

Commercial Revalue

2016 Assessment roll

BOEING
AREA 625

King County, Department of Assessments
Seattle, Washington

John Wilson, Assessor



King County

Department of Assessments

Accounting Division

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<http://www.kingcounty.gov/assessor/>

John Wilson
Assessor

Dear Property Owners:

Property assessments are being completed by our team throughout the year and valuation notices are being mailed out as neighborhoods are completed. We value your property at fee simple, reflecting property at its highest and best use and following the requirements of state law (RCW 84.40.030) to appraise property at true and fair value.

We are continuing to work hard to implement your feedback and ensure we provide accurate and timely information to you. This has resulted in significant improvements to our website and online tools for your convenience. The following report summarizes the results of the assessments for this area along with a map located inside the report. It is meant to provide you with information about the process used and basis for property assessments in your area.

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

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

In Service,

John Wilson
King County Assessor

Executive Summary Report

Appraisal Date 1/1/2016

Specialty Assignment

- Boeing

Numerical Designation

- 625

Population Summary

	Land*	Improvements	Total
2015 Value	\$762,470,300	\$823,012,900	\$1,585,483,200
2016 Value	\$829,227,500	\$817,264,200	\$1,646,491,700
Percent Change	+8.76%	-0.70%	+3.85%

* Land values represent values prior to any adjustment for contamination

Population: There are 131 tax parcels in the Boeing specialty.

Conclusion and Recommendation:

The values recommended in this report improve uniformity of values. We recommend posting them for the 2016 Assessment Year.

Identification of the Area

Name or Designation

- Boeing Specialty- 625
- The Boeing Company owns 131 tax parcels in King County

Identification of the Area

Area 625 Neighborhoods

- 625-10 Renton
- 625-11 Duwamish
- 625-25 Longacres
- 625-30 Kent
- 625-33 Bellevue
- 625-35 Spares Distribution Center
- 625-52 Industrial

Boundaries

All of the Boeing owned properties covered by this report lie within King County, Washington

Maps:

General maps of the area are included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building or the King County Assessor's website.

Boeing Market Overview

In May 2016 VietJet Aviation announced an order for one-hundred Boeing 737 MAX 200 airplanes, the largest ever single commercial airplane purchase in Vietnam aviation. President Barack Obama witnessed the signing of the agreement between VietJet and Boeing at the Presidential Palace in Hanoi. The 737 MAX, a single aisle plane, is produced in Renton. It incorporates the latest technology and will deliver 20 percent lower fuel use than the first Next- Generation 737 that it is replacing. To date, the 737 MAX has accumulated 3,098 orders from 65 customers around the world.

It is not surprising that Boeing has celebrated over 100 years in the aviation business. They hold the highest standards for customer service as well as innovation and new product development. Boeing prides itself on providing outstanding customer service and this year one of the properties physically inspected was a perfect example of their commitment to the customer; the Boeing Spares Distribution Center. The following is an excerpt from a Boeing publication¹:

It's a support network that spans the globe—for Boeing airplanes. Nearly 13,000 Boeing commercial jetliners are in service around the world, and those airplanes need support

¹ Boeing Frontiers Sept. 2011

and spare parts. Making sure they get what they need quickly involves hundreds of Boeing employees and a material management distribution system that serves more than 600 airlines and about 1,400 customers. In a typical week, some 25,000 shipments go out from eight world-wide Boeing facilities, the largest of which is the Spares Distribution Center, or SDC, near Seattle. “The SDC is where the rubber hits the road,” said Bill Brill, a Global Logistics specialist at the center. “We get to execute the plan and deliver parts to our customers and help keep their aircraft making revenue.” Under the center’s sprawling 15-acre roof, not far from the runways at Seattle–Tacoma International Airport, are millions of spare parts. Opened in 1993, the Seattle center covers just over 700,000 square feet. An automated conveyor system more than two miles long carries parts to and from their proper storage bins. Many of those parts are kept in 24 high-bay bins, each 60 feet high and 320 feet long. Employees operate hydraulic-powered lifts to fetch or store parts in those bins. Depending on the size and weight of the part, a wooden crate or cardboard box is constructed inside the center for shipment. Recently, employees shipped a 767 wing skin to a customer in a box they made measuring 76 feet long. The most urgent request the center handles involves an airplane on ground, or AOG. A plane can’t fly—or make money for the customer— until it is repaired. An AOG order can be processed and out the door within four hours. Routine orders can be shipped the next business day. Boeing teams are on call and ready to travel to any location to assess the damage to an aircraft on the ground, make a repair estimate, and stay and do the repairs if the customer asks.

Boeing continues to pursue innovation in all aspects of aviation. This year Boeing was awarded its third Crystal Cabin Award. The award which has been presented for the last ten years at the Hamburg Germany Aircraft Interiors Expo recognizes innovation in passenger cabin design. The trophies have become a seal of quality, known and coveted by the aviation industry around the world. Boeing’s winning entry was for a self-cleaning and sanitizing lavatory.

Analysis Process

Effective Date of Appraisal: January 1, 2016

Date of Appraisal Report: June 5, 2016

The following appraiser did the valuation for the Boeing specialty:

- Jean Platt, Commercial Appraiser II
- Washington State Certified General Real Estate Appraiser #1100227

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

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing improvements 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 \$1,000.00 is typically assigned to the improvements.

Special Assumptions, Departures and Limiting Conditions

The economic income and cost approaches to value were considered for this mass appraisal valuation. Land sales were used by the geographic appraiser to establish land values.

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6

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. Property records are updated in accordance with the findings of the physical inspection. The inspection comprised 11 parcels, or approximately 8% of the 131 total parcels located in the specialty (not including government-owned properties). A list of the physically inspected parcels and an identifying map are included in the addendum of this report.

Physical Inspection

The following properties were physically inspected for the 2016 assessment year:

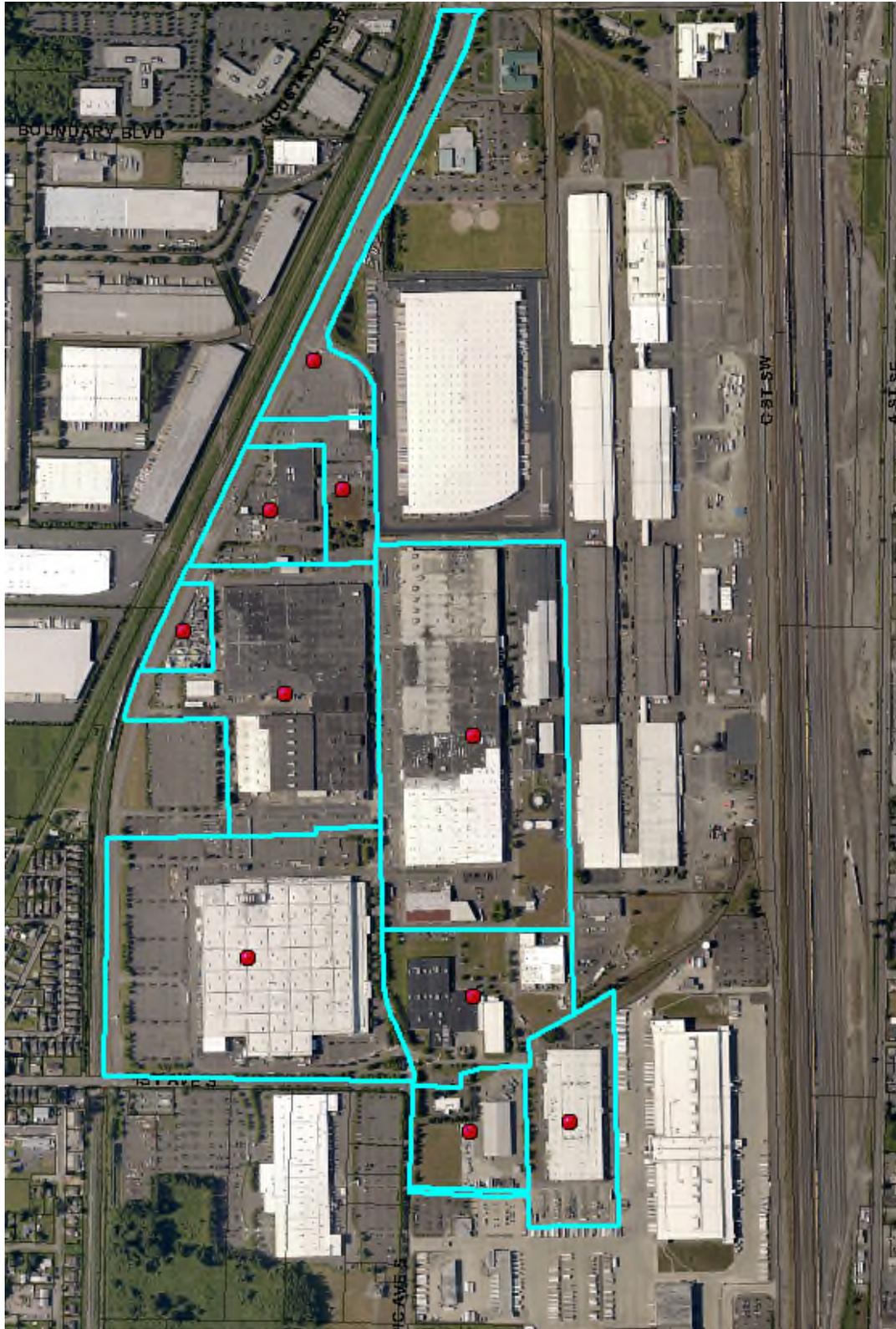
Major	Minor	Property Name	Situs Address	Juris
112405	9004	BOEING COMPUTER SERVICES 33-01	2800 160TH AVE SE	BE
112405	9124	Boeing Building 33-12	No Situs Address	BE
112405	9126	OFFICE BUILDING 33-11	No Situs Address	BE
112405	9130	OFFICE BUILDING 33-14	3150 160TH AVE SE	BE
112405	9131	OFFICE BUILDING 33-15	3070 160TH AVE SE	BE
112405	9132	COMPUTER BUILDING 33-03	No Situs Address	BE
112405	9133	WAREHOUSE BUILDING 33-04	No Situs Address	BE
112405	9134	OFFICE BUILDING 33-07	No Situs Address	BE
112405	9135	OFFICE BUILDING 33-08	No Situs Address	BE
112405	9136	OFFICE BUILDING 33-05	2525 160TH AVE SE	BE
162304	9238	BOEING SPARES DISTRIBUTION CENTER	2201 S 142ND ST	ST

**2016 PHYSICALLY INSPECTED PARCELS
BOEING BELLEVUE**



The following are aerial photos of other Boeing properties in King County:

Boeing Auburn



Boeing Plant 2



Boeing Renton



Boeing South Park



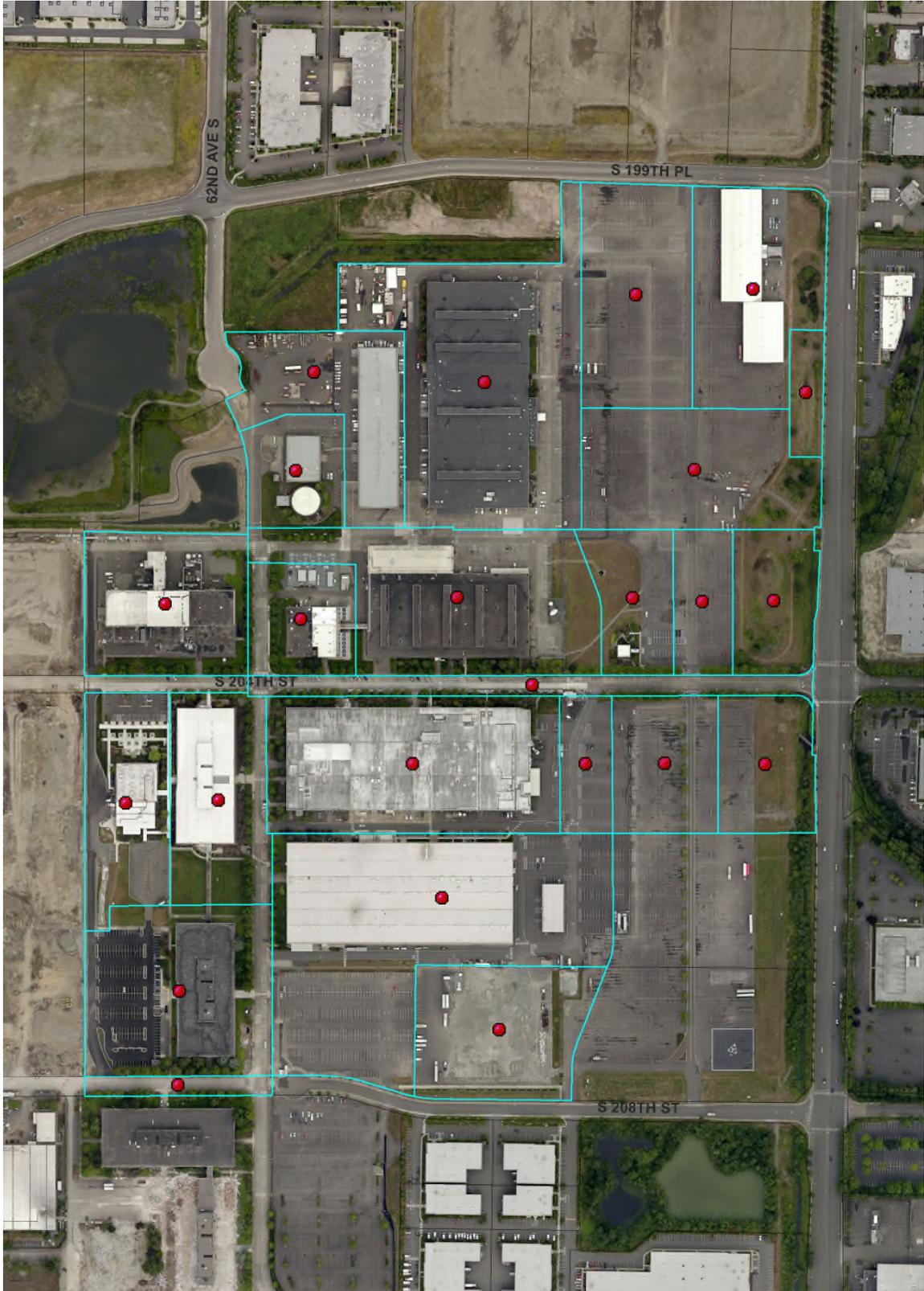
Boeing Developmental Center



Boeing Longacres Park



Boeing Kent



Boeing at King County Airport



Scope of Data

Land Value Data:

The geographic appraiser for each area in which a Boeing property is located is responsible for the land valuation model used. A list of land sales used to establish the current land values and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values

Sales comparison approach model description:

The sales comparison approach was not utilized because there are too few quality sales to form an efficient market. In general, these properties are useful for a specific purpose and rarely sell for investment purposes. Sales that have occurred have been for the future development of the land and not the continued use of the respective improvements on site at the time of sale.

Cost approach model description:

The cost approach was the primary valuation methodology for Boeing industrial properties. The Marshall & Swift Commercial Estimator was utilized which calculates the reproduction cost of an improvement and deducts the appropriate depreciation. The Marshall & Swift Valuation Service adjusts costs to the western United States region and the Seattle area. All of Boeing manufacturing, industrial engineering buildings and most warehouses were valued via the cost approach. Many of the Boeing buildings have very specialized functions and therefore, the cost approach is the most reliable method of valuation.

Cost calibration:

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

Income capitalization approach model description:

The income approach to value was considered and used for Boeing owned or occupied office buildings. Lease rates, vacancy and collection loss statistics, typical expense amounts, and capitalization rates appropriate to the subject property's geographic area were utilized. The majority of Boeing office properties were valued using the income approach. The economic income models developed by the geographic appraiser and the office specialist were considered. The Boeing office model for Bellevue offices (625-33) is most closely based on the income models developed by the office specialty appraiser. Bellevue lease rates reflect full service tenancy.

Office building values are on the rise again and the following table reflects the parameters that influence this trend:

2015 Year end Metrics for Offices	
Vacancy	↔ (stable)
Rental Rate	↔ (stable)
Capitalization Rate	↘ (slight decrease)
Improved Property Values	↗ (slight increase)
Land Values	↗ (slight increase)

Similar to the office specialty, the Boeing offices valued by the economic income model typically have in excess of 100,000 square feet of net rentable area and are considered to be class A or B investment grade properties. The single tenancy nature of the office buildings was also considered in valuation. The largest concentration of Boeing offices is in Bellevue followed by Renton and Duwamish. Lease rates in the neighborhoods were based on triple net rents where the tenant pays all expenses.

The following table represents the office space income parameters for used for each office neighborhood:

Economic Income Parameters				
Boeing Location	Rent	V&CL	Expenses	CAP Rate
Renton 625-10	\$11.50-\$12.50	12%	10%	7.25%
Duwamish 625-11	\$18.00	30%	10%	6.75%
Longacres 625-25	\$15.50	8%	10%	7.50%
Kent 625-30	\$10.00-\$12.00	10%	10%	7.50%
Bellevue 625-33	\$22.00	10%	10%	7.25%
Spares 625-50	\$9.25	4%	10%	6.75%

Income approach calibration:

Income models developed by the geographic and office specialty appraisers were analyzed, reconciled, and applied when appropriate to office properties. Neighborhood 625-52 is the designation for the Boeing industrial properties. The income model was not used for industrial properties.

Reconciliation:

All parcels were individually reviewed by the specialty appraiser for correctness before the final value was selected. Extraordinary obsolescence was considered on a case-by-case basis.

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 was 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.

Application of the recommended values for 2016 improves uniformity among the Boeing properties. A majority of the improved Boeing properties are valued based on reconstruction cost new less depreciation plus the land value assigned by the geographic appraiser. The total 2016 Boeing assessment increased from the 2015 assessment by +3.85%. Recommend application of the new values.

USPAP Compliance

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

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

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

Highest and Best Use

RCW 84.40.030

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

An assessment may not be determined by a method that assumes a land usage or highest and best use not legally 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

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, 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 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.
- No significant real property assistance as determined by the undersigned. All services as may be variously defined significant or otherwise, and performed by duly authorized and qualified King County Assessment staff employed in the

areas of Public Information, Accounting/Abstract, Commercial, Residential, Information Services, Personal Property, Accounting/Mapping, Accounting/Support, Accounting/Appeals, Chief Appraiser, Accounting/Exemptions, Accounting/Levy Administration, who may have involvement in physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time, is made part of each real property parcel as a matter of public record and this certification by reference.

- 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: Any and all activities required under the Certificate of Appointment dated 24 April 2004 under sworn oath appointing the below signed appraiser to the position of true and lawful deputy in the Office of the King County Assessor, and authorized by the State of Washington, Department of Revenue under a Certificate of Accreditation. To Wit: all duties, responsibilities, and services associated with the position description of Commercial Appraiser I in the management and valuation of Commercial Area 40. Such duties, responsibilities and services include, but are not limited to physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time and to be determined significant or otherwise during the fulfillment of position requirements, and are made part of each real property parcel, is a matter of public record and this certification by reference.

Jean Platt, Commercial Appraiser II

List of 2016 Physically Inspected Boeing Properties

Major	Minor	Property Name	Situs Address	Juris
112405	9004	BOEING COMPUTER SERVICES 33-01	2800 160TH AVE SE	BE
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