland suburban market, including descriptions of the existing hotels, historical and projected market occupancy rates, and average daily room rates.
- Market Definition** A lodging market is defined by the location, rate structure, guestroom quality, amenities, and demand sources of the various hotels. The most appropriate market definition is one that takes into account the willingness of guests to move between properties, room price competition, brand loyalty, and the impact of new property development.
- Competitive Supply** The proposed Holiday Inn Express will compete with the better quality hotels in the suburban markets south of Portland. We have defined the competitive set to include six hotels and 521 guestrooms. These hotels were built 1996 and 2004, and each is affiliated with a national chain.
- HAMPTON INN CLACKAMAS** The Hampton Inn is located near I-205 in Clackamas. This property has 114 guestrooms, meeting space, and an exercise room. The hotel was built in 1988, and has been operating under the Hampton Inn flag since 1996.
- COMFORT INN & SUITES TUALATIN** The Comfort Inn & Suites is located near I-5 in Tualatin. This is a limited service hotel with a convenient location. Facilities include 59 guestrooms, meeting space, an exercise room, and a swimming pool. The hotel opened in 2000, and became a Comfort affiliate in 2004.
- COMFORT SUITES CLACKAMAS** The Comfort Suites in Clackamas opened in 1999. It is located just west across I-5 from the previously mentioned Hampton Inn and has a very convenient location with easy access to I-205. Facilities include 50 guestrooms, a swimming pool, exercise room, and meeting space.
- LA QUINTA INN WILSONVILLE** The La Quinta Inn is located on the east side of I-5 in Wilsonville, and has excellent highway exposure. The 75-room hotel opened in 1987, and has had its current affiliation since late 2004. Amenities include a, a fitness room, meeting rooms, and a swimming pool.

**OXFORD SUITES** The Oxford Suites was built in 1999. This hotel is east of I-5 in  
**GLADSTONE** Gladstone, and has 98 guestrooms. Amenities include meeting space,  
an exercise room, and a swimming pool.

**FAIRFIELD INN & SUITES** The Fairfield Inn & Suites is located in Lake Oswego, just east of I-5.  
**LAKE OSWEGO** This limited service hotel has 124 guestrooms, meeting space, an  
exercise room, and a swimming pool. It opened in 1999.

**PROFILES** Profiles of the competitive hotels are presented in Table 2. It should be  
noted that the published or quoted room rates shown in these tables are  
not reliable indicators of the average room rates actually achieved.  
Most hotels allow substantial discounts from advertised rates, depending  
on actual and expected occupancies, length of stay, seasonality, and the  
segment or source of demand.

**Table 2**  
**Lodging Market Profile**

Property Name	Open	Standard	Type	Rack Rates
Street Address	Affil	Suite	Corridors	Amenities
City, State	Eff Age	Total	Height	AAA
<b>Primary Competitors</b>				
H1 Hampton Inn	Sep-96	114	Limited	\$85-\$100
9040 SE Adams Street	Jun-88	0	Interior	B C D E
Clackamas, Oregon	10	114	4 Stories	◆◆◆
H2 Comfort Inn & Suites	Apr-04	58	Limited	\$99-\$199
7640 SW Warm Springs Street	Jun-00	1	Interior	B C D E F
Tualatin, Oregon	5	59	3 Stories	◆◆◆
H3 Comfort Suites	Aug-99	47	Limited	\$109
15929 SE McKinley Avenue	Aug-99	3	Interior	B C D E F
Clackamas, Oregon	5	50	3 Stories	◆◆
H4 La Quinta Inn	Nov-04	76	Limited	\$70-\$149
8815 SW Sun Place	Jun-87	0	Interior	B C D E F
Wilsonville Oregon	15	76	3 Stories	◆◆◆
H5 Oxford Suites	Sep-99	90	Limited	\$95-\$125
75 82nd Drive	Sep-99	8	Interior	B C D E F
Gladstone, Oregon	5	98	5 Stories	◆◆◆
H6 Fairfield Inn & Suites	Feb-99	124	Limited	\$109-\$149
6100 Sw Meadows Road	Feb-99	0	Interior	B C D E F
Lake Oswego, Oregon	5	124	5 Stories	◆◆◆
Sources:	Hotel Management	A = Restaurant	D = Comp Breakfast	
	County Assessor	B = Meeting Rooms	E = Exercise Room	
	AAA Tourbook	C = Refrig/MW	F = Swimming Pool	

**Lodging Demand**

Demand for lodging may be analyzed by measures of volume and price. The volume of demand is measured by the number of guests seeking or receiving accommodation in the market (occupied room nights) and by the market occupancy rate (the ratio of occupied room nights to available room nights). Financial measures of demand include room revenue, average daily room rate or ADR (room revenue divided by the number of occupied room nights), and Daily RevPAR (room revenue divided by the number of available room nights). Daily RevPAR also is the product of the ADR and the occupancy rate.

Our primary data source for measuring lodging demand is a customized market trend report prepared at our request by Smith Travel Research (STR), a firm that compiles data on the performance of hotels throughout the United States. All of the primary competitors contributed data to this survey.

Table 3 shows the historical performance of the subject's lodging market.

**Table 3**  
**Historical Market Performance**

	Annual						Jan-March		
	2003	2004	2005	2006	2007	2008	2007	2008	2009
H1 Hampton Inn	114	114	114	114	114	114	114	114	114
H2 Comfort Inn & Suites	59	59	59	59	59	59	59	59	59
H3 Comfort Suites	50	50	50	50	50	50	50	50	50
H4 La Quinta Inn	76	76	76	76	76	76	76	76	76
H5 Oxford Suites	98	98	98	98	98	98	98	98	98
H6 Fairfield Inn & Suites	124	124	124	124	124	124	124	124	124
Competitive Set	521	521	521	521	521	521	521	521	521
<b>Available Room Nights</b>	190,165	190,165	190,165	190,165	190,165	190,165	46,890	46,890	46,890
Percentage Change	-	0.0%	0.0%	0.0%	0.0%	0.0%	-	0.0%	0.0%
<b>Occupied Room Nights</b>	100,254	103,052	111,194	124,444	130,021	127,121	26,906	30,018	25,567
Percentage Change	-	2.8%	7.9%	11.9%	4.5%	-2.2%	-	11.6%	-14.8%
<b>Market Occupancy</b>	52.7%	54.2%	58.5%	65.4%	68.4%	66.8%	57.4%	64.0%	54.5%
<b>Average Room Rate</b>	\$63.49	\$65.11	\$68.72	\$75.34	\$83.43	\$86.80	\$80.05	\$82.39	\$82.89
Percentage Change	-	2.6%	5.5%	9.6%	10.7%	4.0%	-	2.9%	0.6%
<b>Daily RevPAR</b>	\$33.47	\$35.28	\$40.18	\$49.30	\$57.04	\$58.02	\$45.93	\$52.75	\$45.20
Percentage Change	-	5.4%	13.9%	22.7%	15.7%	1.7%	-	14.8%	-14.3%
<b>Annual Revenue (000)</b>	\$6,365	\$6,710	\$7,641	\$9,376	\$10,847	\$11,034	\$2,154	\$2,473	\$2,119
Percentage Change	-	5.4%	13.9%	22.7%	15.7%	1.7%	-	14.8%	-14.3%

**MARKET OCCUPANCY** In 2003, the competitive set recorded a market occupancy rate of about 53%. Occupancy moved up slightly in 2004, to just over 54%. This was a period when the regional economy was in recession.

Market demand increased steadily over the next three years, with occupancy exceeding 68% in 2007. As there were no changes in market supply during this period, this growth may be attributed primarily to economic and demographic expansion.

The beginning of 2008 again saw occupancy making big gains. In June, this trend reversed with the downturn in the economy; demand ended the year down 2.2% from 2007. During the first three months of 2009, demand dropped by 14.8%, as compared to the same period in 2008.

The average annual occupancy rate during the period surveyed was 61.0%. In our opinion, an occupancy rate of about 60% represents a typical level of performance for this market.

**MARKET ROOM RATES** The market average room rate increased slowly between 2003 and 2004, rising at a rate near the overall rate of inflation. More recently, strong rates of occupancy have encouraged a more aggressive posture on the part of hotel owners and managers. The market ADR increased by 5.5% in 2005, 9.6% in 2006, 10.7% in 2007, and 4.0% in 2008. Thus far in 2009, rates are essentially unchanged from the same period in the prior year.

**SEASONALITY** The seasonality of a market is analyzed by comparing performance on a monthly or quarterly basis. In this study, seasonality is evaluated on the basis of demand and revenue using results in 2008.

During 2008, the degree of demand seasonality for the market was moderate, with quarterly share ratios ranging from 21% to 30%. Monthly market occupancy rates ranged from a low of 54% in January to a high of 86% in August.

A similar pattern is seen in the seasonality of room revenue. Here, the higher rates charged to guests during the peak summer season slightly exacerbate the seasonal differences. In 2008, the quarterly share range for room revenue was 20% to 32%, and monthly market average room rates ranged from \$78 in the winter to \$90 in the summer.

**Table 4**  
**Seasonality of Demand, 2008**

	<u>Market Supply</u>		<u>Market Demand</u>		<u>Market Occupancy</u>	
	<u>Rooms</u>	<u>ARN</u>	<u>ORN</u>	<u>Share</u>	<u>OCC</u>	<u>Ratio</u>
January	520	16,120	8,766	7%	54.4%	79%
February	520	14,560	8,675	7%	59.6%	87%
March	520	16,120	9,465	7%	58.7%	86%
April	520	15,600	9,659	7%	61.9%	90%
May	520	16,120	10,753	8%	66.7%	97%
June	520	15,600	12,933	10%	82.9%	121%
July	520	16,120	13,522	10%	83.9%	122%
August	520	16,120	13,943	11%	86.5%	126%
September	520	15,600	11,400	9%	73.1%	107%
October	520	16,120	11,369	9%	70.5%	103%
November	520	15,600	10,277	8%	65.9%	96%
December	520	16,120	9,259	7%	57.4%	84%
Quarter I	520	46,800	26,906	21%	57.5%	84%
Quarter II	520	47,320	33,345	26%	70.5%	103%
Quarter III	520	47,840	38,865	30%	81.2%	119%
Quarter IV	520	47,840	30,905	24%	64.6%	94%
Annual	520	189,800	130,021	100%	68.5%	100%

**Table 5**  
**Seasonality of Revenue, 2008**

	<u>Market Room Rate</u>		<u>Market RevPAR</u>		<u>Market Revenue</u>	
	<u>ADR</u>	<u>Ratio</u>	<u>RevPAR</u>	<u>Ratio</u>	<u>REV</u>	<u>Share</u>
January	\$78.19	94%	\$42.52	74%	\$685,390	6%
February	\$81.30	97%	\$48.44	85%	\$705,308	7%
March	\$80.62	97%	\$47.34	83%	\$763,049	7%
April	\$79.85	96%	\$49.44	87%	\$771,317	7%
May	\$81.27	97%	\$54.21	95%	\$873,901	8%
June	\$84.95	102%	\$70.43	123%	\$1,098,702	10%
July	\$89.89	108%	\$75.40	132%	\$1,215,518	11%
August	\$89.42	107%	\$77.34	135%	\$1,246,801	11%
September	\$85.22	102%	\$62.28	109%	\$971,561	9%
October	\$83.11	100%	\$58.61	103%	\$944,873	9%
November	\$80.41	96%	\$52.97	93%	\$826,362	8%
December	\$80.41	96%	\$46.18	81%	\$744,491	7%
Quarter I	\$80.05	96%	\$46.02	81%	\$2,153,747	20%
Quarter II	\$82.29	99%	\$57.99	101%	\$2,743,920	25%
Quarter III	\$88.35	106%	\$71.78	126%	\$3,433,880	32%
Quarter IV	\$81.40	98%	\$52.59	92%	\$2,515,726	23%
Annual	\$83.43	100%	\$57.15	100%	\$10,847,273	100%

A related characteristic is the degree to which demand is distributed during the week. As in most urban markets, occupancy and revenue are highest Monday through Thursday. Data in the following table is for the 12 months ending March 2009.

**Table 6**  
**Weekly Distribution**

	<u>Market Occupancy</u>		<u>Market Room Rate</u>		<u>Market RevPAR</u>	
	<u>OCC</u>	<u>Ratio</u>	<u>ADR</u>	<u>Ratio</u>	<u>RevPAR</u>	<u>Ratio</u>
Sunday	44.6%	69%	\$83.39	96%	\$37.17	66%
Monday	65.4%	101%	\$88.58	102%	\$57.96	103%
Tuesday	74.3%	115%	\$90.24	104%	\$67.08	119%
Wednesday	75.7%	117%	\$90.19	104%	\$68.28	122%
Thursday	66.9%	104%	\$87.92	101%	\$58.86	105%
Friday	61.6%	96%	\$83.15	96%	\$51.18	91%
Saturday	62.8%	97%	\$83.43	96%	\$52.39	93%
Annual	64.5%		\$87.06		\$56.16	

**Summary**

The proposed hotel would compete most directly with six mid-price limited service properties. The current market supply is 521 guestrooms; with the addition of the subject hotel, the market supply will increase to 591 guestrooms. During 2008, the competitive hotels generated a market occupancy rate of 66.8%, a market average room rate of \$86.80, and aggregate annual room revenue of \$11MM.

# Subject Site

**Introduction** This description of the subject site is based on the appraiser's inspection and the records of the county assessor.

**Location**  
**STREET ADDRESS** The site is located at 2400/2450 Willamette Falls Drive, within the city limits of West Linn, Clackamas County, Oregon.

**PARCEL NUMBERS** 01814978, 00409329, 00409338, and 0049347

## Physical Features

**DIMENSIONS & LAND AREA** The subject site is irregular in shape, with frontage of about 495 feet along the north side of Willamette Falls Drive. According to the architect, the land area is 1.58 acres (68,669 square feet).

**TOPOGRAPHY** The site is at grade with Willamette Falls Drive and has a moderate slope rising north towards I-205. The site is below the grade of the adjacent highway.

**ACCESS & EXPOSURE** The site is easily accessible from Willamette Falls Drive. With its proximity to the freeway, it easily accessible from either direction along I-205 at the 10<sup>th</sup> Street interchange. Being adjacent to the interstate and located along a primary arterial, the subject has excellent exposure.

**UTILITIES** All typical public utilities are available to the site. These include water, sanitary and storm sewer, garbage collection, electrical power, gas, telephone, and broadband.

## Legal Restrictions

**ZONING** The subject site is zoned GC (General Commercial) by the City of West Linn. This zone allows for development of a wide variety of commercial and low-impact industrial uses. Hotels may be permitted as a conditional use within this zone.

**TITLE & EASEMENTS** The appraisers were not provided with a title report. We assume that the property is subject to typical easements for installation and maintenance of utilities and roadways. It is a specific assumption of this study that there are no other easements or use restrictions that would have a material adverse impact on the potential for development of the subject site.

**ASSESSMENT** Property in Oregon is assessed in two ways. Real market value is based on the sales history of the subject, sales of comparable properties, and analysis of operating performance. Maximum taxable value is determined under the provisions of Measure 50; approved in 1997, this statewide measure reset property assessments to 90% of 1995 levels, and limited subsequent annual increases to three percent. The effective taxable value is the lesser of the real market value and the maximum taxable value. The subject site presently is assessed as vacant land, at \$161,023.

#### **Environmental Issues**

**FLOODING** The potential for flooding is evaluated by the Federal Emergency Management Agency and reported on flood insurance rate maps. According to Map No. 41005C0257D, effective June 17, 2008, the subject site is located in Zone X, an area that lies outside the 500-year floodplain. Reportedly, an adjacent property has experienced some flooding. According to the architect, the hotel will have a significantly greater elevation above the nearby stream.

**SOIL CONDITIONS** Based on the appearance of the subject site and surrounding land, it appears soil conditions are adequate to accommodate development. It is also assumed that no unusual or detrimental soil conditions exist.

**HAZARDOUS MATERIALS** We are unaware of any toxic or contaminating materials in the subject soils. For the purpose of this report, it is assumed that the property is free of contamination of any kind. However, this assumption should not be construed as a guarantee that such conditions do not exist.

#### **Summary**

The subject site is irregular in shape, with a land area of 1.58 acres. It is sandwiched between a primary surface arterial and Interstate Highway 205. The site is easily accessible from the highway, and is convenient to West Linn retail districts.

# Proposed Improvements

## **Introduction**

In this section, we briefly describe the facilities and services of the proposed hotel. As the specifics of this project have not yet been fully determined, we have assumed that the subject will be similar to a prototypical Holiday Inn Express.

## **Concept and Design**

A Holiday Inn Express typically is three to five stories in height. These hotels usually fall within a size range of 50 to 150 guestrooms. Hotels branded as Holiday Inn Express feature a breakfast area, a fitness center, and a swimming pool. Most have some space for meetings and other group functions.

The Holiday Inn Express that is proposed for development in West Linn will be a four-story structure with 70 guestrooms. The hotel will include all of the standard amenities for this brand, including 750 sq ft of meeting space.

## **Construction**

Hotels in this class generally are constructed with wood or lightweight steel framing. Roofs may be flat or pitched. Guestrooms are double-loaded and entered from interior corridors. According to the architect, the gross building area of the structure will be about 44,000 sq ft.

## **Parking**

According to the architect, the hotel will have 63 surface parking stalls, meeting the zoning requirement. On those occasions when the hotel is full, this on-site capacity may be exceeded. In that event, we assume that hotel management will make arrangements with nearby property owners to provide overflow capacity, either for a nightly fee or in exchange for complimentary services.

## **Summary**

The site is proposed for development a four-story hotel. The hotel will have 70 guestrooms, a breakfast room, business and recreational amenities, and surface parking. The gross building area of the structure is estimated at 44,000 sq ft.

## Projected Performance

- Introduction** In this section, we present our estimates of operating performance for a future stabilized year, stated in current dollars. We emphasize that these estimates are preliminary and subject to revision as the development progresses.
- Projected Revenue** Projected revenue is based on the performance of the competitive hotels. The typical annual rate of occupancy in this market is estimated at 60%. We are projecting that the subject hotel will achieve a stabilized occupancy rate of 68%, due to its younger age, higher quality, and stronger affiliation.
- Stated in current dollars, we estimate that the subject will achieve a stabilized average room rate of \$95.00, which would position the hotel above the market mean. In addition to room revenue, other income from sources such as telephone charges and vending commissions is projected to generate \$2.00 per occupied room night, based on the comparable data. For a future stabilized year (in current dollars), total annual revenue is projected at \$1,685,278.
- Projected Expenses** Operating expenses were estimated based on the performance of four comparable hotels and the average results in a published industry survey. Total expenses for the stabilized year (in current dollars) are estimated at \$987,847, which would be about 59% of total revenue.
- Summary** On a stabilized basis, we project that the subject hotel will achieve a room occupancy rate of 68%. Stated in current dollars, we are projecting an average daily room rate of \$95, daily RevPAR of \$65, annual revenue of \$1,685,278, operating expenses of \$987,847, and net operating income of \$697,431.

**Table 7**  
**Projected Performance**

	Total	Ratio	Per Room	Per ORN
Guestrooms	70			
Room Occupancy Rate	68.0%			
Average Daily Room Rate	\$95.00			
Daily RevPAR	\$64.60			
<b>Revenue</b>				
Rooms	\$1,650,530	97.9%	\$23,579	\$95.00
Other Operations	\$34,748	2.1%	\$496	\$2.00
Total	\$1,685,278	100.0%	\$24,075	\$97.00
<b>Departmental Expenses</b>				
Rooms	\$396,127	24.0%	\$5,659	\$22.80
Other Operations	\$24,324	70.0%	\$347	\$1.40
Total	\$420,451	24.9%	\$6,006	\$24.20
<b>Undistributed Expenses</b>				
Administration	\$140,000	8.3%	\$2,000	\$8.06
Marketing	\$126,000	7.5%	\$1,800	\$7.25
Maintenance	\$49,000	2.9%	\$700	\$2.82
Energy	\$66,500	3.9%	\$950	\$3.83
Total	\$381,500	22.6%	\$5,450	\$21.96
House Profit	\$883,327	52.4%	\$12,619	\$50.84
<b>Other Charges</b>				
Management Fees	\$58,985	3.5%	\$843	\$3.40
Property Taxes	\$45,500	2.7%	\$650	\$2.62
Insurance	\$14,000	0.8%	\$200	\$0.81
Total	\$118,485	7.0%	\$1,693	\$6.82
Expenses Before Capital	\$920,436	54.6%	\$13,149	\$52.98
NOI Before Capital	\$764,842	45.4%	\$10,926	\$44.02
Capital Replacement	\$67,411	4.0%	\$963	\$3.88
Total Expenses	\$987,847	58.6%	\$14,112	\$56.86
Net Operating Income	\$697,431	41.4%	\$9,963	\$40.14

# Hotel Feasibility

## Introduction

In this section, we test the feasibility of the proposed hotel by capitalizing our estimate of net operating income and comparing the resulting value indication to the estimated development cost.

## Capitalization Rates

The ratio of net operating income to sale price or value is referred to as the capitalization rate. Low cap rates generally are associated with investments in which the perceived risk to the investor is relatively low. Conversely, higher risk typically is reflected in a higher cap rate.

In determining an appropriate range of capitalization rates, we considered the capitalization rates reported in recent surveys of hotel investors.

The *Hospitality Investment Survey*, a publication of PKF Consulting, reports capitalization rates on both trailing and projected income. In the 2009 edition, overall cap rates for limited service hotels ranged from 8.0% to 17.0%, with a mean of 11.0%, based on projected income. This was 150 basis points higher than the mean rate reported in the prior (2008) survey.

The *Korpacz Real Estate Investor Survey* is published quarterly by PriceWaterhouseCoopers, though with only semiannual results for the lodging market. For the First Quarter 2009, the reported going-in capitalization rates for limited service hotels ranged from 9.0% to 14.0%, with a mean of 10.75%. This was 117 basis points greater than the rate reported for the same period in 2008.

In the Spring 2009 edition of the *RERC Real Estate Report*, the reported going-in capitalization rates for all hotels ranged from 9.0% to 12.0%, with a mean of 10.3%. Again, rates have increased substantially over the past year.

In each of the surveys, the reported rates blend sales of old and new hotels. Considering its stronger competitive position and greater longevity, the appropriate rate for a young but stabilized hotel should be toward the low end of the reported range.

In our opinion, the appropriate capitalization rate for the proposed Holiday Inn Express would be in the range of 9.5% and 10.0%.

**Indicated Value** We have estimated that the proposed hotel would generate net operating income of about \$697,000 in a future stabilized year. At a capitalization rate of 9.5%, the indicated value of the hotel would be \$7,340,000. At a capitalization rate of 10.0%, the indicated value of the hotel would be \$6,970,000.

**Estimated Cost** The cost to develop the hotel has been estimated using data compiled by the Marshall Valuation Service. According to the most recent MVS data, the average base cost of this type of hotel is about \$102/sq ft. After adjustments for date, location, number of stories, and sprinkler costs, the adjusted base cost is just under \$112/sq ft.

According to the architect, the hotel will have a gross building area of about 44,000 sq ft. The estimated building cost is \$4,930,000. The cost of furnishings and equipment is estimated at \$7,000/room, or \$490,000. The architect has estimated the cost of site improvements at \$900,000, for a total project cost (excluding land and profit) of \$6,320,000.

**Summary** A project is considered to be economically feasible when the estimated value at stabilization exceeds the development cost. Based on our income analysis, the stabilized value of the hotel would exceed the estimated cost by \$650,000 to \$1,020,000. In our opinion, this margin would provide an adequate return to the land and the developer.

## Highest & Best Use

### **Methodology**

To evaluate whether hotel development is the highest and best use of the land, we compared building costs and recent sale prices for three generic property types: lodging, retail, and office. For each property type, we first reviewed recent sales of similar properties in the Portland area, comparing the transactions on the basis of price per square foot of building area. Second, we estimated the development cost, again relying on data from a national cost service. Finally, we deducted the estimated cost from the indicated price to derive the residual value.

### **Lodging**

We analyzed six hotel sales that closed between March 2007 and June 2008. The hotels were built between 1985 and 2002, and ranged in size from 34,000 sq ft to 115,000 sq ft. Prices ranged from \$96/sq ft to \$168/sq ft, with a mean of \$119/sq ft. For the subject hotel, which will be significantly younger than most of the sale properties, the indicated value is \$160/sq ft.

With a building area of about 44,000 sq ft, the indicated value of the hotel in this analysis is \$7,040,000. As noted earlier, the estimated development cost of the hotel (excluding land and profit) is \$6,320,000. The residual value assuming hotel development is \$720,000.

### **Retail**

We considered three recent sales and two current listings involving retail buildings. These properties were developed between 2004 and 2008. The three closed sales took place between January 2007 and February 2009. The retail comparisons range in size from 7,500 sq ft to 18,000 sq ft. The range in sale or asking price is \$97/sq ft to \$371/sq ft, with a mean of \$269/sq ft. The indicated value of the subject as retail space is \$250/sq ft.

According to the architect, parking requirements would limit potential retail development of the subject site to 10,000 sq ft. The indicated value is \$2,500,000. Including an allowance for tenant improvements, the estimated cost to construct retail space is \$2,070,000. The estimated residual value assuming retail development is \$430,000.

**Office**

For the office scenario, we again evaluated three recent sales and two current listings. The closed sales took place between January 2008 and February 2009. These properties were developed between 2004 and 2009. The office comparisons range in size from 5,000 sq ft to 17,500 sq ft. The range in sale or asking price is \$155/sq ft to \$276/sq ft, with a mean of \$220/sq ft. The indicated value of the subject as office space is \$200/sq ft.

According to the architect, parking requirements would limit potential office development of the subject site to about 20,000 sq ft. The indicated value is \$4,000,000. The estimated cost to construct this property type is \$3,640,000. The estimated residual value assuming retail development is \$360,000.

**Summary**

To evaluate whether hotel development is the highest and best use of the subject site, we compared building costs and recent sale prices for three generic property types: lodging, retail, and office. The resulting estimates of residual value were \$720,000, \$430,000, and \$360,000, respectively. Among the uses tested, lodging is considered the highest and best use.

**Table 8  
Highest and Best Use**

	<b>Lodging</b>	<b>Retail</b>	<b>Office</b>
<b>Sales Comparison</b>			
Date Range	3/07-6/08	1/07-Listing	1/08-Listing
Size Range			
Minimum	33,740	7,551	5,050
Mazimum	114,584	18,000	17,514
Price Range			
Minimum	\$4,125,000	\$1,450,000	\$1,014,000
Minimum	\$10,950,000	\$4,000,000	\$3,300,000
Sale Prices/Sq Ft	\$96 - \$168	\$97 - \$371	\$155 - \$276
Indicated Value/Sq Ft	\$160	\$250	\$200
Buildable Area	44,000	10,000	20,000
Indicated Value	\$7,040,000	\$2,500,000	\$4,000,000
<b>Cost Comparison</b>			
Base Cost	\$101.60	\$87.07	\$125.36
Sprinklers	\$2.50	\$2.50	\$2.50
Gross Base Cost	\$104.10	\$89.57	\$127.86
Adjustments			
Date	1.000	1.010	1.000
Location	1.070	1.070	1.070
Stories	1.005	1.000	1.000
Adjusted Base Costs	\$111.94	\$96.80	\$136.81
Buildable Area	44,000	10,000	20,000
Total Building Costs (rd)	\$4,930,000	\$970,000	\$2,740,000
Furnishings & Equipment	\$490,000	-	-
Tenant Improvements	-	\$200,000	-
Site Development Costs	\$900,000	\$900,000	\$900,000
Total Costs	\$6,320,000	\$2,070,000	\$3,640,000
<b>Indicated Residual Value</b>	<b>\$720,000</b>	<b>\$430,000</b>	<b>\$360,000</b>

*ADDENDUM*

*A1 Engagement Contract*



Valuation Advisory Services  
500 108<sup>th</sup> Avenue NE, Suite 2400  
Bellevue, Washington 98004  
Tel: 425.454.7040  
Fax: 425.451.3058  
[www.gvakm.com](http://www.gvakm.com)

May 8, 2009

Vic Patel  
12700 SE McLoughlin Boulevard  
Milwaukie, Oregon 97222  
[vcp16@hotmail.com](mailto:vcp16@hotmail.com)

Mr. Patel:

Thank you for contacting us regarding your interest in the services of GVA Kidder Mathews. You have requested that we evaluate the highest and best use of a site located at 2400 Willamette Falls Drive in West Linn, Oregon. The site is proposed for development of a 70-room Holiday Inn Express. The purpose of this letter is to outline the scope of our services and to summarize our office practices and policies.

The scope of our study will include:

- Inspection of the subject site, review of local planning and zoning requirements, and evaluation of locational attributes.
- Local market research, including inspection of potentially competitive hotels, interviews with property management, and analysis of market performance.
- Forecast of operating performance for the proposed hotel for a future stabilized year (in current dollars) and for the first five years of operation (in trended dollars).
- Estimation of site and building costs for three categories of potential development: lodging, office, and retail.
- Compilation and analysis of data concerning recent sales of lodging, office, and retail properties in the South Portland market area.
- Comparison of cost and sales data to arrive at a conclusion as to the highest and best use of the subject site.
- Oral presentation of our findings and conclusions to the West Linn City Council at their meeting on May 11, 2009.

Vic Patel  
May 8, 2009  
Page 2



The results of our research will be presented in a summary report prepared in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the standards and guidelines of the Appraisal Institute as they relate to general consulting assignments. The report will be intended for the use of Steven P. Elkins Associates, the City of West Linn, and the developer.

Our professional fee for the study and testimony will be \$7,000. This fee includes all travel expenses and the charge for a customized hotel market trend report to be ordered from Smith Travel Research. We will complete our report by Monday, May 11.

Payment of our fee will be due no later than 30 days following issuance of the report. Past-due accounts bear interest at 18 percent per year. Either party may terminate this engagement for any reason upon written notification delivered any time prior to completion of the project. In that event, you remain obligated to pay us promptly for all charges for services rendered to date, as well as for all charges incurred as a result of termination.

We do not anticipate that any disputes will arise out of our relationship with you. However, if any dispute should arise about our services or fees or any other aspect of our relationship, we and you agree to seek a fair negotiated resolution. If this is not successful, all disputes shall be resolved by binding arbitration in Seattle under the American Arbitration Association ("AAA") Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof. The arbitrator may award attorneys' fees and costs to the prevailing party.

If you agree with these terms of engagement and wish us to proceed, you may sign where indicated below and return this letter and the requested retainer to the address shown above. If you have any questions, please contact me at 425-283-5783 or [jgordon@gvakm.com](mailto:jgordon@gvakm.com).

Very truly yours,

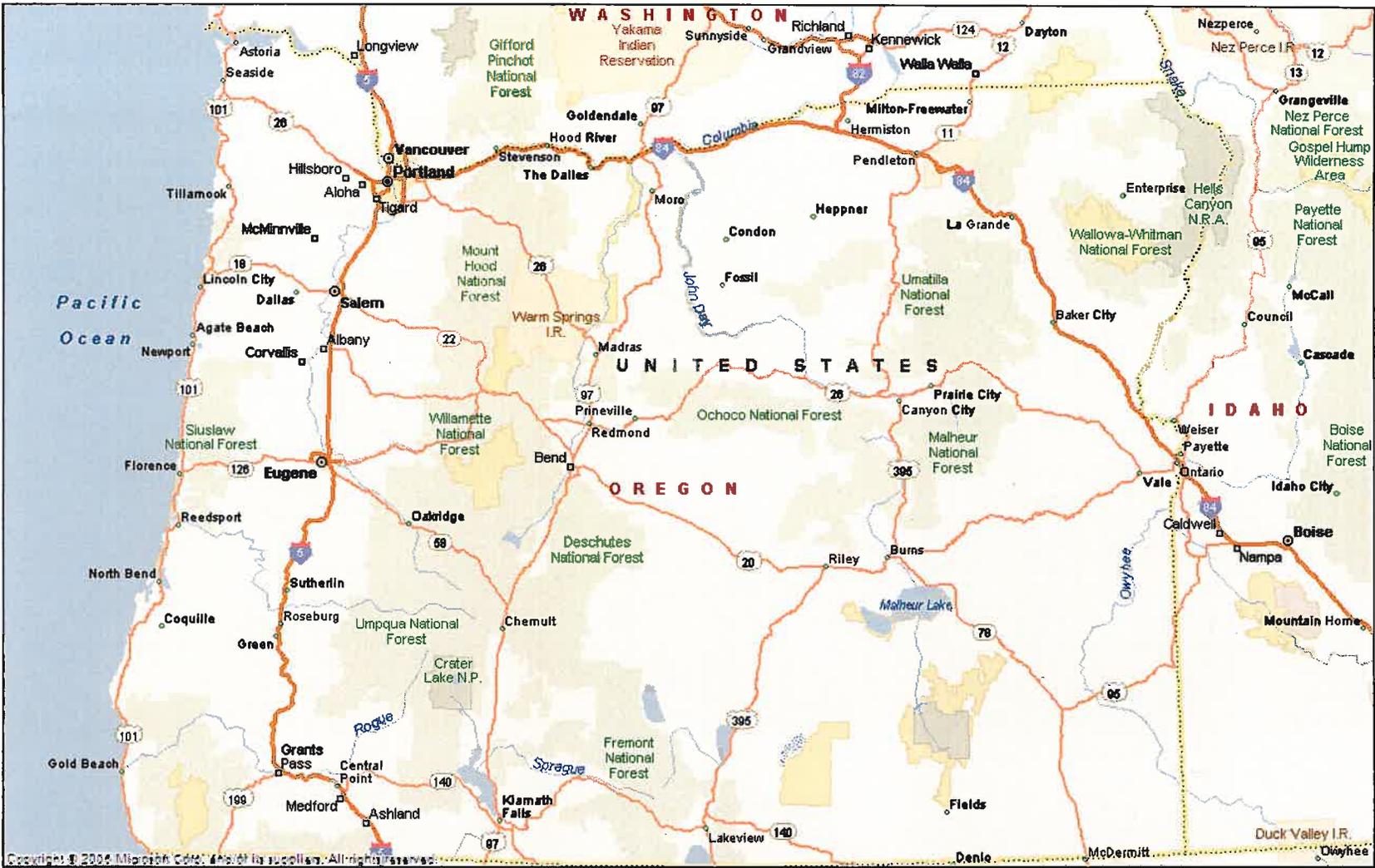
GVA KIDDER MATHEWS

By: John D. Gordon, MAI  
Certified General Real Estate Appraiser  
OR Certificate No. C000237, exp 3/31/2011

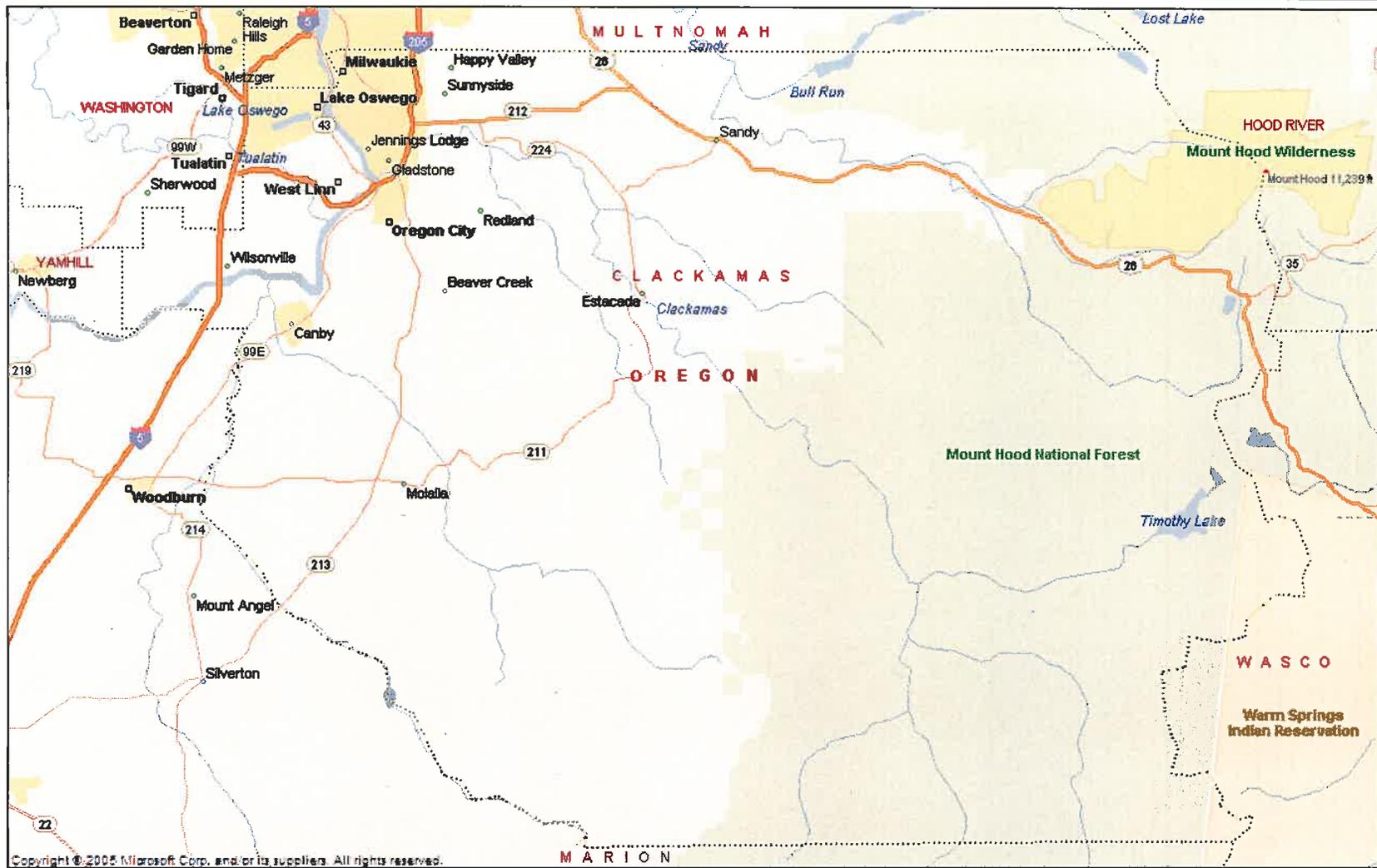
ACCEPTED & AGREED this \_\_\_\_\_ day of \_\_\_\_\_, 2009:

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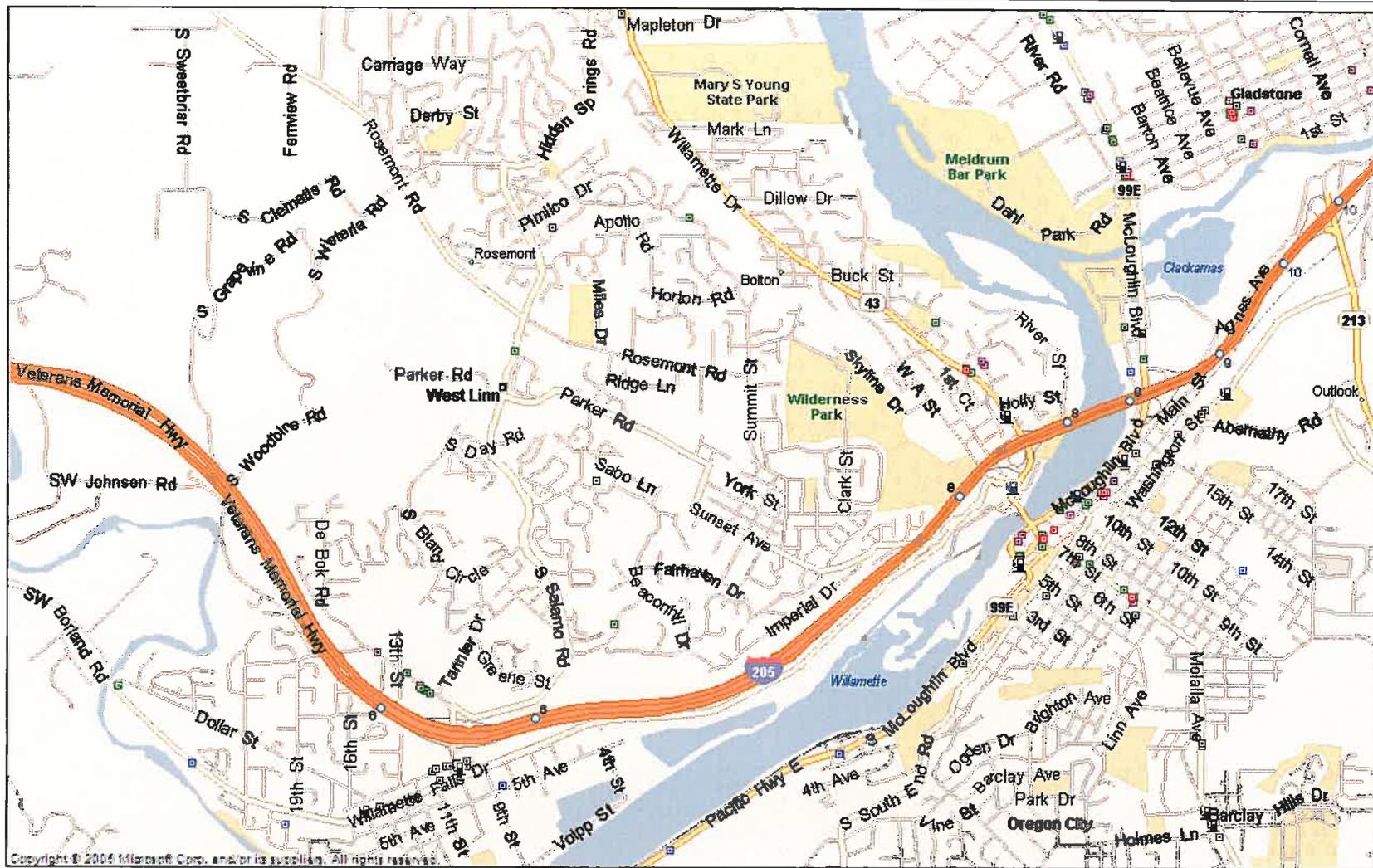
*A2 Maps and Photographs, Subject Site*



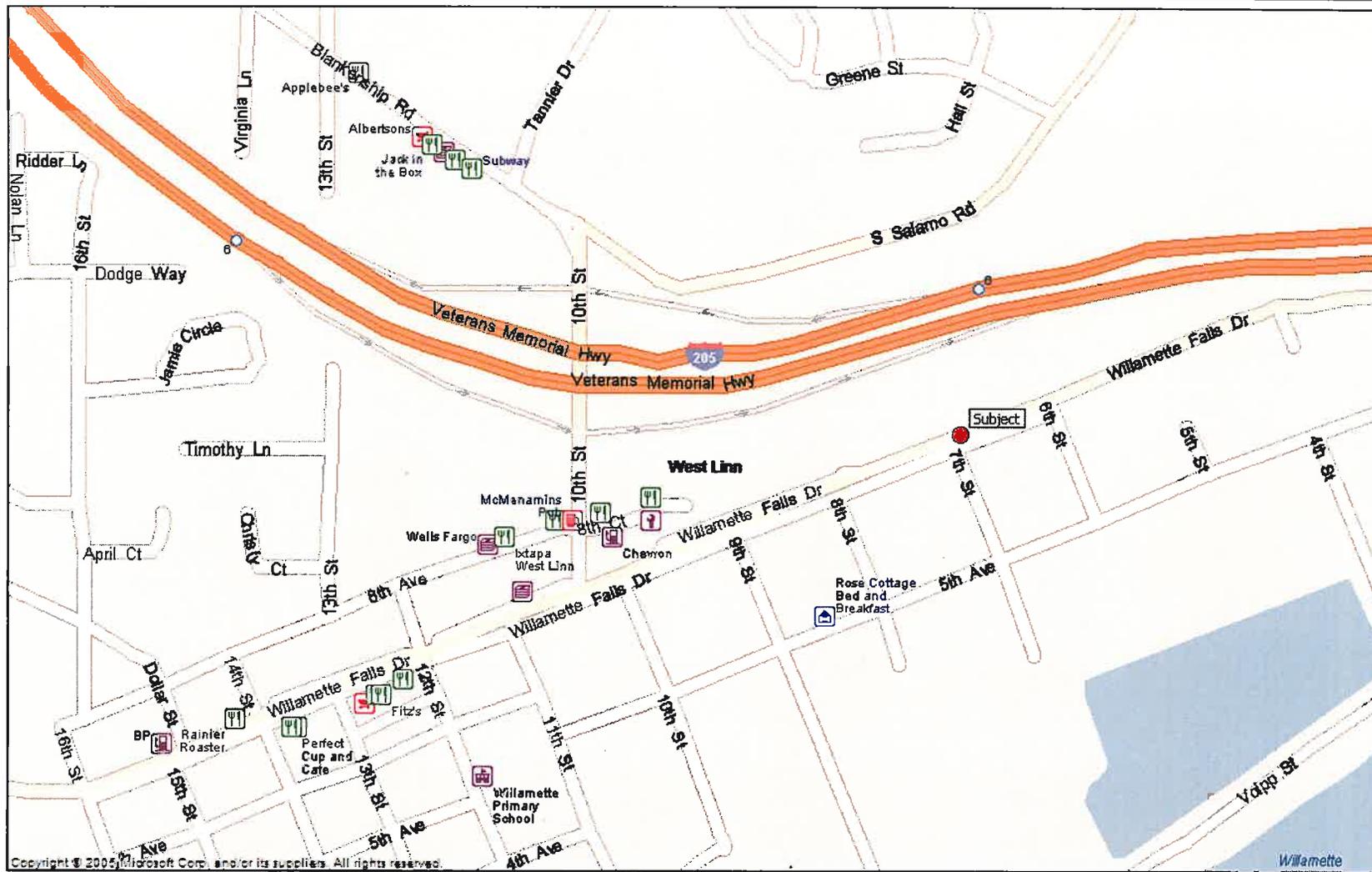
# State of Oregon



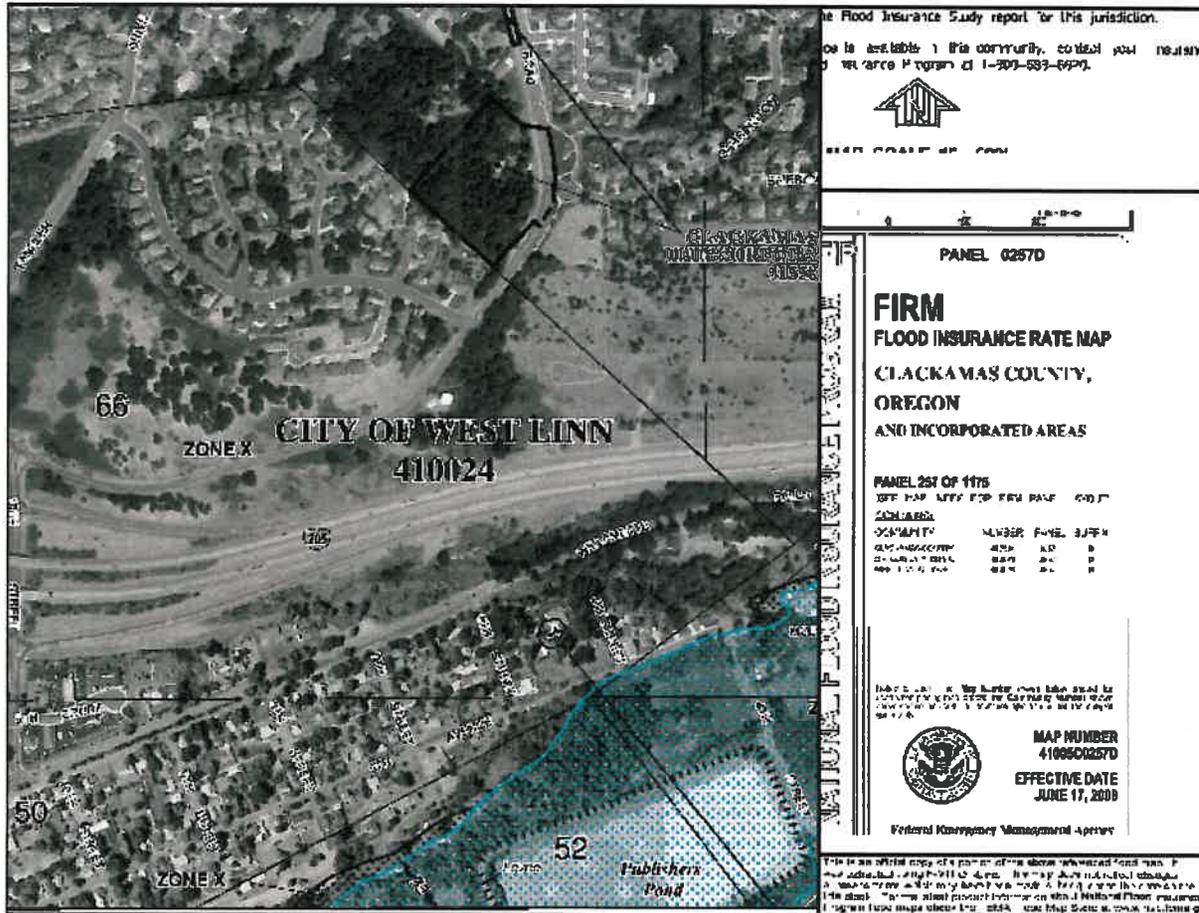
## Clackamas County



## City of West Linn



## Neighborhood



## Flood Insurance Rate Map



Looking northeast from the southwest corner of the site



Looking northwest across Willamette Falls Drive



Looking northwest from the southern edge of the site



Looking east from the west side of the site



Looking west from the east side of the site



Looking north towards I-205

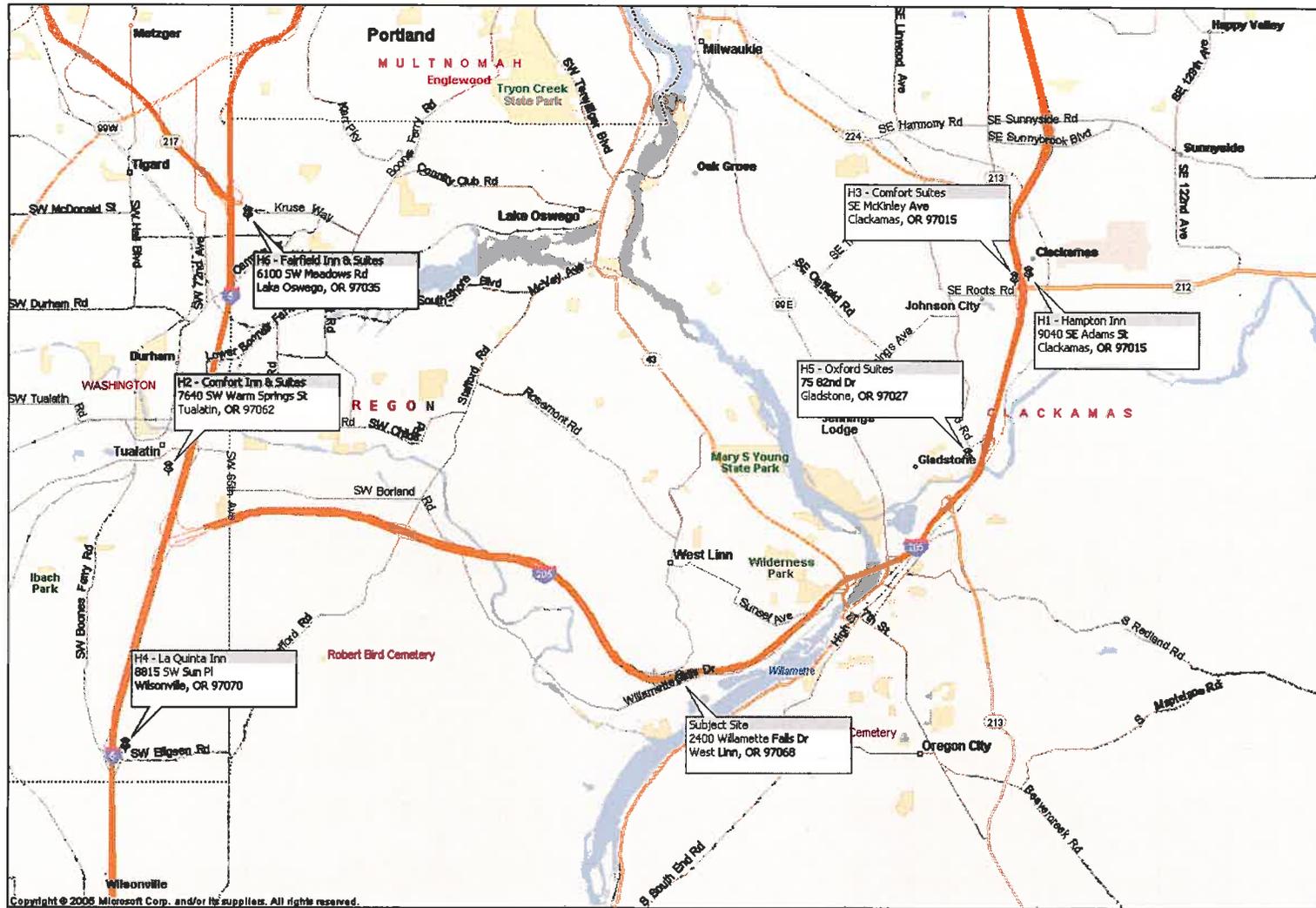


Looking west along Willamette Falls Drive



Looking east along Willamette Falls Drive

*A3 Maps and Photographs, Lodging Market*



## Competitive Hotels



H1 – Hampton Inn, Clackamas



H2 – Comfort Inn & Suites, Tualatin



H3 – Comfort Suites, Clackamas



H4 – La Quinta, Wilsonville



H5 – Oxford Suite, Gladstone



H6 – Fairfield Inn & Suites, Lake Oswego

## *A4 Qualifications*

**John D. Gordon, MAI**  
**VICE PRESIDENT**

**Career Highlights**

John Gordon has over 20 years experience in the analysis and appraisal of complex income property. He has served as a staff appraiser, as a regional appraisal manager for a national accounting and consulting firm, and as a principal of an independent appraisal company. Prior to joining GVA Kidder Mathews Valuation Advisory Services, he was Special Properties Manager in the Commercial Appraisal Department of Washington Mutual Bank, where he oversaw the valuation of their national portfolio of hotels, senior living facilities, and other special purpose properties.

John's educational background includes a BA in Economics from the University of California, and an MBA, with an emphasis in finance, from the University of Washington. He was awarded his MAI designation in 1989, and is certified as a commercial real estate appraiser in the states of Washington, Oregon, and Idaho.

John has served as an instructor in the real estate program at North Seattle Community College, and has been a guest lecturer on lodging analysis and appraisal at the Fachhochschule Munchen in Munich, Germany.

Areas of special expertise include the valuation and analysis of hotels and other lodging properties, senior living facilities, and affordable multifamily housing.

**Professional Licenses**

State of Washington, Certified General Real Estate Appraiser (No. 1100661)

State of Oregon, State Certified General Appraiser (No. C000237)

State of Idaho, Certified General Appraiser (No. CGA-2519)



**VALUATION ADVISORY**

**Partial Client List**

Washington Mutual Bank  
Bank of America  
US Bancorp  
Sterling Savings Bank  
Banner Bank  
Zions Bank  
Pacific Northwest Bank  
Wells Fargo Bank  
CityBank  
Key Bank  
Pacific First Bank  
Frontier Bank  
Interwest Bank  
Bank of the Pacific  
Anchor Savings Bank  
Bank of Tokyo  
Cashmere Valley Bank  
Interwest Mortgage  
Credit Lyonnais  
Shilo Inns  
Red Lion Hotels  
Insight Hospitality Management  
SeaTac Hospitality  
Boynkin Hotels  
Hilton Hotels  
Silver Cloud Inns  
Portland Development Commission  
Yakima Convention Center



# Appraiser Certification and Licensure Board

## State Certified General Appraiser

*28 hours of continuing education required for renewal*

License No: **C000237**

Issue Date: **4/1/2009**

Expiration Date: **3/31/2011**

John D. Gordon  
GVA Kidder Matthews  
500 108th Ave NE STE 2400  
Bellevue WA 98004

**R. A. (Bob) Keith, Administrator**