

**Commercial Revalue**

**2019 Assessment roll**

**RETIREMENT HOMES  
AREA 153  
&  
NURSING HOMES  
AREA 174**

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

**John Wilson, Assessor**



## King County

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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](http://www.IAAO.org). The following are target CODs we employ based on standards set by IAAO:

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

Source: IAAO, *Standard on Ratio Studies*, 2013, Table 1-3. [www.IAAO.org](http://www.IAAO.org)

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

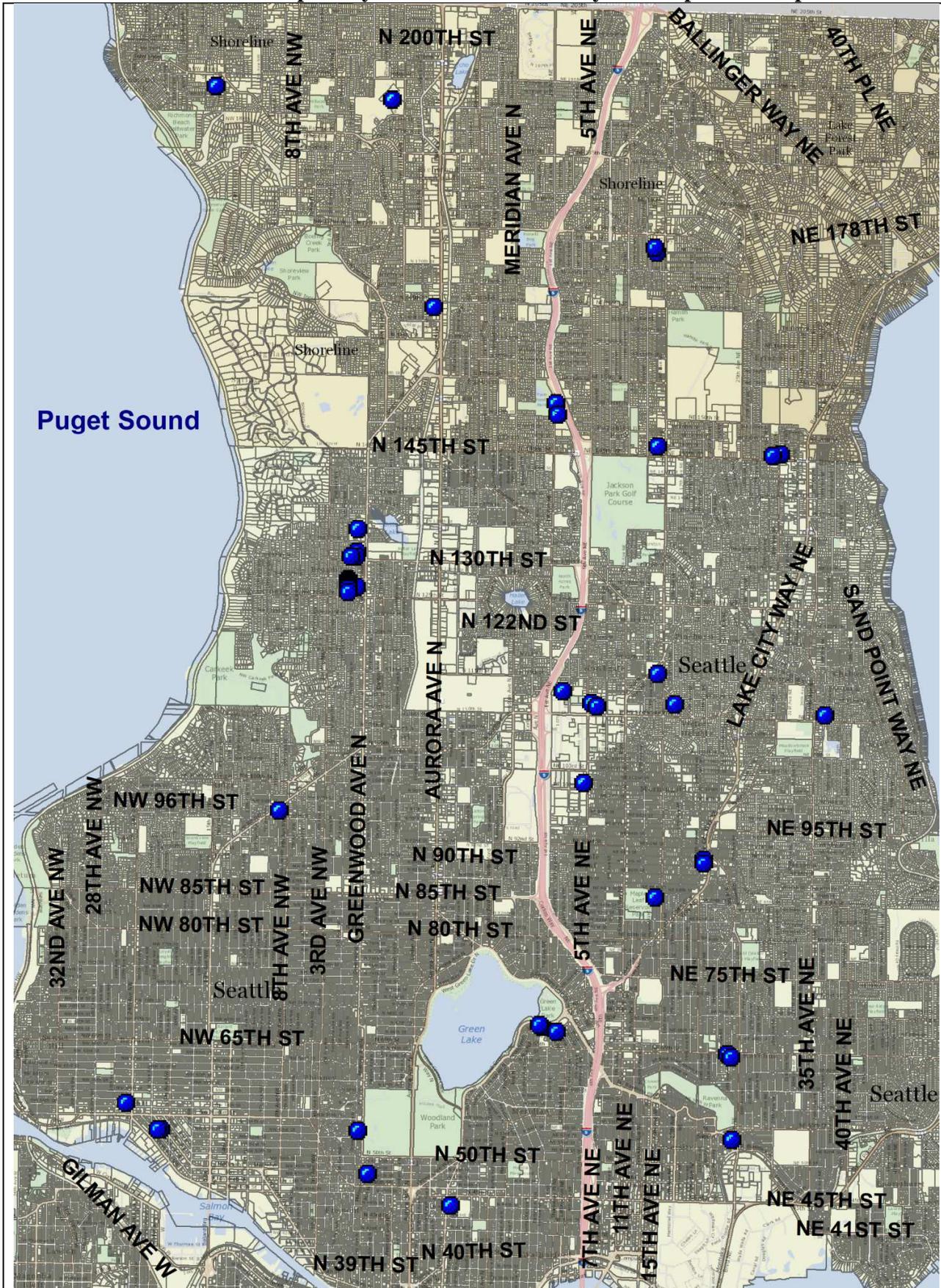
### Requirements of State Law

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.

## 2019 Specialty Areas 153 and 174 Physical Inspection Map



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

**Effective Date of Appraisal:** January 1, 2019 – 2019 Assessment Roll

**Date of Appraisal Report:** May 15, 2019

## Specialty Name

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

**Physical Inspection:** Selected retirement homes and nursing homes from the South King County super group were physically inspected. These properties were inspected in 2018 prior to posting the specialty area 153 and 174 values.

## Improved Sales Summary

### Specialty Area 153

- Number of sales: 4
- Range of sales dates: 1/21/2016 – 12/05/2018
- There were no sales senior retirement homes that meet the requirements of a fair market transaction in 2017.

### Specialty Area 174

- Number of sales: 3
- Date of sale: 9/26/2016 – 01/01/2018

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

### Sales - Ratio Study Summary

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

### Population – Parcel Summary Data

There are a total of 378 parcels within specialty areas 153 and 174. There are 137 retirement homes (Area 153) in King County – 320 total number of parcels, 115 of which are condominium units. There are 48 nursing homes (Area 174) in King County – 58 total parcels. The population includes both improved and vacant parcels. Facilities which have both retirement and nursing services are assigned to the category appropriate for the majority of units.

### Specialty Area 153 – Retirement Homes

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2018 Value	\$804,547,058	\$1,933,187,500	\$2,737,734,558
2019 Value	\$913,745,000	\$1,987,578,400	\$2,901,323,400
% Change	13.57%	2.81%	5.98%

### Specialty Area 174 – Nursing Homes

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2018 Value	\$236,010,900	\$119,333,300	\$355,344,200
2019 Value	\$258,214,800	\$106,751,500	\$364,966,300
% Change	9.41%	-10.54%	2.71%

### Conclusions and Recommendations

With only four sales of retirement homes (Spec 153) and three nursing home sales (Spec 174), there were insufficient sales in all of the market segments to rely on the Sales Comparison Approach in the 2019 revalue. The Cost Approach was utilized in the final reconciliation of value in Specialty Area 153 as it recognizes only the value for the real estate component of retirement homes. The Income Approach is used in the final reconciliation of value in Specialty Area 174 because it allows for greater equalization and uniformity in the valuation of nursing homes. In addition, sufficient market income data was available for the analysis.

The overall increase of 5.98% in Specialty Area 153 and reflects the addition of completed new and partially complete retirement homes in King County. Specialty Area 174 saw a slight increase in overall value of 2.71%. This increase is mainly due to increasing land values across King County. The recommended values do not include the limited new construction values which are valued later.

The values recommended in this report are intended to improve uniformity, assessment level and equity. In consideration of current market conditions, it is recommended that these values be posted for the 2019 assessment year.

## Identification of the Specialty Areas

### Specialty Area 153 Neighborhoods

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

### Specialty Area 174 Neighborhood

- 10 – King County

#### Area Boundaries

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

#### Maps

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

## Area Overview

### Retirement Facilities (153)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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<sup>1</sup> <http://www.emeraldheights.com/>

<sup>2</sup> <http://www.timberridgelcs.com/>

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

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

There is currently one new stand-alone nursing home under construction in King County. It is the first new nursing home built in King County since 2002. Nursing homes built since 2002 have been part of CCRCs. The stand-alone nursing home model of care has been in decline for years. Factors such as the high cost of skilled nursing and cuts to Medicare and Medicaid will likely accelerate this trend. Other deterrents for growth include information that nursing homes are rarely built on a speculative basis, and building codes for these facilities are very stringent. Most stand-alone nursing homes in King County were constructed in the 1960's.

## **Current Trends in Senior Care**

### **Retirement Homes**

Senior living is rapidly transforming to meet the higher expectations of today's aging demographic. The years of the remote gated sanctuary are over, instead giving way to vibrant communities in urban settings with access to shopping, restaurants, and cultural events.

Looking forward to 2019, here are some design trends in senior housing.

- 2019 will bring increased attention to smart home/smart building infrastructure in senior living communities.
- Design will shift toward creating a more eclectic, residential feeling throughout the community.
- Communities will adapt to the urban, all-inclusive lifestyle residents expect by providing updated spaces for services and amenities with a higher level of design.
- Communities will focus on creating outdoor "destinations" with amenities spaces.

## **Retirement Facilities Market Summary**

### **Regional Market**

In Q4 2018, King County seniors housing occupancy fell 96 basis points (bps) to 91.7%, with year over year rent growth of 2.6% compared with 2017. The average rent for an independent living unit in 2018 is \$3,810 per month, which is a year over year rent growth of 2.9%. The average monthly rent for an assisted living unit is \$5,255 and memory care units rent for an average of \$7,433 per month. Year over year rent growth was 2.6% and occupancy was 87.5% in the assisted living category.<sup>5</sup> Yearly inventory shrunk by 62 units for independent living facilities, while assisted living inventory grew by 435 units.

In King County, stabilized occupancy for units in CCRCs is at 93.6% for facilities with an entrance fee.<sup>6</sup> The average entrance fee for studio units is \$147,591; \$253,749 for 1 bedroom units; \$579,763 for 2 bedroom units; \$272,066 for 3+ bedroom units. Entrance fees in all categories increased over 2017. Year over year rent growth for CCRC's in 2018 was 3.9%.<sup>7</sup> King County

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<sup>5</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2018, Seattle, WA, Pg. 11

<sup>6</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2018, Seattle, WA Pg. 10

<sup>7</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2018, Seattle, WA, Pg. 10

households with seniors aged 75 and older is projected to grow by 3.9% annually which will increase demand for the construction of new CCRC's.

## **National Market**

### **Independent Living**

Nationally, IL inventory expanded by 18,100 units in 2018. The number of independent living units under construction peaked in the third quarter of 2016 as more than 20,700 were underway. Units underway have steadily fallen over the past two years. Stabilized occupancy dips to 89.9% this year, down 100 basis points, the lowest level since 2012. Since 2014, the rate had remained in the low 90% range. Amid increased inventory gains, the pace of rent growth has slowed from the previous four years, when the average increased at a rate of 2.5% annually. This year, the average advances to \$3,102 per month, a 1.8% increase.<sup>8</sup>

### **Assisted Living**

The construction pipeline for assisted living communities is shrinking. After peaking at nearly 28,800 units in the third quarter of 2016, the number of units underway at the end of the second quarter of 2018 rested at 23,700. As deliveries remain elevated this year, occupancy continues on a downward slope, reaching 87.4% during 2018, down 10 basis points. The stabilized rate has fallen 380 basis points since peaking in 2014. Rent growth remains healthy, though it is rising at a slower pace this year as the average advances to more than \$4,700 per month, an increase of 2.1% over 2017. The rate of growth has stayed above 2% annually for eight straight years.<sup>9</sup>

### **Memory Care**

Low occupancy has developers tapping the brakes on memory care development and the number of units underway at the end of the second quarter reduced by more than 1,000 from the end of 2017. There were 3,300 units underway in 2018. Stabilized occupancy is down 160 basis points at 85.2% during 2018, the lowest level in 10 years. A thinning construction pipeline and a reduced pace of completions will have a positive impact on future occupancy. The pace of rent growth slows for a second consecutive year, remaining below 2.0% this year as the average rises to \$6,453 per month.<sup>10</sup>

### **Continuing Care Retirement Communities**

CCRC construction has more than doubled over the past five years. At the end of 2013, approximately 5,400 CCRC units were underway, with the development pipeline growing each year since. In 2018, 11,400 units are under construction. Stabilized occupancy remains above 90% this year, a slight dip from one year ago as new supply outweighs demand in 2018. Rent growth

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<sup>8</sup> Marcus & Millichap National Sr. Housing Research Report, 2<sup>nd</sup> Half 2018, Pg. 4

<sup>9</sup> Marcus & Millichap National Sr. Housing Research Report, 2<sup>nd</sup> Half 2018, Pg. 5

<sup>10</sup> Marcus & Millichap National Sr. Housing Research Report, 2<sup>nd</sup> Half 2018, Pg. 6

continues to rise alongside entrance fees during 2018. Average monthly rent at CCRC communities reaches \$3,219 per month, building on advances of more than 3 percent during 2016 and 2017.<sup>11</sup>

## **Nursing Homes Market Summary**

### **Regional Market**

In 4Q 2018, occupancy rose 100 basis points to 85.8% from 84.8% last quarter, which was attributable to an inventory decline of 161 units and absorption of -59 units during the quarter. There were 67 stabilized properties reporting occupancy, with 21 reporting stabilized occupancy of 80% or less. In the past year, occupancy has risen 10 basis points due to inventory decline of 238 units and absorption of -197 units during that time. Year over year rent growth was 2.9%, which is slower than its 3.0% pace of a year ago. There were 67 properties reporting rents on a year over year basis, with 33 reporting rent growth of 1.0% or less.<sup>12</sup>

### **National Market**

According to the NIC MAP Data Service, inventory among the nation's nursing care communities continues to decline, with nearly 3,600 beds pulled from service over the past year ending in September. The majority of beds coming out of service are in freestanding campuses, while nursing care beds in combined communities increased by approximately 750 beds. Nearly 90% of nursing care beds are in freestanding facilities, but stock is aging as 75% of all nursing care beds were built more than 25 years ago. Occupancy continues to decline among nursing care communities, with the stabilized rate dipping to 85.4% in 2018, a year-over-year decline of 50 basis points. Nursing community rent growth remains healthy, rising at a steady pace for the past few years as increased healthcare costs place upward pressure on rents. Over the past 12 months, the average daily rate increased 2.4% to \$318 per day.<sup>13</sup>

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<sup>11</sup> Marcus & Millichap National Sr. Housing Research Report, 2<sup>nd</sup> Half 2018, Pg. 7

<sup>12</sup> NIC MAP Metro Report 4<sup>th</sup> Quarter 2018, Seattle, WA, Pg. 3

<sup>13</sup> Marcus & Millichap Sr. Housing Research, Skilled Nursing Report 2<sup>nd</sup> Half 2018, Pg. 2

## Analysis Process

**Effective Date of Appraisal:** January 1, 2019

**Date of Appraisal Report:** May 15, 2019

The following appraiser prepared the valuation analysis for commercial specialty areas: Specialty Area 153, Retirement Homes and Specialty Area 174, Nursing Homes.

- Nick Moody – Commercial Appraiser II

### Highest & Best Use Analysis

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

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

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

**Standards and Measurement of Data Accuracy:** Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

### Special Assumptions, Departures, and Limiting Conditions

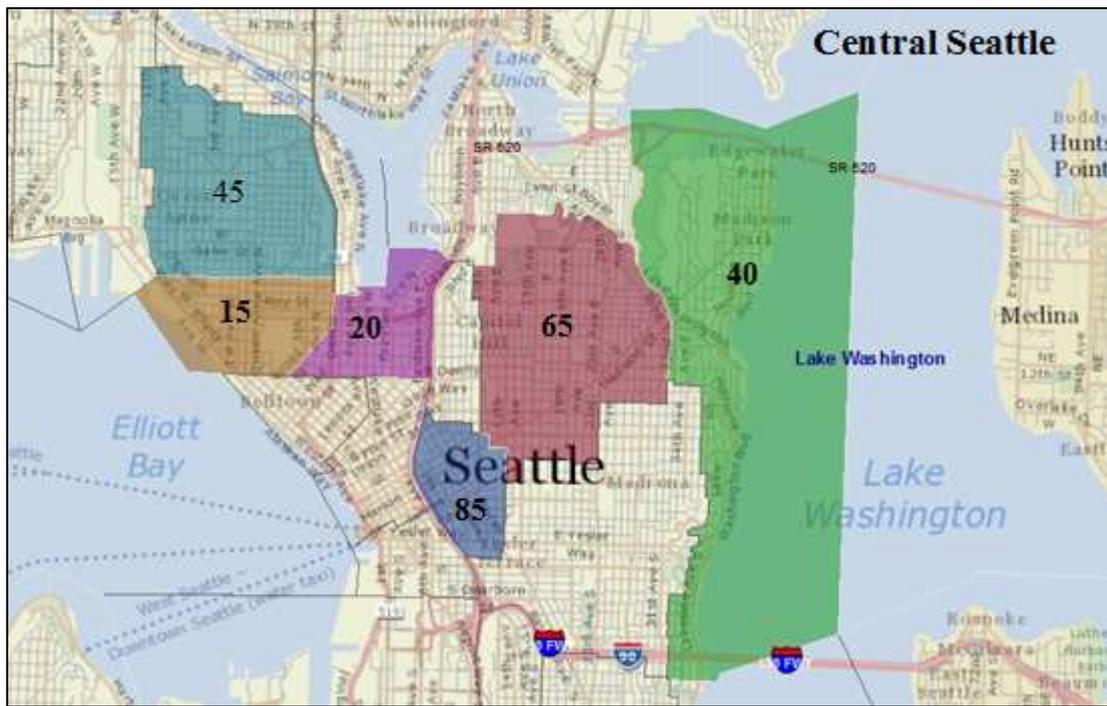
All three approaches to value were considered in this appraisal. The following departmental guidelines were considered and adhered to:

- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standards 5 and 6.
- A meaningful time trend analysis was not conducted due to a lack of data. Therefore time adjustments were not made to the sales population.

## Area Description

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

### Central Seattle Super Group



The Central Seattle region represents 10.4% of the Specialty Area 153 population. Retirement homes located closer to downtown Seattle tend to be mid-rise to high-rise. Retirement homes located within more residential neighborhoods are low-rise to mid-rise buildings. The largest concentrations of retirement homes are located within the First Hill neighborhood in the City of Seattle. First Hill has a high concentration of health related services, which makes it an ideal location for retirement homes. There is currently no new construction of retirement homes in the Central Seattle region.

## West Seattle Super Group



The West Seattle region represents 2.2% of the Specialty Area 153 population. The improvements tend to be mid-rise buildings. The West Seattle region is characterized by its walkable commercial districts and popular parks including Alki Beach. West Seattle is an ideal location for residents looking for urban conveniences and a family oriented neighborhood. A brief summary of current projects in West Seattle is provided below:

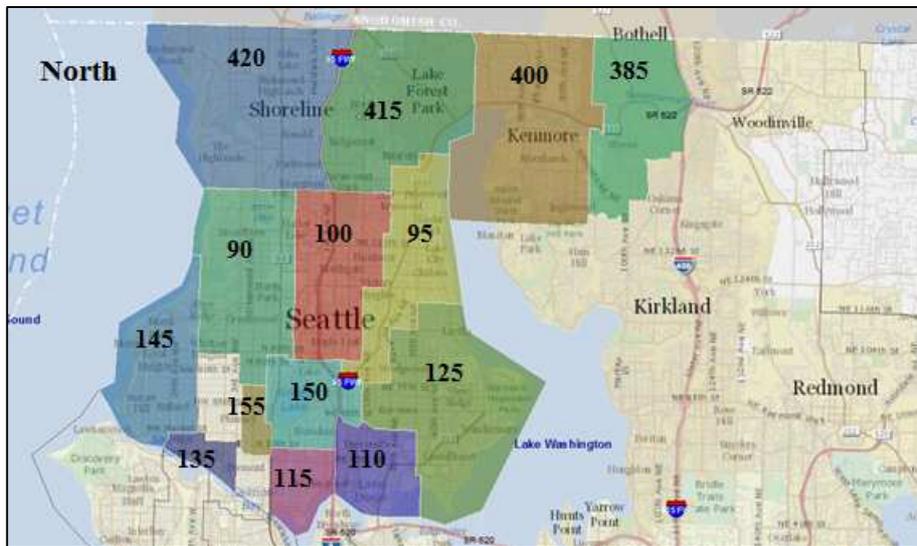


- **Quail Park Memory Care of West Seattle** – The project is a four-story, 48 unit assisted care facility specializing in dementia and Alzheimer’s care. Onsite resident amenities include a dining area, lounge, theater, activity space and an outdoor patio. It is located in the Alaska Junction and was completed in 2018.



- **Aegis of West Seattle** – This is a three-story, 83 unit assisted care facility. The units will be a mix of studio, one and two-bedroom apartments with kitchenettes. Aegis of West Seattle will also include Memory care for residents with Alzheimer’s disease and dementia. Resident amenities will include dining, wellness and fitness center, concert and lecture space, craft room, movie theater and library. Construction was completed in 2018.

## North Seattle and North King County Super Groups



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

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



- **Aegis Living at Ravenna** – The project is a three-story senior retirement home. The project will include assisted living, memory care and short term care. It is located in the Ravenna neighborhood in the City of Seattle and was completed in 2018.

## South Seattle Super Group



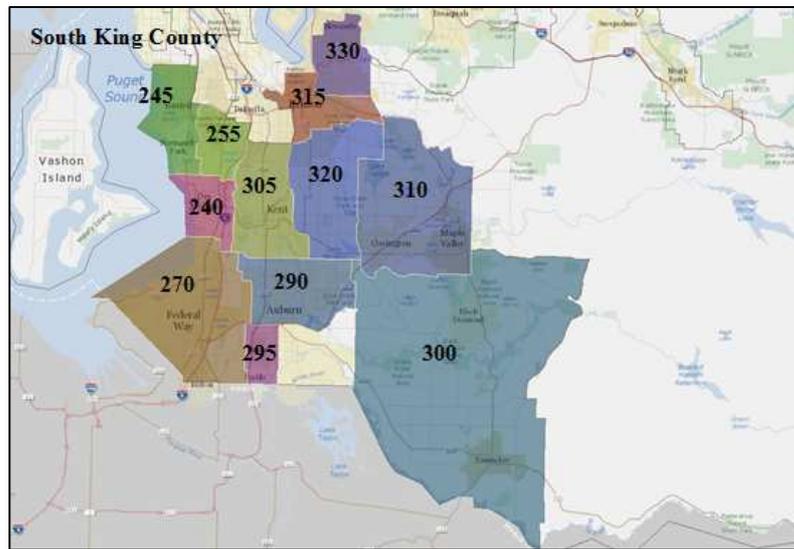
The South Seattle region represents 4.5% of the Specialty Area 153 population. The improvements tend to be low-rise to mid-rise.

A brief summary of current construction projects in the South Seattle area of King County is provided below:



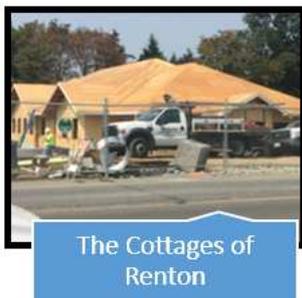
- **Kin-On Health Center** – Construction of a 20 unit assisted living addition and a family group home addition began construction in 2018. The expansion will provide a much needed solution to the continuum of care for the older adults served by Kin-On Health Center. The addition is expected to be complete and ready for new residents in 2019.

## South King County Super Group



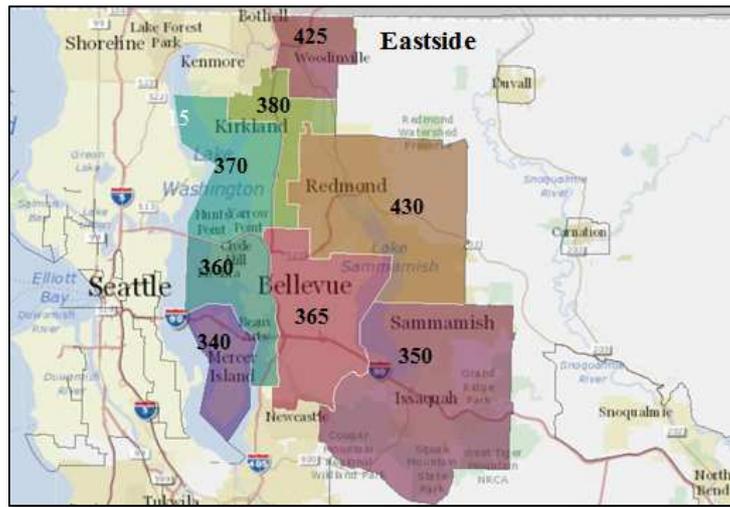
The South King County region represents 27.6% of the Specialty Area 153 population. South King County is characterized by urban and large rural areas. The improvements are comprised of low-rise to mid-rise buildings and concentrated mainly in dense urban centers. Health care amenities are primarily located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

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



- **The Cottages of Renton** – Construction of a new memory care community began in 2018. The Cottages of Renton will specialize in Alzheimer’s disease and dementia care. Onsite amenities will include resident dining, communal lounges, laundry and secured courtyard. Construction is expected to be complete in 2019.

## Eastside Super Group



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

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



Jefferson House  
Memory Care

- **Jefferson House Memory Care** – Construction of a 60 unit memory care facility began construction in 2018. Jefferson House will specialize in caring for older adults with Alzheimer’s disease and dementia. Construction is expected to be complete in 2019. Jefferson House is located in the City of Kirkland.



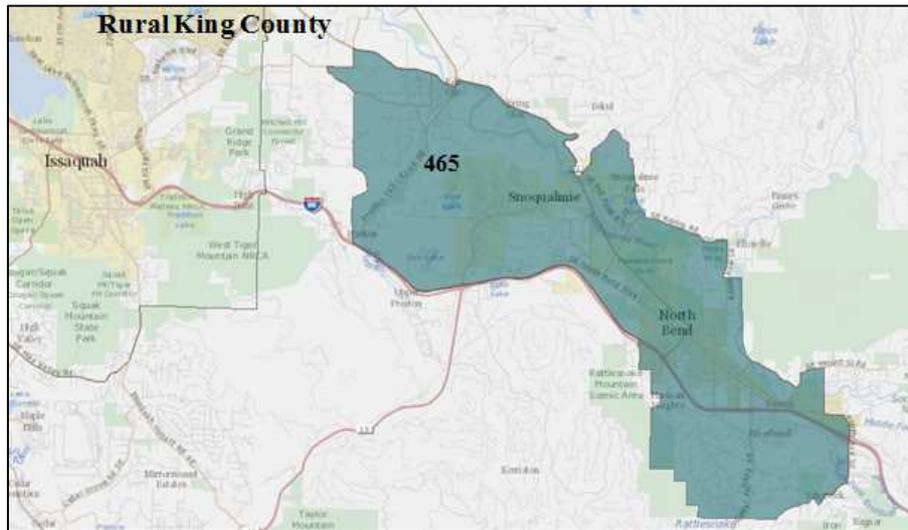
Spiritwood Garden  
Homes

- **Spiritwood Garden Homes** – Construction of 17 two-bedroom cottage units began construction in 2018. The cottages are independent living units and feature attached garages, full kitchens and high quality finishes throughout. The cottages are adjacent to Spiritwood at Pine Lake assisted living and memory care. Spiritwood Garden Homes is expected to be completed in 2019.



- **Revel Issaquah** – Construction of a 146 unit independent living facility began in 2018. The units will be one and two-bedroom units. Unit amenities include full kitchens, private patios and high quality finishes throughout. Onsite amenities include multiple lounges, a private event space, fitness center with pool, resident dining, art studio and a movie theater. Construction is expected to be complete in 2019.

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



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

### **Scope of Data**

**Physical Inspection Identification:** For the 2019 assessment year, as required by WAC 458-07-0154 (A), one sixth of the population was physically inspected. An exterior observation of the properties was made to verify the accuracy and completeness of property characteristic data. The inspected properties are listed in the Addenda and shown on the included map. Other properties were also inspected as noted in the Assessor’s records for purposes of sales or data verification.

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

**Improved Value:** Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated

by the appraiser in the process of revaluation. All sales considered were verified, if possible, by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Sales are listed in the “Sales Used” and “Sales Not Used” sections of this report. Additional information resides on the Assessor’s website.

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

## Issues in Valuation

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

The Appraisal Institute text, *The Appraisal of Nursing Homes*,<sup>14</sup> provides insight into the challenges of appraising retirement and nursing facilities. The methods for allocating the going concern value are the subject of on-going debate. Generally, appraisers will apply a top-down approach to allocation, whereby the going-concern value is developed first and then an allocation is made between the real estate and the tangible and intangible personal property assets. The allocation process should start with the “best” known value(s). The following are some allocation techniques considered:

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

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

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<sup>14</sup> James K. Tellatin, MAI, *The Appraising of Nursing Facilities*, Appraisal Institute, 2009, p. 324.

## Sales Comparison Approach

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

The scarcity of reliable data – only four retirement facilities and three nursing homes have sold since 2016 – and the difficulty in relating sales to a meaningful unit of comparison for valuation, makes the direct sales comparison approach, at best, a rough gauge of value. Sales provide the upper bracket of value and are generally used to cross check the other two approaches.

A brief summary of the market transactions is provided below:

### Specialty Area 153: Retirement Homes

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

Property Name	Characteristics	Comments
Anderson Plaza	<i>Parcel Number</i> 616390-1560	The subject is located in the City of Shoreline. The buyer confirmed that the property was exposed to market purchased in an arms length transaction. The buyer is planning a major remodel and renovation of the property.
	<i>Excise Tax Number</i> 2840135	
	<i>Sale Date</i> 12/16/2016	
	<i>Sale Price</i> \$4,725,186	
	<i>Sale Price Per Unit</i> \$52,502	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 262505-9224	The subject is located in the City of Bellevue. The buyer purchased property as an investment to expand senior housing portfolio. This is an arms length transaction.
	<i>Excise Tax Number</i> 2958394	
	<i>Sale Date</i> 10/15/2018	
	<i>Sale Price</i> \$24,420,000	
	<i>Sale Price Per Unit</i> \$232,571	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 092104-9127	The subject is located in the City of Federal Way. The sale is a direct deal between buyer and seller. The buyer plans improvements to the the property. The sales price has been adjusted for personal property.
	<i>Excise Tax Number</i> 2966287	
	<i>Sale Date</i> 12/5/2018	
	<i>Sale Price</i> \$16,538,746	
	<i>Sale Price Per Unit</i> \$226,558	

### Specialty Area 174: Nursing Homes

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

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 182305-9018	The subject is located in the City of Renton. The total salesprice was \$5,000,000. The sales price was adjusted \$160,000 for personal property. The business value was recorded in a separate transaction. This transaction represents the real estate value only.
	<i>Excise Tax Number</i> 2868299	
	<i>Sale Date</i> 6/1/2017	
	<i>Sale Price</i> \$4,840,000	
	<i>Sale Price Per Unit</i> \$48,888	

Property Name	Characteristics	Comments
Talbot Center	<i>Parcel Number</i> 312305-9010	The subject is located in the City of Renton. Sales price reflects an undisclosed amount for deferred maintenance. Furniture, Fixtures & Equipment was purchased in a separate transaction for \$200,000. Sale is considered to be arms length.
	<i>Excise Tax Number</i> 2909154	
	<i>Sale Date</i> 1/1/2018	
	<i>Sale Price</i> \$3,300,000	
	<i>Sale Price Per Unit</i> \$24,444	

## Cost Approach

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

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

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

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

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

## Recognized Forms of Depreciation

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

**“Physical deterioration** [is a decrease in value caused by] wear and tear from regular use, the impact of the elements, or damage.”<sup>15</sup> Physical deterioration can be quantified by the incursion of excess operating costs translated into a percentage of depreciation.

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

## Income Approach

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

When developing a methodology to separate the going concern value between the real estate and business and personal property, the starting point is to estimate the going concern value using revenues and expenses (published and actual subject financial data), and market capitalization rates for the going concern. The income approach is the most applicable approach to support the going concern value and was therefore, not utilized for Specialty 153 properties.

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

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<sup>15</sup> The Appraisal of Real Estate, 13th Edition, (Chicago, IL: Appraisal Institute, 2008) 391-392

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

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

**Specialty Area 174 Income Parameters**

<b>SECTION USES</b>	<b>Typical Annual Rent \$/SF</b>	<b>Vac./Coll. Loss %</b>	<b>Expense Rate %</b>	<b>Overall Cap Rate Range</b>
<b>313 Convalescent Hospital</b> <b>330 Home for the elderly</b> <b>348 Residence</b> <b>352 MULTIPLE RESIDENCE (LOW RISE)</b> <b>424 Group Home</b> <b>451 MULTIPLE RESIDENCE (SR. CITIZEN)</b> <b>589 Multiple Residence Assisted Living</b> <b>710 Retirement Community Complex</b>	\$10.00 to \$24.00	13.00%	30% to 35%	8.00% to 9.75%
<b>302 Auditorium</b> <b>309 CHURCH</b> <b>311 CLUBHOUSE</b> <b>336 Laundromat</b> <b>350 Restaurant, Table Service</b> <b>353 RETAIL STORE</b> <b>380 Theatre, Cinema</b> <b>418 HEALTH CLUB</b> <b>426 DAY CARE CENTER</b> <b>483 FITNESS CENTER</b> <b>530 CAFETERIA</b> <b>761 MEZZANINES-OFFICE</b>	\$5.50 to \$20.00	10.00%	10.00%	7.00% to 8.75%
<b>344 OFFICE BUILDING</b> <b>840 Mixed-use Office</b>	\$5.50 to \$20.00	10.00%	15.00%	6.75% to 9.50%
<b>326 GARAGE, STORAGE</b> <b>345 PARKING STRUCTURE</b> <b>388 UNDERGROUND PARKING STRUCTURE</b> <b>470 Equipment Shop</b> <b>702 Basement, Semi-finished</b> <b>703 Basement, Unfinished</b> <b>706 Basement parking</b> <b>708 Basement storage</b>	\$5.40 to \$7.00	7.00%	10.00%	7.00% to 11.00%

## Reconciliation

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

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

## Model Validation

### Total Value Conclusions, Recommendations, and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. The assessed value is selected based on general and specific data pertaining to the parcel, neighborhood, and the market. The appraiser determines which available value estimate is appropriate and may adjust for particular characteristics and conditions as they occur. Uniformity and equity are both improved over the previous year and in consideration of current market conditions, it is recommend that these values be posted for the 2019 assessment year.

The 2019 valuation reflects the improving market dynamics of the senior care market. Construction costs have returned to pre-recession levels with moderate to high inflation over the past five years, a trend that is expected to continue. Increased construction costs coupled with increasing land values, has narrowed the gap between replacement cost and market values.

Application of these recommended values for the 2019 assessment year results in a total change from the 2018 assessments of 5.98% in specialty area 153 and 2.71% in specialty area 174. The recommended values do not include the limited new construction values which is added later (the new construction valuation date is July 31<sup>st</sup>, 2019).

Property Type	Change in Total Assessed Value			
	2018 Total Value	2019 Total Value	\$ Change	% Change
Retirement Facilities (153)	\$2,737,734,558	\$2,901,323,400	\$163,588,842	5.98%
Nursing Homes (174)	\$355,344,200	\$364,966,300	\$9,622,100	2.71%

# USPAP Compliance

## Client and Intended Use of the Appraisal:

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

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

## Definition and date of value estimate:

### Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65).

The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

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

## **Highest and Best Use**

### **RCW 84.40.030**

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

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

### **WAC 458-07-030 (3) True and fair value -- Highest and best use.**

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

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

The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922))

The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

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

## **Date of Value Estimate**

### **RCW 84.36.005**

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

### **RCW 36.21.080**

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building*

*permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year.*

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

## **Property Rights Appraised: Fee Simple**

### **Wash Constitution Article 7 § 1 Taxation:**

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

### **Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914)**

*...the entire [fee] estate is to be assessed and taxed as a unit...*

### **Folsom v. Spokane County, 111 Wn. 2d 256 (1988)**

*...the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee...*

### **The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> Addition, Appraisal Institute.**

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

### **Assumptions and Limiting Conditions:**

1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.
4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.
5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors.

Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

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

## **Scope of Work Performed:**

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

**CERTIFICATION:**

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

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification. Any services regarding the subject area performed by the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent their name.*
- *Any services regarding the subject area performed by me within the prior three years, as an appraiser or in any other capacity is listed below Appeal Response Preparation Maintenance*

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Nick Moody, Commercial Appraiser II

Date

Improvement Sales for Area 153 with Sales Used

05/09/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	045	080900	2696	61,802	2778059	\$30,812,500	01/21/16	\$498.57	QUEEN ANNE MANOR	LR2	1	Y	
153	270	092104	9127	77,210	2966287	\$16,538,746	12/05/18	\$214.20	Madrona Park Senior Living	CC-F	1	Y	
153	365	262505	9224	68,520	2958394	\$24,420,000	10/15/18	\$356.39	SAGEBROOK SENIOR LIVING @ BE	R-30	1	Y	
153	415	616390	1560	60,352	2840135	\$4,725,186	12/16/16	\$78.29	ANDERSON PLAZA	R48	1	26	Imp changed after sale; not in ratio

## Improvement Sales for Area 153 with Sales not Used

05/09/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	085	197670	0260	164,120	2799489	\$33,217,000	05/31/16	\$202.39	EXETER HOUSE	HR	1	N	
153	085	872560	0380	95,117	2820403	\$23,780,000	09/01/16	\$250.01	Merrill Gardens at First Hill	MR	1	51	Related party, friend, or neighbor
153	100	292604	9051	107,774	2885149	\$24,500,000	08/24/17	\$227.33	FOUNDATION HOUSE - NORTHGATE	MR	1	15	No market exposure
153	100	292604	9055	94,711	2815019	\$17,327,000	08/02/16	\$182.95	MERRILL GARDENS - NORTHGATE	MR	1	59	Bulk portfolio sale
153	225	095200	8285	106,976	2851574	\$10,070,000	02/21/17	\$94.13	BROOKDALE - WEST SEATTLE	NC3-65	1	59	Bulk portfolio sale
153	235	608710	0540	76,699	2851573	\$18,060,000	02/21/17	\$235.47	BROOKDALE - ADMIRAL HEIGHTS	NC2P-40	1	59	Bulk portfolio sale
153	290	781570	0290	137,095	2971725	\$38,126,888	01/29/19	\$278.11	MERRILL GARDENS - AUBURN	DUC	1	11	Corporate affiliates
153	320	202205	9062	123,533	2912381	\$40,691,139	01/17/18	\$329.39	ARBOR VILLAGE	SR-6	3	59	Bulk portfolio sale
153	340	531510	1215	92,311	2814997	\$19,748,000	08/02/16	\$213.93	MERRILL GARDENS - ISLAND HOUSE	TC	1	59	Bulk portfolio sale
153	350	222406	9002	43,822	2940269	\$26,400,000	06/27/18	\$602.44	FIELDSTONE MEMORY CARE	MF-M	2	11	Corporate affiliates
153	360	066600	0126	86,282	2966322	\$17,000,000	12/12/18	\$197.03	AEGIS - BELLEVUE - Assisted Living	R-30	1	59	Bulk portfolio sale
153	360	154460	0102	278,706	2940899	\$96,602,000	07/06/18	\$346.61	BELLETTINI, THE (Dist A & B)	DNTN-M	1	59	Bulk portfolio sale
153	360	660075	0330	679	2888564	\$350,000	08/30/17	\$515.46	PACIFIC REGENT CONDOMINIUM	(DNTN-R	1	15	No market exposure
153	360	660075	0540	1,360	2888554	\$725,000	09/06/17	\$533.09	PACIFIC REGENT CONDOMINIUM	(DNTN-R	1	15	No market exposure
153	380	292605	9210	61,798	2966261	\$9,800,000	12/12/18	\$158.58	AEGIS LODGE AT TOTEM LAKE	PR 3.6	1	59	Bulk portfolio sale
153	380	692840	0070	107,128	2850973	\$12,996,000	02/27/17	\$121.31	MADISON HOUSE	PR 1.8	1	59	Bulk portfolio sale
153	425	102605	9026	189,966	2914257	\$8,616	10/25/16	\$0.05	FAIRWINDS - BRITTANY PARK	R-48	1	68	Non-gov't to gov't
153	425	102605	9026	189,966	2914258	\$48,078	10/25/16	\$0.25	FAIRWINDS - BRITTANY PARK	R-48	1	68	Non-gov't to gov't
153	425	102605	9026	189,966	2914259	\$1,294	10/25/16	\$0.01	FAIRWINDS - BRITTANY PARK	R-48	1	24	Easement or right-of-way
153	425	951710	0010	51,508	2815000	\$16,363,000	08/03/16	\$317.68	MERRILL GARDENS - CREEKSIDE	CBD	1	59	Bulk portfolio sale

Improvement Sales for Area 174 with Sales Used

05/09/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	042404	9024	66,402	2824591	\$8,000,000	09/26/16	\$120.48	LEON SULLIVAN HEALTH-BRANCH	LR2	5	Y	
174	010	182305	9018	34,285	2868299	\$4,840,000	06/01/17	\$141.17	REGENCY AT RENTON REHAB CE	R-10	1	Y	
174	010	312305	9010	40,767	2909154	\$3,300,000	01/01/18	\$80.95	TALBOT CENTER	CO	1	Y	

## Improvement Sales for Area 174 with Sales not Used

05/09/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	182304	9220	39,507	2892002	\$17,776,296	09/19/17	\$449.95	BURIEN NURSING & REHAB CENTE	O	1	64	Sales/leaseback
174	010	329370	0010	36,538	2893280	\$4,636,500	10/01/17	\$126.90	ARDEN REHAB AND HEALTHCARE	R48	1	59	Bulk portfolio sale
174	010	329370	0010	36,538	2893281	\$6,973,844	09/21/17	\$190.87	ARDEN REHAB AND HEALTHCARE	R48	1	59	Bulk portfolio sale
174	010	342406	9152	61,520	2890244	\$17,738,161	09/19/17	\$288.33	ISSAQUAH NURSING AND REHAB	MF-H	1	64	Sales/leaseback
174	010	531510	0457	0	2859237	\$7,875	04/04/17	\$0.00	MERCER ISLAND CARE CENTER	MF-2	1	24	Easement or right-of-way
174	010	531510	0457	0	2859246	\$10,000	03/20/17	\$0.00	MERCER ISLAND CARE CENTER	MF-2	1	24	Easement or right-of-way
174	010	663290	0010	39,334	2911649	\$20,287,213	01/19/18	\$515.77	PARK RIDGE CARE CENTER	CB	1	15	No market exposure
174	010	927420	0430	54,863	2890243	\$12,496,416	09/19/17	\$227.77	PARK WEST CARE CENTER	LR3	1	64	Sales/leaseback

Major	Minor	Specialty Area	Specialty Nbhd	Prop Name	Property Address
242603	9052	153	90	IDA CULVER HOUSE - BROADVIEW	12515 GREENWOOD AVE N
329370	0010	174	10	ARDEN REHAB AND HEALTHCARE CENTER	16357 AURORA AVE N
242603	9073	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
663290	0010	174	10	PARK RIDGE CARE CENTER	1250 NE 145TH ST
664930	0250	174	10	SHORELINE HEALTH AND REHAB CENTER	2818 NE 145TH ST
156810	0170	174	10	Shoreline Health and Rehab Center	30TH AVE NE
616390	1465	174	10	ANDERSON HOUSE	17127 15TH AVE NE
242603	9282	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
022603	9047	174	10	RICHMOND BEACH REHAB	19235 15TH AVE NW
186540	0030	174	10	BALLARD CARE & REHAB	820 NW 95TH ST
242603	9283	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
242603	9284	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
242603	9285	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
242603	9286	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
242603	9287	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
242603	9288	153	90	IDA CULVER COTTAGE	12515 GREENWOOD AVE N
864150	0385	153	95	MAPLE LEAF SENIOR LIVING	9001 LAKE CITY WAY NE
864150	0390	153	95	ASSOC LAND - STRATFOR AT MAPLE LEAF RETIR	9001 LAKE CITY WAY NE
204450	0360	153	100	BROOKDALE - NORTHGATE	11501 15TH AVE NE
292604	9051	153	100	FOUNDATION HOUSE - NORTHGATE	11301 3RD AVE NE
292604	9051	153	100	FOUNDATION HOUSE - NORTHGATE	11301 3RD AVE NE
292604	9051	153	100	FOUNDATION HOUSE - NORTHGATE	11301 3RD AVE NE
242603	9037	174	10	HEALTH AND REHAB OF NORTH SEATTLE	13333 GREENWOOD AVE N
242603	9059	174	10	FOSS HOME AND VILLAGE	13023 GREENWOOD AVE N
242603	9059	174	10	FOSS HOME AND VILLAGE	13023 GREENWOOD AVE N
242603	9059	174	10	FOSS HOME AND VILLAGE	13023 GREENWOOD AVE N
242603	9059	174	10	FOSS HOME AND VILLAGE	13023 GREENWOOD AVE N
944180	0015	174	10	Foss Home and Village	104 N 130TH ST
944180	0020	174	10	Foss Home and Village	104 N 130TH ST
292604	9051	153	100	FOUNDATION HOUSE - NORTHGATE	11301 3RD AVE NE
292604	9055	153	100	NORTHGATE PLAZA - MBK LIVING	11030 5TH AVE NE
292604	9089	153	100	NORTHAVEN II	528 NE NORTHGATE WAY
322604	9568	153	100	ALJOYA THORNTON PLACE	10001 5TH AVE NE
510040	0245	153	100	Aegis Living in Ravenna	8511 15TH AVE NE
890100	0370	153	100	SUNRISE SENIOR LIVING - NORTHGATE	11039 17TH AVE NE
717480	0169	153	110	MERRILL GARDENS - UNIVERSITY VILLAGE	5101 25TH AVE NE
782120	0620	153	115	UNIVERSITY HOUSE - WALLINGFORD	4400 STONE WAY N
717370	0475	153	125	Ida Culver - Ravenna	2315 NE 65TH ST
717370	0480	153	125	IDA CULVER - RAVENNA	2315 NE 65TH ST
276770	2915	153	135	BALLARD LANDMARK	5433 LEARY AVE NW
276770	3025	153	135	Ballard Landmark	5326 BALLARD AVE NW
407780	0532	174	10	SAINT ANN NURSING AND REHAB CENTER	3540 NE 110TH ST
276770	0075	153	145	Merrill Gardens At Ballard	2418 NW 56TH ST
952810	4695	153	145	VILLAGE COVE - THE HEARTHSTONE (WEST BUI	6850 WOODLAWN AVE NE
952810	0355	153	150	HEARTHSTONE RETIREMENT HOME, THE	6710 E GREEN LAKE WAY N
952310	0630	153	155	NORSE HOME	5301 PHINNEY AVE N
616390	1560	153	415	Laurel Cove Community	17201 15TH AVE NE
288170	0313	153	420	CALLAHAN HOUSE- Memory Care	15100 1ST AVE NE
288170	0330	153	420	AEGIS - SHORELINE South Building	14900 1ST AVE NE
952110	0080	174	10	COLUMBIA LUTHERAN HOME	4700 PHINNEY AVE N
952810	0380	174	10	HEARTHSTONE MEDICAL CENTER	6720 E GREEN LAKE WAY N
062604	9164	174	10	Cristwood Nursing & Rehab	19301 KINGS GARDEN DR N