

Commercial Revalue

2018 Assessment roll

AREA

47

**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 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 our 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 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 steps are employed to calculate an 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 back 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 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. 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, 2013, Table 1-3.* www.IAAO.org

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

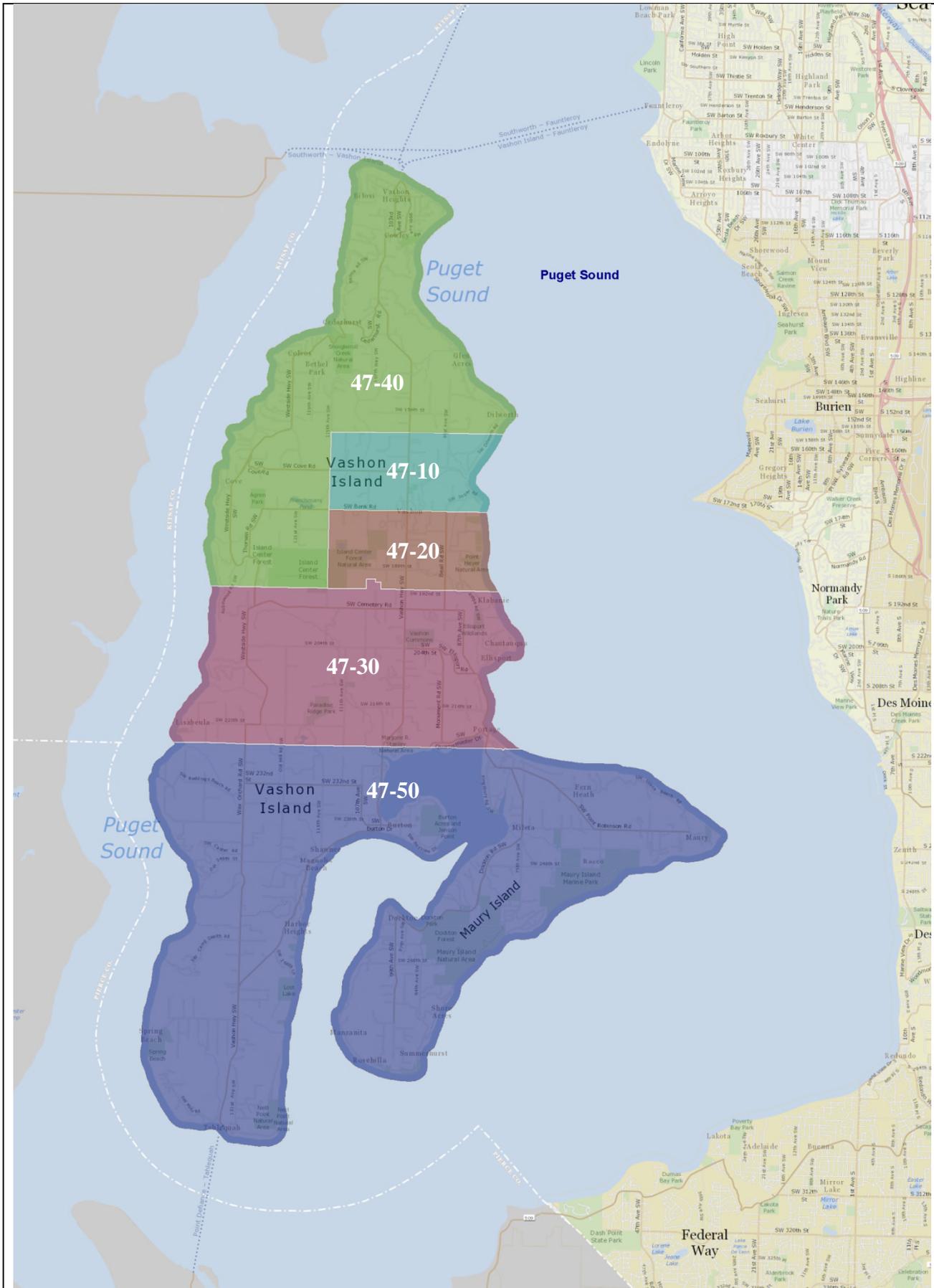
Requirements of State Law

Within Washington State, property is required to be revalued each year to market value based on its highest and best use. (RCW 84.41.030; 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.

Area 47



The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representation or warranties, express or implied, as to the accuracy, completeness, timeliness, or rights to the use of such information. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.



Executive Summary Report

Appraisal Date 1/1/2018

Geographic Appraisal Area

- Area 47: Vashon and Maury Islands

Sales – Improved Summary

- Number of Sales: 15 improved sales
- Range of Sales Dates: 05/07/2015 – 06/22/2017

Sales – Ratio Study Summary

Sales--Improved Valuation Change Summary				
	Mean Assessed Value	Mean Sale Price	Ratio	COD*
2017 Value	\$533,100	\$608,000	87.70%	19.44%
2018 Value	\$535,800	\$608,000	88.10%	16.15%
Abs. Change	\$2,700		0.40%	-3.29%
% Change	0.51%		0.46%	-16.92%

*COD is a measure of uniformity, the lower the number the better the uniformity

Sales used in analysis: All improved sales that were verified as good that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis. Due to the small number of sales, which is typical for Vashon and Maury Islands, the ratio analysis does not yield reliable indicators of the statistical measures relevant to the IAAO guidelines.

Examples of sales that are not included in the analysis are: sales that are leased back to the seller; sold as a portion of a bulk portfolio sale; net lease sales; sales that have had major renovations after the sale, or have been segregated or merged since being purchased.

Population – Parcel Summary Data

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2017 Value	\$87,559,000	\$89,059,000	\$176,618,000
2018 Value	\$90,537,100	\$92,074,800	\$182,611,900
% Change	3.40%	3.39%	3.39%

Number of Parcels in the Population: 282 parcels including vacant and improved properties; excluding specialty properties.

Conclusion and Recommendation

The total assessed values for the 2018 revalue have increased 3.39%. The values recommended in this report improve uniformity and equity; therefore it is recommended they should be posted for the 2018 Assessment Year.

Identification of the Area

Name or Designation

- Area 47 – Vashon and Maury Islands

Area 47 Neighborhoods

- 47-10 – North Half of the Town of Vashon
- 47-20 – South Half of the Town of Vashon
- 47-30 – The portion of Vashon Island south of the Town of Vashon and North of Quartermaster Harbor
- 47-40 The portion of Vashon Island located north of the Town of Vashon
- 47-50 The south end of Vashon Island and all of Maury Island

Area 47 Boundaries

Area 47 encompasses Vashon & Maury Islands, which are located in the Puget Sound, just southwest of the City of Seattle. The islands are connected by a man-made 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 Overview

Vashon & Maury Islands are often referred to as “Vashon”, which is the census-designated place name covering the islands. Vashon is 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. A passenger-only ferry located in downtown Seattle at Pier 50 services Seattle’s central business district and the Vashon Island Terminal on the northern portion of the island. An auto/passenger ferry route travels from West Seattle’s Fauntleroy Terminal to the Vashon Island Terminal. This ferry terminal is also accessed from the Southworth Ferry Dock, located due west, in Kitsap County. A ferry from Point Defiance in Tacoma, which is located within Pierce County, connects to the Tahlequah Terminal at the south end of Vashon Island. Private boats have access to the islands through public and private docks. The Vashon Municipal Airport is a small airport in the north-central portion of Vashon Island with a grass landing strip and a medevac heliport.



Residential land use primarily consists of detached single-family homes generally situated on two-and-a-half, five or ten acre parcels. There are nineteen apartment buildings (containing four or more units each) with a total of 187 units. In addition, there are eight condominium complexes with a total of 76 privately-owned residential units. A small number of additional dwelling units are located in mixed-use commercial properties.

Commercial land use is concentrated in three major areas: the Towns of Vashon, Burton, and Dockton. The main business district is the Town of Vashon (comprised of neighborhoods 10 and 20), located approximately three miles south of the Vashon Island Ferry Terminal, on Vashon Highway. This area consists of a community shopping center, a home improvement center, retail strip centers, and free-standing retail and office buildings. There are also service garages, a lumber yard, small warehouses, and institutional uses (churches, schools, government building and utilities).



The Town of Vashon



Harbor Mercantile General Store

The town of Burton is a historic waterfront area located about two miles south of the Town of Vashon at the isthmus between Inner and Outer Quartermaster Harbor (in neighborhood 50). Burton was founded in 1892 with the development of Vashon College and the Burton Store. Industries around Burton at that time included logging, shingle manufacturing and brickmaking. The college ceased operation in 1912 when it was destroyed by fire. (In 2006 a new

Vashon College was opened, but not at the Burton location) Today Burton features the Harbor Mercantile General Store (pictured above), the recently renovated Burton Inn and Bistro, a few retail/office buildings, vacation cottages, an auto repair garage, Quartermaster Marina, churches, parks, and a Pilate's studio.

Southeast across Quartermaster Harbor from Burton, on Maury Island, is Dockton (in neighborhood 50). Dockton was one of the first settlements on Vashon and was an important shipbuilding center. The Puget Sound Dry Dock Company ship yard and dry-dock was the largest on the west coast of the United States from 1892 to 1909. Many large commercial steam ships were produced at the ship yards in Dockton with the last boat built and launched



Former Dockton Store

into Quartermaster Harbor in 1929. There is only one commercial building remaining from the early 20th century. The Dockton Store, which also housed a post office, closed in 1980. The building is currently listed on the National Registry of Historic Places. It has been well maintained and is in use today as a residence/art gallery. Today Dockton is primarily residential. Commercial properties in Dockton are institutional uses, such as churches, government buildings and utilities.

Historically, development activity on Vashon & Maury Islands has maintained a much slower pace in comparison to King County as a whole, which can, in part, be attributed to a combination of the following: 1) The islands maintain a degree of isolation from the mainland due to the lack of a bridge to provide easier accessibility; 2) The islands lack any major large-scale employers; 3) A potential to increase development activity has in many cases received minimal support from many island residents, due to the belief that a dramatic change in the rural character of the island may result; and 4) The fresh water supply, and current means of accessing/distributing it, are not adequate to support fuller development of the island.

Water Supply

The full impact of the islands' fresh-water limitations is impossible to quantify as no centralized water authority exists. Sites which are served receive fresh water either from a private well, or from one of the islands' several independent purveyors. The largest of these is King County Water District 19 (KCWD19), serving approximately 1,400 accounts and encompassing Vashon's Town Center. KCWD19's source water has come, historically, from a large well field of two wells, and two creeks. Attempts by KCWD19 over the years to add wells have been relatively unsuccessful, meeting with 1) resistance from the local population to tapping into more creeks, 2) expired or severely limited underlying water rights associated with potential well sites, or 3) prohibitive costs incurred in the development and treatment processes. These costs are passed along to customers who are paying some of the highest water prices in the state.

In the absence of a private well, a given site's access to fresh water is determined by the total number of water units associated with that site. Potential development of a site is impacted by the site's water units. The King County Department of Permitting and Environmental Review, in charge of issuing building permits on Vashon, requires a Certificate of Water Availability (CWA) be granted by a water district to any owner intending to develop a given site. For water purveyors to grant such a CWA the property owner must have the requisite number of Equivalent Residential Units (ERUs, or water units) to support the proposed development. There is not an adequate supply of fresh water to meet peak demand from all potentially developable properties.

In 1996 a moratorium was placed on the creation and issuance of new units, in an attempt to consistently meet peak demand for existing customers. This resulted in a waiting list of applicants desiring to purchase water units. In order to accommodate any new units, the water-system capacity needed to be expanded to show a small surplus above current peak demands. The district's 2009 Capacity Analysis Report showed a small surplus, indicating to managers that KCWD19 might be able to release some new units. The decision to do so was delayed, however.

In 2010 the King County Council and KCWD19 began discussing why the system has not been able to maintain a surplus and create new units. A major result from these discussions was the opening of the Morgan Hill and Beall Wells, which went online in August 2011. These new fresh-water sources did increase system capacity. The results of the 2009 report and the addition of these wells prompted KCWD19 to offer water units to the next applicants on the waiting list in 2013. At this time the waiting list, in place since 1996 had grown to 70 applicants requesting 256 water units. As the new wells continue to reliably and consistently perform, 15 - 20 new water units have been offered each January since that time with some applicants requesting several water units.

Water units are offered for a cost of \$10,650 per unit. Each applicant on the waiting list has 30 days to respond to an offer to purchase. If not, or if they decline, the next applicant is contacted. If they decline, they are removed from the list. The waiting list is closed, so once a property owner is removed they cannot re-apply. Applicants then have an additional 120 days to make full payment for the water units or decline to follow through. As new water units are purchased by property owners, the Assessor's office has updated records and adjusted land valuations as necessary.

Water units cannot be traded or sold between property owners. Unused units may be sold back to the water district. Currently, during the water moratorium, the district will pay the property owner \$7,000 a unit (up to 25 units). If a property owner owns contiguous parcels, they can transfer water units between the parcels as needed, although they must go through the district to do this. One water unit corresponds to a peak water usage of 600 gallons/day or 450 gallons/day for multi-family (apartment) usages. Property owners pay a bi-monthly fee for each water unit they own, regardless of whether they are using the unit or not.

In 2017 KCWD19 offered 15 more water units to the next applicants on the waiting list, plus one additional unit that was returned to the district. If they decline, the units will then be offered to the next applicants on the list until all 16 units are purchased. All of the recipients of the newly offered units are residential parcels. The waiting list is currently down to 14 applicants requesting 56 water units.

There are a handful of other water purveyors on the islands. Vashon Island is also served by Heights Water in the Northeast, Burton Water Company in and around the community of Burton, and Westside Water Association, in the northwest. Maury Island is served by the Maury Mutual Water Company and the Dockton Water Association. The Maury Mutual Water Company is currently at capacity, with no water units available for purchase.

The above factors affect the valuation of Vashon properties, particularly in Vashon's Town Center. 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. For example, the first applicant that was offered water units in January of 2016 had been on the waiting list since 1999. 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.

Recent Market Activity

After a robust year for commercial sales activity on the island in 2016, with 6 sales of commercial land and 7 sales of improved commercial properties, 2017 saw a more modest level of activity. There was one commercial land sale and three sales of improved commercial properties. One of the improved sales was the Mukai Fruit Barreling Plant site which was purchased by the King County Parks Department and will be preserved as a park and historic site.

Analysis Process

Effective Date of Appraisal: January 1st, 2018

Date of Appraisal Report: April 1st, 2018

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. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel.

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

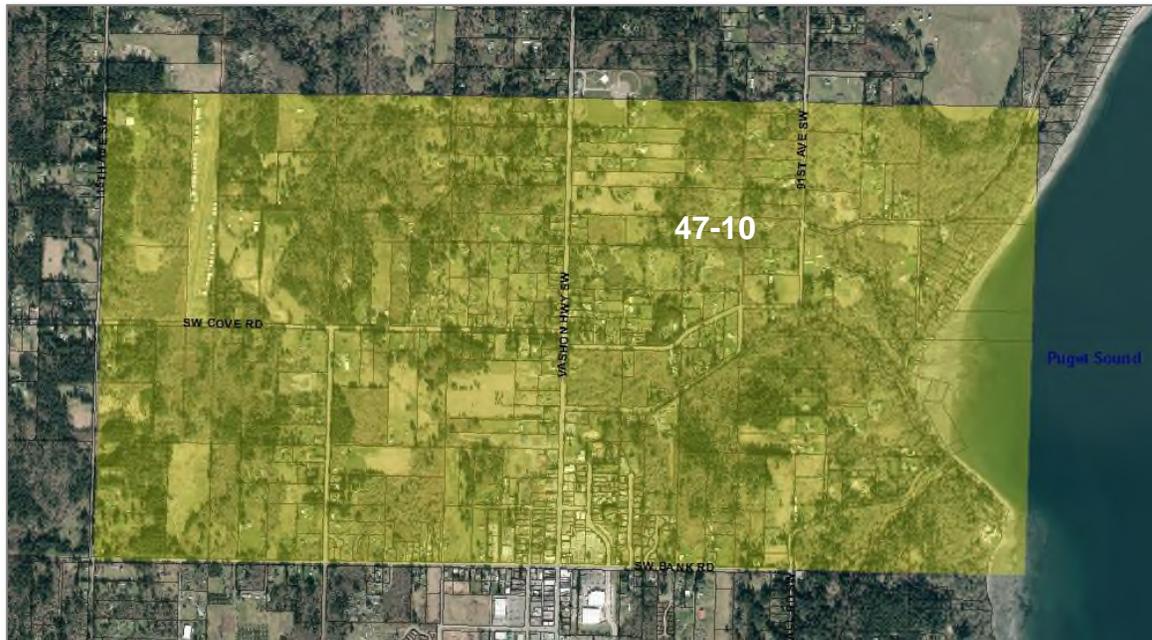
Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this appraisal.

- Sales from 1/1/2015 to 12/31/2017 (at minimum) were considered in all analyses.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 5 & 6.

Neighborhood 47-10

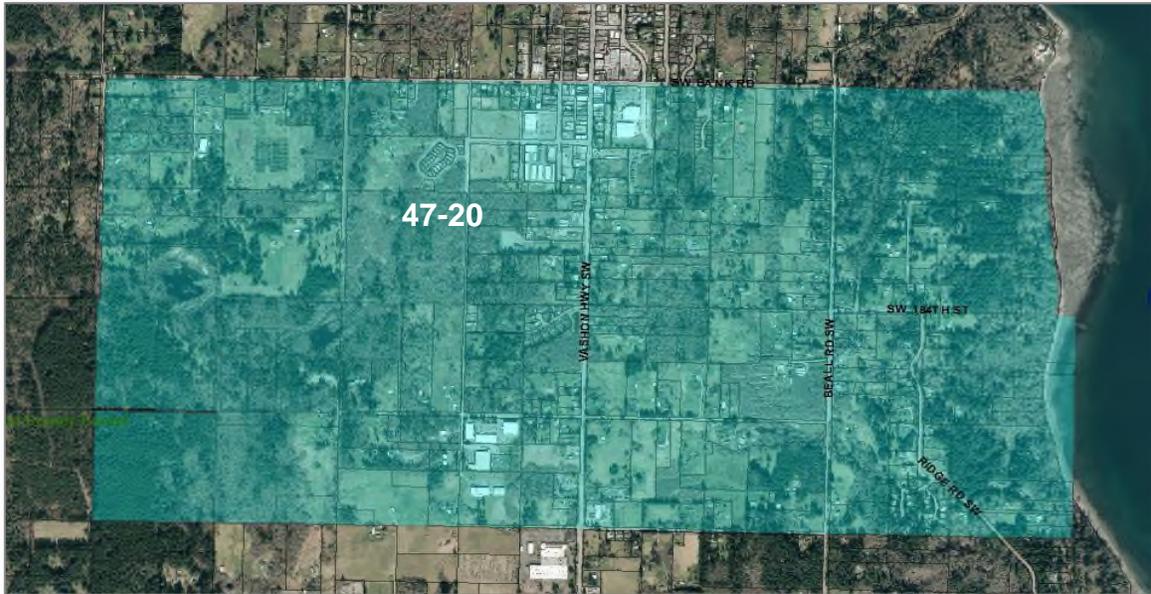


Neighborhood 47-10 is the northern half of the Town of Vashon, with the southern boundary located at Southwest Bank Road. Most of the commercial development is clustered within a block or two of the intersection of Southwest Bank Road and Vashon Highway Southwest. This area features mostly one-to-two story stand-alone commercial buildings, some of which are converted from single-family residences. Use is primarily retail, with some restaurant and offices, as well as schools, banks, and the Vashon Municipal Airport. This King County airfield features one grass landing strip, a heliport, and approximately 40 lots which are leasable to private parties who may place a hangar on the site, as personal property.

There is one commercial project currently underway in neighborhood 10. A two building 7,980 square foot self-storage facility is under construction near the north end of the Town of Vashon.

The other recent development in neighborhood 10 is the Lodges On Vashon. When the Vashon Village property was sold in July of 2014 the property included excess land at the western half of the site. In February of 2015 construction began on that half of the property. The new project, named The Lodges on Vashon includes 16 hotel suites located in 16 free-standing modern structures along with two communal spaces. Each suite was prefabricated off-site and arrived to the island via ferry. The project was completed in August of 2015. Other recent sales include several smaller commercial buildings.

Neighborhood 47-20



Neighborhood 47-20 is directly south of neighborhood 47-10 and forms the southern half of the Town of Vashon business district, with the northern boundary located at Southwest Bank Road. The neighborhood is similar in size and characteristics to neighborhood 10. Most of the commercial development is clustered within a block or two of Vashon Highway Southwest. This area features mostly one-story retail buildings, configured as zero-lot-line developments in a “main street” style business district within the town center. There are also offices, restaurants, churches, service garages, warehouses, a mini-storage facility, government/utility structures, and a movie theater.

There has been no recent development in neighborhood 20.

Neighborhood 47-30

Neighborhood 47-30 is directly south of neighborhood 20, and commercial development is concentrated along Vashon Highway Southwest, clustered near Southwest Cemetery Road and Southwest 204th Street, both in the north-central portion of the neighborhood. Commercial structures are mostly one-story stand-alone buildings. Commercial uses are evenly distributed between retail, restaurant, office, service garage, warehouse, and institutional.



At the north edge of neighborhood 30 is the former world headquarters of K2 Sporting Goods. The company vacated the island in 2006, moving to a location in Seattle's SODO district. The 160,000 square foot facility (by far the largest building on the island) has been vacant and available for sale or lease since the move. As of the 2018 assessment year the building has visible deterioration from the long-term vacancy.

Construction of the new Vashon Center for the Arts was completed in neighborhood 30 in 2016. This new 20,000 square foot performing arts facility includes a 285 seat theater along with an art gallery and large lobby/event space. The building was constructed adjacent to the Blue Heron Art Center at the corner of Vashon Highway SW and Cemetery Road. The Blue Heron building will be renovated as phase 2 of this project.



Neighborhood 47-40

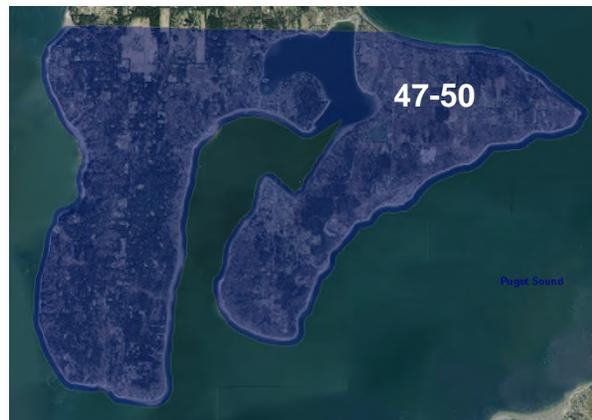
Neighborhood 47-40 includes the parcels to the north and west of neighborhoods 10, 20 and 30. It contains approximately 7,680 acres of land. Commercial properties are sprinkled across this area, occurring along Vashon Highway SW, as well as to the west along Westside Highway SW. Commercial uses are primarily institutional (churches, schools, government buildings and utilities), with other uses including an office building, restaurant, some warehouses, tidelands, and the Vashon Ferry Terminal along with an adjacent Mexican restaurant.

There has been no new development or recent sales in neighborhood 40.



Neighborhood 47-50

Neighborhood 47-50 comprises the south end of Vashon Island and all of Maury Island totaling approximately 10,880 acres of land. Commercial structures group around the small towns of Burton and Dockton and typically consist of one-story stand-alone structures, with a few two-story mixed-use buildings. Commercial uses include some retail stores and offices, volunteer fire stations, churches, water towers, community halls, parks, several television transmitters, marinas, and the Tahlequah Ferry Terminal. Neighborhood 50 is home to two summer camps; Camp Sealth, located along Colvos Passage on the west side of the island and Burton Camp, located on Quartermaster Harbor. There is also a bed and breakfast and several vacation cottages. About one-half of the commercial parcels in this area are undeveloped and serve as parks, tidelands, and vacant commercial/industrial sites.



In late 2010 the former Glacier NW Sand and Gravel quarry was obtained by King County. This 250-acre site, which had been a major supplier of raw materials for cement-related products, had been a source of contention between Vashon Islanders and the operators/owners of the quarry, who in 1998 applied to expand operations at the south Maury Island site. Islanders had concerns over environmental impacts. While Glacier was in the process of satisfying environmental elements, a key permit was revoked in 2008. Glacier then became amenable to selling the site, and the deal was completed in 2010. After much required environmental remediation, the site is now used as a park and natural area. The park has been named the Maury Island Marine Park.



The most recent sale in neighborhood 50, in Burton, occurred in October of 2016 when the Quartermaster Inn and Restaurant sold. The property has now been renovated and renamed the Burton Inn and Bistro with the restaurant opening in 2017.

Physical Inspection Identification

WAC 458-07-015 requires each property to be physically inspected at least once during a 6 year revaluation cycle. At a minimum, an exterior observation of the properties is made to verify the accuracy and completeness of property characteristic data that affect value. New photos are taken for both vacant and improved parcels. Property records were updated in accordance with the findings of the physical inspection. There were no required inspections in Area 47 for the 2018 assessment year.

Scope of Data

Land Value Data: Vacant land sales from January 1, 2015 to December 31, 2017 were given primary consideration in the valuation of commercial and multi-family zoned land parcels for the 2018 revalue. There were seven land sales considered in Area 47. The sales were verified as “good” and coded “Y” in the Assessor’s records.

Improved Parcel Total Value Data: 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.

Land Value

Land Sales, Analysis, Conclusions

There were seven commercial land sales that occurred during the three years previous to the assessment date. Six of the sales occurred during 2016. These sales are “arms-length” transactions and were given consideration in the valuation of commercial and multi-family zoned land parcels for the 2018 revalue. There was also one sale during 2017 that has also been considered. Due the limited number of recent sales on the island, sales outside the three year period prior to the assessment date were also given consideration.

The primary unit of comparison considered was based on price per square foot of land area. The comparative sales approach generally is considered the most reliable method for land valuation. Zoning, location, and site size were primary variables considered in the valuation process. Changes were made based on recent land sales and to achieve equalization in neighborhoods in accordance with zoning, size and location. In the absence of sales in a neighborhood, sales in other similar neighborhoods were considered. Appraiser judgment prevails in all decisions regarding individual parcel valuation. 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.

While some zone classifications are represented with recent sales activity, in instances when no sale activity occurred or sales representation was limited, sales from other, proximal, neighborhoods were also considered. In some cases, the Assessor relied on sales of similarly zoned properties, with both higher and lower densities, to bracket the indicated values. In certain situations, subsequent adjustments were later factored for size, shape, and utility of anomalous parcels. For the 2018 assessment year, changes in residential land values over the past two years were also considered. Residential land assessed values have increased over 30% since 2015.

The issue of water units continues to play a significant role in the valuation process, with resulting negative impact for parcels without water rights. King County Water District 19 (KCWD19), 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.)

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 a peak water usage of 600 gallons/day or 450 gallons/day for multi-family (apartment) housing.

As of the date of this report, the water units that have been recently purchased have not resulted in any new commercial development activity on the island.

As shown in the chart below, the 2017 market land values have increased overall 5.53% from the previous year's values. This value increase is mainly due to consideration of, and equalization to parcels with valued by the residential division. The total land values represented below include all taxable and nontaxable parcels in Area 47, including government owned and specialty parcels.

Change in Assessed Land Value by Neighborhood			
Neighborhood	2017 Land Value	2018 Land Value	% Change
47-10	\$20,205,300	\$21,234,000	5.09%
47-20	\$30,832,700	\$32,544,200	5.55%
47-30	\$11,598,200	\$12,614,200	8.76%
47-40	\$5,147,400	\$5,392,800	4.77%
47-50	\$33,700,700	\$35,316,000	4.79%
Total	\$101,484,300	\$107,101,200	5.53%

Neighborhood 47-10 Land Sales:

There were no land sales in neighborhood 10 between January 1, 2015 and December 31, 2017.

Neighborhood 47-20 Land Sales:

There were five recent land sales located in neighborhood 20. The sales are shown below:

Location	Major	Minor	Land Area	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Remarks
103XX SW 188th St	312303	9046	206,038	\$500,000	06/14/17	\$2.43	VACANT LAND	IPSO	No water units, but buyer is adjacent property owner. Seller was King County.
18109 Vashon Hwy SW	312303	9012	100,623	\$499,000	12/23/16	\$4.96	TEAR-DOWN	IP	5 water units.No value to current improvements. (small outbuildings).
101xx SW 178th St	312303	9127	8,986	\$85,000	07/27/16	\$9.46	VACANT LAND	R8	2 water units. Access from 178th St is via easement over adjacent parcel.
101xx SW 178th St	312303	9132	30,525 (usable)	\$210,000	08/24/16	\$6.88	VACANT LAND	R8	6 water units. Total parcel size is 94,880 with 26,015 SF covered by an access easement for adjacent parcels and an additional 38,340 SF is wetlands. Chart shows remaining SF.
103xx SW 178th St	312303	9169	163,130 (usable)	\$400,000	08/19/16	\$2.45	VACANT LAND	R8P	10 water units. Total parcel size is 193,880. The west and north portions are encumbered with an access and ROW easement. Buildable SF is shown here.

Neighborhood 47-30 Land Sales:

There were two recent land sales located in neighborhood 20. The sales are shown below:

Location	Major	Minor	Land SF	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Remarks
19200 99th Ave SW	052203	9015	129,361	\$350,000	07/19/16	\$2.71	VACANT LAND	CBPSO /R4SO	1 water units. Split zoning. 77,592 SF of CB zoning and 51,769 SF of R4 zoning.
99xx Cemetary Road	062203	9092	159,000	\$525,000	08/16/16	\$3.30	VACANT LAND	IPSO	10 water units.

Neighborhood 47-40 Land Sales:

There were no land sales in neighborhood 10 between January 1, 2015 and December 31, 2017.

Neighborhood 47-50 Land Sales:

There were no land sales in neighborhood 10 between January 1, 2015 and December 31, 2017.

Land Zoning Code Descriptions

All of Area 47 is located in unincorporated King County. The following table contains a description of the commercial zoning codes found in Area 47:

Zoning Code	Description
CB, CBP	Community Business
NB, NBP	Neighborhood Business
IP, ISO	Industrial
O	Office
R4	Urban Residential - 4 dwelling units per acre
R6	Urban Residential - 6 dwelling units per acre
R8	Urban Residential - 8 dwelling units per acre
R12	Urban Residential - 12 dwelling units per acre
R24	Urban Residential - 24 dwelling units per acre

Land Value Chart

The following table is an overview of the land valuation schedule for the Vashon commercially zoned land. These values are intended as a guide to “typical” land values with additional adjustments made for individual site variations.

Neighborhood	Zone	\$/SF
All	CB, CBP	\$4.20 - \$30
	NB, NBP	\$5.25 - \$10
	IP, ISO	\$1.05 - \$3.20
	O	\$10
	R4 - R24	\$1.16 - \$9.19

The range in unit land values reflects lot size, water availability and proximity to Vashon’s central business district. The P suffix shown after a zoning designation indicates that property specific development standards exist for a property. The zoning for parcels located in Neighborhoods 40 and 50 is primarily residential (RA-2.5, RA-5, RA-10) and values are equalized with surrounding residential parcels. The highest and best use of residential zoned land with a commercial use within these neighborhoods, if vacant, would most likely be residential.

Preliminary Ratio Analysis

The sales ratio study is an important assessment tool used to ensure that properties are uniformly assessed based on market value. This analysis utilizes statistical methods to measure the relationship between a property's assessed value and its sale price by grouping individual sales according to property type and geographic area. This data can be used to review current assessment levels, identify inequities that need to be addressed, and assist in revaluation model development.

The two major aspects of appraisal accuracy, appraisal level and appraisal uniformity are measured and evaluated using the ratio study. Appraisal level is a measure of the ratio of assessed value to sales price, while appraisal uniformity refers to the degree to which properties are appraised at equal percentages of market value. The International Association of Assessing Officers (IAAO) has developed performance standards to evaluate both the appraisal level and uniformity.

Appraisal (Assessment) Level: Estimates of appraisal level are based on measures of central tendency. The weighted mean ratio is the value-weighted average of the arithmetic mean and median ratios in which the weights are proportional to the sales prices. The weighted mean is the sum of the assessed values divided by the sum of the sale prices. The weighted mean gives equal weight to each dollar of value in the sample, whereas the median and mean give equal weight to each parcel. The weighted mean is an important statistic in its own right and also used in computing the price related differential (PRD), a measure of uniformity between high- and low- value properties.

The IAAO performance standards state that the weighted mean ratio should be between 0.90 and 1.10. The preliminary ratio study for Area 47 shows a weighted mean ratio of 0.877 which is outside the IAAO guidelines, indicating that the current assessment level, as measured using recent sales, is below the acceptable range.

Appraisal (Assessment) Uniformity: Measures of dispersion or variability relate to the uniformity of the ratios. The most generally useful measure of uniformity is the Coefficient of Dispersion (COD). The COD measures the average percentage deviation of the ratios from the median ratio.

The IAAO performance standards state that the COD should be between 5.0 and 20.0 for income producing property in smaller, rural jurisdictions and between 5.0 and 15.0 for larger urban market areas. The preliminary ratio study for Area 47 shows a COD of 19.44 which is near the upper limit of the IAAO guidelines for smaller, rural areas, indicating

that the current level of assessment uniformity as measured using recent sales is just within the acceptable range.

A second measure of uniformity utilized in the ratio study is the Price Related Differential (PRD). The PRD provides a measure of price related bias, or the equity between low and high priced property. The IAAO performance standards state that the PRD should fall between 0.98 and 1.03. A value below 0.98 would indicate progressivity in the data where assessment levels increase with increasing sales prices. Values above 1.03 indicate regressivity in the data where assessment level decreases with increasing sales price. The preliminary ratio study for Area 47 shows a PRD of 0.99 which is within the IAAO guidelines, indicating that the current level of assessment uniformity between low and high priced property, as measured using recent sales, is in the acceptable range.

The results of the preliminary ratio study do not fall within the IAAO standards. They indicate that overall the assessment level needs to be increased. The high COD indicates that some property types will need larger changes than others, while the acceptable PRD indicates that low and higher priced properties need an equal amount of change. It is important to note however, that these results are based on a very limited number of sales and they may not be representative of the entire geo-area population. For many property types the sales sample is insufficient to draw direct conclusions from the ratio study. All of the recent sales are used for guidance, and as a test for the income model.

Improved Parcel Total Values

Sales Comparison Approach Model Description

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

Cost Approach Model Description

Value estimates by the Cost Approach were made using the Marshall & Swift Valuation Guide, a widely accepted guide to construction costs in the real estate industry. The cost model requires that the floor area of the building be classified among a series of coded uses and that the building structure, quality, shape, and heating system be specified. The appraiser estimates the building's effective age based on its actual age, observed condition, and obsolescence present, and the model calculates replacement cost and depreciation. Depreciated replacement cost is added to site value to obtain the value estimate by the cost approach.

The cost approach is used to estimate the value of public facilities and other buildings such as churches, schools, fire and police stations, and public utility buildings. The cost approach is considered the most reasonable approach to value for improvements which have highly specialized configurations and/or are not frequently sold. The cost approach was also occasionally utilized in the valuation of property in circumstances where insufficient market rent data is available to apply the income approach to value.

Value estimates by the cost approach are calculated for other properties as well but are typically given much less weight than the sales comparison and income approaches, which are considered to more accurately reflect the real estate market. Also, as improvements age the cost approach becomes more subjective, as accrued depreciation becomes difficult to estimate.

Cost Calibration

The Marshall & Swift Valuation model built into the Real Property Application used in the Assessor's office is calibrated to the western region of the United States to the Seattle area and to the date of assessment.

Income Capitalization Approach Model Description

The income approach is considered the most reliable approach to commercial property valuation where relevant income and expense data is available to ascertain market rates. Economic income information was collected predominately from the market place via in person visits, phone or email conversations with property owners, tenants, property managers and various market reporting services.

Economic data is organized into tables that are prepared for different types of income producing properties, (e.g. office buildings, retail stores, or restaurants). Each table stratifies data based on effective age and building quality. Tables are prepared for each neighborhood, and the income model applies the appropriate table to each of the income producing properties in each neighborhood to produce a value estimate by direct capitalization.

Income: Income data was derived from the market place from landlords and tenants, market sales, as well as through published sources (i.e. OfficeSpace.Com, Commercial Brokers Association, Costar, Multiple Corporate Real Estate Websites), owner provided rent rolls, appeals, and opinions expressed by real estate professionals and participants active in the market. Triple net lease rates were used for all property types, with the exception of multi-family (residential) uses where a modified gross lease is typically used.

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: When market sales are available an attempt is made to ascertain the capitalization rate on the sale or a pro-formal cap rate on the first year performance, during the sales verification process. Also, capitalization rate data was collected from published market surveys, such as Co-Star, Real Capital Analytics, The American Council of Life Insurance (Commercial Mortgage Commitments), Integra Realty Resources, Korpacz Real Estate Investor Survey (PWC), CBRE – National Investor Survey, etc. These sources typically have capitalization rates or ranges based on surveys or sales, and they usually include rates for both the Seattle Metropolitan area and the nation.

The effective age and condition of each building determines the capitalization rate applied in the model. For example; a building with an older effective year and lesser condition will typically warrant a higher capitalization rate and a building in better condition with a

newer effective year will warrant a lower capitalization rate. Commercial property within Area 47 tends to reflect lower rates due to a high percentage of owner occupancy. The tables on the following pages summarize capitalization rates both regionally and nationally.

Regional Cap Rate Summary

SEATTLE / REGIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
CBRE: U.S. Cap. Rate survey. Advance Review	H2 2017					CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2017 based on recent trades as well as interactions with investors. Value-Add represents an underperforming property that has an occupancy level below the local average under typical market conditions.
		Seattle	4.25% - 4.75% 4.75% - 5.25% 6.00% - 7.25% 5.50% - 6.50% 6.75% - 7.75% 6.75% - 8.50% 7.75% - 9.25% 5.25% - 5.75% 6.00% - 6.50% 6.50% - 7.50% 7.00% - 7.50% 7.50% - 8.50% 7.50% - 8.25% 8.00% - 9.00%	- - - - - - - - - - - - - - -	- - - - - - - - - - - - - - -	CBD – Class AA CBD – Class A CBD – Class A – Value Added CBD – Class B CBD – Class B – Value Added CBD – Class C CBD – Class C – Value Added Suburban – Class AA Suburban – Class A Suburban – Class A – Value Added Suburban – Class B Suburban – Class B – Value Added Suburban – Class C Suburban – Class C – Value Added Class A Class A – Value Added Class B Class B – Value Added Class C Class C – Value Added Class A (Neigh./Comm) Class B (Neigh./Comm) Class B (Neigh./Comm.) – Value-Add Class C (Neigh./Comm) Class C (Neigh./Comm.) – Value-Add Class A (Power Centers) Class B (Power Centers) Class B (Power Centers) – Value-Add Class C (Power Centers) Class C (Power Centers) – Value-Add High Street Retail (Urban Core)
IRR: Viewpoint for 2018	Year-end 2017	West Region	5.83% 6.49% 6.31% 6.87%	- - - 6.57% 5.89%	- - - - 6.22% 6.16% 6.30%	<u>Institutional Grade Properties</u> CBD Office – Class A CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Flex Industrial Industrial Regional Mall Community Retail Neighborhood Retail
CoStar	Year-End 2017	Seattle Puget Sound	6.51% 6.80% 5.32% 8.50%	- - - 5.97% 6.35% 5.93% N/A	- - - - - 5.85% 6.10% N/A 10.00%	Building Size < 50,000 SF Building Size 50,000 SF – 249,000 SF Building Size 250,000 SF – 499,000 SF Building Size >500,000 SF Building Size < 25,000 SF Building Size 25,000 SF – 99,000 SF Building Size 100,000 SF – 249,000 SF Building Size >250,000 SF Building Size < 25,000 SF Building Size 25,000 SF – 99,000 SF Building Size 100,000 SF – 249,000 SF Building Size > 250,000 SF

SEATTLE / REGIONAL CAP RATES

Source	Date	Location	Multifamily	Hospitality	Remarks
CBRE: U.S. Cap. Rate survey. Advance Review	H2 2017	Seattle	4.25% - 4.75%	-	Infill – Class A
			4.50% - 5.00%	-	Infill – Class A – Value Added
			4.75% - 5.25%	-	Infill – Class B
			5.00% - 5.50%	-	Infill – Class B – Value Added
			5.50% - 6.00%	-	Infill – Class C
			5.25% - 6.00%	-	Infill – Class C – Value Added
			4.75% - 5.00%	-	Suburban – Class A
			4.75% - 5.25%	-	Suburban – Class A – Value Added
			5.00% - 5.25%	-	Suburban – Class B
			5.25% - 5.50%	-	Suburban – Class B – Value Added
			5.75% - 6.25%	-	Suburban – Class C
			5.75% - 6.25%	-	Suburban – Class C – Value Added
			-	6.00% - 6.50%	CBD – Luxury
			-	6.25% - 6.75%	CBD – Full-Service
			-	6.75% - 7.25%	CBD – Select-Service
			-	8.25% - 9.00%	CBD – Economy
-	6.75% - 7.75%	Suburban – Luxury			
-	7.75% - 8.50%	Suburban – Full-Service			
-	7.75% - 8.50%	Suburban – Select-Service			
-	9.25% - 10.25%	Suburban – Economy			
RERC: Real Estate Report Valuation Rates & Metrics	4Q 2017	Seattle	4.90%	-	Apartments – All Classes
		West Region	-	7.20%	Hotels – All Classes
			4.00% - 6.50%	-	Apartments – 1 st Tier Properties
			4.10% - 7.50%	-	Apartments – 2 nd Tier Properties
			4.20% - 7.80%	-	Apartments – 3 rd Tier Properties
			-	6.00% - 8.50%	Hotels – 1 st Tier Properties
			-	6.50% - 9.00%	Hotels – 2 nd Tier Properties
-	7.00% - 10.00%	Hotels – 3 rd Tier Properties			
IRR: Viewpoint for 2018	Year-end 2017	West Region	4.52%	-	Urban Class A
			5.15%	-	Urban Class B
			4.71%	-	Suburban Class A
			5.34%	-	Suburban Class B
			-	6.75%	Full Service
PWC / Korpaz Real Estate Investor Survey	4Q 2017	Pacific Region	3.50% - 6.00%	-	Apartments

National Cap Rate Summary

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
RERC: Real Estate Report Income Vs. Price Realities	4Q 2017					1 st Tier properties are defined as new or newer quality const. in prime to good location
		National	4.50% - 6.50% 5.50% - 7.50%	- - 4.50% - 7.20% 5.50% - 7.30% 6.50% - 7.30%	- - - - 5.00% - 7.00% 6.00% - 6.80% 5.30% - 7.00%	Office CBD – 1 st Tier Properties Suburban Office – 1 st Tier Properties Warehouse – 1 st Tier Properties R&D – 1 st Tier Properties Flex – 1 st Tier Properties Regional Mall – 1 st Tier Properties Power Center – 1 st Tier Properties Neigh/Comm. Ctrs. – 1 st Tier Properties
IRR: Viewpoint 2018 Commercial Real Estate Trends report	Yr. End 2017	National	6.68% 7.53% 7.04% 7.83%	- - - - 6.69% 7.44%	- - - - - 6.67% 6.82% 6.96%	<u>Institutional Grade Properties</u> CBD Office – Class A CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Industrial Flex Industrial Regional Mall Community Retail Neighborhood Retail
ACLI	4Q 2017	National	5.61% 6.98% 6.23% 6.15% 5.35%	5.88% 7.08% 6.64% 6.59% 5.76%	5.97% 6.63% 6.80% 6.21% 5.62%	Overall Sq.Ft. - <50k Sq.Ft. - 50k – 100k Sq.Ft. – 100,001 – 200k Sq.Ft. – 200k+
PWC / Korpaz Real Estate Investor Survey	4Q 2017	National	3.50% - 7.50% 5.00% - 10.00% 4.50% - 10.00% 4.75% - 10.00%	- - - - 5.50% - 9.50% 4.00% - 6.90%	- - - - - 4.00% - 10.00% 5.25% - 8.00% 4.00% - 9.50%	CBD Office Suburban Office Secondary Office Medical Office Flex/R&D Warehouse Regional Mall Power Center Neigh. Strip Centers
PWC / Korpaz Real Estate Investor Survey	4Q 2017	National	3.50% - 8.00% 4.20% - 10.00% 4.75% - 10.00%	- - - 3.30% - 6.90% 5.50% - 9.50%	- - - - - 4.00% - 9.50% 5.25% - 9.00% 4.00% - 10.00%	U.S. CBD Office U.S. Suburban Office Medical Office U.S. Warehouse U.S. Flex/R&D U.S. Strip Shop Centers U.S. Power Centers U.S. Regional Malls
The Boulder Group: Net Lease Market Report	4Q 2017	National	7.00%	7.25%	6.07%	Overall (Average)

The preceding tables demonstrate ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market in Area 47 to develop the income model. The range of capitalization rates in the income model for Area 47 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, which may not be reflective of the capitalization rates found in published sources.

Income Approach Calibration

Income tables were developed for neighborhoods 10 and 20 (the Town of Vashon). The tables pertain to different property types, for example: Retail, Convenience Market, Daycare, Open Office, Office Building, Medical and Dental Offices, Veterinary Hospital, Discount Stores, Storage Garage, Service Repair Garage, Restaurant, Bar/Tavern, Storage Warehouse, and Light Industrial. In addition, an exclusion table indicating property uses not covered by an income table is created. Properties which contain different section uses may have multiple tables that are applicable to the property as a whole. All tables are included in the addendum of this report.

The tables were calibrated after setting economic rents, vacancy, expenses, and capitalization rates by using adjustments based on size, quality of construction, and the effective age. When the value of the property by the income approach was less than the land value, a nominal \$1,000 value was allocated to the improvements.

For properties valued by the income approach in neighborhoods 30, 40 and 50, the parameters from the neighborhoods 10 and 20 income models were applied individually to properties, tempering based on locational differences.

Income Parameters Used

Typical income model parameters for the neighborhoods that make up the Town of Vashon in Area 47 are summarized in the following table. It should be noted that due to the nature of commercial real estate, not all properties fall within the typical parameters listed below for their respective property use type.

Neighborhoods 10 and 20 – The Town of Vashon:

Typical Income Parameters				
Property Type	Rent Range per SF	Vacancy/ Coll. Loss %	Expenses per SF or % of EGI	Capitalization Rate %
Retail/Mixed Use	\$9.00 - \$18.00	5% to 10%	7.5%	7.00% to 7.75%
Restaurant/Bar	\$10.00 - \$22.00	5%	10%	7.00% to 7.50%
Office/Medical/Dental	\$9.00 - \$22.00	5% to 10%	10%	7.00% to 7.75%
Industrial/Whse/Service	\$2.50 - \$12.00	5%	7.5%	7.00% to 7.75%
Apartment/ Mult. Res.	\$13.00 - \$18.00	5%	40%	5.25% to 6.25%

Income parameters have remained relatively stable throughout 2017, with modest increases to apartment and multiple residence rental rates and slight decreases in capitalization rates. Changes to these income parameters have been observed in the market and are supported by both published data and recent market sales.

Reconciliation

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The sales comparison approach is considered the most reliable indicator of value when adequate comparable sales are available, however because there are a limited amount of recent sales the income approach was applied to most parcels in order to better equalize comparable properties. Whenever possible, market rents, expenses, and cap rates were ascertained from sales, and along with data from surveys and publications these parameters were applied to the income model.

The income approach to value was considered to be a reliable indicator of value in most instances. The total value generated from the income table calculations and the selected income values varied in some cases due to circumstances such as excess land, inferior/superior location, super-adequacy, or physical/functional obsolescence. Appraisal judgment prevailed when determining when to depart from the Assessor's table generated income model. An administrative review of the selected values was made by Dan Atkinson, Senior Appraiser for quality control purposes.

Model Validation

Total Value Conclusions, Recommendations and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel in the physical inspection neighborhood 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.

In the 2018 valuation model, the income approach is used to value the majority of the income producing properties that are not obsolesced (where land value is greater than the value produced by the income method), as there are an insufficient number and variety of sales to value the different sectors by the market approach. The income approach also insures greater uniformity and equalization of values. With improving market fundamentals, values by the income method are generally increasing although they generally fall below the value of the sales. This may be because there is a very limited inventory of commercial properties overall and relatively few enter the market at any given time. This constraint is then compounded by the difficulty of constructing new commercial developments due to limited water availability.

A ratio study analysis was included in this report although the meaningfulness of the study is diminished due to the limited number of sales. The standard statistical measures of valuation performance are presented in the Executive Summary and in the 2017 and 2018 Ratio Analysis charts included in this report. Comparison of the 2017 and 2018 Ratio Study Analysis indicates that the statistical measure of assessment level, the weighted mean ratio improved from 87.7% to 88.1%. The Coefficient of Dispersion (COD) improved from 19.44% to 16.15% and the Coefficient of Variation (COV) improved from 26.15% to 22.15%. The Price-related Differential (PRD) improved from 0.99 to 1.00. With the exception of the weighted mean ratio these values are within the IAAO (International Association of Assessing Officers) appraisal guidelines for measures of valuation and show improvement in both appraisal level and uniformity. However with a sample size of only 15 improved sales the weight given to the ratio study should be tempered.

The weighted mean ratio is below the IAAO appraisal guideline of 0.90. This is due to a single sale that if removed from the study allows the calculated weighted mean ratio to be within the acceptable range at 0.912. The sale is a fair market transaction and is a good example of an owner-user that desired a commercial building in the Town of Vashon who faced an inelastic supply and very limited inventory. The assessment level of the property is considered reasonable even though the sale price was over twice the assessment amount.

The 2018 Assessment Year revalue of Area 47 (Vashon and Maury Islands) is based on commercial real estate data available in 2015 thru 2017 that supports the fee simple value of the non-specialty properties in these submarkets as of the valuation date of January 1, 2018. This valuation has occurred in a stage of market expansion following a severe global, national, and regional economic downturn which had impacted local supply and demand dynamics.

Sales of improved properties were purchased primarily by owner-users. Area 47 has not seen the significant increases in land values as has been observed in other areas of King County. This can be attributed in part to the nature of life on the island, a desire of residents to maintain rural character, and commercial development that is limited by the availability of water.

The total assessed value for Area 47 for the 2017 assessment year was \$176,618,000 and the total recommended value for the 2018 assessment year is \$182,611,900. Application of these recommended assessed values for the 2018 assessment year (taxes payable in 2019) results in a total value increase of 3.39% from the previous year.

Change in Total Assessed Value			
2017 Total Value	2018 Total Value	\$ Change	% Change
\$176,618,000	\$182,611,900	\$5,993,900	3.39%

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. 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. (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 of valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property Rights Appraised

Fee Simple

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

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

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

The Dictionary of Real Estate Appraisal, 3rd Addition, Appraisal Institute. Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Assumptions and Limiting Conditions

1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.
4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.
5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.
6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.
7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.
11. An attempt to segregate personal property from the real estate in this appraisal has been made.
12. Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.
13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.
14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.
15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed

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

Certification

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

- The statements of fact contained in this report are true and correct
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and 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.
- Services that I provided within the prior three years include physical inspection, revaluation, appeal response preparation, attendance and participation in hearings, data collection, sales verification, and identifying new construction and recording the corresponding data.

Area 47 Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

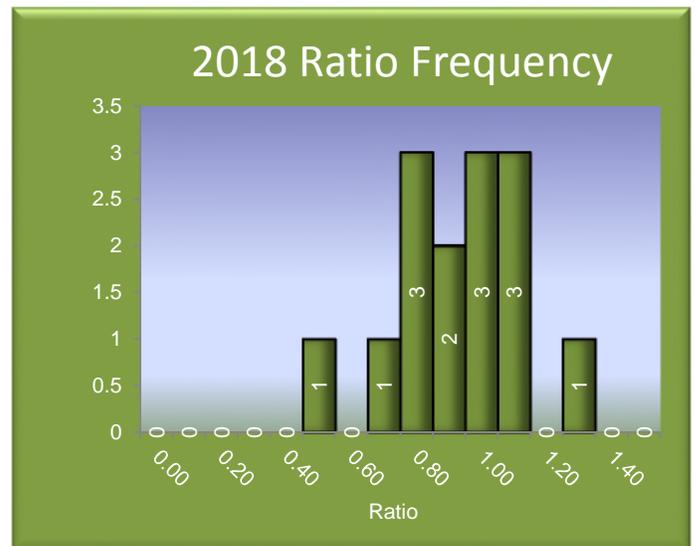
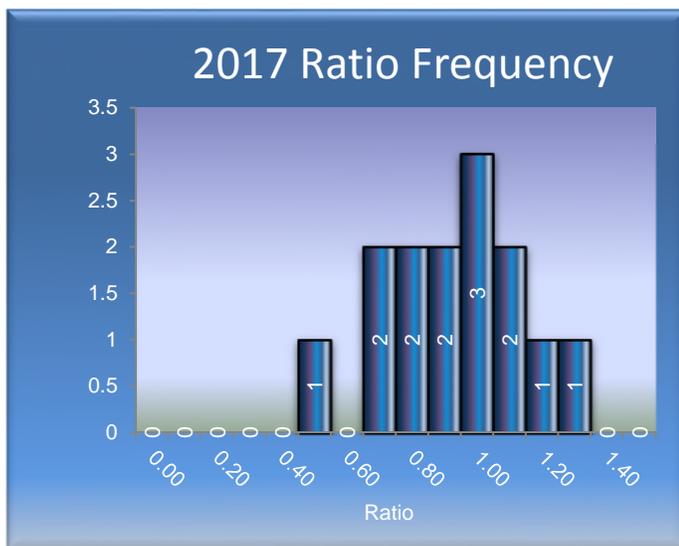
Pre-revalue ratio analysis compares sales from 2015 through 2017 in relation to the previous assessed value as of 1/1/2017.

PRE-REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	14
Mean Assessed Value	533,100
Mean Adj. Sales Price	608,000
Standard Deviation AV	332,872
Standard Deviation SP	315,716
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.865
Median Ratio	0.903
Weighted Mean Ratio	0.877
UNIFORMITY	
Lowest ratio	0.4071
Highest ratio:	1.2146
Coefficient of Dispersion	19.44%
Standard Deviation	0.2262
Coefficient of Variation	26.15%
Price Related Differential (PRD)	0.99

POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2015 through 2017 and reflects the assessment level after the property has been revalued to 1/1/2018

POST REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	14
Mean Assessed Value	535,800
Mean Sales Price	608,000
Standard Deviation AV	308,747
Standard Deviation SP	315,716
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.883
Median Ratio	0.909
Weighted Mean Ratio	0.881
UNIFORMITY	
Lowest ratio	0.4784
Highest ratio:	1.2605
Coefficient of Dispersion	16.15%
Standard Deviation	0.1955
Coefficient of Variation	22.15%
Price Related Differential (PRD)	1.00



Improvement Sales for Area 047 with Sales Used

03/15/2018

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	020	284620	0086	4,283	2874262	\$850,000	06/22/17	\$198.46	CUNNINGHAM BUILDING	CBP	1	Y	
047	010	292303	9127	3,977	2873609	\$530,000	06/06/17	\$133.27	PlaySpace Building	NBP	1	Y	
047	020	312303	9044	6,835	2871376	\$435,000	06/06/17	\$63.64	MUKAI COLD PROCESS FRUIT BARRELING PLANT	RA5	1	Y	
047	050	192203	9032	3,363	2827784	\$530,500	10/07/16	\$157.75	THE QUARTERMASTER INN AND RESTAURANT	NBP	1	Y	
047	020	284620	0010	1,986	2819898	\$470,000	08/31/16	\$236.66	RETAIL STORES	CBP	1	Y	
047	050	205120	0170	2,520	2799138	\$435,000	05/25/16	\$172.62	SFR/GALLERY(THE OLD DOCKTON STORE)	NB	1	Y	
047	010	302303	9054	1,168	2790341	\$496,000	04/14/16	\$424.66	GIRAFFE	CBP	1	Y	
047	010	292303	9068	7,500	2788319	\$1,500,000	03/30/16	\$200.00	SPICE ROUTE RESTAURANT/JANNETY HAIRCUTTERS/MATTHEW BERGMAN ATTORNEY	CBP	1	Y	
047	020	284620	0005	4,712	2778459	\$950,000	01/28/16	\$201.61	VASHON HARDWARE CO	CBP	1	Y	
047	050	192203	9014	2,104	2775208	\$252,000	01/05/16	\$119.77	FIRESIDE HEARTH SHOP/APTS	O	1	Y	
047	030	052203	9030	3,160	2773688	\$390,000	12/21/15	\$123.42	SOUND FOOD	NBSO	2	Y	
047	030	062203	9016	2,178	2759131	\$750,000	09/22/15	\$344.35	FULLER STORE	CBPSO	1	Y	Not representative of market. Sale not included in ratio study.
047	050	212203	9127	2,928	2751886	\$605,510	08/26/15	\$206.80	VASHON SAND & GRAVEL	RA10SO	3	Y	
047	010	302303	9036	1,880	2732158	\$400,000	05/22/15	\$212.77	UPCYCLED HOME FURNISHINGS	CBP	1	Y	
047	020	312303	9053	4,485	2729400	\$667,500	05/07/15	\$148.83	ISLAND QUILTERS	CBP	1	Y	

Vacant Sales for Area 047 with Sales Used

12/26/2017

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	2842214	\$499,000	12/23/16	\$4.96	KEVIN BERGEN CONSTRUCTION	IP	1	Y	5 water units. Current buildings given no value.
047	020	312303	9046	206,038	2871324	\$500,000	06/14/17	\$2.43	VACANT LAND	IPSO	1	Y	0 water units.
047	020	312303	9127	8,986	2812428	\$85,000	07/27/16	\$9.46	VACANT LAND	R8	1	Y	2 water units. Access from 178th St is via easement over adjacent parcel.
047	020	312303	9132	30,525 (usable)	2819209	\$210,000	08/24/16	\$2.21	VACANT LAND	R8	1	Y	6 water units. Total parcel size is 94,880 with 26,015 SF covered by an access easement for adjacent parcels and an additional 38,340 SF is wetlands. Chart shows remaining SF.
047	020	312303	9169	163,130 (usable)	2818358	\$400,000	08/19/16	\$2.06	VACANT LAND	R8P	1	Y	10 water units. Total parcel size is 193,880. The west and north portions are encumbered with an access and ROW easement. Buildable SF is shown here.
047	030	052203	9015	129,361	2810547	\$350,000	07/19/16	\$2.71	VACANT LAND	CBPSO/ R4SO	1	Y	1 water units. Split zoning. 77,592 SF of CB zoning and 51,769 SF of R4 zoning.
047	030	062203	9092	159,000	2816779	\$525,000	08/16/16	\$3.30	VACANT LAND	IPSO	1	Y	10 water units.

Improvement Sales for Area 047 with Sales not Used

03/15/2018

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	010	292303	9135	1,676	2740554	\$110,000	06/30/15	\$65.63	JOYS VILLAGE CLEANERS	CBP	1	N	Extensive deferred maintenance
047	020	312303	9012	1,468	2784220	\$234,029	03/11/16	\$159.42	KEVIN BERGEN CONSTRUCTION	IP	1	63	Transfer due to foreclosure
047	030	052203	9018	4,650	2711024	\$280,000	01/20/15	\$60.22	LS Cedar Inc	R1SO	2	52	Partial Interest

Neighborhood	Major	Minor	Property Address	Property Name
No Inspection Parcels for the 2018 assessment year.				