

Commercial Revalue

2012 Assessment roll

**WATERFRONT
LAKE UNION TO
SHILSHONE**

AREA 12

**King County, Department of Assessments
Seattle, Washington**

Lloyd Hara, Assessor



King County

Department of Assessments

Accounting Division

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Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2012 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2012 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

Fair and uniform assessments set the foundation for effective government and I am pleased that we are able to make continuous and ongoing improvements to serve you.

Please feel welcome to call my staff if you have questions about the property assessment process and how it relates to your property.

Sincerely,

Lloyd Hara
Assessor

Commercial Area 12

Waterfront



Executive Summary Report

Appraisal Date January 1, 2012 - 2012 Assessment Year

Specialty Area: Area 12

Specialty Name: Commercial Waterfront

Previous Physical Inspection 6/2011

Parcel Count: 981 parcels

Number of sales: 4

Population – Parcel Summary Data:			
	Land	Imps	Total
2011 Value	\$1,345,856,567	\$182,501,857	\$1,528,358,424
2012 Value	\$1,327,698,700	\$194,083,190	\$1,521,781,800
Percent Change	-1.35%	+6.35%	-.43%

No ratio studies were included with this report due to the small number of sales relative to the size of the Area population.

Conclusion and Recommendation:

Total assessed values for the 2012 revalue have decreased .43%.

Since the values recommended in this report improve equity, we recommend posting these values for the 2012 assessment year.

Analysis Process

Effective Date of Appraisal: January 1, 2012

Date of Appraisal Report: June 28, 2012

Highest and Best Use Analysis

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

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings 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. We find that the current improvements do add value to the property, in most 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 \$1,000.00 is assigned to the improvements.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

Special Assumptions and Limiting Conditions:

All three approaches to value were considered in this appraisal.

- Sales from 1/1/2009 through 12/31/2011 were considered in the analysis.
- Time adjustments were not made due to the lack of sales activity.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation:

Specialty Area 12 Commercial Waterfront

Boundaries:

Commercial waterfront properties in King County including Lake Union and Ballard.

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building. GIS was emphasized in the mapping and valuation of this specialty area.

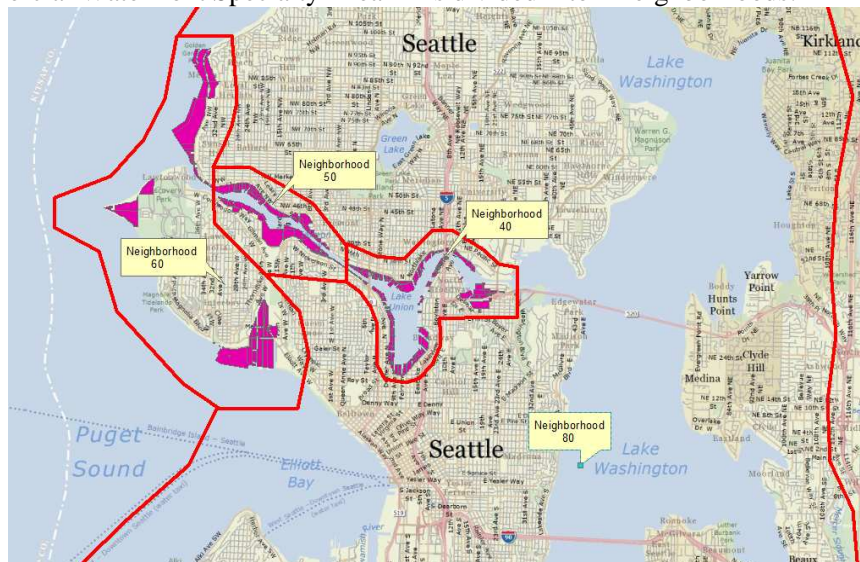
Area Description:

Description & Boundaries: The Commercial Waterfront Specialty Area 12 consists primarily of the commercially zoned waterfront properties within Seattle located from Portage Bay to the Shilshole area of Ballard. Portions of Elliott Bay are included along with several marinas located on Lake Washington and Vashon Island.

Area 12 properties consists of a mixture of commercial and industrial use waterfront properties including marinas, shipyards, office buildings, retail and restaurants. Several of the regions large recreational parks are also included here. Residential use properties, including houseboats are not included within this specialty as well as the commercial waterfront properties adjacent to the Seattle downtown business district and the Duwamish River area.

Neighborhoods:

The Commercial Waterfront Specialty Area 12 is divided into 4 neighborhoods:



Neighborhood 40 includes Seattle's freshwater centerpiece Lake Union with its mixture of commercial and residential properties. It has long been known as one of the city's historic



maritime bases and today retains a mixture of marinas, restaurants, office, retail, and industrial buildings. Named for the connecting of Lake Washington at the Montlake Cut and Puget Sound in Ballard, Lake Union has long been a central location for commerce and residential uses. Seattle's downtown Central Business District is located south of Lake Union and the residential neighborhoods of Queen Anne, Fremont, Wallingford, and Eastlake further surround the lake. Several of the areas historic houseboat communities are

located here (Area 19). Also included in this Neighborhood is Portage Bay and the adjacent University of Washington campus. One of the biggest economic challenges to this area today is the balance of the remaining maritime base against the inner city urban growth.

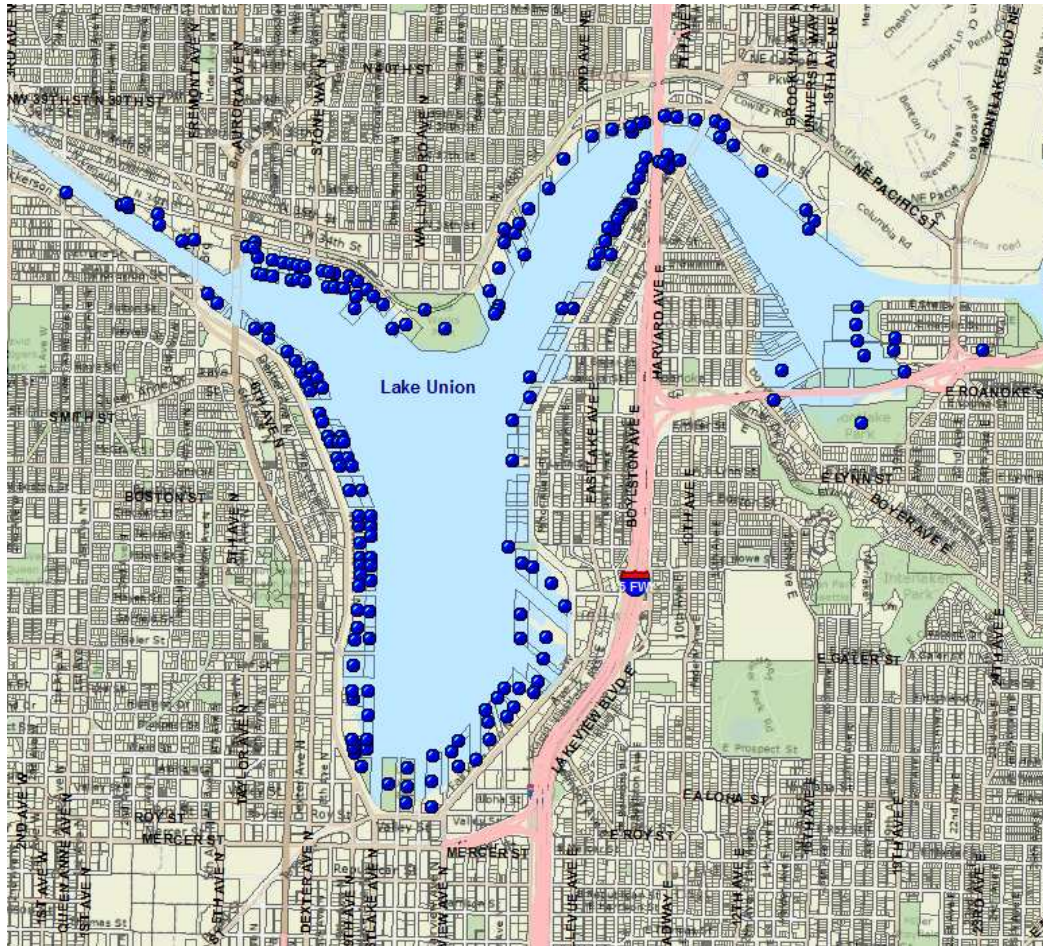
South Lake Union has undergone a major inner city revival with Paul Allen's Vulcan 60 acre development project along with changes by other local developers. Nearly 3,000 residential units, 258,000 square feet of retail space and 3,996,000 square feet of office, research, and laboratory space is planned or has been added to this area since 2004. Amazon.com is establishing their global headquarters here along with other well-known tenants such as the Fred Hutchinson Cancer Research Center, PATH, ZymoGenetics, Rosetta, Bio-Rad, and the UW Medicine campus. The area is now internationally known in the bio-tech industry. The waterfront of south Lake Union has complemented this new development with several popular restaurants and shops.



Lake Union has been long known for its boating activities but it is also known for its recreation including the popular Gasworks Park, the site for Seattle's traditional 4th of July fireworks display. The recently opened 12 acre Lake Union Park mixes maritime use and history and is the site of the Maritime Heritage Center, and the future home of Seattle Museum of History and Industry. The popular Burke Gilman Bike trail and the new Cheshiahud Lake Union Loop trail around Lake Union tie the area to the adjacent residential neighborhoods. The South Lake Union Streetcar (Trolley) opened in 2007 and further linked the area directly to the Seattle's downtown shopping district and Central Business District.



Area 12



Neighborhood 50 includes the commercial waterfront properties of the Ballard neighborhood



located on the north side and the Magnolia neighborhood to the south. Waterfront properties located here are generally more industrial based with shipyards and marine related industries located adjacent to residential neighborhoods. Ballard is one of Seattle's oldest neighborhoods with its Scandinavian roots and traditional maritime history. Today, it is a popular residential neighborhood with trendy restaurants and unique shops. A housing boom in multi-family developments continues with nearly

1,100 new units forecast for 2012.

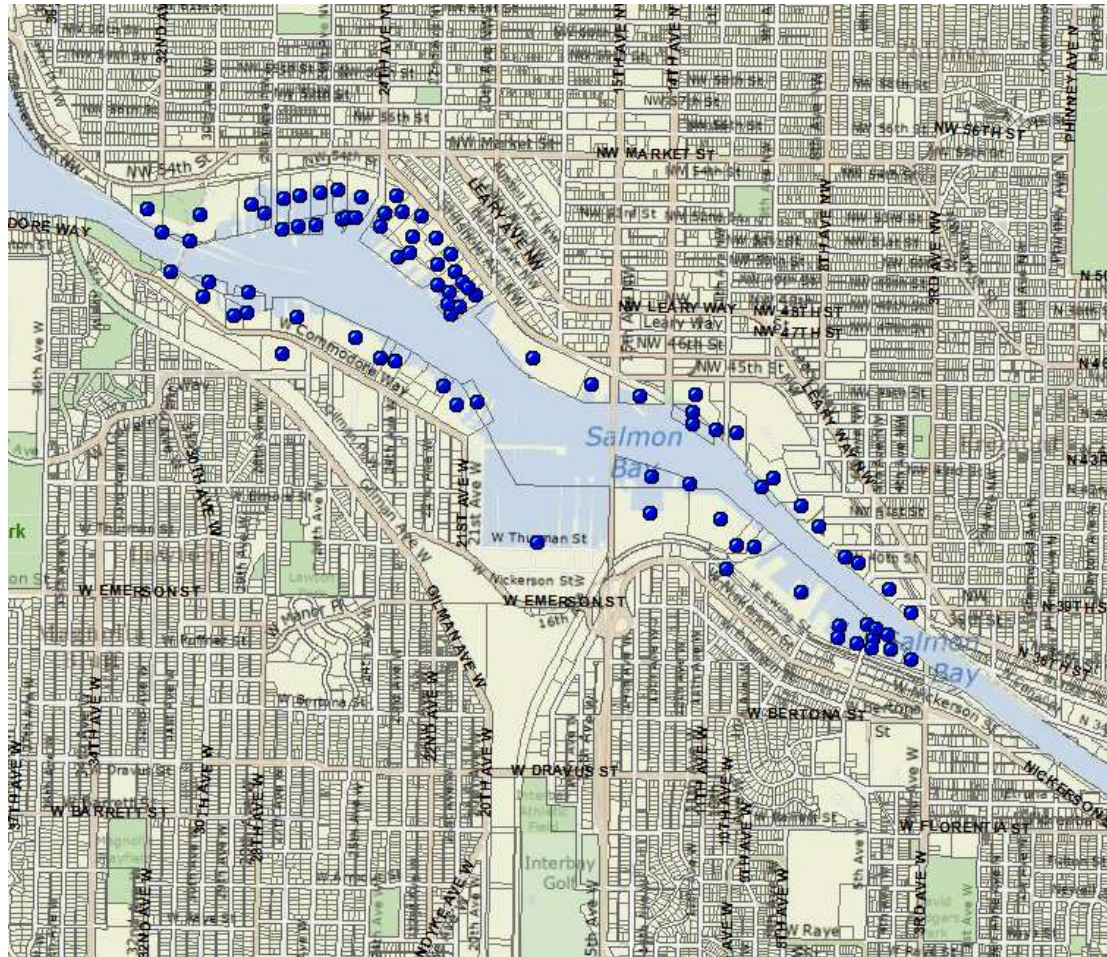
The commercial waterfront properties in this neighborhood include many of Seattle's remaining ship building and repair yards for the regions fishing industry. Seattle was founded on the fishing and timber industries and many of the original mills were located in this area. The completion of the Hiram Chittenden government locks in 1917 along with the Fremont and Montlake Cuts extended the marine economic growth by connecting Puget Sound and Lake Washington through the commercial/industrial district of Lake Union. Seattle then emerged as a primary service center and industrial base for the Northern Pacific fishing fleet and the center for the region's timber industry.



Today, this Neighborhood is still home to several marinas along with commercial and recreational boat repair yards. Fisherman's Terminal, operated by the Port of Seattle, remains home of the North Pacific fishing fleet consisting of hundreds of working fishing boats that spend months off the coast of Alaska. Recent changes to the Neighborhood include the site of the former MARCO fishing vessel repair center being converted to a newly built office complex with luxury yacht slips. A Trader Joe's is located next to the Ballard Bridge. A long proposed hotel is currently on hold.



Waterfront Area 12 Neighborhood 50 parcel map:



Neighborhood 60 is the commercial saltwater waterfront area within Seattle which includes the Shilshole area of Ballard and south Magnolia. The commercial waterfront parcels for Seattle's downtown business district are valued in GeoArea 32. Properties located within Neighborhood 60 have a mixture of commercial, industrial, and retail uses. The 1200+ slip privately owned Elliott Bay Marina is located in this neighborhood along with the recently renovated 1400+ slip Shilshole Marina owned and operated by the Port of Seattle.

Shilshole Marina



Elliott Bay Marina



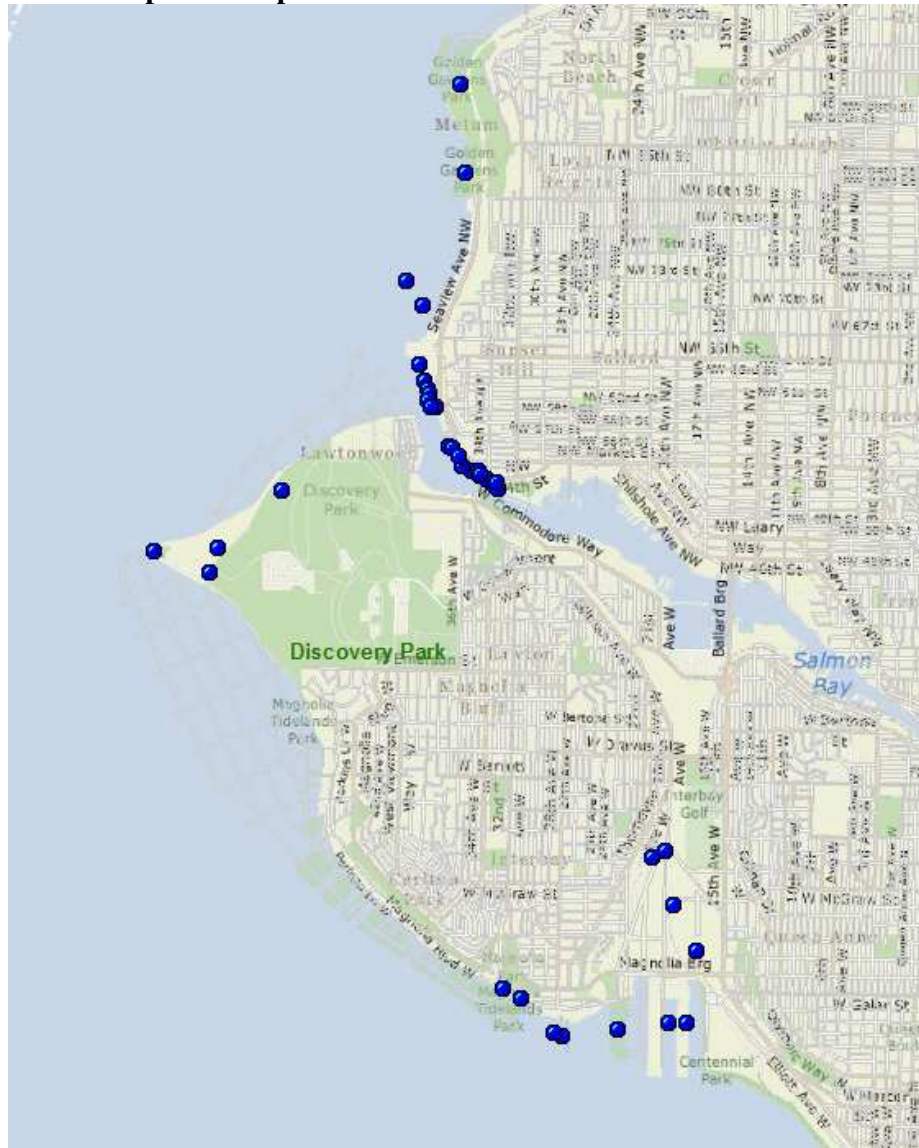
One of the region's main cruise ship terminals is located here at Smith Cove Terminal 91. The site, along with the adjacent pier, was recognized as the longest earthen piers of their type in the nation when built. Used for many years by freighters to the Pacific and then by the Navy, it was purchased by the Port of Seattle in 1976. Today the piers are used by several fish processing ships and as port to Seattle's passenger cruise ships. In 2011, 196 ships and 885,949 cruise ship passengers arrived at Seattle.



This area also includes two of Seattle's largest and most popular waterfront parks. Discovery Park includes 534 acres and over 2 miles of shoreline and is considered one of the best places in the city to view wildlife. Its history is that of a former Army base and many of the original architecturally significant buildings remain in the park. Golden Gardens Park is located in the Shilshole area of Ballard and includes 87 acres with extensive sandy beaches popular with summer beach crowds for picnics or swimming.



Neighborhood 60 parcel map:



Neighborhood 80 includes several marinas located outside the Seattle city limits. The Newport Yacht Basin is a 416 slip condominium marina located on Lake Washington in Bellevue. The marina was the first marina condominium association developed in the country. Harbour Village Marina is located in Kenmore also on Lake Washington. Quartermaster Harbor Marina with 65 slips is located on Vashon Island along with the nearby Quartermaster Yacht Club.

Neighborhood 80 parcel map:



Scope of Data:

Land Parcel Value Data:

Vacant market sales from 01/01/2009 through 12/31/2011 were given the most consideration in valuing land. There were a limited number of 2011 sales in Area 12. The sales verified as “good” were coded “Y” in the Assessor’s record. Multi-parcel sales were considered after combining the various aspects of all parcels involved in the sales.

Improved Parcel Total Value Data:

Improved sales from 01/01/2009 through 12/31/2011 were given the most consideration for establishing total values. Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division and Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales were verified if possible by calling or writing either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Sales are listed in the “Sales Used” and “Sales Not Used” sections of this report. Additional information resides on the Assessor’s website.

Land Valuation Considerations:

Waterfront development within the City of Seattle is regulated by the Seattle Shoreline Master Program under Chapter 23.60 Shoreline District. The purpose of the Chapter is to implement the policies and provisions of the Shoreline Management Act and the Shoreline Goals and Policies of the Seattle Comprehensive Plan. The primary objectives of the Chapter are the following:

1. Protect the ecosystems of the shoreline areas;
2. Encourage water-dependent uses;
3. Provide for maximum use and enjoyment of the shorelines of the city; and
4. Preserve, enhance and increase views of the water and access to the water.

Commercial waterfront properties typically consist of an upland portion being the dry land and the submerged land being delineated by the water line. Within Seattle, the area between the water line and out to a point established by the State as the Inner Harbor Line are privately owned submerged lands. In 1907, the City of Seattle sold part of its tidelands within Lake Union and Ballard to private land owners. The city encouraged the land owners to build docks or fill their lands for economic development. As a result, the boundaries of upland waterfront properties have changed over time. The size of Lake Union is reported to have been reduced from 900 acres to 600 acres.

For valuation purposes, land is valued with consideration given to the amount of the upland area and the amount of submerged land area. The upland land values area equalized with adjacent neighborhood land values with consideration given to factors including zoning, lot size, location, and shoreline regulations and restrictions. Typical land values within the zones are included in the Land Value Data section of this report. Submerged land values have been given consideration to the current allowable uses of each site. Depending on the property, the submerged land may have a range of allowable uses such as a marina, or restricted to

undeveloped marine habitat area.

Submerged land located from the line of private ownership (Inner Harbor Line) out to the Line of Navigable Water (Outer Harbor Line) is known as the Harbor Area and is owned and managed by the Department of Natural Resources. This area is typically leased by the DNR to the adjacent upland owners on a 30 year lease. Many of these properties are currently leased for marina purposes.

Development within the City of Seattle's Shoreline District is subject to both the development standards of the shoreline environment and the underlying zone in which it is located. The shoreline standards can include additional restrictions for building heights, floor area ratios (FAR), building and parking requirements, view corridors, public access, the Lake Union Construction Limit Line, and restrictions requiring water dependent uses. Existing non-conforming uses are allowed subject to the Shoreline District provisions.

Within the Shoreline District are 11 Shoreline Environments designated below:

Conservancy Navigation	CN
Conservancy Preservation	CP
Conservancy Recreation	CR
Conservancy Management	CM
Conservancy Waterway	CW
Urban Residential	UR
Urban Commercial	UC (formerly Urban Stable)
Urban Harborfront	UH
Urban Maritime	UM
Urban General	UG
Urban Industrial	UI

Details of each Shoreline Environmental area can be found in Seattle Municipal Code 23.60. The City of Seattle undertook a comprehensive update of the Shoreline Master Plan in 2011.

Maggie Glowacki, Shoreline Planner for the City of Seattle Department of Planning and Development was contacted during this revalue for information on current shoreline updates and changes.

Economic Summary

The properties included within this Commercial Waterfront Specialty reflect the changing economic history of Seattle's commercial waterfront market. Seattle was founded on the fishing and timber industries and many of the original mills were located in this area. The completion of the Hiram Chittenden government locks in 1917 along with the Fremont and Montlake Cuts extended the marine economic growth by connecting Puget Sound and Lake Washington through the commercial/industrial district of Lake Union. The Seattle waterfront emerged as a primary service center and industrial base for the Northern Pacific fishing fleet and the center for the region's timber industry. David Denny, a founder of Seattle, operated a sawmill on south Lake Union along with William Boeing who started his airplane company in a hanger on the shore of Lake Union in 1915.

Today this commercial/industrial waterfront area is surrounded by several highly urbanized multi-family and residential use neighborhoods. The remaining commercial/ industrial base has changed in that today there are no remaining lumber producing mills in this area and the significantly smaller fishing industry continues to decline. The site of the former MARCO fishing vessel repair center is a newly built office complex with luxury yacht slips. Fisherman's Terminal, an early fishing fleet center, now includes a mixed use of commercial and pleasure craft. NOAA, located on Lake Union, has moved after nearly 50 years on Lake Union. Partially in response to the economic conflicts between commercial/industrial and residential uses, the City of Seattle has included an additional set of shoreline rules and restrictions overlaying the base zoning land use regulations. The Seattle Shoreline Master Program and the Chapter 23.60 Shoreline District are referenced within this report.

Recent new construction in the Area has been primarily related to the marina industry. Shilshole Marina with moorage for over 1,400 boats has recently undergone an \$80 million renovation. Several smaller marinas have undergone repairs and upgrades. The cruise ship terminal continues to be a bright spot for the industry with 196 ships and 885,949 cruise ship passengers arriving at Seattle in 2011. In the office market, a major renovation to a mixed use office/industrial building was completed on north Lake Union and a new office building also located on north Lake Union is currently under construction. A long planned hotel in Ballard is now on hold due to financial difficulties.

Land Value Data:

The Commercial Waterfront Specialty appraiser is responsible for land values within Area 12.

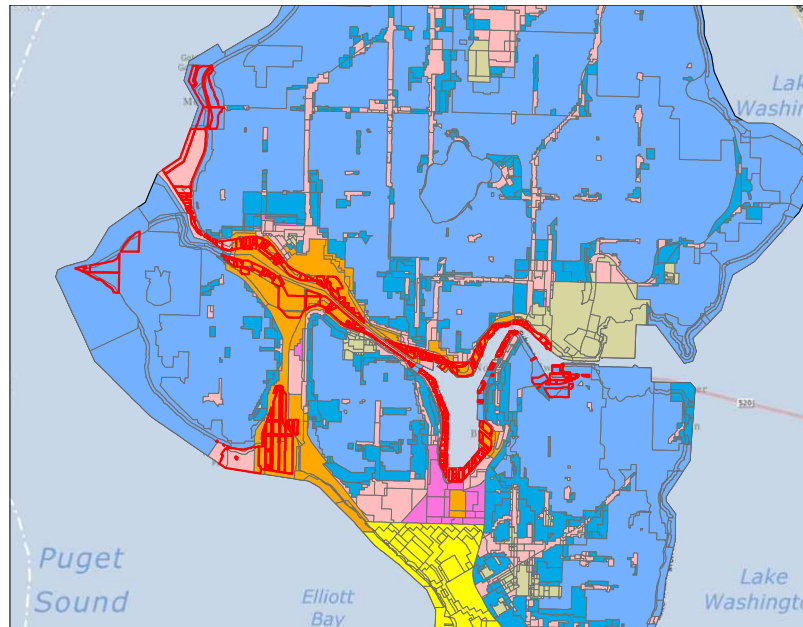
There were no commercial vacant land sales in Area 12 from 2009 through 2011 that were considered fair market transactions. The lack of sales reflects the continued overall slowdown in the land market for this neighborhood. The limited new construction and property use conversions further indicated a slow demand in the land market. The new land values are based on the neighborhood land sales and equalized with adjacent and similarly zoned properties. Values are generally based on a price/square foot. For land valuation purposes, the Assessor used GIS (Geographic Information System) as the primary tool to establish land values. A list of vacant sales used to develop the land model and also those considered not reflective of market value are included in the following sections.

The zoning within this Specialty generally consists of a Commercial Industrial nature with an overlay emphasizing marine use activity. The following table summarizes the land valuation model applied to the properties in Area 12. All dollar amounts are stated as a price per square foot of upland area. A separate rate is used to differentiate the submerged land area. The table is intended as a guide with additional adjustments made for individual site variations.

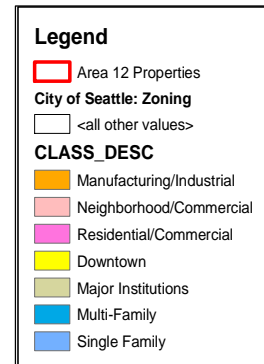
Typical Land Value Ranges Upland values		
Zoning	Description	\$ Range
IG1 U/45-65	Typical uses in this zone include general and heavy manufacturing, and commercial uses.	\$45-\$50/sqft
IB U/45 North Lake Union	Typical uses in this zone include light manufacturing and commercial uses intended as a buffer between industrial and residential zonings	\$60/sqft
Commercial C1-30/40 Ballard / Eastlake	Typical uses include a retail/service commercial area to service the surrounding residential neighborhoods.	\$60- \$105/sqft
Industrial Commercial IC45 North Lake Union	Typical uses for this zoning are intended to be a mix of commercial and light & general manufacturing.	\$70-\$75/sqft
Commercial C2-40 West/North Lake Union	Typical uses include a wide range of commercial properties including offices, warehouses and marinas.	\$75-\$85/sqft
IC 65 Freemont	Typical uses include office/ high-tech properties.	\$110/sqft
Commercial C2-40 South Lake Union /Eastlake	Typical uses include a wide range of commercial properties including offices, warehouses and marinas.	\$110- \$135/sqft

There are 45+ smaller privately owned marinas located in the Area. Moorage slip sales ranged from the uncovered slips at Newport Yacht Basin on Lake Washington typically selling for \$70,000+ for 27 lineal feet, to a single moorage slip on South Lake Union selling for \$1,050,000. A complete table of recent slip sales is included with this report.

City of Seattle General Use Zoning Map



Commercial/ Residential zones



Area zoning map



Improved Parcel Total Value Data:

There were 2 new improved sales for this area in 2011.

Due to the limited number of comparable sales within this specialty, historical sales and sales from adjacent neighborhoods were considered for this revalue. Those sales can be found in the Assessor Area Reports.

Sales Comparison Approach model description

Improved sales from 01/01/2010 to 12/31/2011 were given the most consideration for establishing total values. Sales information is obtained from excise tax affidavits and reviewed initially by the Sales Identification Section within the Accounting Division. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales were verified if possible by calling or writing either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides on the Assessor's website.

Cost Approach model description

Cost estimates are automatically calculated via the Marshall & Swift Valuation 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. Cost estimates were relied upon for valuing special use properties where comparable sales data and/or sufficient income and expense information is not available. These properties are typically exempt properties such as churches, schools, public utility buildings, and park improvements. Non-exempt buildings that are valued by the cost method may include on-going new construction.

Cost calibration

The Marshall & Swift Valuation modeling system, which is built in the Real Property Application, is calibrated to the region and the Seattle area.

Income Capitalization Approach model description

The Income Approach is considered a reliable approach to valuation for improved property types where income and expense data is available to ascertain market rates. Income parameters were derived from the market place through market rental surveys, sales, and available real estates publications and websites.

Rental rates, vacancy levels and operating expenses are derived by reconciling all of the information collected through the sales verification process, completed surveys, interviews with tenants, owners, and brokers and the appraiser's independent market research. Quality, effective year built, condition, and location are variables considered in the application of the income model to the parcels in the population best suited to be valued via the income approach.

The following table recaps the rates as reported by these publications. The table demonstrates ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market in this area to develop the income model. The range of capitalization rates in the income model for this area reflects the variety of properties in this area.

SEATTLE / PACIFIC NW CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	Seattle	7.14%	7.27%	7.58%	
		Pacific Region	6.32%	7.03%	7.14%	
PWC – Korpaz	4Q 2011	Pac NW	7.57%	-	-	Range = 5.5% to 12.00%
CBRE – Capital Markets Cap. Rate survey.	Aug.-11					CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2011 based on recent trades as well as interactions with investors. Value Added represents an underperforming property that has an occupancy level below the local average under typical market conditions.
		Seattle	5.00% - 5.50% 6.00% - 7.00% 6.50% - 7.00% 7.00% - 8.00% - - - -	- - - - 6.25% - 7.00% 6.75% - 7.25% 6.50% - 7.25% 7.75% - 8.25% - -	- - - - - - - - 5.75% - 6.50% 7.00% - 7.50%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm. w/Grocery) Class B (Neigh./Comm. w/Grocery)
	Mar.-12	Seattle	5.50% - 5.75% 6.00% - 7.00% 6.50% - 7.00% 7.00% - 8.00% - - - -	- - - - 5.25% - 5.50% 6.00% - 6.50% 6.00% - 6.50% 6.50% - 7.00% - -	- - - - - - - - 5.00% - 6.25% 5.00% - 6.25% 6.25% - 7.25% 6.25% - 7.25%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm.) Class A (Neigh./Comm.) – Value Added Class B (Neigh./Comm.) Class B (Neigh./Comm.) – Value Added
Real Capital Analytics	4Q 2011	Seattle	7.60%	7.20%	7.20%	
	Yr. End 2011	Seattle	6.80%	7.30%	7.40%	
IRR Viewpoint for 2012	Yr. End 2011	Seattle	6.00% - - -	- 8.25% - 8.75% 7.00% -	- - - 6.50% -	“Institutional Grade Properties” CBD Office Manuf./Bulk/R&D Office/Warehouse Reg./Comm. Mall
Reis	4th Qtr 2011	Seattle	6.60%	-	8.50%	

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	National	6.53% 7.84% 7.16% - 7.74% 6.33%	7.65% 8.92% 7.62% - 8.15% 7.52%	7.00% 8.14% 7.39% - 7.68% 6.66%	Overall Sq.Ft. = <50k Sq.Ft. = 50k-200k Sq.Ft. = 200K+
Korpaz (PWC)	4Q 2011	National	6.84% 7.43% - - -	- - 7.48% - 8.71% - -	- - - 7.23% - 7.35% 7.16%	CBD Office Sub. Office Flex/R&D/Whse Regional Mall /Power Center Neigh. Strip Ctrs
Real Capital Analytics	4Q 2011	National	7.20%	7.60%	7.50%	
	Yr End 2011	National	7.30%	7.80%	7.50%	
IRR Viewpoint for 2012	Yr End 2011	National	7.98% 8.13% - - - -	- - 8.46% 8.22% - -	- - - - 7.56% - 7.83% 7.96%	CBD Office - (Range 5.25% - 12.75%) Sub. Office - (Range 6.50% - 10.00%) R&D - (Range 6.75% - 9.50%) Off./Whse. - (Range 6.75% - 10.00%) Reg./Comm. Mall - (Range 5.75% - 9.50%) Neigh. Strip Ctrs. - (Range 5.75% - 9.25%)
Emerging Trends in Real Estate 2011	August 2011	National	6.32% (CBD) 7.77% (Suburban)	7.02% - 7.59% (Office/Whse./R&D)	6.66% - 7.43% (Reg. Mall/Power Ctr.) 7.12% (Neigh./Comm. Ctr.)	
RERC-CCIM Investment Trends Quarterly	4Q 2011	National W. Region	6.40% 5.70% - 6.60% 7.00%	7.40% 6.70% - 7.40% 7.10%	7.70% 6.70% - 7.10% 7.40%	RERC Realized Cap Rates NCREIF Implied Cap Rates
Marcus & Millichap (Net Lease Single-Tenant Retail Report)	1 st Half 2011	National	N/A	N/A	7.30% 7.70% 8.90%	Drug Store Quick Service Rest. Casual Dining
Calkin Site Service (Net Lease Single-Tenant Retail Report)	Yr End 2011	National	N/A	N/A	7.69% 7.40% 7.50% 7.50%	Overall (Average) Drug Store Quick Service Rest. Big Box

Income approach calibration

Income information from Area 12 and from adjacent neighborhoods are used to create models when the income approach was used. The models are calibrated after setting base rents by using adjustments on size, quality of construction, and the effective year built. When the value of the property determined by the income approach was less than the land value, a minimal \$1,000 value was allocated to the improvements.

Physical Inspection Area:

Portions of Neighborhood 40 were physically inspected for this cycle. Information for the remaining portion of Area 12 is based on existing County records and data as inspected during prior years.

Ratio Analysis:

No ratio studies were included with this report due to the small number of sales relative to the size of the Area population.

Reconciliation

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. There were some variations to the values under certain circumstances, such as properties with excess land, inferior locations, or deferred maintenance

The market sales approach is considered the most reliable indicator of value when comparable sales are available. The income approach to value is considered to be a reliable indicator of value when market sales are not available. Whenever possible, market rents, expenses, and capitalization rates were ascertained from sales, and along with data from surveys and publications, these parameters were applied to the income model. An administrative review of the selected values was made by Bonnie Christensen, Senior Appraiser for quality control purposes.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Recommended assessed values are based on market conditions as of January 1, 2012.

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed during the entire cycle 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 by particular characteristics and conditions as they occur in the valuation area.

The total assessed value for the 2011 assessment year for Specialty Area 12 was \$1,528,358,424. The total recommended assessed value for the 2012 assessment year is \$1,521,781,800.

Application of these recommended values for the 2012 assessment year (taxes payable in 2013) results in an average total change from the 2011 assessments of -.43%. The decrease in value is primarily from the reduction in land values. The total value for the specialty assigned parcels changed as follows:

	2011 Total	2012 Total	\$ Change	% Change
Total Value	\$1,528,358,424	\$1,521,781,800	-\$6,576,624	-.43%

The values recommended in this report improve values and equity; therefore it is recommended that they should be posted for the 2012 Assessment Year.

USPAP Compliance

Client and Intended Use of the Appraisal:

This mass appraisal report is intended for use by the public, King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others for other purposes 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)

Retrospective market values are reported herein because the date of the report is subsequent to the effective date of valuation. The analysis reflects market conditions that existed on the effective date of appraisal.

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

RCW 84.36.005

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.

RCW 36.21.080

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.

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 of 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 Dictionary of Real Estate Appraisal, 3rd Addition, 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 and clear 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.*
- *Services that I provided within the prior three years include physical inspection, revaluation, appeal response preparation, attendance and participation in hearings, data collection, sales verification and identifying new construction and the recording of the corresponding data.*

Commercial Appraiser II

WATERFRONT SALES

Account Nbr	Property Name	Address	Total NRA	Excise Tax Nbr	Sale Price	Sale Date	Lot Size	Zone	Par Ct.	Remarks
046700-0476	CANAL COVE MARINA	5209 SHILSHOLE AVE NW	6,630	2330484	\$1,878,887	1/16/08	35,719	IG1 U/65	1	Land, Marina & adj DNR land
408880-4565	OFFICE/ INDUSTRIAL	1341 N NORTHLAKE WAY	52,028	2262493	\$11,000,000	1/25/07	61,700	IC-45	2	Office/ Industrial Bldgs & adj DNR land. Renovation after sale
408880-4565	OFFICE/ INDUSTRIAL	1341 N NORTHLAKE WAY	46,566	2516174	\$14,660,000	10/27/11	61,700	IC-45	2	Office & adj DNR land
408880-4350	NAUTICAL LANDING	2500 WESTLAKE AVE N	30,428	2322499	\$12,000,000	11/29/07	42,250	C2-40	1	Office Bldg, Marina & adj DNR land
408880-1625	LAKESIDE CATERING	2501 N NORTHLAKE WAY	5,896	2259501	\$3,600,000	1/3/07	14,289	IB U/45	1	Non-open market Restaurant/catering
408880-1625	LAKESIDE CATERING	2501 N NORTHLAKE WAY	5,896	2507801	\$2,058,000	8/26/11	14,289	IB U/45	1	Bank/foreclosure sale
408880-4551	DOC'S DOCK	1331 N NORTHLAKE WAY	247	2444064	\$800,000	6/1/10	25,436	IC-45	1	Marina & adj DNR land
408880-4510	LAKE UNION WATERWORKS	1101 N NORTHLAKE WAY	10,533	2447521	\$4,075,000	6/25/10	30,500	C2-30	1	Office Building, Marina & adj DNR land

[illegible][illegible]

Account Nbr	Property Name	Excise Tax Nbr	Sale Price	Sale Date	Lot Size	Zone	Linear FF	Remarks	\$/ Lf
607340-0240	NEWPORT YACHT BASIN	2359655	\$79,950	8/15/08		R-2.5	27	slip B-17 Uncovered	\$2,961
607340-0250	NEWPORT YACHT BASIN	2361467	\$75,000	8/22/08		R-2.5	27	slip B-18 Uncovered	\$2,778
607340-0260	NEWPORT YACHT BASIN	2436100	\$73,000	04/01/10		R-2.5	27	slip B-19 Uncovered	\$2,704
607340-0270	NEWPORT YACHT BASIN	2354110	\$75,000	6/26/08		R-2.5	27	slip B-21 Uncovered	\$2,778
607340-0290	NEWPORT YACHT BASIN	2348903	\$71,000	5/28/08		R-2.5	27	slip B-22 Uncovered	\$2,630
607340-0530	NEWPORT YACHT BASIN	2381664	\$70,000	02/26/09		R-2.5	27	slip B-46 Uncovered	\$2,593
607340-0610	NEWPORT YACHT BASIN	2463340	\$70,000	10/14/10		R-2.5	27	slip B-54 Uncovered	\$2,593
607340-0630	NEWPORT YACHT BASIN	2340044	\$70,000	4/1/08		R-2.5	27	slip B-56 Uncovered	\$2,593
607340-0640	NEWPORT YACHT BASIN	2349825	\$70,000	6/5/08		R-2.5	27	slip B-57 Uncovered	\$2,593
607340-1570	NEWPORT YACHT BASIN	2451333	\$70,000	07/21/10		R-2.5	27	slip C-56 Uncovered	\$2,593
607340-1890	NEWPORT YACHT BASIN	2491114	\$65,000	5/9/11		R-2.5	27	slip C-88 Uncovered	\$2,407
607340-1970	NEWPORT YACHT BASIN	2415334	\$85,000	10/29/09		R-2.5	39	slip C-101 Uncovered	\$2,179
607340-2310	NEWPORT YACHT BASIN	2346954	\$115,000	5/14/08		R-2.5	44	slip D-12 Uncovered	\$2,614
607340-3080	NEWPORT YACHT BASIN	2329107	\$78,000	1/10/08		R-2.5	29	slip A-21 Uncovered	\$2,690
607340-3260	NEWPORT YACHT BASIN	2432529	\$80,000	03/11/10		R-2.5	29	slip A-39 Uncovered	\$2,759
607340-3350	NEWPORT YACHT BASIN	2345141	\$57,500	4/30/08		R-2.5	20	slip A-48 Uncovered	\$2,875
607340-0140	NEWPORT YACHT BASIN	2487153	\$120,000	4/11/11		R-2.5	35	slip B-07 Covered	\$3,429
607340-0210	NEWPORT YACHT BASIN	2493396	\$150,000	5/25/11		R-2.5	38	slip B-14 Covered	\$3,947
607340-1090	NEWPORT YACHT BASIN	2518716	\$140,000	11/10/11		R-2.5	40	slip C-08 Covered	\$3,500

Account Nbr	Property Name	Excise Tax Nbr	Sale Price	Sale Date	Lot Size	Zone	Linear FF	Remarks	\$/ Lf
607340-1100	NEWPORT YACHT BASIN	2518715	\$125,000	11/10/11		R-2.5	40	slip C-09 Covered	\$3,125
607340-1160	NEWPORT YACHT BASIN	2444807	\$155,000	05/24/10		R-2.5	40	slip C-15 Covered	\$3,875
607340-1200	NEWPORT YACHT BASIN	2399533	\$170,000	07/07/09		R-2.5	40	slip C-19 Covered	\$4,250
607340-1340	NEWPORT YACHT BASIN	2505223	\$155,000	8/11/11		R-2.5	44	slip C-33 Covered	\$3,523
607340-1380	NEWPORT YACHT BASIN	2345274	\$180,000	5/7/08		R-2.5	44	slip C-37 Covered	\$4,091
607340-2050	NEWPORT YACHT BASIN	2500797	\$112,750	6/29/11		R-2.5	32	slip C-109 Covered	\$3,523
607340-2350	NEWPORT YACHT BASIN	2409193	\$154,000	08/27/09		R-2.5	35	slip D-16 Covered	\$4,400
607340-2380	NEWPORT YACHT BASIN	2494289	\$130,000	5/10/11		R-2.5	32	slip E-01 Covered	\$4,062
607340-2530	NEWPORT YACHT BASIN	2403324	\$110,000	08/04/09		R-2.5	26	slip E-16 Covered	\$4,231
607340-2570	NEWPORT YACHT BASIN	2405195	\$115,000	08/19/09		R-2.5	26	slip E-20 Covered	\$4,423
607340-2590	NEWPORT YACHT BASIN	2346926	\$115,000	5/19/08		R-2.5	26	slip C-22 Covered	\$4,423
607340-2840	NEWPORT YACHT BASIN	2370547	\$135,000	11/05/08		R-2.5	30	slip F-21 Covered	\$4,500
607340-2890	NEWPORT YACHT BASIN	2376971	\$100,000	01/12/09		R-2.5	30	slip F-31 Covered	\$3,333
607341-0200	NEWPORT YACHT BASIN 2	2340239	\$125,000	3/28/08		R-2.5	32	slip G-18 Covered	\$3,906

Vacant Sales for Area 012 with Sales not Used

Area	Nbhd.	Major	Minor	Land Area	E #	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
012	040	270870	0070	94,962	2506120	\$3,100	08/11/11	\$0.03	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0140	94,962	2394356	\$3,100	06/10/09	\$0.03	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0270	94,962	2458249	\$3,600	09/10/10	\$0.04	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0280	94,962	2478857	\$83,111	02/07/11	\$0.88	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0290	94,962	2508041	\$70,000	08/25/11	\$0.74	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0350	94,962	2403094	\$4,400	08/06/09	\$0.05	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0500	94,962	2464243	\$5,400	10/11/10	\$0.06	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0510	94,962	2468339	\$4,500	11/22/10	\$0.05	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	270870	0560	94,962	2527213	\$95,000	01/13/12	\$1.00	GASWORKS PARK MARINA	IB U/45	1	33	Lease or lease-hold
012	040	408880	4551	25,436	2444068	\$133,333	06/01/10	\$5.24	TILlicum MARINA	IC-45	1	22	Partial interest (1/3, 1/2, etc.)
012	040	408880	4551	25,436	2444070	\$133,333	05/26/10	\$5.24	TILlicum MARINA	IC-45	1	22	Partial interest (1/3, 1/2, etc.)
012	040	408880	4551	25,436	2444072	\$266,667	05/26/10	\$10.48	TILlicum MARINA	IC-45	1	22	Partial interest (1/3, 1/2, etc.)
012	040	735640	0110	1,325	2525445	\$1,000	12/30/11	\$0.75	ROANOKE REEF BOAT MOORAGES	SF 5000	1	33	Lease or lease-hold
012	040	880590	0002	49,975	2490037	\$2,500	03/25/11	\$0.05	VACANT LAND	SF 5000	1	24	Easement or right-of-way
012	080	607340	2390	1,150	2482688	\$36,016	03/17/11	\$31.32	NEWPORT YACHT BASIN PH I COND	R-2.5	1	15	No market exposure