

**Commercial Revalue**

**2017 Assessment roll**

**RETIREMENT HOMES  
AREA 153 &**

**NURSING HOMES  
AREA 174**

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

**John Wilson, Assessor**



## King County

### Department of Assessments

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***John Wilson***  
***Assessor***

Dear Property Owners,

Our field appraisers work hard throughout the year to visit properties in neighborhoods across King County. As a result, new commercial and residential valuation notices are mailed as values are completed. We value your property at its “true and fair value” reflecting its highest and best use as prescribed by state law (RCW 84.40.030; WAC 458-07-030).

We continue to work hard to implement your feedback and ensure we provide accurate and timely information to you. We have made significant improvements to our website and online tools to make interacting with us easier. The following report summarizes the results of the assessments for your area along with a map. Additionally, I have provided a brief tutorial of our property assessment process. It is meant to provide you with the background information about the process we use and our basis for the assessments in your area.

Fairness, accuracy and transparency set the foundation for effective and accountable government. I am pleased to continue to incorporate your input as we make ongoing improvements to serve you. Our goal is to ensure every single taxpayer is treated fairly and equitably.

Our office is here to serve you. Please don't hesitate to contact us if you ever have any questions, comments or concerns about the property assessment process and how it relates to your property.

In Service,

John Wilson  
King County Assessor

# How Property Is Valued

King County along with Washington's 38 other counties use mass appraisal techniques to value all real property each year for property assessment purposes.

## What Are Mass Appraisal Techniques?

In King County the Mass Appraisal process incorporates statistical testing, generally accepted valuation methods, and a set of property characteristics for approximately 700,000 residential, commercial and industrial properties. More specifically for commercial property, the Assessor breaks up King County into geographic or specialty (i.e., office buildings, warehouses, retail centers, etc.) market areas and annually develops valuation models using one or more of the three standard appraisal indicators of value: Cost, Sales Comparison (market) and Income. For most commercial properties the income approach is the primary indicator of value. The results of the models are then applied to all properties within the same geographic or specialty area.

## Are Properties Inspected?

All property in King County is physically inspected at least once during each six year cycle. Each year Assessor's appraisers inspect a different geographic area. An inspection is frequently an external observation of the property to confirm whether the property has changed by adding new improvements or shows signs of deterioration more than normal for the property's age. For some larger or complex commercial properties an appraiser may need to also conduct an interior inspection of the buildings or property. From the property inspections we update our property assessment records for each property.

## How are Individual Commercial Properties Valued?

The Assessor collects a large amount of data regarding commercial properties: cost of construction, Sales of property, and prevailing levels of rent, operating expenses, and capitalization rates. Statistical analysis is conducted to establish relationships between factors that might influence the value of commercial property. Lastly valuation models are built and applied to the individual properties. For income producing properties, the following are the basic steps employed for the income approach:

1. Estimate potential gross income
2. Deduct for vacancy and credit loss
3. Add miscellaneous income to get the effective gross income
4. Determine typical operating expenses
5. Deduct operating expenses from the effective gross income
6. Select the proper capitalization rate
7. Capitalize the net operating income into an estimated property value

## How is Assessment Uniformity Achieved?

The Assessor achieves uniformity of assessments through standardization of rate tables for incomes, operating expenses, vacancy and credit loss collections and capitalization rates which are uniformly applied to similarly situated commercial properties. Rate tables are generated annually that identify specific rates based on location, age, property type, improvement class, and quality grade. Rate

tables are annually calibrated and updated based on surveys and collection of data from local real estate brokers, professional trade publications, and regional financial data sources. With up-to-date market rates we are able to uniformly apply the results to properties based on their unique set of attributes.

Where there is a sufficient number of sales, assessment staff may generate a ratio study to measure uniformity mathematically through the use of a coefficient of dispersion (aka COD). A COD is developed to measure for and show the uniformity of predicted property assessments. We have adopted the Property Assessment Standards prescribed by the International Association of Assessing Officers (aka IAAO) that may be reviewed at [www.IAAO.org](http://www.IAAO.org). The following are target CODs we employ based on standards set by IAAO:

Type of Commercial Property	Subtype	COD Range
Income Producing	Larger areas represented by large samples	5.0 to 15.0
Income Producing	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant Land		5.0 to 25.0
Other real and personal property		Varies with local conditions

Source: IAAO, *Standard on Ratio Studies*, Table 2-3. [www.IAAO.org](http://www.IAAO.org)

More results of the statistical testing process is found within the attached area report.

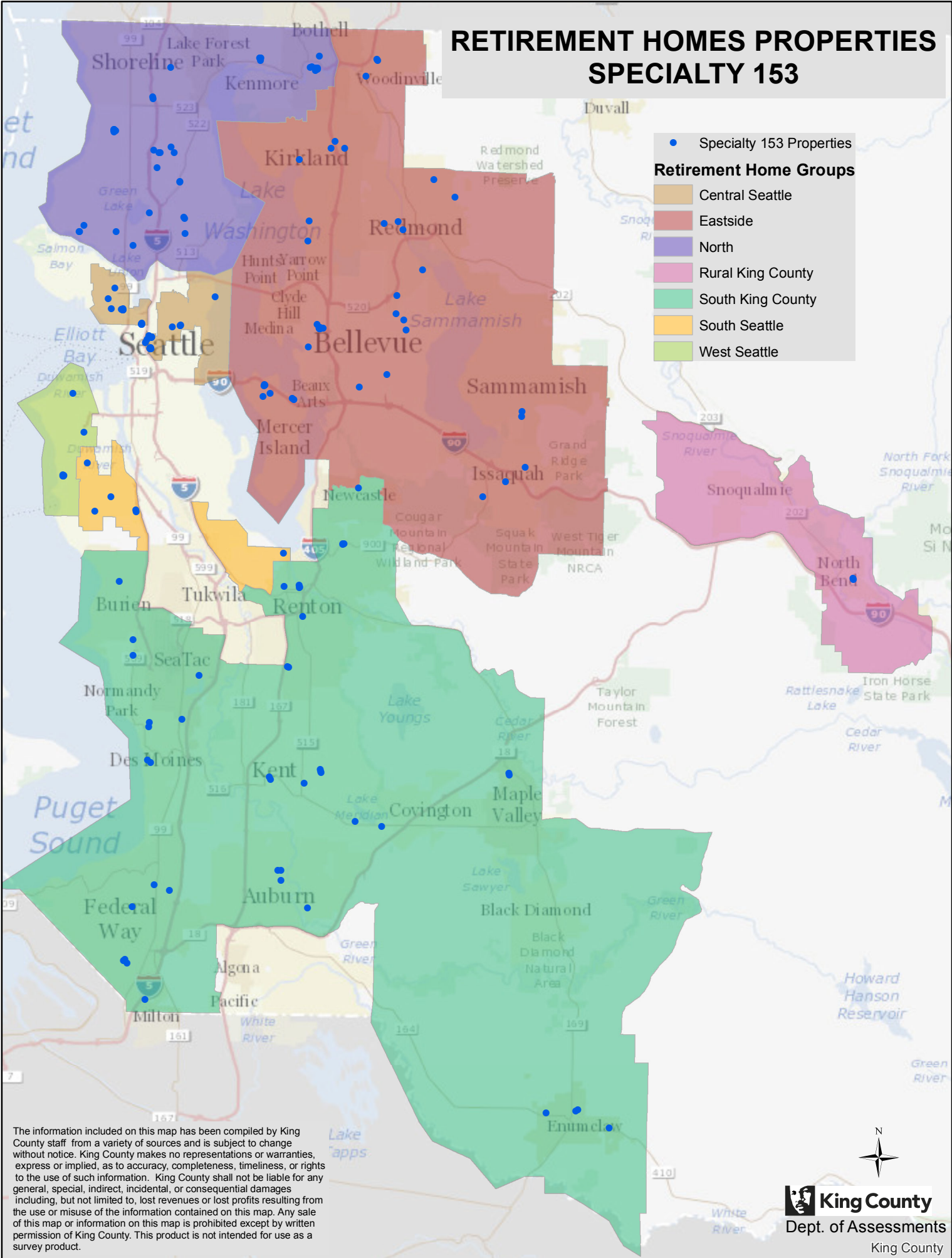
## Requirements of State Law

Within Washington, property is required to be revalued each year to market value based on its highest and best use. (RCW 8441.030; 84.40.030; and WAC 458-07-030). Washington Courts have interpreted fair market value as the amount of money a buyer, willing but not obligated to buy, would pay to a seller willing but not obligated to sell. Highest and Best Use is simply viewed as the most profitable use that a property can be legally used for. In cases where a property is underutilized by a property owner, it still must be valued at its highest and best use.

## Appraisal Area Reports

The following area report summarizes the property assessment activities and results for a general market area. The area report is meant to comply with state law for appraisal documentation purposes as well as provide the public with insight into the mass appraisal process.

# RETIREMENT HOMES PROPERTIES SPECIALTY 153



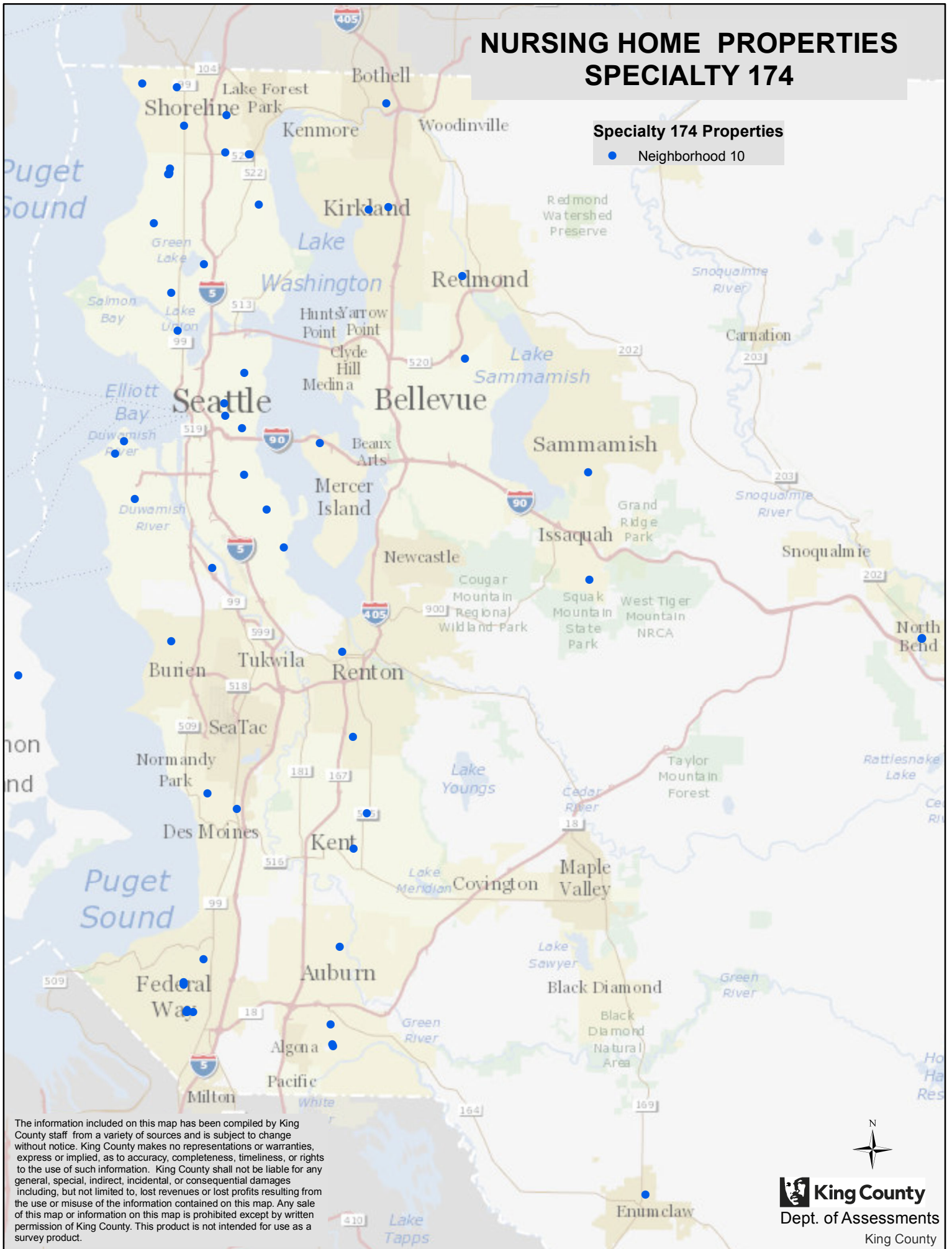
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# NURSING HOME PROPERTIES SPECIALTY 174

## Specialty 174 Properties

• Neighborhood 10



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## Summary Report

**Effective Date of Appraisal:** January 1, 2017 – 2017 Assessment Roll

**Date of Appraisal Report:** May 24, 2017

### Specialty Name

- Retirement Homes, Specialty Area 153
- Nursing Homes, Specialty Area 174

**Physical Inspection:** Selected retirement homes and nursing homes from the South King County super group were physically inspected. These properties were inspected in 2017 prior to posting the specialty area 153 and 174 values.

## Improved Sales Summary

### Specialty Area 153

- Number of sales: 3
- Range of sales dates: 3/31/2014 – 1/21/2016

### Specialty Area 174

- Number of sales: 1
- Date of sale: 9/26/2016
- There were no sales of senior nursing homes that meet the requirements of a fair market transaction in 2014 and 2015.

All improved sales that were verified as market sales that did not have major renovation or have not been segregated or merged between the date of sale and the date of appraisal were included in the analysis. Sales not identified as market sales include: properties sold as a portion of a bulk portfolio sale; unknown value for personal property and business value included in sales price; sales that have had major renovations after the sale, or have been converted to another use.

### Sales - Ratio Study Summary

Due to the limited number of sales in specialty areas 153 and 174, a ratio study is not included. The ratio study would not be considered statistically valid.

### Population – Parcel Summary Data

There are a total of 373 parcels within specialty areas 153 and 174. There are 115 retirement homes (Area 153) in King County – 312 total number of parcels, 115 of which are condominium units. There are 48 nursing homes (Area 174) in King County – 61 total parcels. The population includes both improved and vacant parcels. Facilities which have both retirement and nursing services are assigned to the category appropriate for the majority of units.

### Specialty Area 153 – Retirement Homes

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2016 Value	\$602,462,600	\$1,740,924,400	\$2,343,387,000
2017 Value	\$719,120,600	\$1,694,096,300	\$2,413,216,900
% Change	19.36%	-2.69%	2.98%

### Specialty Area 174 – Nursing Homes

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2016 Value	\$188,223,600	\$148,361,300	\$336,584,900
2017 Value	\$210,320,200	\$144,928,300	\$355,248,500
% Change	11.74%	-2.31%	5.54%

### Conclusions and Recommendations

With only three sales of retirement homes (Spec 153) and one nursing home sale (Spec 174), there were insufficient sales in all of the market segments to rely on the Sales Comparison Approach in the 2017 revalue. The Cost Approach was utilized in the final reconciliation of value in Specialty Area 153 recognizing the value for the real estate component of retirement homes. The Income Approach is used in the final reconciliation of value in Specialty Area 174 because it allows for greater equalization and uniformity in the valuation of nursing homes. In addition, sufficient market income data was available for the analysis.

The resulting valuation by the income approach for Specialty Area 174 reflects the improving income fundamentals, particularly the slightly lower capitalization rates. The overall increase of 2.98% in Specialty Area 153 and reflects the addition of completed new retirement homes in King County. Specialty Area 174 saw an increase in overall value of 5.54%. This increase is mainly due to increasing land values across King County. The recommended values do not include the limited new construction values which are valued later.

The values recommended in this report are believed to improve uniformity, assessment level and equity. In consideration of current market conditions, it is recommended that these values be posted for the 2017 assessment year.



## Identification of the Specialty Areas

### Specialty Area 153 Neighborhoods

Neighborhood Number	Name	Neighborhood Number	Name
Central Seattle		South Seattle	
15	Lower Queen Anne	165	Skyway
20	South Lake Union	200	Highland Park
40	Madison Park / Leschi	215	High Point
45	Queen Anne	South King County	
65	Capitol Hill East	240	Des Moines
85	First Hill	245	Burien
West Seattle		255	Sea Tac
225	Junction	270	Federal Way
230	Alki / Fauntleroy	290	Auburn North
235	Admiral	300	Enumclaw / Black Diamond
North Seattle		305	Kent Valley
90	Greenwood	310	Covington / Maple Valley
95	Lake City	315	Renton
100	Northgate	320	Benson / East Hill
110	University	330	Renton Highlands
115	Wallingford	Eastside	
125	Wedgewood	340	Mercer Island
135	Leary	350	Issaquah
145	Ballard West	360	Bellevue West
150	Greenlake	365	Bellevue East
155	Phinney	370	Kirkland
North King County		380	Totem Lake
385	Bothell	425	Woodinville
400	Kenmore	430	Redmond
415	Shoreline East	Rural King County	
420	Shoreline West	465	Snoqualmie

### Specialty Area 174 Neighborhood

- 10 – King County

#### Area Boundaries

All nursing homes and retirement facilities within King County are included.

## Maps

A general map of the area is included in this report. More detailed Assessor's maps are located on the seventh floor of the King County Administration Building.

## Area Overview

### Retirement Facilities (153)

The three most common types of senior housing are independent living, assisted living, and continuing care retirement communities (CCRC). In addition, some assisted living facilities have a special memory care section of the facility for persons with Alzheimer's or other forms of dementia. Full memory care units do not have kitchens and are secure to prevent the residents from wandering on their own. Regulations specify these facilities must provide qualified staff to be present at all times. Although there are no universally accepted standard definitions, retirement facilities can generally be characterized as follows:

Independent Living or Congregate senior housing is multi-family housing designed for seniors who pay for some services (e.g. housekeeping, transportation, and meals) as part of the monthly fee or rental rate, but who require little, if any, assistance with the activities of daily living. They may have some home healthcare type services (e.g. eating, transferring from a bed or chair, and bathing) provided to them by in-house staff or an outside agency. Congregate senior housing is not regulated by the federal government, and may or may not be licensed at the state level. The units are similar to traditional apartment units and typically have full kitchens.

Assisted living residences are designed for seniors who need more assistance with the activities of daily living, but do not require continuous skilled nursing care. Assisted living units may be part of a congregate senior housing residence or a continuing care retirement community. They may be contained in a property that supports assisted living units and nursing beds, or may be in a dedicated assisted living residence. The units are similar to traditional apartment units, although they may not have full kitchens, but kitchenettes with a sink, refrigerator, and microwave.

Memory Care is a subset of Assisted Living and is designed for those with Dementia or Alzheimer's. The units typically are secure and have limited or no cooking facilities.

Assisted living is still more residential than health care and basically remains a 100% private pay business. They are licensed as boarding homes in Washington and subject to more stringent state regulations than congregate senior housing. Assisted Living and Boarding Home Reform was passed in March of 2000 to improve equitable regulations of assisted living. The rules aim to create more options and assure safety; they address medication, staff training, meal control, and residents' rights.

Boarding homes are licensed on a per-bed basis. Typically, the bed licenses are "floating" in that they can be assigned to whichever resident in the facility is utilizing the assisted living services. Thus there is not much difference between Independent Living facilities and Assisted Living facilities from a physical standpoint. Assisted living requires either more staff resources on site or contracting with others off site to provide those services.

Continuing care retirement communities are senior living complexes that provide a continuum of care including housing, healthcare, and various supportive services. Health care (e.g. nursing) services may be provided directly or through access to affiliated healthcare facilities. Fees are structured as a refundable (or partially refundable) entrance fee plus a monthly fee; as equity ownership (cooperative or condominium) plus a monthly fee; or as a rental program. CCRCs are not regulated by the federal government, but are subject to state licensing and regulation in most states.

The most prevalent type of facility is one that provides both assisted and independent care. CCRCs are placed where seniors can go while they are still independent and live among their peers, form new friendships and still go out and about in the community outside the campus.

The growing trend in the senior housing industry is to combine a variety of housing and services in one campus. The goal is to have residents age in one place, without the need to move off campus as their needs change. These facilities will have senior apartments with age restrictions but few services, combined with on-site meal plans for independent living, then adding varying assisted living services, and also providing a section for memory care and a skilled nursing facility. The Mirabella<sup>1</sup> at the corner of Westlake and Denny, and Skyline<sup>2</sup> at First Hill are examples of this concept.

In an effort to maximize the productivity of staff, some facilities, including nursing homes, are providing services to non-residents. This can complicate the valuation of the real estate because all the services are not directly related to the residents<sup>3</sup>.

### **Nursing Homes (174)**

As our population ages, individuals needing continuing skilled nursing care leave the family setting for nursing homes. Individuals recovering from major illness or surgery may also need nursing homes on a temporary basis. Nursing facilities provide various levels of health care service on a 24-hour basis in addition to shelter, dietary, housekeeping, laundry, and social needs. Nursing facilities include intermediate, skilled, and sub-acute care. In some cases, nursing homes may be part of a CCRC. Nursing homes are often referred to as convalescent hospitals or rehabilitation facilities.

Newer nursing homes have larger bed areas, usually two-bed rooms (semi-private) or one-bed rooms (private). Older homes are more likely to have rooms containing three or more beds.

As a result of the Balanced Budget Act of 1997, a new Medicare payment system was implemented beginning July 1, 1998. It replaced the cost-based skilled nursing facility reimbursement system with prospective payment system (PPS). Skilled nursing facilities (SNF) receive payment for each day of care provided to a Medicare beneficiary. Seventy-five percent of nursing home residents are on Medicare or Medicaid.

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<sup>1</sup> <http://www.mirabellaretirement.org/seattle/>

<sup>2</sup> <http://www.skylineatfirsthill.org/>

<sup>3</sup> "Owner and Operators Get Creative to Boost Profits", National Real Estate Investor, [http://nreionline.com/seniorshousing/owners\\_operators\\_boost\\_profits\\_1025/](http://nreionline.com/seniorshousing/owners_operators_boost_profits_1025/), downloaded 6/30/2011.

The nursing home industry in Washington is comprised of both for-profit and nonprofit homes. The King County assessment rolls show 30% of the Nursing Home parcels as exempt or partially exempt.

Nursing homes are regulated by the Certificate-Of-Need Program (CON). The CON program is mandated by the federal government and administered by individual states. In 1971, Washington began requiring anyone wanting to build or acquire facilities to first gain state permission in the form of a certificate of need. Washington has estimated bed need to be 40 beds per 1,000 persons of age 70 and older. King County is projected to have 35 beds per 1,000 persons aged 70 and older.<sup>4</sup> Therefore, the bed need for King County as of 2017 is not met under the current guidelines.

No new stand-alone nursing homes have been constructed in King County since 2002 and none are currently planned. Those built since then have been part of CCRCs. The stand-alone nursing home model of care has been in decline for years. Factors such as the high cost of skilled nursing and cuts to Medicare and Medicaid will accelerate this trend. Other deterrents for growth include information that nursing homes are rarely built on a speculative basis, and building codes for these facilities are very stringent. Most stand-alone nursing homes in King County were constructed in the 1960's.

## **Current Trends in Senior Care**

### **Continuing Care Retirement Communities**

Aging in place options will become increasingly attractive. Continuing care retirement communities (CCRC's) have been an attractive option for many seniors in the past, this trend is expected to continue into 2017 and beyond. CCRC's offer a continuum of care with options for completely independent living, assisted living, and even nursing home-level care, providing residents with the appropriate level of care at each life stage, without having to relocate to other facilities. As Boomers begin to enter the senior home care arena, the advantages of CCRC's are likely to be a big draw for this generation that grew up with greater affluence and household conveniences than their elders.

### **Assisted Living**

As cost concerns continue to affect the assisted living industry, the economic advantages of "going green" will entice a growing number of assisted living communities to embrace eco-friendly measures. While there may be an initial investment in building up a green infrastructure (LEED-certification, for instance), eco-friendly improvements, lighting and appliances can save money in the long run and are much better for the environment.

With an eye on attracting a new generation of older adults, many assisted living communities will be adding amenities that resonate with Boomers. Master bedrooms with walk-in closets, spacious bathrooms, and fully equipped kitchens will provide a comfortable setting more like the homes they are used to living in.

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<sup>4</sup> 2017 - 2019 Nursing Home Bed Forecast – 70+ <http://www.doh.wa.gov/Portals/1/Documents/2300/2015/2016-2018NHBedForecasts.pdf>

## Memory Care

Utilizing the theory behind reminiscence therapy and extending it, many memory care facilities are using sight, sound, and even smell to help dementia residents retrieve long-term memories. Grounds and living areas which mimic styles from the 1950s and 1960s immerses residents in the familiar world of their youth. Research indicates that this form of memory care reduces agitation and anxiety, and even improves cognitive function for some. As research in this interesting field progresses, it is likely that more and more assisted living communities will utilize familiar objects and images from the past to enhance the wellbeing of residents at any level.

## Retirement Facilities Market Summary

**Regional:** In 2016, King County senior housing occupancy rose 18 basis points (bps) to 91.8%, a year over year growth of 3.6% compared with 2015. The average rent for an independent living unit in 2016 is \$3,489 per month, which is a year over year rent growth of 1.7%. The average monthly rent for an assisted living unit is \$4,448 and memory care units rent for an average of \$7,020 per month. Year over year rent growth was 4.8% in the assisted living category.<sup>5</sup> Yearly inventory grew by 31 units for independent living facilities, while assisted living inventory grew by 187 units.

In King County, stabilized occupancy for units in CCRCs is at 91.0% for units with an entrance fee.<sup>6</sup> The average entrance fee for studio units is \$92,331; \$213,783 for 1 bedroom units; \$514,565 for 2 bedroom units; \$245,889 for 3+ bedroom units. Year over year rent growth for CCRC's in 2016 was -.50%.<sup>7</sup> King County households with seniors aged 75 and older is projected to grow by 2.4% annually which will increase demand for the construction of new CCRC's.

**National:** Over the next 10 years as more than 20 million from the baby boomer generation will join the 65-plus age cohort and will account for 20 percent of the total population. As a result, housing and medical services to accommodate these individuals' needs have prompted a construction boom in the senior housing segment. Luxury assisted living and independent living communities are leading the charge. A large share of this construction is taking place in 10 primary markets; however, these metros' history of strong absorption trends and stable economic outlooks will help ease concerns of potential overbuilding. Meanwhile, rising demand for services in other markets will prompt developers to seek building opportunities in underdeveloped areas where occupancy is reaching peak levels. This year, absorption of senior

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<sup>5</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2016, Seattle, WA, Pg. 11

<sup>6</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2016, Seattle, WA Pg. 10

<sup>7</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2016, Seattle, WA, Pg. 10

housing units remains strong despite mounting completions, and rent will continue to advance across all seniors housing property types.<sup>8</sup>

NIC MAP reported approximately 6,380 independent living units were added to inventory during the last 12 months, up from the 4,350 units in the prior year. Construction continues to remain robust as builders have more than 19,300 IL units underway throughout the country. Despite inventory surging over the past four quarters, occupancy at stabilized IL centers held firm at 91.4%. Occupancy has remained above 91% for the past two years, nearing the previous peak of 92% in early 2008. Rent growth has strengthened over the past four quarters, with average monthly rent rising 3.3% annually to \$2,991 per unit. In the last 12 months, sales of independent living properties grew 37%, as price per unit fell by 7%. During this period, investors paid an average price of \$186,000 per unit, marking a 12% increase over the previous year.<sup>9</sup>

Per NIC MAP, AL inventory grew by 11,300 units over the last four quarters, increasing from the nearly 9,300 units in 2015. AL development accounts for the bulk of seniors housing construction and approximately 30,700 units are underway. A surge in completions has placed supply-side pressure on occupancy and the rate at stabilized AL centers fell 40 basis points over the last year to 89.8%. This is the first time occupancy has fallen below 90% since mid-2012. The average rent continues to rise at a vigorous pace despite elevated completions and downward pressure on occupancy. In the last 12 months average rent increased 2.7% to \$4,401 per month. Sales of assets in higher-priced markets along the West Coast and in the Northeast were constrained during the year, weighing on the average price per unit, which dipped 15% to \$147,400 since last July. The average cap rate held firm at 7.7% for properties sold in 2016.<sup>10</sup>

Industry source, NIC MAP reported inventory growth of 2,450 CCRC units over the last four quarters, up from the 1,980 units in 2015. The occupancy rate has hovered in the high-90 percent area for the past two years and in the most recent quarter it reached 90.7%. Limited inventory growth and healthy demand will keep occupancy in this area stable over the months to come. Rents will climb in this segment, with the average pushing up to \$3,090 per month, an increase of 3.5% from last year. This was the strongest pace of growth in nearly 10 years and the second consecutive quarter rent advanced by more than 3.4%. Investors focused on older CCRC assets during the last 12 months, with 85% of trades occurring for properties built more than 10 years ago, up from 65% in the preceding annual period. This facilitated a 20% decline in the average price to \$105,400 per unit during this period. The average cap rate rested in the mid-to-high 8% area in the second quarter of 2016.<sup>11</sup>

Memory care units, which are included in NIC MAP's definition of CCRCs, is a growing segment of the industry, and as the number of people diagnosed with some form of memory loss is expected to rise significantly over the next several years, the construction pipeline is beginning to grow. This year, however, occupancy will remain just below 91 percent, staying flat from 2015, and the average rent will increase 3.6 percent annually to \$3,116 per month.<sup>12</sup>

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<sup>8</sup> Marcus & Millichap Sr. Housing Research Report, 2<sup>nd</sup> Half 2016, Pg. 1

<sup>9</sup> Marcus & Millichap Sr. Housing Research Report, 2<sup>nd</sup> Half 2016, Pg. 2

<sup>10</sup> Marcus & Millichap Seniors Housing Report, 2<sup>nd</sup> Half 2016, Pg. 2

<sup>11</sup> Marcus & Millichap Seniors Housing Report, 2<sup>nd</sup> Half 2016, Pg. 3

<sup>12</sup> Marcus & Millichap Seniors Housing Report, 2<sup>nd</sup> Half 2016, Pg. 3



## Nursing Homes Market Summary

**Regional:** In 4Q16, occupancy was unchanged at 86% from last quarter, which was attributable to inventory decline of 8 units and absorption of -8 units during the quarter. There were 70 stabilized properties reporting occupancy, with 18 reporting stabilized occupancy of 80% or less. In the past year, occupancy has declined 420 bps due to inventory decline of 27 units and absorption of -372 units during that time. YOY rent growth was 3.7%, which is slower than its 3.9% pace a year ago. There were 69 properties reporting rents on a YOY basis, with 30 reporting YOY rent growth of 1% or less.<sup>13</sup>

**National:** Industry source NIC MAP reported that inventory of skilled nursing declined over the last year with a net of 950 beds pulled from stock during 2016. In the previous year, inventory declined by 2,240 beds. The construction pipeline is also thinning as just 6,100 beds are underway. Despite thousands of skilled nursing beds coming out of service over the past few years, occupancy continues to fall at stabilized SN centers. In the second quarter, the rate declined 80 basis points year over year to 87.0 percent, the lowest recorded occupancy rate in nearly 10 years. Over the last 12 months, the average daily rate increased 2.6 percent to \$298 per bed per day. The rising cost of medical care is one large driver behind the growing rates at skilled nursing centers, and as modern medicine continues to extend lifespans, the rate will climb. Strong price appreciation for skilled nursing facilities in Southern and Northeastern markets contributed to a 6.0 percent annual rise in the overall average price to \$88,400 per bed for the yearlong period ending in the second quarter. The average cap rate hovered in the mid-to-high 9% area during this time frame.<sup>14</sup>

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<sup>13</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2016, Seattle, WA, Pg. 10

<sup>14</sup> Marcus & Millichap Seniors Housing Report, 2<sup>nd</sup> Half 2016, Pg. 3

## Analysis Process

**Effective Date of Appraisal:** January 1, 2017

**Date of Appraisal Report:** May 24, 2017

### Highest & Best Use Analysis

**As if Vacant:** Market analysis, together with current zoning, indicate the highest and best use of the majority of the population as commercial. 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. 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 is assigned to the improvements and the property may be returned to the geo-appraiser.

**Interim Use:** In many instances, a property's highest and best use may change in the foreseeable future. For example: a tract of land at the edge of a city might not be ready for immediate development, but growth trends may suggest it should be developed in a few years. Similarly, there may be insufficient demand for office space to justify the construction of a new building at the present time, but increased demand may be expected in the future. In such situations, the immediate development of the site or conversion of the improved property to its future highest and best use is usually not financially feasible. Therefore, it is classified as interim use.

**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 by field inspection, review of plans, marketing information, and rent rolls when available.

### Special Assumptions, Departures, and Limiting Conditions

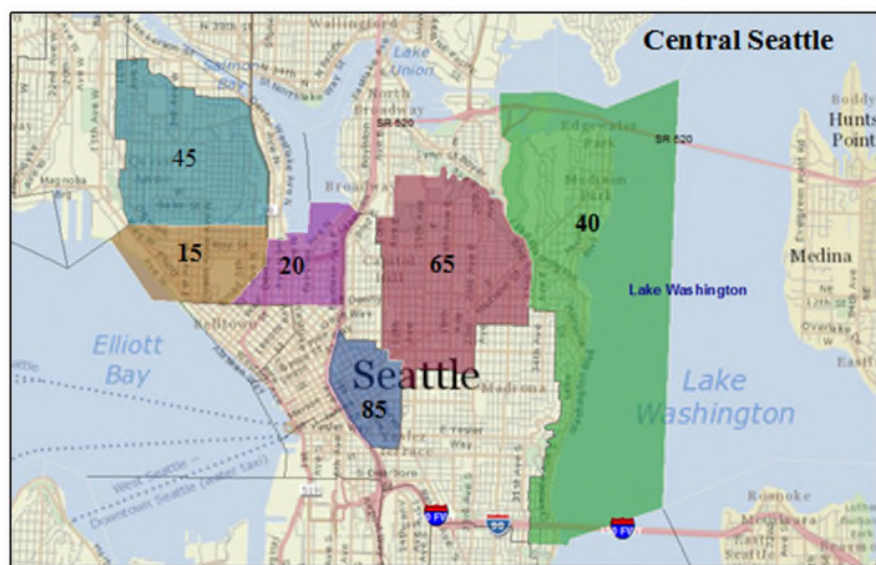
All three approaches to value were considered in this appraisal. The following departmental guidelines were considered and adhered to:

- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.
- A meaningful time trend analysis was not conducted due to a lack of data. Therefore time adjustments were not made to the sales population.

## Area Description

Nursing homes and retirement facilities are dispersed throughout the county. For purposes of the revaluation of the retirement home specialty, the population has been segmented into eight regions. These regions are generally described by their geographic location with the exception of nursing homes, which are described by the primary use. The following is a brief description of each specialty and market activity, if any, occurring in each area.

### Central Seattle Super Group

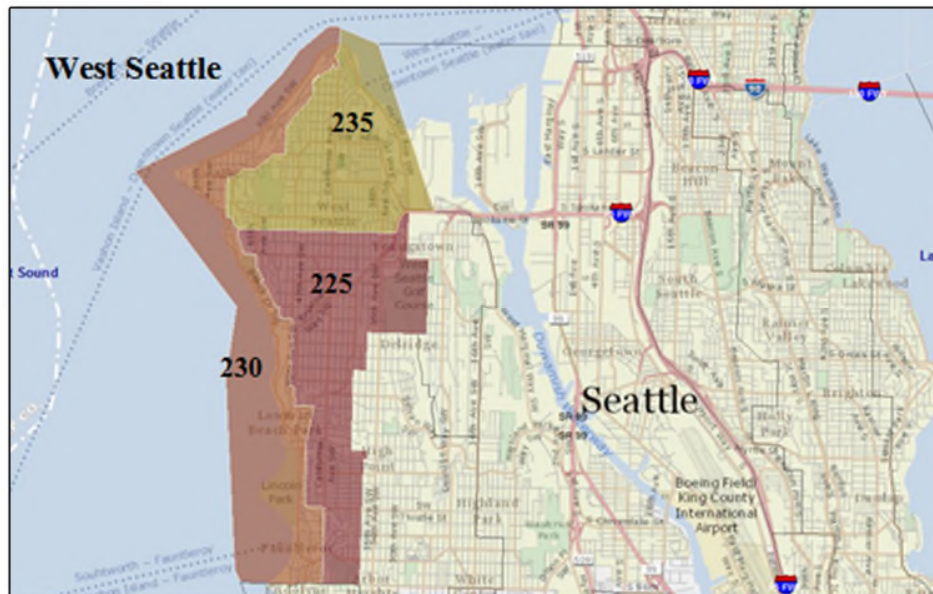


The Central Seattle region represents 10.4% of the Specialty Area 153 population. Retirement homes located closer to downtown Seattle tend to be mid-rise to high-rise. Retirement homes located within more residential neighborhoods are low-rise to mid-rise buildings. The largest concentrations of retirement homes are located within the First Hill neighborhood in the city of Seattle. First Hill has a high concentration of health related services, which makes it an ideal location for retirement homes.

A brief summary of current projects in Central Seattle is provided below:

- **Aegis of Queen Anne at Rodgers Park** – In 2015, Aegis Living began construction of a three-story, 129 unit retirement home located on the north side of Queen Anne Hill. The residence features one and two bedroom assisted living and memory care apartments. Onsite amenities will include a movie theater, sports den, and a hobby room and wellness center. Residents will also have access to dining amenities. The project was completed in late 2016.

## West Seattle Super Group

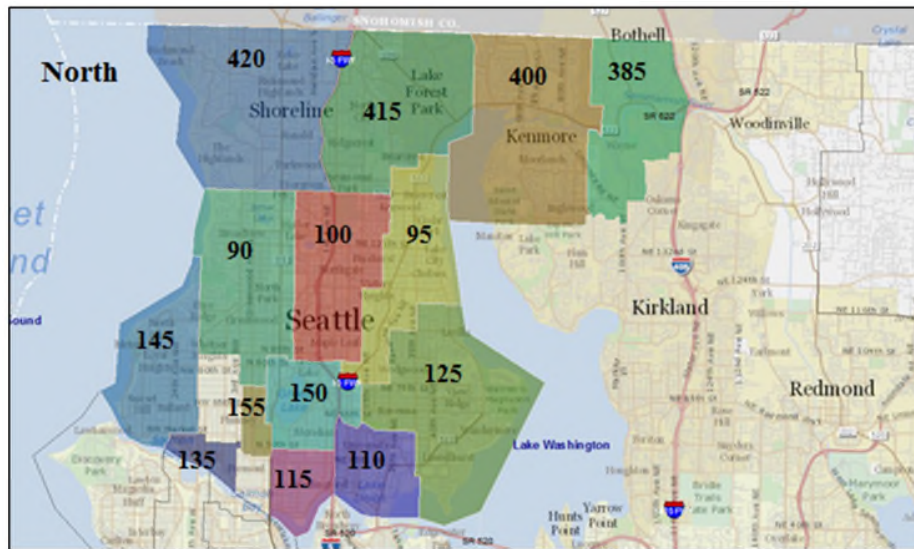


The West Seattle region represents 2.2% of the Specialty Area 153 population. The improvements tend to be mid-rise buildings. The West Seattle region is characterized by its walkable commercial districts and popular parks including Alki Beach. West Seattle is an ideal location for residents looking for urban conveniences and a family oriented neighborhood. There is currently no new construction of retirement homes in the West Seattle region.

A brief summary of current projects in West Seattle is provided below:

- [Quail Park Memory Care of West Seattle](#) – The project is a four-story, 48 unit assisted care facility specializing in dementia and Alzheimer’s care. Onsite resident amenities include a dining area, lounge, theater, activity space and an outdoor patio. It is located in the Alaska Junction and is expected to be complete in 2017.

## North Seattle and North King County Super Groups



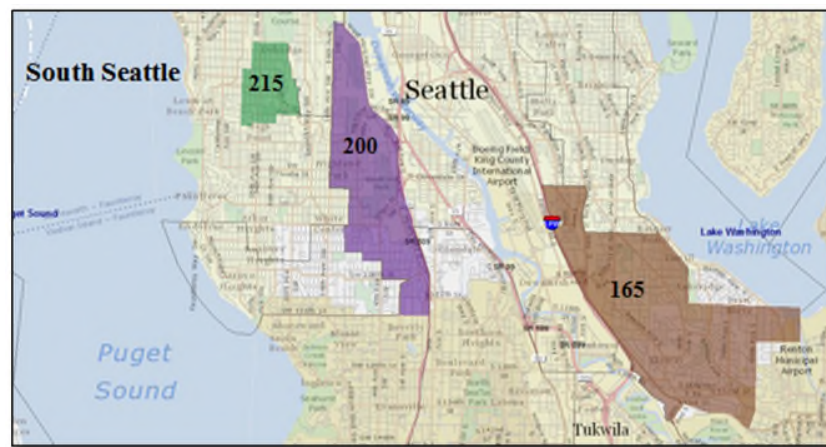
The North region represents 27.6% of the Specialty Area 153 population, which is equal to the South King County region. The improvements tend to be low-rise to mid-rise. The largest concentrations of retirement homes are located in the north end in the city of Seattle.

A brief summary of projects in the North region of King County is provided below:

- **Merrill Gardens at Ballard** – Merrill Gardens began construction of a 103 unit continuing care retirement community, located in the Ballard neighborhood in the City of Seattle. Merrill Gardens at Ballard will provide independent living, assisted living and memory care options for seniors. Unit amenities include full kitchens and washers and dryers. Residents of Merrill Gardens at Ballard will also have access to onsite amenities including a library, theater and common areas. Merrill Gardens at Ballard was completed in late 2016.
- **Chateau at Bothell Landing** – In 2015, Chateau at Bothell Landing began construction on a new addition to its existing continuing care retirement community in Bothell. The new addition will feature 76 studio, one and two-bedroom independent and assisted living units. Additional resident amenities will include a recreation room, conference room and a dining room. Construction was complete in late 2016.

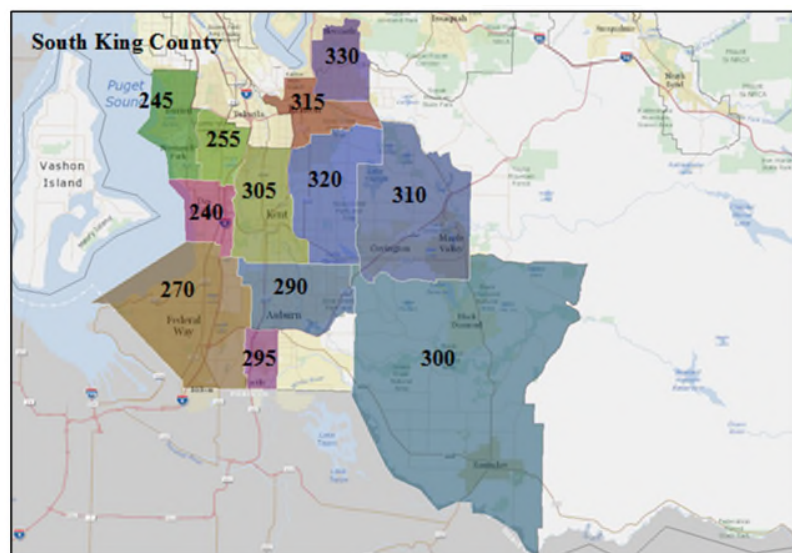


### South Seattle Super Group



The South Seattle region represents 4.5% of the Specialty Area 153 population. The improvements tend to be low-rise to mid-rise. The most recent project in the South Seattle region was the Arrowhead Gardens, an affordable senior living community. Arrowhead Gardens is a seven-story 449-unit retirement home completed in 2010. There is currently no new construction of retirement homes in the South Seattle region.

### South King County Super Group



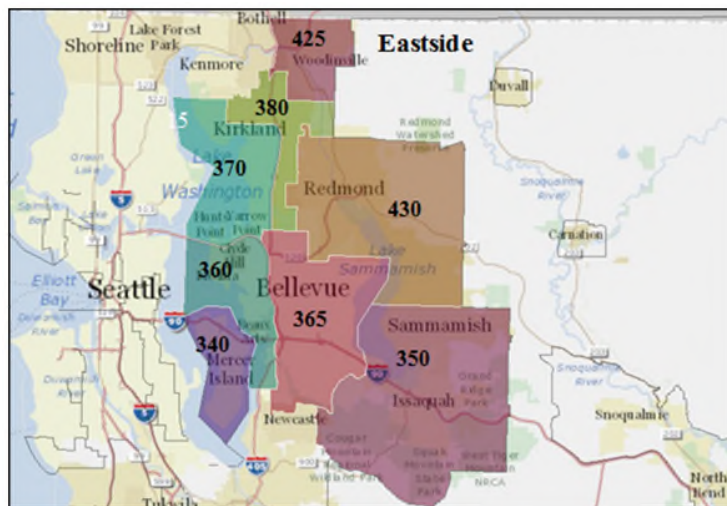
The South King County region represents 27.6% of the Specialty Area 153 population. South King County is characterized by urban and large rural areas. The improvements are comprised of low-rise to mid-rise buildings and concentrated mainly in dense urban centers. Health care amenities are primarily located within the dense urban centers.



A brief summary of projects in the South region of King County is provided below:

- [Wesley Homes Lea Hill](#) – In 2014, construction began on the addition of a 33,500 square foot skilled nursing and rehabilitation center to its existing 174 unit independent and assisted living facility. Construction was completed in 2016.
- [Merrill Gardens at Auburn](#) – In 2016, construction began on a new four-story assisted living facility. When completed the project will feature 129 studio, one and two-bedroom private units. Each unit will have a full kitchen. Onsite resident amenities include dining, a theater and a library. Construction is expected to be complete in 2017.
- [Merrill Gardens at Burien](#) – Construction of a new four-story assisted living facility began in 2016. The project will feature 126 studio, one and two-bedroom units. All units will have full kitchens. Onsite resident amenities will include dining, an extensive library, theater and common area lounges. Construction is expected to be complete in 2107.

### [Eastside Super Group](#)

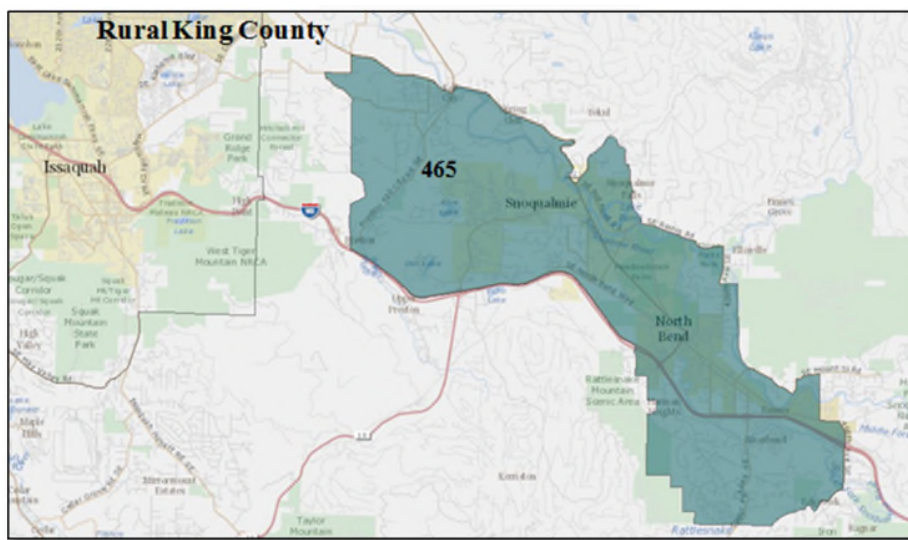


The Eastside region represents 26.9% of the Specialty Area 153 population. The improvements tend to be low-rise to mid-rise with the inclusion of one high-rise tower located in downtown Bellevue. The Eastside region is characterized by urban and suburban areas with many available commercial amenities. Health care amenities are primarily located within the dense urban centers.

A brief summary of projects in the North region of King County is provided below:

- **Timber Ridge at Talus** – The Phase II expansion began in 2015. The eight-story expansion will add 145 independent living units and 26 assisted living and memory care units. An enhanced wellness and an aquatic center is included in the project. The new expansion was completed in late 2016.

### **Rural King County Super Group**



The Rural King County region represents 0.7% of the Specialty Area 153 population. South King County is characterized large rural areas and is located east of the more densely populated urban centers. Major health care amenities are primarily located within the dense urban centers. There is currently no new construction of retirement homes in the Rural King County region.

### **Scope of Data**

**Physical Inspection Identification:** For the 2017 assessment year, as required by WAC 458-07-0154 (A), one sixth of the population was physically inspected. An exterior observation of the properties was made to verify the accuracy and completeness of property characteristic data. The inspected properties are listed in the Addenda and shown on the included map. Other properties were also inspected as noted in the Assessor's records for purposes of sales or data verification.

**Land Value:** The respective geographic appraiser valued the land. A list of vacant sales used and those considered not representative of market are included in the geographic appraiser's reports. The individual Commercial Area Reports are incorporated by reference in this report, together with their validity as an extraordinary assumption.

**Improved Value:** Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales considered were verified, if possible, by calling 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.

The total parcel values were reconciled from sales comparison approach, cost approach, the income capitalization approach, and the application of the apartment model. Additional attention was given to those parcels when any increase in total assessed value above 20% or any decrease of more than 15% was indicated. The total value for the parcel or economic unit was selected and then the land value deducted to arrive at the improvement value.

## Issues in Valuation

The challenge of valuing retirement and nursing facilities for ad valorem tax assessments is to separate the real estate value from that of the business. In most instances, these facilities sell as a total business operation without separating the intangible business and personal property value. Published income, expense, and capitalization rates relate to the total business entity. Nearly all appraisals for these facilities appraise the total business entity, with the breakdown of land, improvements, tangible and intangible (or business) values being only incidental to the total value estimate.

The Appraisal Institute text, *The Appraisal of Nursing Homes*,<sup>15</sup> provides insight into the challenges of appraising retirement and nursing facilities. The methods for allocating the going concern value are the subject of on-going debate. Generally, appraisers will apply a top-down approach to allocation, whereby the going-concern value is developed first and then an allocation is made between the real estate and the tangible and intangible personal property assets. The allocation process should start with the “best” known value(s). The following are some allocation techniques considered:

- Use of the cost approach
- Capitalization of entrepreneurial or proprietary profits
- Use of ratios of market rent to operational earnings
- The cost of obtaining initial operating stability plus the value of the license or certificate of need
- Implied value from Medicaid capital reimbursements
- The proxy value of pure real estate assets sales such as office or apartment properties that have locations and building qualities similar to the subject

Because of this practice involving sales of the entire business, only sales that have been verified as reflecting real estate value only, and those in which the business value can be determined with some confidence, are given substantial weight. For the 2017 revaluation, retirement facilities are appraised using the cost approach, while nursing homes are appraised based on lease rates for

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<sup>15</sup> James K. Tellatin, MAI, *The Appraising of Nursing Facilities*, Appraisal Institute, 2009, p. 324.



skilled nursing facilities and medical clinics. Both property types are valued on a per square foot basis.

## Sales Comparison Approach


It is difficult to make direct sale comparisons as nursing homes and retirement facilities are designed to fit a particular location, market niche, level of care, and method of operation. These unique traits make substitution difficult. Sales often require major adjustments that are based on subjective analysis due to lack of empirical comparable data. Many times these properties sell with long term management contracts in place. Retirement and nursing homes are often purchased as part of a multi-property portfolio sale. Portfolio sales may include properties located throughout the region or nationwide making the true sales price difficult to determine. Sales that fail to distinguish the income attributable to the business from that attributable to the real estate are not relied upon.


The scarcity of reliable data – one nursing home and only three retirement facilities have sold since 2014 – and the difficulty in relating sales to a meaningful unit of comparison for valuation, makes the direct sales comparison approach, at best, a rough gauge of value. Sales provide the upper bracket of value and are generally used to cross check the other two approaches.

A brief summary of the market transactions is provided below:

Property Name	Characteristics	Comments
	<b>Parcel Number</b> 692840-0070	The subject is located in the Totem Lake neighborhood in the city of Kirkland. The total sales price was \$16,600,000 which includes business value and personal property. The business value and personal property accounted for \$4,100,000 of the sales price. The adjusted sales price, which represents real estate value only is \$12,500,000, or \$85,616/unit.
	<b>Excise Tax Number</b> 2659955	
	<b>Sale Date</b> 3/3/2014	
	<b>Sale Price</b> \$12,500,000	
	<b>Sale Price Per Unit</b> \$85,616	
Property Name	Characteristics	Comments
	<b>Parcel Number</b> 276760-4780	The subject is located in the Ballard neighborhood in the city of Seattle. The sales price includes undisclosed business value. This sale was negotiated directly between buyer and seller. The buyer is an investment firm specializing in acquisition, turnaround and asset management of senior housing communities in the west. The buyer plans to renovate the property.
	<b>Excise Tax Number</b> 2716388	
	<b>Sale Date</b> 3/1/2015	
	<b>Sale Price</b> \$7,897,500	
	<b>Sale Price Per Unit</b> \$121,500	



Property Name	Characteristics	Comments
	<i>Parcel Number</i> 080900-2696	The subject is located in the Queen Anne neighborhood in the city of Seattle. The buyer is a boutique real estate private equity group focusing exclusively on the senior housing market. The buyer plans to use third party management in the operations of the subject property. The recorded sales price reflects an adjustment for personal property. The sale is considered to be arms length.
	<i>Excise Tax Number</i> 2778059	
	<i>Sale Date</i> 1/21/2016	
	<i>Sale Price</i> \$30,812,500	
	<i>Sale Price Per Unit</i> \$246,500	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 042404-9024	This 165 unit nursing home was purchased by Paramount Rehabilitation. The property was exposed to market and the sales price reflects an adjustment for personal property. This property was previously known as Leon Sullivan Health Care Center.
	<i>Excise Tax Number</i> 2824591	
	<i>Sale Date</i> 9/26/2016	
	<i>Sale Price</i> \$8,000,000	
	<i>Sale Price Per Unit</i> \$48,484	

## Cost Approach

The cost approach was the primary valuation methodology utilized for Specialty 153 properties. The Marshall & Swift Valuation modeling system which is built into the Real Property Application is calibrated to the region and the Seattle area. Depreciation was based on studies done by Marshall & Swift Valuation Service. The Marshall & Swift cost calculations are automatically calibrated to the data in the Real Property Application.

New construction was generally valued as a percentage complete as of July 31<sup>st</sup> using the cost approach from the computerized valuation model supplied by Marshall & Swift and adapted by the Department of Assessments. Traditionally, for Retirement Facilities and Skilled Nursing Facilities, the cost approach has been considered the best method for extracting the value of the building from the total business entity's value.

The limitations of the cost approach in valuing older improvements were recognized. Depreciation other than for age was also considered in applying weight to the cost approach. Functional depreciation diminishes value as older buildings do not conform to current standards. Economic depreciation diminishes the building value as the land value increases and the highest and best use of the land becomes redevelopment. Market conditions can also impact economic depreciation in the cost approach; for example, since few skilled nursing facilities have been built recently outside of retirement community complexes, the cost of a stand-alone skilled nursing facility may not be the best basis for value.

Effective year, rather than year built, is used to calculate depreciation in the cost approach. The effective year reflects upgrades and remodeling after original construction and considers the remaining economic life of the improvements. The economic age-life method was utilized in calculating depreciation. For this technique, effective age is divided by the total economic life of the improvements; the product is then multiplied by the replacement cost in order to arrive at an

obsolescence deduction. This method covers all forms of depreciation (functional, physical, and external).

Any appropriate adjustments for physical, functional and external obsolescence were considered when warranted, with the provision of adequate documentation supplied by the manufacturer. Extraordinary obsolescence calculations were based on the cost to cure, excess operating expenses, supply and demand industry data, and capacity levels based on specific industry standards.

### Recognized Forms of Depreciation

Depreciation is a loss in property value for any reason and from all causes. “Depreciation in an improvement can result from three major causes operating separately or in combination:

- **“Physical deterioration** [is a decrease in value caused by] wear and tear from regular use, the impact of the elements, or damage.”<sup>16</sup> Physical deterioration can be quantified by the incursion of excess operating costs translated into a percentage of depreciation.
- **“Functional obsolescence** [results in a loss in value due to] a flaw in the structure, materials, or design that diminishes the function, utility, and value of the improvements.”<sup>17</sup> Functional obsolescence may occur when technological changes caused by new inventions adversely affect an existing facility that continues to work as efficiently as when it was new; however, the intended function has become outdated. Functional obsolescence is generally quantified and addressed by appropriately applying the subsequent methodologies, capitalizing excess operating costs, reducing value by the capital cost of the excess capacity, estimating the capital costs to cure a deficiency.
- **“External obsolescence** [results in] a temporary or impairment of utility ... of an improvement or property due to negative influences outside the property.”<sup>18</sup> Due to the fixed location of real estate, external influences usually cannot be controlled by the tenant or owner. External obsolescence can be quantified by capitalizing the loss of income or using the sales comparison method.

### Income Approach

The income approach is a common appraisal methodology that capitalizes real estate income into an estimate of property value. The income approach becomes complicated since actual revenue and expense statement of retirement homes represent a going concern operation rather than an income statement based on real property only (land and building). Supporting a going concern value for the entire business operation is fairly straightforward using the income approach. The challenge in valuing a retirement home by the income approach is allocating the total going concern between 1) real estate; 2) personal property; and 3) business enterprise.

When developing a methodology to separate the going concern value between the real estate and business and personal property, the starting point is to estimate the going concern value using

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<sup>16</sup> The Appraisal of Real Estate, 13th Edition, (Chicago, IL: Appraisal Institute, 2008) 391-392

<sup>17</sup> The Appraisal of Real Estate, 13th Edition, (Chicago, IL: Appraisal Institute, 2008) 391-392

<sup>18</sup> The Appraisal of Real Estate, 13th Edition, (Chicago, IL: Appraisal Institute, 2008) 391-392



revenues and expenses (published and actual subject financial data), and market capitalization rates for the going concern. The income approach is the most applicable approach to support the going concern value and was therefore, not utilized for Specialty 153 properties.

The income approach was the primary valuation method for Specialty 174 properties. Nursing home values are based on actual lease rates from medical clinics and skilled nursing facilities. These are usually long term leases (10-20 years) and net to the owner. The lessee pays all or nearly all expenses (the income parameters are summarized on the following table).

#### **Specialty Area 174 Income Parameters**

<b>SECTION USES</b>	<b>Typical Annual Rent \$/SF</b>	<b>Vac./Coll. Loss %</b>	<b>Expense Rate %</b>	<b>Overall Cap Rate Range</b>
313 Convalescent Hospital 330 Home for the elderly 348 Residence 352 MULTIPLE RESIDENCE (LOW RISE) 424 Group Home 451 MULTIPLE RESIDENCE (SR. CITIZEN) 589 Multiple Residence Assisted Living 710 Retirement Community Complex	\$9.00 to \$23.00	10.00%	30% to 35%	7.00% to 8.75%
302 Auditorium 309 CHURCH 311 CLUBHOUSE 336 Laundromat 350 Restaurant, Table Service 353 RETAIL STORE 380 Theatre, Cinema 418 HEALTH CLUB 426 DAY CARE CENTER 483 FITNESS CENTER 530 CAFETERIA 761 MEZZANINES-OFFICE	\$5.50 to \$20.00	10.00%	10.00%	7.00% to 8.75%
344 OFFICE BUILDING 840 Mixed-use Office	\$5.50 to \$20.00	10.00%	15.00%	7.00% to 9.75%
326 GARAGE, STORAGE 345 PARKING STRUCTURE 388 UNDERGROUND PARKING STRUCTURE 470 Equipment Shop 702 Basement, Semi-finished 703 Basement, Unfinished 706 Basement parking 708 Basement storage	\$5.40 to \$7.00	7.00%	10.00%	7.00% to 11.00%

## Reconciliation

In arriving at a final value, each parcel was individually reviewed. For nursing homes, most weight was given to the income approach. Retirement facilities were valued using the cost approach after considering the following value indications:

- Recent subject sales per RCW 84.40.030
- Previous Board of Equalization and State Board of Tax Appeals decisions
- The previous assessed value
- The income capitalization approach from the apartment model
- Comparable sales of apartments with the apartment model adjustments
- The cost approach
- The income approach for retirement facilities (which was given less weight)

## Model Validation

### Total Value Conclusions, Recommendations, and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. The assessed value is selected based on general and specific data pertaining to the parcel, neighborhood, and the market. The appraiser determines which available value estimate is appropriate and may adjust for particular characteristics and conditions as they occur. Uniformity and equity are both improved over the previous year and in consideration of current market conditions, it is recommend that these values be posted for the 2017 assessment year.

The 2017 valuation reflects the improving market dynamics of the senior care market. Construction costs have returned to pre-recession levels with moderate to high inflation over the past five years, a trend that is expected to continue. Increased construction costs coupled with increasing land values, has narrowed the gap between replacement cost and market values.

Application of these recommended values for the 2017 assessment year results in a total change from the 2016 assessments of 2.98% in specialty area 153 and 5.54% in specialty area 174. The recommended values do not include the limited new construction values which is added later (the new construction valuation date is July 31<sup>st</sup>, 2017).

Property Type	Change in Total Assessed Value			
	2016 Total Value	2017 Total Value	\$ Change	% Change
Retirement Facilities (153)	\$2,343,387,000	\$2,413,216,900	\$69,829,900	2.98%
Nursing Homes (174)	\$336,584,900	\$355,248,500	\$18,663,600	5.54%

# **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, 3<sup>rd</sup> 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.*
- *The individuals listed below were part of the "appraisal team" and provided significant real property appraisal assistance to the person signing this certification. Any services regarding the subject area performed by the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent their name.*
- *Any services regarding the subject area performed by me within the prior three years, as an appraiser or in any other capacity is listed below*  
*Appeal Response Preparation*  
*Maintenance*

## Improvement Sales for Area 153 with Sales Used

04/18/2017

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	045	080900	2696	61,802	2778059	\$30,812,500	01/21/16	\$498.57	QUEEN ANNE MANOR	LR2	1	Y	
153	145	276760	4780	53,041	2716388	\$7,897,500	03/01/15	\$148.89	BALLARD MANOR	MR-RC	1	Y	
153	380	692840	0070	107,128	2659955	\$12,500,000	03/31/14	\$116.68	MADISON HOUSE	PR 1.8	1	Y	

## Improvement Sales for Area 153 with Sales not Used

04/18/2017

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	085	197670	0260	164,120	2799489	\$33,217,000	05/31/16	\$202.39	EXETER HOUSE	HR	1	N	
153	085	872560	0380	95,117	2820403	\$23,780,000	09/01/16	\$250.01	Merrill Gardens at First Hill	MR	1	51	Related party, friend, or neighbor
153	095	864150	0385	99,941	2765641	\$17,275,276	11/05/15	\$172.85	STRATFORD AT MAPLE LEAF RETI	C1-40	2	22	Partial interest (1/3, 1/2, etc.)
153	095	864150	0385	99,941	2765642	\$8,707,724	11/05/15	\$87.13	STRATFORD AT MAPLE LEAF RETI	C1-40	2	22	Partial interest (1/3, 1/2, etc.)
153	100	292604	9055	94,711	2815019	\$17,327,000	08/02/16	\$182.95	MERRILL GARDENS - NORTHGATE	MR	1	59	Bulk portfolio sale
153	100	890100	0370	31,680	2760150	\$4,359,600	09/30/15	\$137.61	AEGIS - SENIOR INN AT NORTHGA	SF 7200	1	59	Bulk portfolio sale
153	215	327860	3190	144,682	2721979	\$31,837,226	03/27/15	\$220.05	BRIDGE PARK HOLIDAY RETIREME	LR3	1	59	Bulk portfolio sale
153	225	095200	8285	106,976	2851574	\$10,070,000	02/21/17	\$94.13	BROOKDALE - WEST SEATTLE	NC3-65	1	59	Bulk portfolio sale
153	235	608710	0540	76,699	2851573	\$18,060,000	02/21/17	\$235.47	BROOKDALE - ADMIRAL HEIGHTS	NC2P-40	1	59	Bulk portfolio sale
153	245	312304	9001	98,507	2732646	\$21,340,505	05/19/15	\$216.64	FERNWOOD AT THE PARK	RM-2400	1	59	Bulk portfolio sale
153	290	000100	0097	81,231	2668286	\$3,750,000	05/16/14	\$46.16	PARKSIDE WEST RETIREMENT CO	C3	1	13	Bankruptcy - receiver or trustee
153	290	509440	0025	66,236	2652471	\$21,839,600	02/01/14	\$329.72	AUBURN MEADOWS	R10	1	59	Bulk portfolio sale
153	330	042305	9042	90,152	2732632	\$25,336,328	05/19/15	\$281.04	EVERGREEN PLACE	R-10	3	59	Bulk portfolio sale
153	340	531510	1215	92,311	2814997	\$19,748,000	08/02/16	\$213.93	MERRILL GARDENS - ISLAND HOU	TC	1	59	Bulk portfolio sale
153	360	660075	0010	0	2735903	\$24,250,411	06/01/15	\$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	112	59	Bulk portfolio sale
153	360	660075	1130	0	2741847	\$340,000	06/30/15	\$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	1	59	Bulk portfolio sale
153	365	262505	9224	68,520	2695292	\$8,025,000	10/10/14	\$117.12	CROSSROADS RETIREMENT CTR	R-30	1	13	Bankruptcy - receiver or trustee
153	380	692840	0070	107,128	2850973	\$12,996,000	02/27/17	\$121.31	MADISON HOUSE	PR 1.8	1	59	Bulk portfolio sale
153	385	082605	9127	32,828	2760148	\$6,238,050	09/30/15	\$190.02	AEGIS - BOTHELL	GDC	1	59	Bulk portfolio sale
153	415	616390	1560	60,352	2840135	\$4,725,186	12/16/16	\$78.29	ANDERSON PLAZA	R48	1	15	No market exposure
153	425	951710	0010	51,508	2815000	\$16,363,000	08/03/16	\$317.68	MERRILL GARDENS - CREEKSIDE	CBD	1	59	Bulk portfolio sale

## Improvement Sales for Area 174 with Sales Used

04/18/2017

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	042404	9024	66,402	2824591	\$8,000,000	09/26/16	\$120.48	LEON SULLIVAN HEALTH-BRANCH	LR2	5	Y	

## Improvement Sales for Area 174 with Sales not Used

04/18/2017

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	664930	0250	40,248	2733833	\$6,502,409	06/01/15	\$161.56	SHORELINE HEALTH AND REHAB	R24	2	59	Bulk portfolio sale

	A	B	C	D	E	F
1	Major	Minor	Spec Area	Spec Nbhd	Prop Name	Situs Addr
2	282405	9014	153	365	NEWCASTLE/LAKE BOREN DEVELOPMENT SIT	13056 SE 76TH ST
3	884430	0040	153	350	AEGIS - ISSAQUAH	780 NW JUNIPER ST
4	531510	1475	153	340	Aljoya Building	2430 76TH AVE SE
5	531510	1476	153	340	Aljoya Building	2430 76TH AVE SE
6	531510	1477	153	340	Aljoya Building	2430 76TH AVE SE
7	531510	1465	153	340	ALJOYA HOUSE AT MERCER ISLAND	2430 76TH AVE SE
8	092406	9244	153	350	BELLWOOD RETIREMENT LIVING	3710 PROVIDENCE POINT DR SE
9	262505	9011	153	365	BROOKDALE AT BELLEVUE	15241 NE 20TH ST
10	072405	9016	153	340	COVENANT SHORES	9150 FORTUNA DR
11	413930	0230	153	340	Covenant Shores	9150 FORTUNA DR
12	042305	9042	153	330	EVERGREEN PLACE	1414 MONROE AVE NE
13	773610	0020	153	330	Evergreen Place - Land	1414 MONROE AVE NE
14	773610	0025	153	330	Evergreen Place - Land	1414 MONROE AVE NE
15	545330	0020	153	365	GARDEN CLUB, THE	13350 SE 26TH ST
16	342406	9152	174	10	ISSAQUAH NURSING AND REHAB CENTER	805 FRONT ST S
17	118000	1715	153	165	LAKESHORE, THE	11448 RAINIER AVE S
18	202305	9086	153	315	LODGE AT EAGLE RIDGE, THE	1600 EAGLE RIDGE DR S
19	531510	0457	174	10	MERCER ISLAND CARE CENTER	
20	531510	1215	153	340	MERRILL GARDENS - ISLAND HOUSE	7810 SE 30TH ST
21	803620	0055	174	10	MT SI TRANSITIONAL HEALTH CENTER	219 CEDAR AVE S
22	803620	0070	174	10	Mt Si Transitional Health Center	217 CEDAR AVE S
23	803620	0075	174	10	Mt Si Transitional Health Center	215 CEDAR AVE S
24	022405	9038	153	365	PATRIOTS GLEN	1640 148TH AVE SE
25	092406	9241	174	10	PROVIDENCE MARIONWOOD	3725 PROVIDENCE POINT DR SE
26	102308	9135	153	465	RED OAK RESIDENCE	650 SE NORTH BEND WAY
27	102308	9121	153	465	Red Oak Retirement Residence - Parking	
28	272405	9059	153	330	REGENCY NEWCASTLE	7454 NEWCASTLE GOLF CLUB RD
29	262505	9224	153	365	SAGEBROOK SENIOR LIVING @ BELLEVUE	15750 NE 15TH ST
30	092406	9140	153	350	SPIRITWOOD PINE LAKE	3607 228TH AVE SE
31	262505	9225	153	365	SUNRISE ASSISTED LIVING OF BELLEVUE	15928 NE 8TH ST
32	531510	0905	153	340	SUNRISE OF MERCER ISLAND	2959 76TH AVE SE
33	312305	9010	174	10	TALBOT CENTER	4430 TALBOT RD S
34	856273	0160	153	350	TIMBER RIDGE AT TALUS	
35	222406	9030	153	350	UNIVERSITY HOUSE - ISSAQUAH	22975 SE BLACK NUGGET RD