

Executive Summary Report

Appraisal Date 1/1/08 - 2008 Assessment Roll

Specialty Name: Senior Housing

Nursing Homes (174) and Retirement Facilities (153)

Sales – Improved Analysis Summary:

Number of Sales: 7

Range of Sales Dates: 1/1/2005– 12/31/07

Sales – Ratio Study Summary:

	Average Total	Average Sale Price	Ratio	COV
2007 Value	\$6,566,800	\$7,949,000	82.6%	31.77%
2008 Value	\$8,127,800	\$7,949,000	102.2%	15.93%
Change	\$1,561,000		+19.6	+15.84
%Change	+23.7%		+23.7%	+49.8%

*COV is a measure of uniformity, the lower the number the better the uniformity.

Sales used in Analysis: All improved sales, which were verified as good, and have not been remodeled since purchases were included in the analysis.

Total Population - Parcel Summary Data:

	Land	Imps	Total
2007 Value	\$ 511,675,600	\$ 1,100,657,100	\$ 1,612,332,700
2008 Value	\$ 600,366,500	\$ 1,457,578,100	\$ 2,057,944,600
Percent Change	+17.33%	+32.43%	+27.64%

Number of Parcels in the Population: 337

Conclusion and Recommendation:

The values recommended in this report improve values and achieve better uniformity; therefore it is recommended that they should be posted for the 2008 Assessment Year.

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

Highest and Best Use

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

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

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

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Samish 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. (Samish Gun Club v. Skagit County, 118 Wash. 578 (1922))

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

Date of Value Estimate

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

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

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

Property rights appraised:

Fee Simple

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

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

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

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

Assumptions and Limiting Conditions:

1. *No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free 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.*

Robert Rosenberger, Commercial Appraiser II

Date

Analysis Process

Effective Date of Appraisal: January 1, 2008

Date of Appraisal Report: July 1st, 2008

Specialty and Responsible Appraiser

Specialty Area –174 Nursing Homes, and 153 Retirement Facilities.

The following Appraiser did the valuation for this specialty.

Name: Bob Rosenberger – Job Title: Commercial Appraiser II

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 the 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 token value of \$1,000 is assigned to the improvements and the property is returned to the geographical appraiser.

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

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/05 to 12/07 (at minimum) were considered in all analysis.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name: Nursing Homes, and Retirement Facilities

Boundaries: All Nursing Homes, and Retirement Facilities in King County

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.

Area Description:

Nursing homes and retirement facilities are dispersed throughout the county. With constant improvements in new medical technology, and the aging of the baby boomers, the proportion of the population over 65 years of age continues to increase. Although the statewide population in general is expected to increase 15% over the next ten years, the older population (75+) is expected to grow in excess of 36%. These demographics can be expected to increase demand for nursing homes, retirement homes and hospitals statewide.

Nursing homes are regulated by the Certificate-Of-Need Program (CON). The CON program is mandated by the federal government and administered by the individual states. In 1971, Washington started 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 45 beds per 1,000 population of persons 65 and older. Health care properties are required to go through long procedures in demonstrating to state officials the need for additional services in the area. 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.

The challenge of valuing Retirement and Nursing facilities is to separate the real estate value from that of the business. In many instances they trade hands based on the value of the total cash flow without regard to its components. For this reason, only sales that have been verified as reflecting only real estate value are considered. Retirement Homes are appraised in the manner of apartments, while nursing homes are considered on the basis of what operators actually pay in rent to lease a facility.

Nursing Homes (174)

As the population ages, individuals are increasingly leaving their family setting for nursing homes. 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 subacute care. In some cases, nursing homes may be part of continuing care retirement communities (CCRCs). They are often referred to as convalescent hospitals.

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.

The State of Washington, Department of Social and Health Services (DSHS), has mandatory reporting by all skilled nursing homes. This report is called the "Nursing Home Cost Report" and is available to the public from DSHS. Some of the data concerning real estate facility leases used for the income survey was obtained from this public document.

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.

The nursing home industry in Washington is comprised of both for-profit and nonprofit homes. Approximately 200 of the 280 homes across the state are for-profit.

The Federal government has researched and rated long- term care facilities in six states as a pilot program. They measure such items as percentage of residents with bedsores, percentage of residents with moderate to severe pain, and percentage of residents who need more daily activities. Ratings can be found at www.medicare.gov. The aim of this program is to create standards consumers can use to compare nursing homes and to generate improvement in the industry through public scrutiny.

The State has also been imposing fines and halting admissions to several facilities in King County. The Department of Social and Health Services found these homes failing to investigate and report significant medication errors, locking doors, and failing to provide personal privacy during care. Staff shortages have resulted in resident harm, neglect, improper feeding and inadequate supervision. According to the Washington Health Care Association, staff shortage has resulted in nearly three out of ten nursing facilities turning away patients.

In July 2004 a new bed tax on nursing homes was passed by the Legislature. This was matched by the federal government to help nursing homes pay for low-income Medicaid patients.

Nursing homes are beginning to change the way they are managed and organized to create a more resident-centered environment. The goal is to be more "home-like" and less "hospital-like." In these homes, nursing home units are replaced with a small set of rooms surrounding a common kitchen and living room. The staff giving care is assigned to one of these "households." Residents have far more choices about when they awake, when they eat and what they want to do during the day. They also have access to more companionship such as pets. Many of the facilities utilizing these models refer to such changes as the "Culture Shift" or "Culture Change" occurring in the long term care industry. According to Marc Levy of the Associated Press, nursing homes "are spending hundreds of millions of dollars on renovations, additions and new features to compete with hospitals and attract better-paying patients."

Retirement Facilities (153)

The three most common types of senior housing are congregate seniors housing (independent living), assisted living and continuing care retirement communities. In addition, some assisted living facilities have a special Alzheimer's section of the facility, and some assisted living facilities take early stage Alzheimer's patients. There are several Alzheimer facilities being built. Regulations specify these facilities must provide qualified staff which are to be present at all times. Although there are no universally accepted standard definitions, retirement homes can generally be characterized as follows:

Congregate Senior Housing (Independent Living):

Congregate senior housing is multi-family housing designed for seniors who pay for some services (such as 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 health care type services (such as eating, transferring from a bed or chair, and bathing) provided to them by in-house staff or an outside agency. Congregate seniors housing is not regulated by the federal government, and may or may not be licensed at the state level. The units are similar to independent apartment units.

Assisted Living:

Assisted living residences are designed for seniors who need significant 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 (CCRC). They may be contained in a property that supports assisted living units and nursing beds, or may be in a freestanding assisted living residence.

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 seniors housing. New 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. The rules address medication, staff training, meal control, and residents' rights.

Continuing Care Retirement Community:

Continuing care retirement communities (CCRCs) are senior living complexes that provide a continuum of care including housing, health care, and various supportive services. Health care (i.e. nursing) services may be provided for directly or through access to affiliated health care facilities. Fees are structured as either 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 places 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.

Puget Sound Economic Conditions

The specialized nature of these properties tends to insulate them from the rest of the real estate market. In fact, retirement communities are undergoing explosive growth with life spans increasing, and the first of the baby boomers reaching age 62 this year. There are numerous projects coming on line with many of their spaces already reserved.

Not only is demand for senior housing growing, the nature of the product is changing. Baby boomers can afford - and are demanding - non-traditional settings that cater to active lifestyles. Some facilities are located in more urban settings such as the Mirabella on Denny Way, the Landmark in Ballard, and the Belletini in downtown Bellevue. Some of these places are also going upscale with extensive concierge services, more luxurious accommodations, and greater common areas. Meal service, once provided by a cart or cafeteria, is often by a choice of multiple restaurants that are open to the public.

Spa treatments and fitness centers add to an atmosphere more redolent of a vacation resort than the proverbial old folks' home. The recently expanded Horizon House, across the freeway from downtown Seattle, even has a wood shop for residents who have no intention of putting aside their power tools.

A good example of the new wave of retirement facilities is Issaquah's recently completed Timber Ridge at Talus which is also going for a silver LEED (Leadership in Energy & Environmental Design) certification. Its thrifty use of natural and recycled materials appeals to both traditional seniors and their baby boom offspring.

Under construction are Skyline at First Hill, Aljoya on Mercer Island, Aljoya at Northgate, Merrill Place by University Village, and Milton Retirement Center, to name a few. Meanwhile Judson Park and Masonic Home in Des Moines are expanding, as is the Chateau at Bothell Landing.

Physical Inspection Area:

One sixth of the Retirement Facilities and Nursing Homes were physically inspected this year. The Retirement Facilities inspected are the following; Aljoya Thornton Pace, Arbor Village, Arbor Village Phase 2, Crossroads, Exeter House, Foundation Court, Foundation Cottages, Horizon House, Judson Park, Masonic Home, Merrill Gardens Kirkland, Milton, Mirabella, Queen Anne Manor, Radcliffe, Red Oak, Redmond Retirement, Renton Villa, Skyline at First Hill, Timber Ridge, and Wesley Homes. The Nursing Homes inspected are Burien Health, Falcon Ridge, Federal Way Convalescent, Hearthside, Issaquah Care, Keiro, Kindred, King's Garden, and Washington Restorative.

Preliminary Ratio Analysis

A preliminary ratio study was calculated prior to the application of the 2008 recommended values. The study benchmarks the current assessment level using 2007-posted values. The ratio study was repeated after application of the 2008 recommended values. The results, which are included in the validation section of this report, show a change in the COV from 31.77% to

15.93%. The weighted mean increased from .826 to 1.02. This assessment level is acceptable given that there are only 7 confirmed sales that sold over a three year period during a rising market. With so few sales, an adequate representation of the population of retirement and nursing homes is difficult.

Scope of Data

Land Value Data:

The respective geographic appraiser valued the land. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values

The model for sales comparison was based on five data sources from the Assessor's records; net rentable area, effective year, condition, bed count/unit count and location. The principle of substitution is used in this approach. A search was made on data that most closely fit a subject property. There were 7 verified, improved sales dating from 1/1/2005 to 05/01/2008. All sales were verified, if possible, by calling either the purchaser or seller, inquiring in the field, or calling the real estate agent. Information concerning vacancy and market absorption rates, current and anticipated rents and if any business value traded in the sales price was collected.

It is sometimes difficult to make direct sale comparisons as nursing homes and retirement home properties 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. 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 sales data and the difficulty in relating sales to a meaningful unit of comparison for valuation makes the Direct Sales Comparison, at best, a "rough" gauge of value. They set the parameters or range. Sales are useful in providing background data and as a cross check on the other two approaches to value. The individual sales are included later in this report

Cost approach model description

In those areas where a cost approach was done the Marshall & Swift Commercial Estimator was used. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. While the service life of hospitals and senior housing may be 30 to 50 years of age, it is not uncommon to see 30-year-old facilities at the end of their useful life being renovated to compete in the market for patients. Marshall & Swift uses 35 years for class D average condition properties and 40 years for class C average condition properties. This approach is used for new construction and for special purpose facilities when a lack of adequate market lease income or market sales data is available.

Cost calibration

Each appraiser valuing by cost can individually calibrate Marshall & Swift valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift. This value is added to the market value of the land.

Income capitalization approach model description

Nursing Homes are valued using market rents drawn from DSHS data showing what operators actually pay to owners when leasing a facility. These leases are usually long term (10-20 years) and net to the owner. The lessee pays all or nearly all expenses. After several discussions with lessors it was discovered that nursing home leases trend toward basing rent per square foot rather than per bed. Rates were acquired from published sources, tenants, buyers and sellers. The Department of Social and Health Services provided a disk of leased rates. Those from King County are appended to this report. Surveys and sales collected vacancy and expense rate data. Published sources, Commercial Mortgage Commitments, and limited sales in Washington and other western states determined the real estate capitalization rates.

The following table is a brief description of the income parameters used on nursing homes. Lease rates range from \$7.00 to \$19.00 based on effective age, size and quality. Vacancy and collection loss figures were 7%, expenses 10% and overall capitalization rates ranged from 6.5 to 9.5%, with 7 to 8.5% being typical. The rate tables are included at the end of this report.

PROPERTY TYPE	TYPICAL RENT RANGE	OVERALL RENT RANGE	EXPENSE	OAR RANGE
Convalescent Hospital	\$11.00 to \$17.00	\$7.00 to \$19.00	10%	6.50% to 9.5%
Unfinished Basement, Semi-finished Basement	\$3.00 to \$3.75	\$2.50 to \$4.00	10%	6.50% to 9.50%
Finished Basement	\$5.75 to \$6.50	\$5.40 to \$7.00	10%	6.50% to 9.50%
Storage Warehouse	\$5.75 to \$6.50	\$5.40 to \$7.00	10%	6.50% to 9.50%

Retirement Homes are considered to be apartments that provide extra services. While the physical amenities may differ from what is typical to an apartment house, their utility is at least as great, and is considered equal in this analysis. Indeed, an alternate use for a retirement home would be as a straight apartment house. Quoted rates from retirement homes tend to include services which we cannot consider in valuing the real estate. For this reason lease rates, cap rates, and gross income multipliers were acquired from published sources, mainly the latest Dupre +

Scott Apartment Advisors report. Downward adjustments have been made where units are small or have minimal kitchen facilities. The spreadsheet calculates both a direct income capitalization and a gross income multiplier approach.

Studio rents range from \$515 to \$1,100; one bedroom units from \$622 to \$1,232; two bedroom units from \$747 to \$2,130; and three bedroom units from \$1,035 to \$2,753. Capitalization rates run from 4.1 to 5.5. The gross income multipliers range from 9.25 to 15.2 including adjustments for location, view and waterfront. These numbers reflect the increased value of all multi-family buildings within King County. Indeed, sales for retirement homes have risen over the past few years as measured on a per square foot basis. This is illustrated in the accompanying ratio studies which list the sales in chronological order. As a result of these analyses, the mean assessed value has risen by 23.77%. The rate tables and gross income multiplier tables are included later in this report.

The nursing facilities within retirement homes were valued by the direct capitalization approach using the nursing home tables. This results in a consistent income approach that covers the entire property.

Parking is scarce in some neighborhoods, and therefore not provided as a free or included amenity. This additional revenue stream is valued using data (see Tables) provided by the Puget Sound Regional Council. Monthly, rather than daily or hourly rates are the ones relied upon.

Income approach calibration

The models were calibrated after setting the base rents by using adjustments based on effective age, size, location and quality as recorded in the Assessor's records.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

To insure correctness, the specialty appraiser individually reviewed all parcels before the final value was selected.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

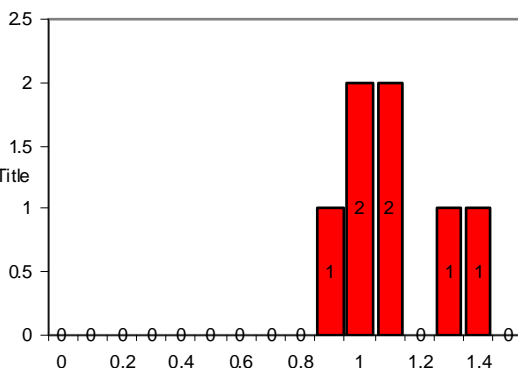
The new assessment level is 1.022%, the COV is 15.93%, and the PRD is 1.05%. While the PRD is outside IAAO guidelines, the sample of seven sales is too small statistically to be fully representational. The rest of these statistical measures of valuation performance are within IAAO guidelines and are presented in the 2007 and 2008 Ratio Analysis charts included in this report. The total assessed value for the 2007 assessment year for Nursing and Retirement Homes was \$1,612,332,700. The total recommended assessed value for the 2008 assessment year is \$2,057,944,600.

Application of the recommended values for the 2008 assessment year results in an average total change from the 2007 assessment year of +27.64%. This increase is due to previous assessment levels, market changes over time, and new construction at several locations.

2007 Assessment Year Ratios

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:												
South Crew	1/1/2007	6/10/2008	1/1/05 - 5/1/08												
Area	Appr ID:	Prop Type:	Trend used?: Y / N												
153/174	BROS	Improvement	N												
SAMPLE STATISTICS															
Sample size (n)	7	<div>Ratio Frequency</div> <table><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.6</td><td>1</td></tr><tr><td>0.7</td><td>1</td></tr><tr><td>0.8</td><td>2</td></tr><tr><td>0.9</td><td>1</td></tr><tr><td>1.0</td><td>1</td></tr></tbody></table>		Ratio	Frequency	0.6	1	0.7	1	0.8	2	0.9	1	1.0	1
Ratio	Frequency														
0.6	1														
0.7	1														
0.8	2														
0.9	1														
1.0	1														
Mean Assessed Value	6,566,800														
Mean Sales Price	7,949,000														
Standard Deviation AV	3,249,505														
Standard Deviation SP	5,188,345														
ASSESSMENT LEVEL															
Arithmetic mean ratio	0.920														
Median Ratio	0.855														
Weighted Mean Ratio	0.826														
UNIFORMITY															
Lowest ratio	0.5888														
Highest ratio:	1.3476														
Coefficient of Dispersion	25.01%														
Standard Deviation	0.2924														
Coefficient of Variation	31.77%														
Price-related Differential	1.11														
RELIABILITY															
95% Confidence: Median		<div>These figures reflect measurements before posting new values.</div>													
Lower limit	0.589														
Upper limit	1.348														
95% Confidence: Mean															
Lower limit	0.704														
Upper limit	1.137														
SAMPLE SIZE EVALUATION															
N (population size)	337														
B (acceptable error - in decimal)	0.05														
S (estimated from this sample)	0.2924														
Recommended minimum:	98														
Actual sample size:	7														
Conclusion:	Uh-oh														
NORMALITY															
Binomial Test															
# ratios below mean:	4														
# ratios above mean:	3														
z:	0														
Conclusion:	Normal*														
*i.e., no evidence of non-normality															

2008 Assessment Year Ratios

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
South Crew	1/1/2008	6/26/2008	1/1/05 - 5/1/08		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
153/174	BROS	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	7	<div>Ratio Frequency</div> 			
Mean Assessed Value	8,127,800				
Mean Sales Price	7,949,000				
Standard Deviation AV	4,750,211				
Standard Deviation SP	5,188,345				
ASSESSMENT LEVEL					
Arithmetic mean ratio	1.074	<div>Axis Title</div>			
Median Ratio	1.039				
Weighted Mean Ratio	1.022				
UNIFORMITY					
Lowest ratio	0.8991				
Highest ratio:	1.3476	<div>Ratio</div>			
Coeffient of Dispersion	12.08%				
Standard Deviation	0.1710				
Coefficient of Variation	15.93%				
Price-related Differential	1.05				
RELIABILITY					
95% Confidence: Median		<div>These figures reflect measurements after posting new values.</div>			
Lower limit	0.899				
Upper limit	1.348				
95% Confidence: Mean					
Lower limit	0.947				
Upper limit	1.200				
SAMPLE SIZE EVALUATION					
N (population size)	337				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.1710				
Recommended minimum:	41				
Actual sample size:	7				
Conclusion:	Uh-oh				
NORMALITY					
Binomial Test					
# ratios below mean:	5				
# ratios above mean:	2				
z:	0.755928946				
Conclusion:	Normal*				

*i.e., no evidence of non-normality

*i.e., no evidence of non-normality

Improvement Sales for Areas 153 & 174 with Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	000	112505	9055	27,225	2121029	\$3,307,500	05/05/05	\$121.49	REDMOND RETIREMENT MANOR	R30	1	Y	
174	020	172205	9173	17,415	2126034	\$2,645,826	05/13/05	\$151.93	BENSON HEIGHTS REHAB CENTER	R24SO	1	Y	
153	000	202305	9086	52,273	2125672	\$5,614,400	05/25/05	\$107.41	THE LODGE AT EAGLE RIDGE ASSISTE	CN	1	Y	
153	000	292605	9210	61,798	2151724	\$12,070,000	08/30/05	\$195.31	Heritage Lodge Retirement House	PR 3.6	1	Y	
153	000	011410	0545	61,245	2219920	\$10,600,000	07/05/06	\$173.08	Regent at Northshore House	R48	1	Y	
153	010	292604	9051	87,322	2294119	\$16,500,000	06/25/07	\$188.96	Foundation House at Northgate	MR	1	Y	
174	020	182304	9220	39,507	2344188	\$4,905,000	05/01/08	\$124.16	BURIEN NURSING CENTER	O	1	Y	

Improvement Sales for Areas 153 & 174 with Sales Not Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	884430	0040	48,984	2334181	\$18,525,000	02/21/08	\$378.18	HEARTHSIDE OF ISSAQUAH	MUR	1	1	Personal property includ
153	000	082605	9127	26,671	2107041	\$8,000,000	03/09/05	\$299.95	WOODWAY INN	R15 OP	1	1	Personal property includ
153	000	172104	9039	197,506	2205008	\$41,600,000	04/28/06	\$210.63	FOUNDATION HOUSE OF FEDERAL WAY	OP	1	1	Personal property includ
153	000	282605	9107	35,627	2144433	\$14,500,000	07/22/05	\$406.99	AEGIS OF KIRKLAND	RS 35	1	1	Personal property includ
153	000	288170	0313	38,136	2143438	\$11,044,000	07/22/05	\$289.60	CALLAHAN HOUSE-Alzheimer bld	R24	1	1	Personal property includ
153	000	288170	0330	97,470	2143430	\$29,000,000	07/22/05	\$297.53	AEGIS OF SHORELINE -SOUTH BLDG	R24	1	1	Personal property includ
153	010	080900	2696	42,188	2325640	\$17,188,225	12/20/07	\$407.42	QUEEN ANNE MANOR	L-2	1	1	Personal property includ
153	010	112505	9055	27,225	2334239	\$13,300,000	02/25/08	\$488.52	REDMOND RETIREMENT MANOR	R30	1	1	Personal property includ
153	010	182305	9017	48,965	2306796	\$11,499,985	08/15/07	\$234.86	RENTON VILLA	R-10	1	1	Personal property includ
153	010	202205	9067	94,333	2320756	\$25,570,000	11/12/07	\$271.06	ARBOR VILLAGE PHASE 2	SR-6	3	1	Personal property includ
174	010	342406	9152	61,520	2255272	\$5,880,000	12/04/06	\$95.58	ISSAQUAH CARE CENTER	MF-H	1	11	Corporate affiliates
153	000	660075	0180	0	2235569	\$205,000	08/15/06	\$0.00	PACIFIC REGENT CONDOMINIUM	CBD-R	1	11	Corporate affiliates
153	000	660075	1020	0	2130359	\$390,000	06/09/05	\$0.00	PACIFIC REGENT CONDOMINIUM	CBD-R	1	12	Estate administrator, gu e
174	010	342406	9152	61,520	2319240	\$5,191,827	11/01/07	\$84.39	ISSAQUAH CARE CENTER	MF-H	1	13	Bankruptcy - receiver on
174	020	170490	0435	41,649	2308821	\$3,000	08/14/07	\$0.07	KIN ON HEALTH CARE CENTER	NC2/R-4	1	15	No market exposure
153	000	890100	0370	31,680	2098842	\$100,798	01/07/05	\$3.18	ARBOR SQUARE	SF 7200	1	18	Quit claim deed
174	020	182304	9220	39,507	2163060	\$217,500	10/15/05	\$5.51	BURIEN NURSING CENTER	O	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219955	\$187,500	07/05/06	\$3.06	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219956	\$150,000	07/05/06	\$2.45	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219957	\$187,500	07/05/06	\$3.06	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219958	\$200,000	07/05/06	\$3.27	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219959	\$140,500	07/05/06	\$2.29	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219926	\$120,000	07/05/06	\$1.96	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219928	\$745,500	07/05/06	\$12.17	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219930	\$745,500	07/05/06	\$12.17	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219931	\$380,000	07/05/06	\$6.20	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,

153	000	011410	0545	61,245	2219937	\$400,000	06/07/06	\$6.53	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219940	\$250,000	07/05/06	\$4.08	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219945	\$600,000	07/05/06	\$9.80	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219948	\$167,761	07/05/06	\$2.74	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219950	\$140,500	07/05/06	\$2.29	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219951	\$191,500	07/05/06	\$3.13	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219952	\$191,500	07/05/06	\$3.13	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219953	\$75,000	07/05/06	\$1.22	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	011410	0545	61,245	2219954	\$120,000	07/05/06	\$1.96	Regent at Northshore House	R48	1	22	Partial interest (1/3, 1/2,
153	000	182304	9057	38,312	2163055	\$477,500	10/15/05	\$12.46	EL DORADO WEST		4	22	Partial interest (1/3, 1/2,
174	010	282605	9170	231,838	2113464	\$65,000	04/01/05	\$0.28	EVERGREEN PLAZA MEDICAL OFFICES	PR 3.6	1	24	Easement or right-of-wa
174	020	092204	9062	36,828	2106789	\$731	01/21/05	\$0.02	DES MOINES VISTA RETIREMENT CTR	UH-900	1	24	Easement or right-of-wa
174	020	202205	9208	22,669	2250046	\$7,708,000	11/13/06	\$340.02	ROYALTON COURT	O-MU	1	33	Lease or lease-hold
153	000	082605	9059	98,880	2262797	\$25,000,000	01/29/07	\$252.83	FOUNDATION HOUSE OF BOTHELL	R 9600,	3	33	Lease or lease-hold
174	010	032405	9037	66,100	2222809	\$5,550,000	07/17/06	\$83.96	CARE CENTER AT KELSEY CREEK	R-20	1	34	Change of use
153	000	168940	1045	36,035	2151074	\$4,196,900	08/29/05	\$116.47	TAYLOR ANNE RETIREMENT APTS	L-3	1	34	Change of use