

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

Highest and Best Use

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

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

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

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

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

Date of Value Estimate

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

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

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

Property rights appraised:

Fee Simple

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

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

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

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

Assumptions and Limiting Conditions:

1. *No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free 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 is 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. Compilation of Cap rate study performed by Bonnie Christensen.*
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Analysis Process

Effective Date of Appraisal: January 1, 2009

Date of Appraisal Report: April 15, 2009

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 of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a token value of \$1,000.00 is assigned to the improvements.

Interim Use: In many instances a property's highest and best use may change in the foreseeable future. A tract of land at the edge of a city might not be ready for immediate development, but current growth trends may suggest that the land should be developed in a few years. Similarly, there may not be enough demand for office space to justify the construction of a multistory office building at the present time, but increased demand may be expected within five years. 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.

The use to which the site is put until it is ready for its future highest and best use is called an interim use. Thus, interim uses are current highest and best uses that are likely to change in a relatively short time.

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

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this appraisal.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/2006 to 1/2009 (at minimum) were considered in all analyses.
- 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 or Designation: **Area 47: Vashon & Maury Islands**

Boundaries:

Area 47 encompasses both Vashon & Maury Islands, which are located within the Puget Sound, to the west of Seattle. The islands are connected by an isthmus between Tramp and Quartermaster Harbors.

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:

Area 47 -Vashon & Maury Islands inhabit an area approximately 12 miles long and 8 miles wide, at the widest point. The area covers roughly 37 square miles or 23,680 acres, and houses a population of approximately 11,000 persons. The islands are accessible only via boat or private airplane. The Washington State Ferry system provides public access to the islands via four routes. The two ferry docks located in King County with transportation service to Vashon Island are within the Seattle city limits. A passenger only ferry located at Pier 50 services Seattle's central business district and the Vashon Terminal on the northern portion of the island. An auto/passenger boat route travels from West Seattle's Fauntleroy Ferry Terminal to the Vashon Terminal. The northern tip of Vashon Island is due west of the Fauntleroy Ferry Terminal. Additional access to the Vashon Terminal is available from Southworth, on the Kitsap County Peninsula. A ferry from Point Defiance in Tacoma, which is located within Pierce County, connects to the Tahlequah Terminal in the southernmost portion of Maury Island. Private boats have access to the islands through public and private docks. The Vashon Municipal Airport is a small airport in the northern portion of Vashon Island with a grass landing strip and a medi-vac heliport.

Residential land use consists primarily of detached single family homes generally situated on two and a half, five or ten acre parcels. Apartment buildings, classified as properties containing over 4 units, number twenty properties with one hundred and eighty six units. The apartment buildings are valued by the Apartment specialty section within the Commercial Business Division of the King County Department of Assessments. A small number of additional dwelling units are located in mixed use commercial properties.

The principal business district on the island is Vashon Center located approximately three miles south of the Vashon ferry landing, on Vashon Highway between about Southwest 168th Street and Southwest 204th Street (portions of neighborhoods 10, 20 &30). This area consists of a community shopping center, retail strip centers, and free standing retail buildings, as well as general office space. A smaller business district, known as Burton, is located about two miles to the south of Vashon Center on the north side of Quartermaster Harbor.

Historically, development activity on Vashon & Maury Islands has maintained a slower pace in comparison to King County as a whole, which can be attributed to some of the following rationale. The islands maintain a degree of isolation from the mainland due to the lack of a bridge to provide easier accessibility. A potential to increase development activity has in many cases received minimal support from many island residents, due to the belief a dramatic change in the rural character of the island may result. Development is also impacted from the limited fresh water supply. The full impact of the water shortage is impossible to quantify as no centralized water authority exists; rather, the island has several independent purveyors. The gravity of the water shortage must be taken into consideration in determining the market value of land within the water district. Landowners in the town of Vashon have documented substantiation of a building moratorium with Resolution 778, which resulted from the inability to connect to fresh water supplies. According to Water District 19, they have a waiting list approaching 500, and are no longer taking names.

The above factors affect the valuation of Vashon properties, particularly in the Vashon business district. Even though isolation of the islands shield some of the development pressures experienced in other parts of King County, the demand that does exist for improved and unimproved commercial properties on Vashon confronts a highly inelastic supply. Thus, existing developed commercial space and the land beneath the improvements may prove more valuable than they would be without the constraints that limit new development.

Area 47-10

Area 47-10 is the northern half of the downtown core, with the southern boundary located at Southwest Bank Road. The neighborhood includes all of sections of plat maps 30-23-03 and 29-23-03. Most of the commercial real estate activity is seen in neighborhoods 10 and 20. A second office building was constructed behind the Windermere Real Estate Office in 2008, on the same parcel. Area 47-10 was physically inspected during the 2007 revalue.

Area 47-20

Area 47-20 is the southern half of the downtown core, with the northern boundary located at Southwest Bank Road. The area includes all of sections of plat maps 31-23-03 and 32-23-03. A public storage facility was constructed in 2004, with an addition of three storage buildings in 2007. The Eernisse Apartments, a new 26 unit apartment complex, was completed in 2008. The complex features six buildings around a greenbelt. Half of the apartments will be rent subsidized, with the remaining units having below market rents. Island Lumber and Hardware constructed a storage warehouse building and a wash building behind the retail establishment in 2008. Area 47-20 was physically inspected during the 2007 revalue.

Area 47-30

Area 47-30 is directly south of economic neighborhoods 10 and 20, and includes commercial parcels in all the plat map sections of 5, 6, 7, and 8-22-03. The north central portion of area includes a few CB zoned parcels. Area 47-30 was physically inspected during the 2002

revalue. The 2002 inspections included the commercial properties south of Area 47-20 to approximately Southwest Quartermaster Drive.

Area 47-40

Area 47-40 is comprised of the commercial parcels which lay in the northern portion of Vashon Island found in all plat map sections with township 23, but not in the economic areas of 10, 20, or 30, and also in all plat map sections up to 12 with township 22. This area has a configuration similar to that of a horseshoe, with the outer edge extending along the northern, eastern and western island boundaries of Vashon Island. Area 47-40 was physically inspected during the 2003 revalue.

Area 47-50

Area 47-50 contains the commercial parcels lying in the southern part of Vashon Island and Maury Island. The area is contained within plat map sections with township 22, and ranges 2 and 3, as well as three parcels contained in map SE 2-21-2. The smaller towns of Burton and Dockton are located within this area. A conglomeration of properties with a variety of uses ranging from volunteer fire stations, water towers, community halls, parks, the Tahlequah Ferry Terminal, Glacier NW Sand and Gravel quarry, to several television transmitters are sprinkled throughout this area. Area 47-50 was physically inspected during the 2003 revalue.

Physical Inspection Identification:

None of the areas on Vashon and Maury Islands were inspected for the 2009 revalue.

Preliminary Ratio Analysis

A Preliminary Ratio Study was completed just prior to the application of the 2009 recommended values. This study benchmarks the current assessment level using 2008 posted values. The study showed a Weighted Mean Assessment level of 84.2% with a COD of 10.53%, a COV of 13.54% and a PRD of 1.0. The study was also repeated after application of the 2009 recommended values. The new COD and COV indicate the uniformity levels at 12.48% and 17.01% respectively. The Weighted Mean improved to 91.2% and the PRD remained at 1.0. While the COD and COV uniformity levels sustained a slight negative impact, the Weighted Mean Assessment level positively increased to the acceptable range indicated in the IAAO guidelines. Although the limited number of sales impacts the meaningfulness of Ratio Study analysis, the assessed values adhere to the standard statistical measures of valuation performance set by the IAAO guidelines.

Scope of Data

Land Value Data:

Limited land sales occurred on commercial zoned land between 1/1/2006 and 1/1/2009. None of the land sales are considered arms length transactions.

Neighborhoods 47-40 and 47-50 are the outlying areas of Vashon and all of Maury Island. With the exception of a limited number of parcels in Burton and Dockton zoned NB, Neighborhood Business, and in Maury Island, zoned M, Mining, the majority of the parcels have residential zoning designations, RA-2.5, RA-5, and RA-10. Uses on the residentially zoned parcels encompass churches, fire stations, parks, and water district land, as well as other pre-existing commercial uses. The assessor has utilized results from the Land Model developed by the Residential Division of King County Department of Assessments to value the residentially zoned parcels assigned to the Commercial Division of King County Department of Assessments. The analysis includes Upland and Waterfront Land Schedules, which consider both lot size and neighborhood criteria with corresponding adjustments for positive and negative impacts.

Improved Parcel Total Value Data:

Eight improved sales from 1/26/2006 to 4/25/2008 were available to establish a market relationship for similar properties that were not sold. Four sales were not included in the ratio study due to use changes after the sales. The time window for sales collection ranged from January 1, 2006 to December 31, 2008. Sales information was obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information was analyzed and investigated by the appraiser in the process of revaluation. All sales were verified, when possible, by contacting the purchaser, seller, or realtors involved in the transaction. Characteristic data was verified, when possible, for the sales. Due to time constraints, interior inspections were limited. Sales are located in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

Land Value

Land Sales, Analysis, Conclusions

The valuation of land in the Vashon business district, consisting of neighborhoods 10, 20, and the northern portion of 30, is historically based upon land sales with similar zoning designations, such as CB, Community Business, and R-12, Urban Residential.

The issue of water rights continues to play a significant role in the valuation process, with resulting negative impact for parcels without water rights. King County Water District 19, located at 17630 100th Avenue Southwest, maintains a list of property owners who retain water rights. The Assessor has made an effort to identify which parcels have been allocated water units. Due to the limited market activity, appraisal judgment was utilized to arrive at the rate of discount to correspond with water allocation. Under the current moratorium, parcels without water rights are precluded from development (see Resolution No. 778 as adopted at a regular meeting of the Board of Commissioners of Water District No. 19 held on February 13, 1996.) The King County Water District is no longer taking applications to be placed on the existing waiting list which allows land owners to request to purchase unused water units that have been sold back to the Water District from other property owners. At this time, the waiting list is closed and the total water units within this water district are static. Development activity is generally more contingent on the ability to support a desired use with quantity of water units held by an individual parcel rather than strictly the zoning parameters of the parcel. Water units are parcel specific; however, transfer of units between parcels with contiguous ownership is permissible in the event multiple units are owned. One water unit allows parcel development use not exceeding an average water usage of 800 gallons/day (600 gallons/day for multi-family housing.)

The following table is an overview of the land valuation schedule for the Vashon business district, which encompasses neighborhoods 10, 20, and the northern portion of 30.

Land Valuation Schedule of the Business District

Neighborhood	Zone	\$/SF
10,20,30	CB, CBP	\$5 - \$30
	R4 – R12	\$1.25- \$10
Ranges in unit values reflect lot size, water availability, and proximity to Vashon's central business district.		

The parcels located in Neighborhoods 40 and 50 were physically inspected for the 2003 revalue. The zoning is primarily residential, with the exception of Neighborhood Business zoning in Burton, and Dockton. Residential zoning includes parcels with RA-2.5, RA-5, and RA-10 designations. As previously discussed, primary market data available in the Residential Land Valuation Schedule was utilized in the land valuation analysis for properties with a commercial use on a residentially zoned parcels (refer to the Residential Area Report for Vashon Island – Area 100.) The highest and best use of residential zoned land with a commercial use within these neighborhoods, if vacant, would most likely be residential.

Land Value Comparisons and Recommended Conclusion:

The 2008 assessed land value was \$107,642,800 and the 2009 recommended assessed land value is \$110,002,000. The 2009 assessed land values have experienced an overall increase of 2.19% in comparison to the 2008 assessed values. Land value increases primarily resulted from modifications to maintain uniformity of residential zoned land parcels with the Residential Land Value Schedule.

For the time period ranging from January 1, 2006 to December 31, 2009, no vacant commercial sales can be categorized as arms length transactions. A grid of vacant land sales not used is included in the report.

Improved Parcel Total Values:

Sales Comparison Approach Model Description and Sales Comparison Calibration

The limited number of sales prevented the development of a statistically significant model for adequate sales comparison.

Sales Comparison Calibration

The limited number of sales prevented the development of a statistically significant model for adequate sales calibration.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. In most instances, cost estimates were considered value indicators for exempt properties, such as schools and churches, and new construction projects. The cost approach was also occasionally utilized in the valuation of non-exempt property, especially in circumstances where insufficient market rent data is available to apply the income approach to value.

Cost Calibration

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

Income Capitalization Approach Model Description

The income approach was utilized for many properties through out Area 47. Income parameters were derived from the marketplace through real estate sales and the sales verification process, as well as market surveys of lease rates within the various neighborhoods that comprise Vashon/Maury Islands. The income tables are included in this report. Similar uses were grouped together with income rates that were correlated to the effective age and building quality of the commercial property.

Income: Income parameters were derived from the market place through fair market sales, as well as through published sources (i.e. Office Space Dot.Com, Commercial Brokers Association, Costar, Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market.

Vacancy: Vacancy rates used were derived mainly from published sources tempered by personal observation.

Expenses: Expense ratios were estimated based on industry standards, published sources, and personal knowledge of the area's rental practices. Within our income valuation models, the assessor used triple net expenses for typical retail/mixed-use, industrial and office type uses.

Capitalization Rates: Capitalization rates were determined by actual sales, local published market surveys, such as CoStar, Real Capital Analytics, Colliers International, Integra Realty Resources, and Korpaz. Other national reports include; Grubb & Ellis Capital Market Update, Emerging Trends in Real Estate, Urban Land Institute Emerging Trends. The effective age and condition of each building determines the capitalization rate used by the appraiser. For example; a building with a lower effective age of lesser condition will typically warrant a higher capitalization rate and a building in better condition with a higher effective age will warrant a lower capitalization rate.

Cap rate summary of various published sources:

Source	Date	Location	Office	Industrial	Retail	Multifamily	Remarks
Colliers Private Capital News	Winter 2008	Puget Sound	6.78%	6.64%		4.8%	Median on closed Transactions \$1-15M except multifamily
Boulder Net Lease Funds LLC	4Q 2008	State	6.86%	7.24%	7.01%		
Real Capital Analytics	September 2008	Seattle	6.50%	7.20%	6.31%		Weighted Average
Korpacz: PWC	4Q 2008	Pacific NW	5.00%-11.00%				Institutional Grade-CBD and Suburban
Korpacz: PWC	4Q 2008	National	4.50%-10.00%	5.00%-9.00%	5.00%-9.50%	3.80%-8.50%	
IRR Viewpoint for 2009	January 2009	Seattle	7.00%-7.50%	7.50%-8.005%	6.50%-7.50%	6.00%	Institutional Grade Properties
Emerging Trends in Real Estate 2009	October 2008	National	6.34%-7.18%	6.83%-7.31%	6.19%-7.01%	5.95%-6.38%	Rates as of July 2008
Emerging Trends in Real Estate 2009	October 2008	National	6.86%-7.81%	7.26%-7.83%	6.77%-7.57%	6.43%-6.86%	Expected Rates December 2009
Dupree & Scott	February 2008	Tri-County				5.25%-6.00%	From RHA Update
Grubb & Ellis Forecast 2009	1Q 2009	Seattle	6.50%	7.00%	6.75%	5.75%	Transactions greater than \$5 million-from Real Capital Analytics

The preceding table demonstrates ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market to develop the income model. The range of capitalization rates in the income model reflects the variety of properties in this area. In Area 47, the properties predominantly are considered to be non-institutional grade, with many purchased by owner users. Due to the lack of sales data on Vashon and Maury Islands, the West Seattle area is relied on for further support.

Income approach calibration

The tables were calibrated after setting economic rents, vacancy, expenses and capitalization rates by using adjustments based on size, effective age, and construction quality as recorded in the Assessor's records. The income tables were formulated during the 2008 revalue for the main business district of Vashon, neighborhoods 10 and 20, and individually applied to selected properties in the northern portion of neighborhood 30. The application of the tables was based on the different uses of the income producing properties in these neighborhoods.

The chart below lists the income parameters typically used in the process of developing the 2009 income approach to valuation.

Neighborhoods 10 & 20 & North Central portion of Neighborhood 30 (typically zoned CBP)

Office/Medical/Dental/Veterinary	range \$6 to \$18
Retail	range \$6.50 to \$13
Restaurants (table service)	range \$9 to \$20
Barber Shop/Salon	range \$9 to \$12
Bar/Tavern	range \$7 to \$10
Supermarket	range \$5.50 to \$8
Service Garages	range \$4.50 to \$12
Storage (various)	range \$1.75 to \$4.50

In neighborhoods 10, 20 and the north portion of 30, the following parameters outline vacancy and credit loss, triple net expenses, and capitalization rates used in the income tables to provide the basis for the income value estimate calculations.

1) Vacancy and Credit Loss	5%
2) Operating Expenses	10%-15%
3) Cap Rate	6% to 7.5%

In the outlying neighborhoods, values for the improved properties were selected using the income approach or the cost approach, with partial weight given to the eight improved sales in the area. Typically, values by the income approach were derived from using the income tables within neighborhoods 10 and 20, with adjustments to the total for locations outside of the Vashon business district as required.

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

All parcels were individually reviewed for correctness of the model application before final value selection. All factors analyzed in the process of establishing value utilizing the model were subject to adjustment by the appraiser. The market rents established in the income model were used as a guide in determining the market rental rates for assessment purposes. Adjustment parameters were stratified based on construction quality, effective age, size, and location. The market rental rates applied may vary somewhat, but fall within an acceptable range of deviation of the established guidelines.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field 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 for particular characteristics and conditions as they occur in the valuation area.

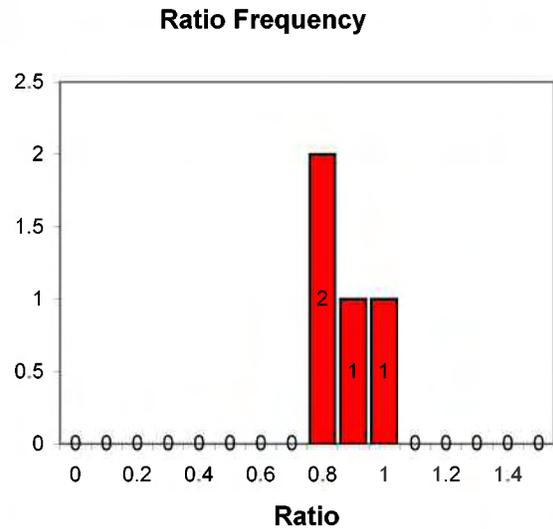
Although the limited number of sales impacts the meaningfulness of Ratio Study analysis, the assessed values adhere to the standard statistical measures of valuation performance set by the IAAO guidelines. The resulting COD is 12.48%, the COV is 17.01%, the Weighted Mean is 91.2%, and the PRD is 1.0.

The total assessed value for the 2008 assessment year for Area 47 was \$168,298,400. The total recommended assessed value for the 2009 assessment year is \$172,276,740. Application of these recommended values for Area 47 in the 2009 assessment year (taxes payable in 2010) result in a total change from the 2008 assessments of 2.36%.

The increases in the assessed values for the 2009 revalue were primarily modifications to maintain uniformity.

Area 047 - Vashon-Maury Island
2008 Assessment Year

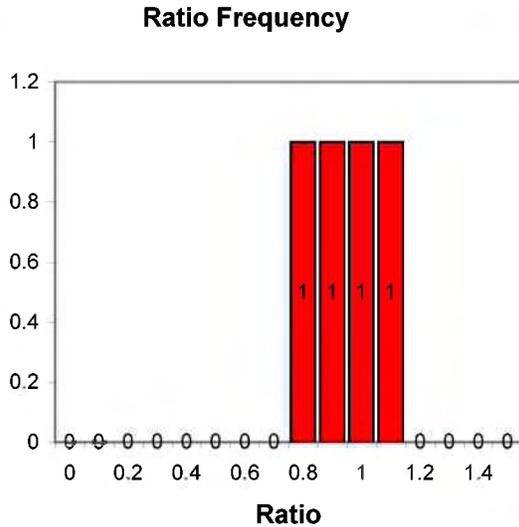
Quadrant/Crew: Central Crew	Lien Date: 1/1/2008	Date: 3/23/2009	Sales Dates: 1/26/2006-4/25/2008
Area 47	Appr ID: MLEC	Prop Type: Improvement	Trend used?: Y / N N
SAMPLE STATISTICS			
<i>Sample size (n)</i>	4		
<i>Mean Assessed Value</i>	591,700		
<i>Mean Sales Price</i>	702,500		
<i>Standard Deviation AV</i>	251,402		
<i>Standard Deviation SP</i>	271,922		
ASSESSMENT LEVEL			
<i>Arithmetic mean ratio</i>	0.842		
<i>Median Ratio</i>	0.836		
<i>Weighted Mean Ratio</i>	0.842		
UNIFORMITY			
<i>Lowest ratio</i>	0.7158		
<i>Highest ratio:</i>	0.9806		
<i>Coefficient of Dispersion</i>	10.53%		
<i>Standard Deviation</i>	0.1141		
<i>Coefficient of Variation</i>	13.54%		
<i>Price-related Differential</i>	1.00		
RELIABILITY			
95% Confidence: Median			
<i>Lower limit</i>			
<i>Upper limit</i>			
95% Confidence: Mean			
<i>Lower limit</i>			
<i>Upper limit</i>			
SAMPLE SIZE EVALUATION			
<i>N (population size)</i>	187		
<i>B (acceptable error - in decimal)</i>	0.05		
<i>S (estimated from this sample)</i>	0.1141		
Recommended minimum:	19		
<i>Actual sample size:</i>	4		
Conclusion:			
NORMALITY			
Binomial Test			
<i># ratios below mean:</i>	2		
<i># ratios above mean:</i>	2		
<i>z:</i>	-0.5		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			



These figures reflect measurements before posting new values. The number of sales occurring during the past three years are too few to provide statistically significant results.

Area 047 - Vashon-Maury Island
2009 Assessment Year

Quadrant/Crew: Central Crew	Lien Date: 1/1/2009	Date: 3/23/2009	Sales Dates: 1/26/2006-4/25/2008
Area 47	Appr ID: MLEC	Prop Type: Improvement	Trend used?: Y / N N
SAMPLE STATISTICS			
<i>Sample size (n)</i>	4		
<i>Mean Assessed Value</i>	640,500		
<i>Mean Sales Price</i>	702,500		
<i>Standard Deviation AV</i>	285,392		
<i>Standard Deviation SP</i>	271,922		
ASSESSMENT LEVEL			
<i>Arithmetic mean ratio</i>	0.910		
<i>Median Ratio</i>	0.921		
<i>Weighted Mean Ratio</i>	0.912		
UNIFORMITY			
<i>Lowest ratio</i>	0.7158		
<i>Highest ratio:</i>	1.0821		
<i>Coefficient of Dispersion</i>	12.48%		
<i>Standard Deviation</i>	0.1549		
<i>Coefficient of Variation</i>	17.01%		
<i>Price-related Differential</i>	1.00		
RELIABILITY			
95% Confidence: Median			
<i>Lower limit</i>			
<i>Upper limit</i>			
95% Confidence: Mean			
<i>Lower limit</i>			
<i>Upper limit</i>			
SAMPLE SIZE EVALUATION			
<i>N (population size)</i>	187		
<i>B (acceptable error - in decimal)</i>	0.05		
<i>S (estimated from this sample)</i>	0.1549		
Recommended minimum:	32		
<i>Actual sample size:</i>	4		
Conclusion:			
NORMALITY			
Binomial Test			
<i># ratios below mean:</i>	2		
<i># ratios above mean:</i>	2		
<i>z:</i>	-0.5		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			



These figures reflect measurements after posting new values. However, statistically significant results are not yielded due to the small number of sales in the ratio study.

Improvement Sales for Area 047 with Sales Used

03/23/2009

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	010	302303	9054	1,410	2235280	\$480,000	08/31/06	\$340.43	SFR	CBP	1	34	Use-change after sale; not in ratio
047	020	312303	9071	1,662	2250011	\$625,000	11/14/06	\$376.05	Zoomies Burgers and Ice Cream	CBP	1	Y	
047	020	312303	9087	7,361	2339094	\$1,100,000	03/28/08	\$149.44	SUNGARD HIGHER EDUCATION	CBP	1	Y	
047	030	052203	9020	3,280	2343713	\$600,000	04/25/08	\$182.93	MC FEEDS	CBPSO	1	Y	
047	030	052203	9020	3,280	2183849	\$485,000	01/26/06	\$147.87	MC FEEDS	CBPSO	1	Y	
047	030	052203	9030	4,761	2325725	\$800,000	12/19/07	\$168.03	SOUND FOOD /MINGLEMENT	NBSO	2	34	Use-change after sale; not in ratio
047	050	132202	9055	15,768	2326347	\$1,400,000	12/21/07	\$88.79	WAX ORCHARDS (FORMER)	RA5P	3	34	Use-change after sale; not in ratio
047	050	192203	9032	4,453	2229179	\$875,000	08/11/06	\$196.50	BACK BAY INN	NBP	2	34	Use-change after sale; not in ratio

Improvement Sales for Area 047 with Sales not Used

03/23/2009

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	010	292303	9161	5,136	2183501	\$635,000	01/26/06	\$123.64	TRUE VALUE HARDWARE/SERVICE CENTER	CBP	1	44	Tenant
047	010	292303	9183	1,200	2211431	\$325,000	05/22/06	\$270.83	GLENDAL REALTY	CBP	1	1	Personal property included
047	010	302303	9053	7,380	2186262	\$252,000	02/03/06	\$34.15	MEDICAL OFFICE BLDG	CBP	1	22	Partial interest (1/3, 1/2, etc.)
047	020	312303	9092	728	2340867	\$2,996,974	04/08/08	\$4,116.72	KQIN TRANSMITTER	RA10	1	51	Related party, friend, or neighbor
047	020	322303	9016	9,360	2375361	\$141,500	12/22/08	\$15.12	LINE RETAIL	CBP	1	22	Partial interest (1/3, 1/2, etc.)
047	020	322303	9019	5,576	2329595	\$1,050,000	01/21/08	\$188.31	BISHOP'S TAVERN	CBP	1	1	Personal property included
047	040	092203	9004	4,272	2201856	\$325,000	04/24/06	\$76.08	PORTAGE GROCERY STORE/VACANT	NB	6	15	No market exposure
047	040	182303	9097	3,088	2258447	\$625,000	12/26/06	\$202.40	John L. Scott Realty	NB	1	44	Tenant
047	050	162203	9005	8,381	2337109	\$907,882	03/13/08	\$108.33	KIRO TRANSMITTER	RA5	3	59	Bulk portfolio sale
047	050	162203	9011	3,902	2337102	\$648,488	03/13/08	\$166.19	TRANSMITTER	RA5	1	59	Bulk portfolio sale

Vacant Sales for Area 047 with Sales not Used

05/06/2009

Area	Nbhd.	Major	Minor	Land Area	E #	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	020	312303	9012	100,623	2335096	\$444,100	02/29/08	\$4.41	KEVIN BERGEN CONSTRUCTION	IP	1	44	Tenant
047	020	312303	9066	124,740	2245829	\$50,000	10/23/06	\$0.40	VACANT	IP	1	18	Quit claim deed
047	040	202303	9006	206,038	2270402	\$249,000	03/08/07	\$1.21	DAISYS NURSERY	RA5	1	57	Selling or buying costs affecting sa