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## Executive Summary Report

### Appraisal Date 1/1/08 – 2008 Assessment Roll

**Specialty Name:** Gas Stations – Area 410

**Previous Physical Inspection:** Previous inspections were performed by the geo-appraisers. This is a new specialty for the 2008 assessment year.

**Sales – Improved Summary:** Convenience stores are defined as businesses which include tangible and intangible assets.<sup>1</sup> All market transactions of gas stations and C-stores are for the sale of the business or going concern. The separation of real property value from these sales is problematic in mass appraisal and so was not used. A ratio study was not performed for the same reasons.

**Income Approach:** The Income Approach was considered and not used because the income stream is attributable to the going concern inclusive of the real estate. The isolation of real estate value is problematic and not applicable to mass appraisal.

**Cost Approach:** The Cost Approach was utilized in this revaluation. It improves equalization and allows the land value to make location adjustments.

#### Population – Average Improved Parcel Summary Data:

	<u>Land</u>	<u>Imp</u>	<u>Total</u>
2007 Value:	\$306,509,700	\$245,050,400	\$551,560,100
2008 Value:	\$358,831,200	\$248,746,000	\$607,577,200
Percent Change:	+17.1%	+1.5%	+10.2%

Number of Improved Parcels in the Population: 503

#### Conclusion and Recommendation:

Since the values recommended in this report improve uniformity and equity, I recommend posting them for the 2008 Assessment roll.

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<sup>1</sup> Convenience Stores and Retail Fuel Properties: Essential Appraisal Issues, R.E. Bainbridge, Appraisal Institute, 2003, p102-105

### **Client and Intended Use of the Appraisal:**

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **mass appraisal report** as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

*The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.*

### **Definition and date of value estimate:**

#### **Market Value**

*The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65). The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)*

#### **Highest and Best Use**

**RCW 84.40.030** *All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.*

*An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.*

**WAC 458-07-030 (3) True and fair value -- Highest and best use.** *Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.*

*If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))*

*Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)*

## **Date of Value Estimate**

*All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]*

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]*

*Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.*

## **Property rights appraised:**

### **Fee Simple**

**Wash Constitution Article 7 § 1 Taxation:** *All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. The word "property" as used herein shall mean and include everything, whether tangible or intangible, subject to ownership. All real estate shall constitute one class.*

**Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914)** *“the entire [fee] estate is to be assessed and taxed as a unit”*

**Folsom v. Spokane County, 111 Wn. 2d 256 (1988)** *“the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee”*

*The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”*

## **Assumptions and Limiting Conditions:**

1. *No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
2. *No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
3. *No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
4. *Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
5. *The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*
6. *The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
7. *The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*
8. *No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*
9. *Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
10. *The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*
11. *An attempt to segregate personal property from the real estate in this appraisal has been made.*
12. *Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.*
13. *The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.*
14. *I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*
15. *Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

**Scope of Work Performed:**

*Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.*

**CERTIFICATION:**

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

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of 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 appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification.*

## **ANALYSIS PROCESS**

**Effective Date of Appraisal:** January 1, 2008

**Date of Appraisal Report:** June 16, 2008

**Responsible Appraiser:**

The following Appraiser did the valuations of this specialty:

Alan Hashimoto, Commercial Appraiser II

### **Highest and Best Use Analysis**

**As if vacant:** Market analysis of the gas stations in King County, together with current zoning and current anticipated use patterns, indicate the highest and best of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in the records and considered in the valuation of the specific parcel

**As if improved:** Based on gas station trends, both demographic and current development patterns, the existing improvements represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. I find that the current improvements do add value to the property, in almost all cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of \$1,000 is assigned to the improvements.

**Standards and Measurement of Data Accuracy:** Sales were analyzed for trends but not used for valuation. (see footnote 1 on page 2) Current data was verified and corrected when necessary via field inspection and review of plans.

### **Special Assumptions, Departures and Limiting Conditions**

All three approaches to value were considered in this analysis.

The following Departmental guidelines were considered and adhered to

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of a minimum of three years of market information without adjustment for time averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

## **Identification of the Area**

**Name or Designation:** Area 410: Gas Stations

**Boundaries:** All of King County.

**Maps:** Assessor's maps are located on the 7th floor of the King County Administration Building.

### **Area Description:**

Convenience stores with gas and gas stations exist in all areas of the county. C-stores with gas sell about 80% of all gasoline in King County with the other 20% being supermarkets, discount warehouses, gas clubs and service stations.

Location tends to be of extreme importance for a gas station. They tend to be well distributed throughout the county with their frequency mostly dependent upon local population density. The trends are for larger properties with more profit centers associated with the C-store and more discount-warehouse stores and grocery stores selling gasoline. We are also seeing more "starting gate" type dispenser arrays which put one dispenser on each gasoline island instead of two and are arranged so that the cars park at the dispensers perpendicular to the road rather than parallel to it. They provide service to more cars simultaneously.

### **Puget Sound Economic Conditions:**

The paradigms of gasoline sale are changing due to the rapidly increasing prices at the pump. Current prices encourage less usage but the industry sees great elasticity in the price per gallon of gasoline at the pump and is still experiencing record profits.

This does not necessarily mean that the gas station owners are doing as well. In many cases profit per gallon for the retail dealer have not increased. They are selling less gallonage for more money and getting less profit.

Another area of concern for small owners is the proliferation of discount warehouse stores and grocery stores selling gasoline. They are un-attended and sell for less creating intense competition with the C-stores in the area.

More C-stores are trying to acquire more profit centers, i.e. fast food, fresh deli, video rental, carwash, vacuum/air service, copy/fax services, stamps, photo processing, specialized auto care, etc.

### **Physical Inspection Identification:**

Gas station valuations were performed on all facilities within all areas of King County. Approximately 30% of the population was inspected including the City of Seattle, City of Bellevue and the City of Des Moines.



## Scope of Data

### Land Value Data:

The geographic appraiser in the area in which the specialty property is located is responsible for the land value used by the specialty appraiser. See appropriate area reports for land valuation discussion.

### Improved Parcel Total Values:

**Sales Approach Model Description** – The Market Approach was considered but not used. Sales in the convenience store market almost always represent the purchase of a going concern. It is the sale of the business inclusive of the real estate. Isolating the real estate value from business sales is problematic in that it is not adaptable to mass appraisal. (See footnote 1 on page 2).

**Income Approach Model Description** – The Income Approach was not used. Income was considered but the income stream represents the income to the business inclusive of the real estate. A rental market does not exist for these properties. Isolating income to the real estate is problematic and not adaptable to mass appraisal.

**Cost Approach Model Description**– Cost estimates for buildings are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application.

This approach was utilized for the 2008 revaluation using Marshall & Swift Cost Estimator for the buildings and a Marshall & Swift cost manual for the gas station accessory improvements. Depreciation is not directly applied to gas station accessory improvements because of the level of maintenance and repair required. An advantage to the cost approach is that it allows for land value to make location adjustments to total value.

## Gas Station Data

The following is a description of the data considered and stratifications recognized in the 2008 cost estimates for the gas station specialty.

There are basically four types of retail outlets which sell gasoline: the old style **service station** with service bays, air compressor, hoists, etc., the **convenience store** (C-Store) with gas, the **gas station only** which has numerous Multi-Product Dispensers (MPD's) and a small kiosk and the **co-branded C-Store/Quick Service Restaurant(QSR)**. The old style service stations that have not been remodeled with a snack shop or C-Store have the greatest obsolescence and are at the bottom of the market. The very large C-Stores with gas, numerous dispensers and various other profit centers are at the high end.

**Buildings:**

The cost approach has been utilized to appraise gas stations. The subject parcels in King County have been inspected and stratified according to building quality:

- Excellent-Best wood, steel, brick or masonry, high volume area, best workmanship with good finish, best materials, HVAC.
- Good-Good wood, steel, brick w/sash and large overhangs, ranch or suburban style, good quality materials.
- Average-Average painted steel or cement block, small overhangs, small office. Average quality materials throughout.
- Low Cost-Painted steel or cement block, inexpensive sash, doors and gates, usually older with low cost materials used.

Car washes in separate buildings were valued by the Marshall & Swift automated cost modeling system. Generally building quality will be the same as the primary building. All car wash equipment is personal property.

The Personal Property Division also assesses compressors, pumps, dispensers, signage, hoists, tools, furniture and fixtures.

**Accessory Improvements:**

The valuation of accessory improvements (AI's) relates to the construction quality of the property as a whole. AI's are stratified according to quantity and quality. Therefore an Excellent quality building will generally have Type I accessory improvements, a Good quality building will have Type II AI's, an average quality building will have Type III AI's and a Low cost building will have Type IV AI's. The value of AI's also relates to the number of filling stations and the size of the lot. Marshall Valuation Service indicates that the lives of such improvements are 15 to 25 years however, because of the store's long hours and heavy foot traffic deterioration of the interior can happen at a rapid rate. Excellent level stores will replace worn interior furnishings before wear shows while lesser qualities tend to show more wear and tear. The accessory improvements take the level of replacement/maintenance/repair into consideration when judging the construction quality of the store.

- Type I Best quality components throughout. \$300,000 - \$500,000
- Type II Good quality components throughout. \$200,000 - \$300,000
- Type III Average quality components throughout. \$100,000 - \$200,000
- Type IV Low cost components throughout. \$10,000 - \$100,000

**Example:****Service Station Accessory Improvements: Type II Average Quality Cost New**

Tanks	10,000 gal.	\$35,000
	15,000 gal.	50,000
	20,000 gal.	65,000
Islands		20,000
Paving (including curbs & cutouts)		25,000
Lighting		8,000
Sign Pole		3,000
Canopy	1500 sqft	35,000
	2500 sqft	55,000
Piping & Wiring		40,000
Labor, Site Prep and Soft Costs		Varies

Accessory improvements are labeled as Type I – IV in the accessory improvement section of the Real Property database. The value contribution of the accessory package was flat valued according to the indicated value range for the category type and included in the total cost estimate for the service station.

**Cost calibration**

The Marshall & Swift cost-modeling system built into the Real Property Application is calibrated to this region and the Seattle area.

**Reconciliation and or validation study of calibrated value models including ration study of hold out samples**

All parcels were individually reviewed by the specialty appraiser for correctness of the model application before final value selection. All factors used to establish value by the model were subject to adjustment.

## **Model Validation**

### **Total Value Conclusions, Recommendations and Validation:**

Typically the Market Sales Approach is considered the best reliable indicator of value when comparable sales are available. Since the sales do not represent real property value these sales could not be used to develop a model.

The Cost Approach was used on all of the Gas Station Specialty population. The cost approach allows for the greatest equity and uniformity. Land value becomes a location adjustment.

The Income Approach to value was considered but not used. Income for gas stations represents the performance of the business and not the real estate. Separating the two is problematic in mass appraisal.

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust of particular characteristics and conditions as they occur in the valuation area.

*The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.*

The total assessed value for the 2007 assessment year, for specialty 410, was \$551,560,100 and the recommended assessed value for the 2008 assessment year is \$607,577,200. Application of these recommended values for the 2008 assessment year results in a total increase from the 2007 assessments of +10.2%. This increase is due to upward construction costs over time and the previous assessment levels.