

**Commercial Revalue**

**2019 Assessment roll**

**QUICK SERVICE  
RESTAURANTS  
AREA 413**

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

**John Wilson, Assessor**



## King County

### Department of Assessments

King County Administration Bldg.  
500 Fourth Avenue, ADM-AS-0708  
Seattle, WA 98104-2384

(206) 263-2300 FAX (206) 296-0595

Email: [assessor.info@kingcounty.gov](mailto:assessor.info@kingcounty.gov)

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

**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.

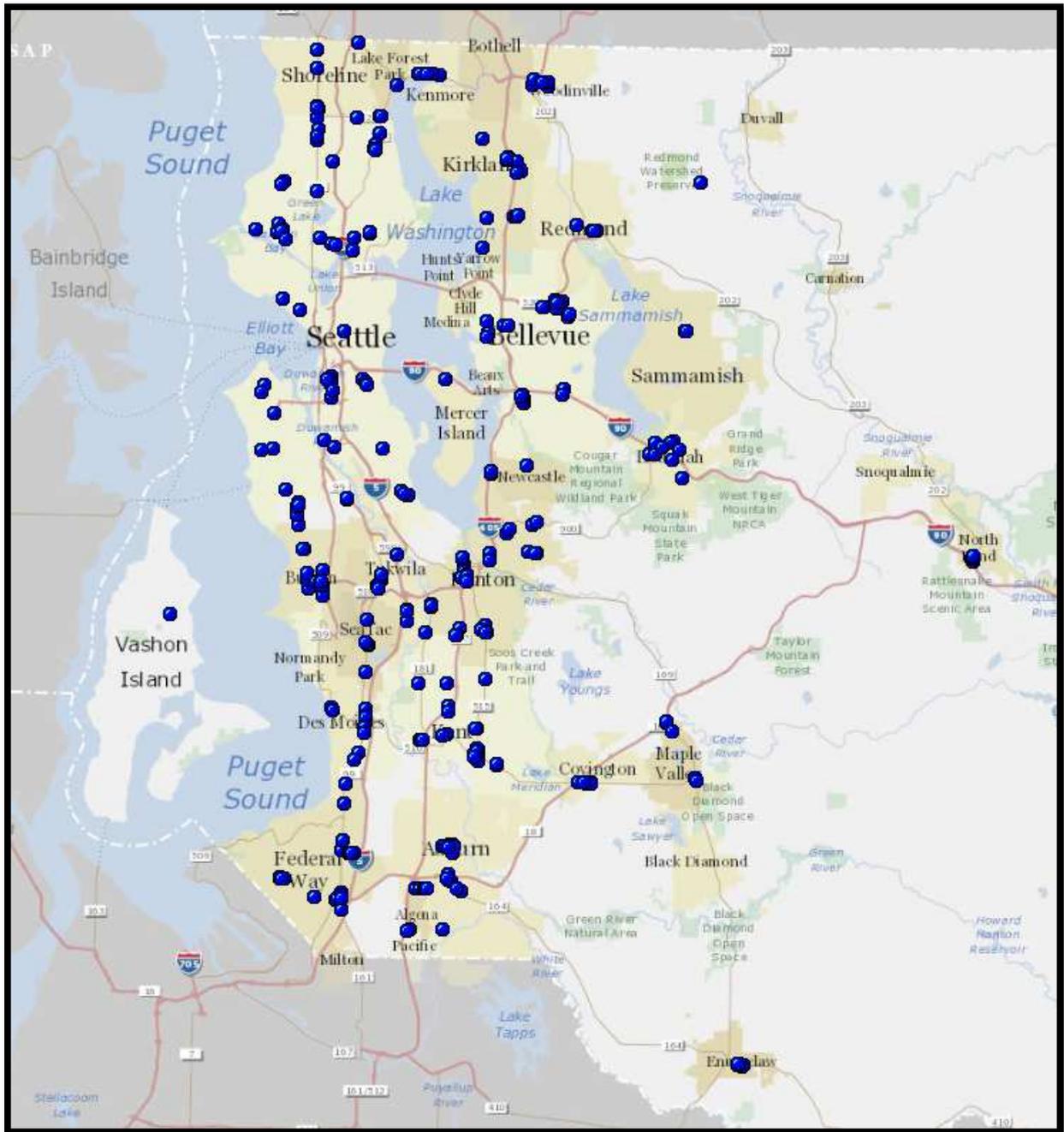
### Requirements of State Law

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.

# MAP AREA 413



**Appraisal Date 1/01/2019 – 2020 Assessment Year**

**Specialty Name: Quick Service/Fast Casual & Casual Dining Restaurants**

**Sales - Improved Summary:**

Number of Sales: 8

Range of Sale Dates: 01/15/2016 –06/12/2018

**Sales – Ratio Study Summary:**

<b>Sales---Improved Valuation Change Summary</b>				
	<b>Mean Assessed Value</b>	<b>Mean Sale Price</b>	<b>Ratio</b>	<b>COD*</b>
<b>2018 Value</b>	\$1,520,800	\$1,681,400	92.9%	13.51%
<b>2019 Value</b>	\$1,629,600	\$1,681,400	96.9%	12.96%
<b>Abs.Change</b>	\$152,100		4.00%	-0.55%
<b>% Change</b>	7.12%		4.31%	-4.07%

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

**Sales used in analysis:** All improved sales that were verified as good that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis. Examples of sales that are not included in the analysis are: sales that are leased back to the seller; sold as a portion of a bulk portfolio sale; net lease sales; sales w had major renovation subsequent to sale, or have been segregated or merged since being purchased.

**Population - Parcel Summary Data:**

	<b>Land</b>	<b>Improvements</b>	<b>Total</b>
<b>2018 Value</b>	\$359,772,900	\$145,047,000	\$504,819,900
<b>2019 Value</b>	\$396,343,600	\$154,961,500	\$551,304,100
<b>Amount Change</b>	+\$36,570,700	+\$9,914,500	+\$46,484,200
<b>Percent Change</b>	+10.16%	+6.84%	+9.21%

**Number of Parcels in the Population: 322**

**Conclusion and Recommendation:**

With limited market sales data less consideration is given to the Sales Comparison Approach in the 2019 revalue. The Income Approach is used in the final reconciliation of approaches because it allows greater equalization and uniformity of values for the various stratifications of quick service restaurants in the different submarkets. In addition, sufficient market income data is available for the analysis.

Since the values recommended in this report improve uniformity and equity, we recommend posting them for the 2019 assessment year.

## Identification of the Area

### Name of Designation

- **Area 413: Quick Service Restaurants**

### Area 413 Neighborhoods

- **413-10** Northwest King County
- **413-20** Southwest King County
- **413-30** Northeast King County
- **413-40** Southeast King County
- **413-50** King County

### Maps

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7<sup>th</sup> floor of the King County Administration Building and the King County Assessor's website.

### Area Overview

This report contains data pertinent to the revalue of Quick Service Restaurants (QSR) AKA Fast Food Restaurants, Fast Casual Restaurants, and Casual Dining Restaurants. Specialty Area 413 encompasses all QSR restaurants, Fast Casual Restaurants and Casual Dining Restaurants.

The QSR and fast casual restaurants in King County have been segmented into four neighborhood regions 413-10, 413-20, 413-30 and 413-40. Casual dining restaurants are found in neighborhood 413-50. These regions are described by their geographic location and restaurant type. Significant concentrations of QSR and fast casual restaurants are located in the South End (Kent, Auburn, Federal Way, Renton, & Tukwila) of the county. All QSR, fast casual and casual dining restaurant specialty properties were revalued this year. Area 413-50, casual dining restaurants were inspected this year.

According to the National Restaurant Association (NRA), restaurants are divided into four basic types or classifications:

- Type I (quick service restaurants QSR); examples include Chick-fil-A, McDonalds, Wendy's, Burger King, KFC, Taco Bell, Taco Time, Arby's, etc.
- Type II (fast casual); examples include Pizza Hut, Chipotle Mexican Grill, Five Guy Burgers, Panera Bread, etc.
- Type III (casual/family dining); examples include Denny's, IHOP, Applebee's, Red Robin, Olive Garden, Chili's, etc.
- Type IV (fine dining). Fine dining restaurants are not valued in this report as they are valued by the King County Assessor's area appraiser.

The QSR restaurants are further divided into segments such as: burgers, chicken, seafood, sandwich, snack, and pizza.

QSR, fast casual dining and casual dining restaurants are special-purpose properties often specifically designed and tailored for major brand recognition. Area 413 includes those restaurants that have national recognition and are listed in the top 50 restaurant chains in each category by the NRA.

The majority of the restaurants are “stand alone” structures with both land and building included in the property description. Restaurants not included in Area 413 such as Subway and Starbucks, in most cases, are located in retail centers, where they lease the space as part of a larger complex and are not stand alone facilities. When either Subway or Starbucks are “stand alone” they are included in Area 413. When QSR, fast casual or casual dining restaurants are located within neighborhood shopping centers and are not stand alone facilities the restaurants are valued by either the area appraiser or the shopping center specialty appraiser and are not included in Area 413 specialty.

Ownership of QSR facilities includes both corporate owned and franchise owned restaurants. According to National Restaurant News, franchisees operate 80 percent of the total restaurants. Corporate owned restaurants versus franchisee operated restaurants range from Dunkin’ Donuts and Baskin-Robbins, which have no corporate owned restaurants versus Chipotle and In-N-Out Burger, which are all corporate operated restaurants. Denny’s corporation is in the process of selling the restaurants to the franchisee and hope to have 95% to 97% franchise owned restaurants in the near future. Most of the restaurants are leased, with typical lease terms of twenty years with options for additional five year terms, with the exception of McDonald’s. McDonald’s has approximately 13,914 restaurants in the USA, of which approximately 13,046 (92%) are franchisee operated. McDonald’s is down 122 restaurants from prior year, while Chick-fil-A has added 109, two of which were added in King County, units over the same period. Restaurant Brands International has announced that they plan to add approximately 40,000 restaurants worldwide over the next 8-10 years, presently they have approximately 26,000 restaurants.

Corporations that own national restaurant chains are shown following:

- Yum! Brands (Taco Bell, KFC, Pizza Hut, Wing Street)
- Restaurant Brands International (Burger King, Popeye’s, Tim Hortons)
- Darden Restaurants (Olive Garden, Longhorn Steakhouse, Bahama Breeze)
- Dine Brand Global (IHOP, Applebee’s)
- Roark Capital Group (Arby’s, Carl’ Jr/Hardee’s, Buffalo Wild Wings and Jimmy John’s)
- Berkshire Hathaway Inc. (Dairy Queen, Orange Julius)

The top five QSR and Fast Casual restaurant chains (1,000+ restaurants) sales per unit for 2017/2018 and percentage increase \*:

- 1: Chick-fil A (2017) \$3,989,300; (2018) \$4,295,300 Plus: 7.67%
- 2: McDonalds (2017) \$2,681,600; (2018) \$2,768,700 Plus: 2.88%
- 3: Panera Bread (2017) \$2,665,800; (2018) \$2,777,200 Plus: 4.18%
- 4: Chipotle Mexican Grill (2017) \$1,867,600; (2018) \$1,959,600 Plus: 4.93%
- 5: Taco Bell (2017) \$1,518,700; (2018) \$1,572,500 Plus: 3.54%

\*Technomic's Top 250 Chain Restaurant Report (2019)

## **Analysis Process**

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

**Date of Appraisal Report:** May 28, 2019

### **Responsible Appraiser**

The following appraiser did the valuation of this specialty:

- Russell O. Butler      Appraiser II

### **Highest and Best Use Analysis**

**As if vacant:** Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in 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 geo-appraiser.

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

### **Special Assumptions, Departures and Limiting Conditions**

All three approaches to value were considered in this appraisal.

- Sales from 01/15/2016 thru 06/12/2018 were considered in all analysis.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6 (USPAP compliant).

### **A brief description of the neighborhoods follows:**

King County is home to many corporations with national and international impact. The QSR, fast casual and casual dining restaurant industry is highly competitive. The following QSR restaurant chains located in King County are listed in the top twenty

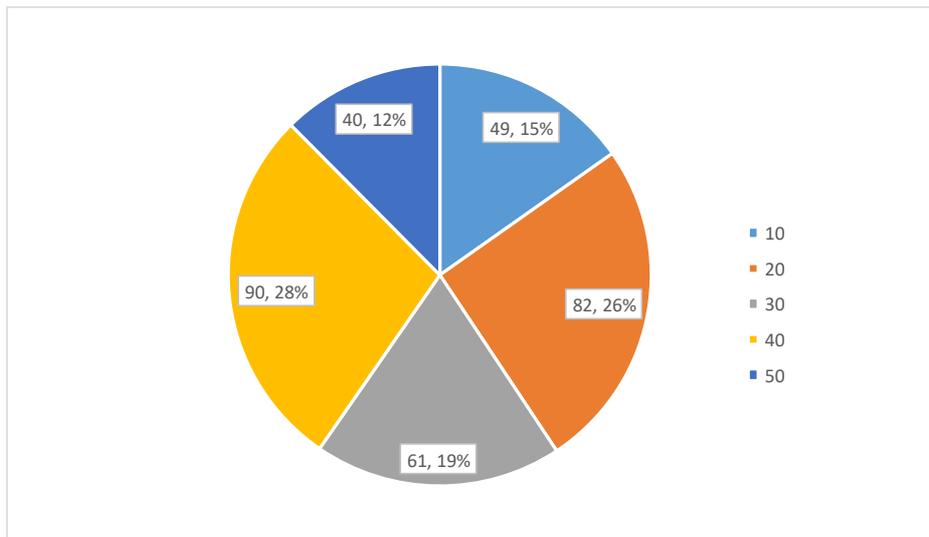
nationally; McDonalds, KFC, Pizza Hut, Burger King, Wendy’s, Taco Bell, Jack in the Box, Arby’s, Dunkin Donuts, Pizza Hut and Dairy Queen. Chick-fil-A has opened its fourth restaurant in King County located in Tukwila, opening date was January 31, 2019 and the fifth restaurant is under construction near Shoreline to be completed late 2019.

The following table and graph show the number and distribution of parcels in Area 413 and the neighborhoods.

Neighborhood	# of Parcels	% of Total
10*	49	15.22%
20	82	25.47%
30	61	18.94%
40	90	27.95%
50	40	12.42%
<b>Total</b>	<b>322</b>	<b>100.00%</b>

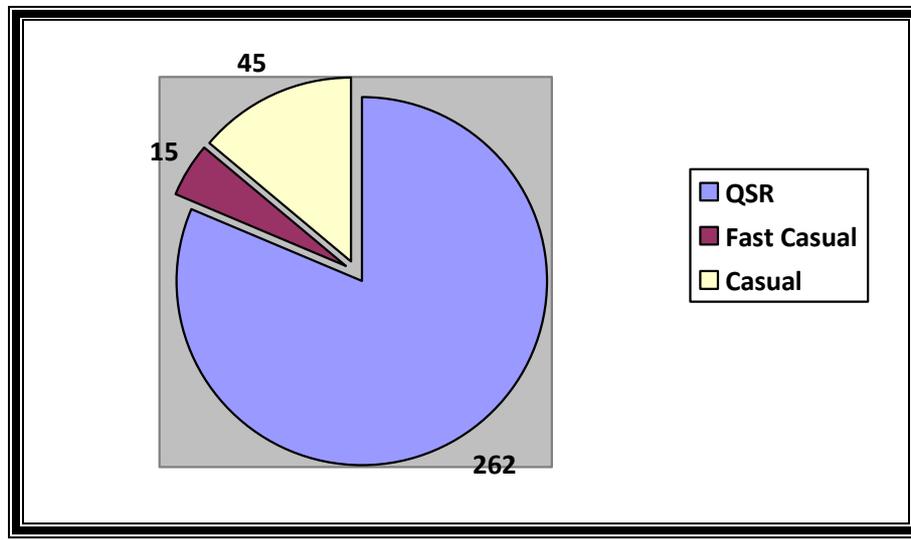
\*Inspected Area for 2019

**Parcel Distribution by Neighborhood for Area**



The total restaurants for 2019 valuation is 322 a net decrease of eight restaurants from the prior year; however, this number is somewhat misleading as a number of restaurants were transferred to the area appraiser due to change of use, highest and best use and conversely restaurants were transferred from the area appraiser to Specialty Area 413, or are new restaurants constructed in 2018.

The pie chart shown below shows the distribution of three restaurant types found in Area 413 and includes most of the national chains with the addition of Dick's and Taco Time, which are local QSRs also valued in Area 413.



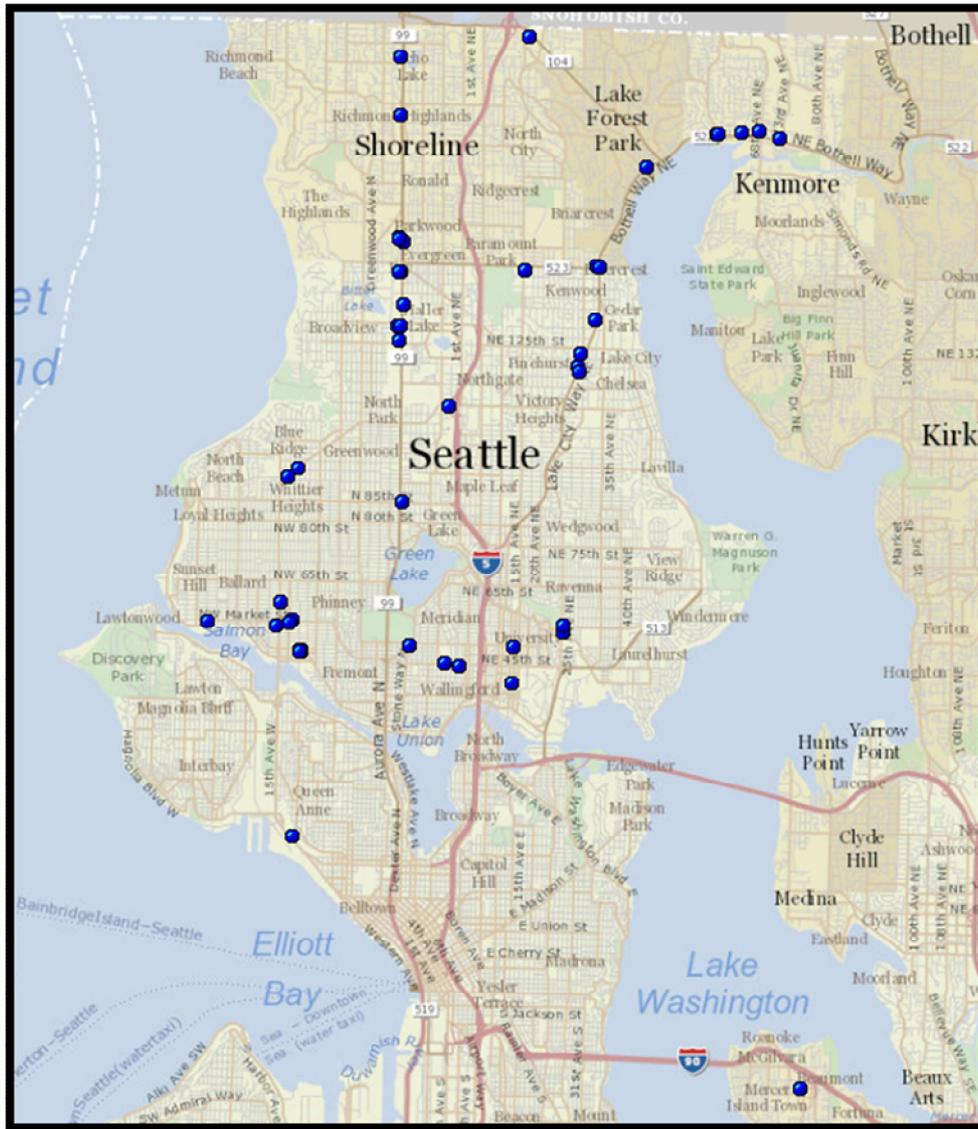
**Graph of King County Area 413 Distribution**

Three new, to King County, are the following chain restaurants, not shown in the above graph.

- The Habit Burger Grill is a fast casual restaurant with a total of 246 national locations and 6 in Washington State. Will be opening its third location in the Seattle area in West Seattle, taking over the location of a former KFC.
- Little Big Burger, also a fast casual restaurant, founded in Portland, OR. Opened its first of a planned three restaurants in Seattle early 2019.
- Shake Shack, a quick service nation chain restaurant with over 130 locations, the New York City burger chain opened its first restaurant near South Lake Union last October. Shake Shack plans to expand to two more locations in King County include University Village and Kirkland in the near future.

**Specialty Area 413-10** includes the Seattle area, Kenmore, Lake Forest Park and Shoreline. No sales have taken place in Area 413-10 in the past three years. Approximately 15.22% of the restaurants are located in this neighborhood. Area 413-10 is the physical inspection area for assessment year 2019 and all restaurants in this neighborhood were inspected.

**Map Area 413-10**



The following table shows that the major portion of the total property value for Neighborhood 10 lies in the land value, assessed by the Area Appraiser. Of the 49 QSR properties in this neighborhood 33 are valued as vacant land or with a nominal value of \$1,000 attributed to the existing improvements. The land value has increased 12.89% or approximately 90% of the total increase. The improvement allocated value increasing 24.88%, from prior year, due mainly to new construction and/or the remodeling of existing restaurants, supporting an overall increase in total property value of \$12,140,900 or 13.51% over the prior assessment year.

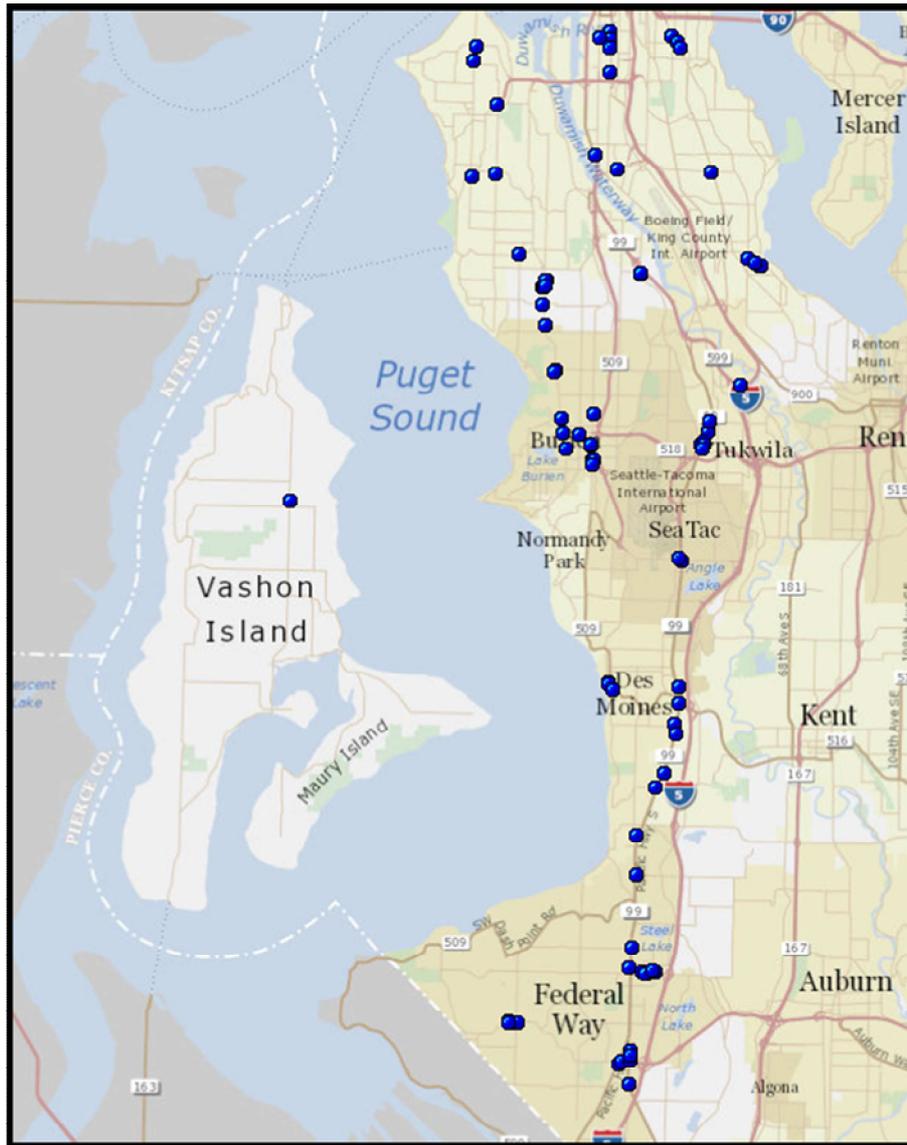
Year	Land Value	Imp. Value	Total Value
2018	\$85,249,000	\$4,637,300	\$89,886,300
2019	\$96,236,000	\$5,791,200	\$102,027,200
Difference	+\$10,987,000	+\$1,153,900	+\$12,140,900
% Change	+12.89%	24.88%	+13.51%

In this inspection area there has been a number of changes from prior year including, but not limited to the following:

- Remodel of McDonald's Tax Parcel No. 011410-0661
- Remodel of Taco Time, Tax Parcel No. 794630-0085
- Construction of new Taco Time, Tax Parcel No. 182604-9312
- Beginning construction of new Chick-fil-A, Tax Parcel No. 760870-0065
- Remodel of Taco Time, Tax Parcel No. 117500-0984

**Specialty Area 413-20** includes South Seattle, Burien, Tukwila, Des Moines, SeaTac, and Federal Way. Approximately 25.47% of the fast food specialty population is located within 413-20 and it is the second largest submarket with a total of 82 units, no change from prior year. However, within this neighborhood a number of restaurants have been remodeled and/or razed and rebuilt.

**Map Area 413-20**



The following table indicates that the total property values for the restaurants located in Neighborhood 413-20 have increased 8.26% with a rise in land value of 8.46%. Along with 413-40 this neighborhood has experienced the highest sales activity over the past three years.

Year	Land Value	Imp. Value	Total Value
2018	\$78,023,000	\$33,844,900	\$111,867,900
2019	\$84,624,000	\$36,488,600	\$121,112,600
Difference	+ \$6,601,000	\$2,109,800	+\$9,244,700
% Change	+ 8.46%	+7.81%	+ 8.26%

### Improved Quick Service Sale in Area 413-20

Over the past three years there has been only one improved QSR sale in Area 413-20 shown on the following graph:

Sale No.	Tax Parcel	Sale Price	Sale Date	Size SF	Price/SF	Name
1	712930-4550	\$1,050,000	01/15/2016	2,270 SF	\$462.56	Kentucky Fried Chicken

#### Sale Comments:

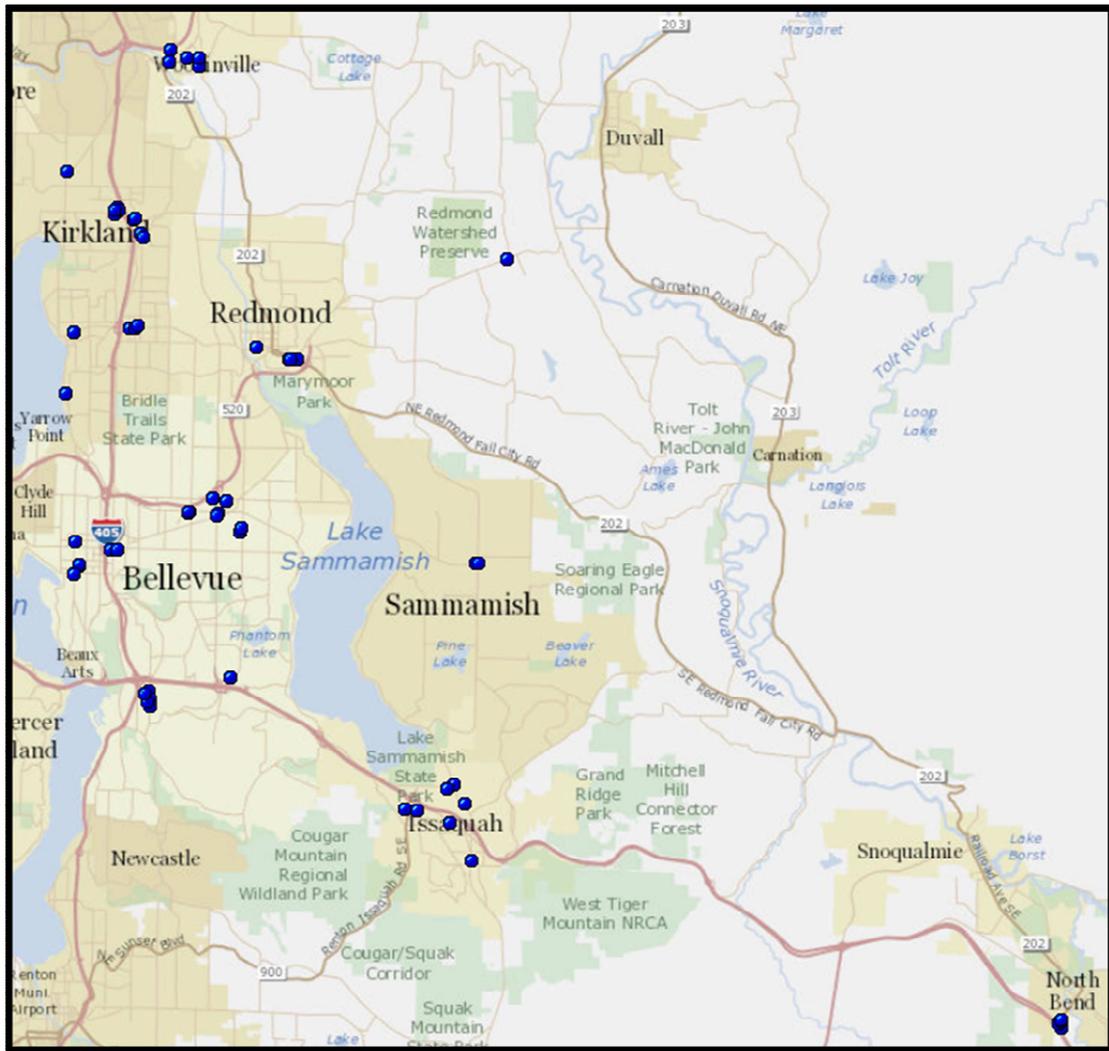
**Sale No. 1:** this property is a mixed use QSR with a KFC and a Taco Bell. The property was upgraded in 2014 prior to the 2016 sale.

Within Area 413-20 the following changes have taken place over the past year.

- New Dick's Drive In constructed in Kent, WA, Tax Parcel No. 551400-0040
- Starbuck's, remodel of former Arby's, Tax Parcel No. 536720-1395
- New McDonald's constructed after razing an older McDonald's, Tax Parcel No. 072304-9093

**Specialty Area 413-30** includes the East side of King County: Redmond, Kirkland, Woodinville, Bellevue, North Bend, Sammamish and Issaquah. Area 413.

**Map Area 413-30**



Approximately 18.94% (or 61) of the restaurants are located within this neighborhood. With most of the restaurants located within the City of Bellevue. There were no improved sales of either QSR, Fast Casual or Casual Dining restaurants during the past three years in this neighborhood.

The year to year comparison for Area 413-30 supports a land value increase of 10.80% and a total property value increase of 11.13%. Of the total property increase of \$12,403,700 approximately 89% is due to the increase in land value.

Year	Land Value	Imp. Value	Total Value
2018	\$93,304,800	\$18,134,100	\$111,438,900
2019	\$104,380,900	\$19,416,700	\$123,842,600
Difference	+\$11,076,100	+ \$1,282,600	+\$12,403,700
% Change	+ 10.80%	+ 7.07%	+ 11.13%

Within Area 413-30 the following changes have taken place of the past year.

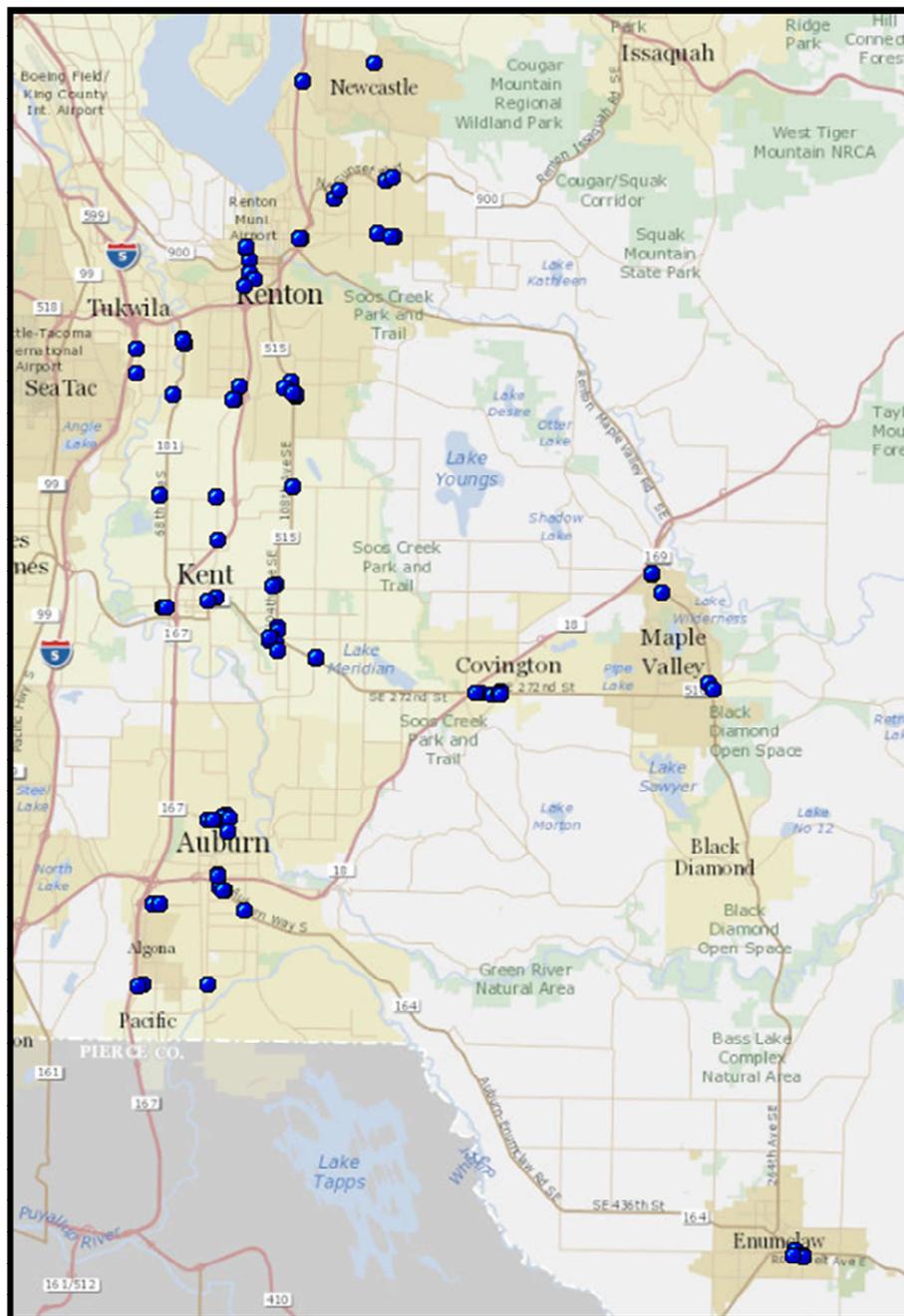
- Razing of existing McDonalds and construction of new McDonald's with Same footprint, Tax Parcel No. 112405-9090\*\*
- Remodel of McDonald's, Tax Parcel No. 162405-9110
- Remodel of Jack-in-the-Box, Tax Parcel No. 262505-9062
- KFC remodel, Tax Parcel No. 282406-9245

\*\*Photo of old/new McDonalds.



**Specialty Area 413-40** includes rural southeast King County and the following cities: Auburn, Newcastle, Renton, Kent, Covington, Enumclaw, Maple Valley, and North Bend. There are 90 parcels in this neighborhood representing approximately 27.95%, the most populous in Area 413. Geographically, 413-40 is the largest, ranging from Newcastle to Enumclaw. This neighborhood experienced the highest number of improved sales with a total of four (4) closing over the past three years. See the graph of sales on following page.

**Map Area 413-40**



### Improved Quick Service Sales in Area 413-40

Sale No.	Tax Parcel	Sale Price	Sale Date	Size SF	Price/SF	Name
1	252006-9133	\$770,000	12/27/2016	3,334 SF	\$230.95	Papa Murphys
2	782050-0040	\$2,181,000	03/09/2017	3,085 SF	\$706.97	SchlotzskT's Deli
3	516970-0092	\$1,500,000	07/21/2017	2,796 SF	\$536.48	Starbucks
4	322305-9054	\$1,200,000	10/10/2017	4,278 SF	\$280.50	Former Wendy's

**Sale Comments:**

**Sale No. 1:** Former Herfy's vacant at time of purchase, located in Enumclaw, WA

**Sale No. 2:** New building completed prior to sale.

**Sale No. 3:** Sale of a former Burger King, converted to Starbucks number of years ago.

**Sale No. 4:** Former Wendy's QSR vacant at time of purchase, will be medical office.

The year to year comparison for Area 413-40 supports a land value increase of 8.87% and a total property value increase of 8.43%, shown on the following table. In addition to the four sales shown above; three quick service restaurants have been rebuilt or remodeled over the past year; Burger King, Papa Murphy's and Wendy's.

As in Neighborhood 413-30, McDonald's has the most representation in this market area with a total of 17 restaurants, then Jack-in-the-Box with 11 and Taco Time with 9.

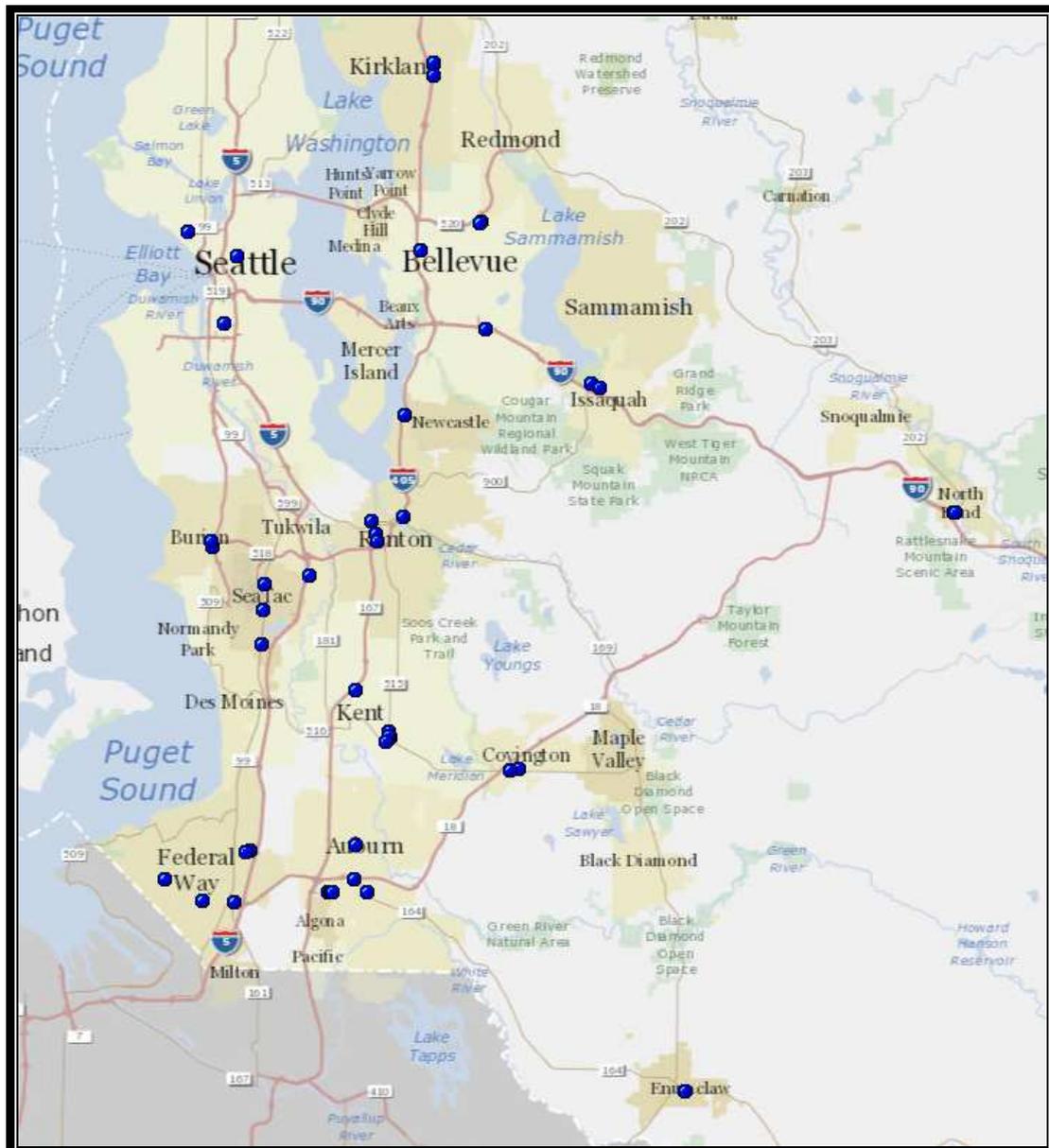
Year	Land Value	Imp. Value	Total Value
2018	\$55,088,600	\$62,138,900	\$117,227,500
2019	\$59,974,900	\$67,133,800	\$127,108,700
Difference	+\$4,886,300	+\$4,994,900	+\$9,881,200
% Change	+ 8.87%	+ 8.04%	+ 8.43%

Within Area 413-40 the following changes have taken place.

- Enumclaw McDonalds was razed and new one constructed, Tax Lot 252006-9108
- New Chick-fil-A constructed in Tukwila, it's the fourth one in King County, Tax Lot No. 262304-9066.
- Remodel of Taco Bell, Tax Lot No. 252304-9083
- Remodel of McDonald's, Tax Lot No. 122204-9001
- Remodel of Taco Time, Tax Lot No. 362205-9040
- Construction of a Sonic QSR and Starbucks on Tax Lot No. 675670-0050

**Specialty Area 413-50** includes casual dining restaurants countywide. This neighborhood has approximately 12.42% of the specialty population. It includes Denny's, IHOP, Black Angus, Shari's, Applebee's, Pizza Hut, Qdoba Mexican Eats and Red Robin as well as other local and national casual dining restaurants. There three (3) market sales in Neighborhood 50 during the past three years, shown on following graph. Denny's has a total of 9 restaurants followed by IHOP with 6.

**Map Area 413-50**



### Improved Quick Service Sales in Area 413-50

Sale No.	Tax Parcel	Sale Price	Sale Date	Size SF	Price/SF	Name
1	202205-9080	\$3,750,000	12/02/2016	7,525 SF	\$498.34	Red Robin
2	282304-9093	\$2,000,000	01/25/2017	4,504 SF	\$444.05	Denny's
3	760060-0055	\$1,000,000	06/12/2018	2,292 SF	\$436.30	Domino's Pizza

**Sale Comments:**

**Sale No. 1:** This Red Robin restaurant sale is located in Kent, WA, and was listed for \$4.4M.

**Sale No. 2:** Purchase of a Denny's restaurant investment property with a CAP of 5.5%.

**Sale No. 3:** Sale of Domino's Pizza located in CBD of Issaquah.

Note: Not shown above is the sale of two Denny's restaurants, one was purchased by the WSDOT for I-405 road improvements and the second sold April 17, 2019, after lien date, therefore neither sale is included in this report.

The year to year comparison for Area 413-50 supports a land value increased of 6.28% and the total property value has risen by 3.78%.

Year	Land Value	Imp. Value	Total Value
2018	\$48,107,500	\$26,291,800	\$74,399,300
2019	\$51,126,800	\$26,086,200	\$77,213,000
Difference	+\$3,019,300	- \$205,600	+ \$2,813,700
% Change	+ 6.28%	- 0.78%	+ 3.78%

Within Area 413-50 the following changes have taken place over the past year.

- Denny's restaurant closed remodeling under construction, Tax Parcel No. 272505-9230

### National QSR, Fast Casual, and Casual Dining Restaurant Economic Conditions.

The restaurant industry will reach landmark numbers in 2018 over \$825B in sales, an increase of approximately 3.29% over prior year, according to the National Restaurant Association. National Restaurant Association projects sales at \$863B for 2019 or approximately 4.61%.

Outlook for the restaurant industry for 2019, according to national restaurant industry publications.

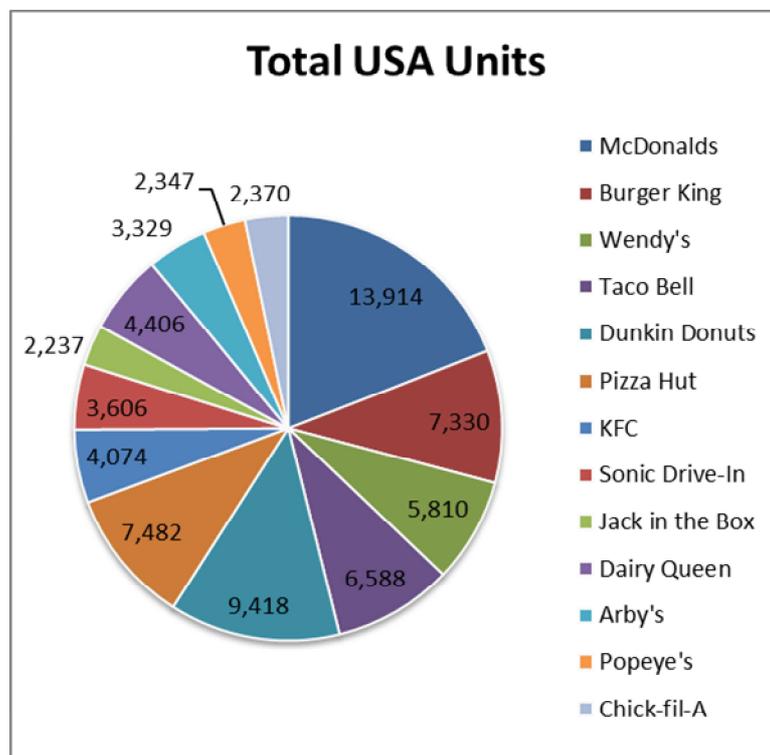
*“Quick-service and fast-casual places should see a slight slowdown, from 5.1% growth in 2018 to 4.9% next year. The drag comes from quick-service places, whose sales are expected to decelerate slightly to 4.2% rate of gain, from this year’s 4.4% pace.*

*The fast-casual segment is expected to pick up again after slowing down a hair in recent years, with sales forecasted to grow 8.3% in 2019 versus 8% for 2018.*

*The forecast varied for various segments of the full-service market as well. Casual dining should see a 3.4% gain in sales next year, an uptick from 3.2% for 2018.*

*The laggard in full-service remains midscale, or family dining, operation, with a forecast growth of just 2.8%, a slowdown from 2018’s 2.9%.*

Pie Chart of number of Quick Service Restaurants in USA for 2018.



Following is snapshot of the restaurant industry change of the past year based upon national restaurant industry research, includes data for the QSR, Fast Casual and Casual dining segment of the restaurant industry.

GE Capital Finance along with the National Restaurant Association rank the Top 100 restaurants in the USA each year based upon gross revenue, same store sales, number of company owned restaurants, number of franchises, and total units, following are the major restaurants in Type I (QSR) and Type II (Fast Casual) restaurants. Data for Type III (Casual Dining Restaurants) were included for the top 5 restaurants. Emphasis is placed on restaurants that have locations in King County. The following results are based upon 2018 findings.

<b>National Top Twelve QSR Restaurants for 2018</b>						
Name	Sales/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
McDonalds	\$38.52B	13,914	\$2.77M	-122	868	13,046
Burger King*	\$9.94B	7,330	\$1.36M	104	50	7,280
Taco Bell**	\$10.36B	6,588	\$1.57M	168	879	5,709
Wendy's	\$9.41B	5,810	\$1.62M	30	330	5,480
Dunkin Donuts	\$8.78B	9,418	\$933K	280	0	9418
Chick-fil-A	\$10.18B	2,370	\$4.29M	109	372	1,998
Pizza Hut**	\$5.53B	7,482	\$740K	-167	318	7,164
KFC**	\$4.43B	4,074	\$1.09M	-58	201	3,873
Sonic Drive-In	\$4.45B	3,606	\$1.23M	66	356	3,250
Arby's	\$3.88B	3,329	\$1.12M	57	1,075	2,254
Dairy Queen	\$3.65B	4,406	\$829K	-62	2	4,404
Jack in the Box	\$3.46B	2,237	\$1.55M	-4	276	1,961
Popeye's*	\$3.22B	2,347	\$1.37M	147	53	2,294

\*Restaurant Brands International (purchased Popeye's in 2017)

\*\*Yum! Brands, Inc

<b>National Top Six Fast Casual Restaurants for 2018</b>						
Name	Sales/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
Panera Bread	\$5.50B	2,074	\$2.77M	43	908	1,166
Chipotle	\$4.80B	2,452	\$1.96M	173	2,452	-0-
Panda Express	\$3.52B	2,105	\$1.67M	118	1,898	207
Jimmy John's	\$2.16B	2,840	\$763K	108	63	2,777
Zaxby's	\$1.85B	906	\$2.04M	74	139	767
Five Guys	\$1.62B	1,358	\$1.19M	37	444	914

Starbucks with \$19.66B and Subway with \$10.4B in sales are not listed as QSR restaurants as explained previously in this report. Subway surpasses McDonalds in total stores with 25,908 in the USA, however is down 866 units from prior year. Starbucks is third with 14,606 total units. McDonalds still leads all restaurants in total gross sales with \$38.52B for 2018. Starbucks has passed McDonalds in number of total units, and Chick-fil-A will become the third largest restaurant with respect to gross annual sales following only McDonalds and Starbucks in 2019.

Of the three types of restaurants, the Casual Dining segment is experiencing a downward trend with no restaurants found in the top 10 largest brands with respect to gross annual sales. Casual dining sales, among the Top 500 restaurants, grew just 0.2% in 2018, while unit count declined by 1.6%. Applebee's has closed 164 locations, IHOP 28 and Olive Garden is down 37 units. Denny's plans to sell between 90 and 125 restaurants in order to bring its total franchised locations to between 95 and 97 percent. Presently, about 89 percent of Denny's restaurants are currently owned by the franchisees.

National Top Six Casual Restaurants for 2018						
Name	Sale/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
Applebee's*	\$4.21B	1,693	\$2.48M	-164	75	1,888
Olive Garden**	\$4.08B	855	\$4.33M	-37	855	0
Buffalo Wild Wings	\$3.79B	1,238	\$3.06M	-30	625	613
Chili's Grill & Bar	\$3.50B	1,251	\$2.80M	-8	625	626
IHOP*	\$3.22B	1,705	\$1.89M	-28	14	1,347
Denny's	\$2.66B	1,709	\$1.57M	-26	188	1,521

\*DineEquity

\*\* Darden

### Restaurant Industry Trends for 2019

- Data: Order ahead apps, POS systems, ordering kiosks, etc. All assist the restaurant owners in customizing the food ordering and delivery at a lower cost and a more streamlined/quicker service.
- Heather: Burger King is testing a meatless burger in a number of their restaurants, beginning in 2019, called the Impossible Whopper. White Castle, Little Caesar's Tim Horton's Taco Bell and TGI Fridays are among some of the fast food chains that are experimenting with plant-based meat options over the past year. McDonald's has a McVegan burger available only in Finland and Sweden and has announced that they will not offer a plant-based burger in the near future.
- A number of restaurants serve healthy foods including Chipotle using only organic, local ingredients, with meats from naturally raised animals. Chick-fil-A was the first to offer a menu completely free of trans fat. Panera Bread offers a variety of healthy soups and salads.
- Redesign for Efficiency: with the increase in sales, restaurants are having to rethink their layout in order to prevent lines, clogged areas, or backups of restaurant orders. As a result, more QSRs will create designated areas for customers to pick up their orders.
- Waste Control: waste reduction is a major business concern, customers care about food being produced in an ethical and sustainable way, therefore the QSR industry is quickly adapting to minimize waste both from an environmental and cost perspective.

Chain restaurant are now legally required to display calorie counts according to the Affordable Care Act provision, which became effective May 7<sup>th</sup>, 2018. This new requirement applies to chain restaurants with over 20 locations nationwide. The calorie count law not only applies to restaurants, but also other business that sell food and beverages including convenience stores, movie theaters, and grocery stores.

According to the National Restaurant Association USA, restaurant sales are projected to reach record \$863B in 2019 up approximately 3.6% over last year. This figure includes the entire restaurant industry. Area 413 only values three of the major restaurant categories, i.e. QSR, Fast Casual and Casual Dining. Following is the annual sales for the restaurants valued in this report for sales years 2017 and 2018.

Type	Gross Annual Sales 2017	Gross Annual Sales 2018	Change in Dollars	Percent Change
QSR	\$239.1B	\$248.7B	\$9.6B	4.01%
Fast Casual	\$41.8B	\$43.7B	\$1.9B	4.54%
Casual Dining	\$274.8B	\$285.3B	\$10.5B	3.82%
Totals	\$555.7B	\$577.7B	\$22B	3.96%

*2019 Restaurant Industry Forecast National Restaurant Association*

**Physical Inspection Identification:**

The physically inspected neighborhood was the King County Assessor’s neighborhood 413-10 for assessment year 2019 as required by WAC 458-07-015 4 (a). Neighborhood 10 includes both quick-service restaurants and fast casual restaurants. An exterior observation of the properties was made to verify the accuracy and completeness of property characteristic data that affect value.

**Preliminary Ratio Analysis**

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

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

**Appraisal (Assessment) Level:** Estimates of appraisal level are based on measures of central tendency. The weighted mean ratio is the value-weighted average of the arithmetic

mean and median ratios in which the weights are proportional to the sales prices. The weighted mean is the sum of the assessed values divided by the sum of the sales price. The weighted mean gives equal weight to each dollar of value in the sample, whereas the median and mean give equal weight to each parcel. The weighted mean is an important statistic in its own right and is also used in computing the price related differential (PRD), a measure of uniformity between high and low value properties.

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

A preliminary ratio study was done prior to the application of the 2019 recommended values. The ratio between the assessed value of a property and its sale price gives the Assessor a guideline for valuing other similar properties. There were eight (8) improved sales in the Area 413 included in the ratio study. The average assessed value was \$1,520,800 and the average sale price was \$1,681,400. The ratio between the assessed value and sales price was 92.9%. The Price Related Differential (PRD) was 1.01 and the Coefficient of Dispersion (COD) was 13.51%. After the application of the 2019 assessed value the ratio between the assessed value and sale price changed to 96.9%; the PRD is 1.04 and the COD is lowered to 12.96%.

<b>Area 413 Year End 2018 Ratios</b>	
<b>Statistic</b>	<b>Value</b>
Appraisal Level	0.929
Coefficient of Dispersion (COD)	13.51%
Price Related Differential (PRD)	1.01

International Association of Assessing Officers (IAAO) standards for ratios are provided to illustrate the need to revalue the properties in Area 413.

<b>IAAO Recommended Ratio Standards</b>	
<b>Statistic</b>	<b>Value</b>
Appraisal Level	.90 to 1.10
Coefficient of Dispersion (COD)	5.0 to 20.0
Price Related Differential (PRD)	.98 to 1.03

The ratios after the revalue are shown below so the reader may appreciate the improvement in the ratios after properties in Area 413 were revalued. The average assessed value changed from \$1,520,800 (prior) to \$1,629,600 (after) resulting in the following ratios. The conclusion of the report will have further discussion on the ratios.

Area 413 2018 Ratios	
Statistic	Value
Appraisal Level	0.969
Coefficient of Dispersion (COD)	12.96%
Price Related Differential (PRD)	1.04*

\*The PRD exceeds IAAO standards due to the limited sales utilized in this report when one sale is removed from the data (Parcel No. 252006-9133) the PRD changes from 1.04 to 1.01. This property sold in 2016 for \$770,000 and was a vacant property at time of purchase, subsequently the property was remodeled in 2017 and is now occupied, therefore, the value of the property for 2019 exceeds the 2016 purchase price distorting the IAAO ratios. When the sale is removed from the data the PRD drops from 1.04 to 1.01 and the COD also changes from 12.96% to 8.31%, both measures of dispersion and differential fall within the IAAO standards.

## Scope of Data

### Land Value

### Land Sales, Analysis, Conclusions

The geographic appraiser in the area in which the specialty fast food or institutional restaurant property is located is responsible for the land value used by the specialty appraiser. See appropriate area reports for land valuation discussion. Graph of Area 413 Land Values for 2018 and 2019 shown following.

Land Assessed Values Area 413				
Neighborhood	Value 2018	Value 2019	\$ Change	% Change
10	\$85,249,000	\$96,236,000	\$10,987,000	12.89%
20	\$78,023,000	\$84,624,000	\$6,601,000	8.46%
30	\$93,304,800	\$104,380,900	\$11,076,100	10.80%
40	\$55,088,600	\$59,974,900	\$4,886,300	8.87%
50	\$48,107,500	\$51,126,800	\$3,019,300	6.28%
<b>Totals</b>	<b>\$359,772,900</b>	<b>\$396,342,600</b>	<b>\$36,569,700</b>	<b>10.16%</b>

### Improved Parcel Total Value Data:

Sale 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 are verified, if

possible, by contacting either the purchaser or seller, or contacting the real estate broker, and reviewing sale transaction data from online subscription sources. Characteristic data is verified for all sales, if possible. If necessary a site inspection is made. Sales are listed in the “Sales Used” and Sales Not Used” sections of this report.

## **Improved Parcel Total Values:**

### **Sales Comparison Approach model description**

Improved sales for Area 413 were verified by the specialty appraiser and entered into the Real Property Sales application. The sales used range in date from 1/15/2016 to 6/12/2018 and are shown in the following chart. Verification consisted of contact with the Buyer, Seller or Broker if possible, information from the COMPS InfoSystem, Inc., real estate sales verification service and/or CoStar. At the time of sale, information on vacancy and market absorption rates, current and anticipated rents, capitalization rates and the competitive position of the property were also gathered when available. The data was used in the income approach. Because of the limited number of comparable sales, the sales comparison approach was not used exclusively.

There were a total of eight (8) closed market sales in this specialty from 2016 thru 2018. There are fewer distressed or forced sales in the quick service restaurant and casual dining restaurant sector than in the commercial real estate market. Sales are shown in the following table.

<b>Nbdh</b>	<b>Major</b>	<b>Minor</b>	<b>E Tax #</b>	<b>Sale Date</b>	<b>Sale Price</b>	<b>Size NRA</b>	<b>Price Per NRA</b>
20	712930	4550	2776155	01/15/2016	\$1,050,000	2,270 sf	\$462.56
40	252006	9133	2842443	12/27/2016	\$770,000	3,334 sf	\$230.95
40	782050	0040	2852472	03/09/2017	\$2,181,000	3,085 sf	\$706.97
40	516970	0092	2878475	07/21/2017	\$1,500,000	2,796 sf	\$536.48
40	322305	9054	2894956	10/10/2017	\$1,200,000	4,278 sf	\$280.50
50	202205	9080	2837437	12/02/2016	\$3,750,000	7,525 sf	\$498.34
50	282304	9093	2847758	01/25/2017	\$2,000,000	4,504 sf	\$444.05
50	760060	0055	2936178	06/12/2018	\$1,000,000	2.292 sf	\$436.30

### **Sales comparison calibration**

Calibration of the coefficients utilized in the models applied via the sales comparison approach was established by an analysis of sales within each neighborhood, if possible. Individual prices were applied based on various characteristics deemed appropriate by each market. Specific variables and prices for each neighborhood are discussed in more detail above. The sales comparison approach was given some weight, but the income approach was used in the final reconciliation of value to provide greater equalization and uniformity of values.

### **Cost Approach model description**

Cost estimates are automatically calculated via the Marshall & Swift Valuation modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. The Marshall & Swift cost calculations are automatically calibrated to the data in the Real Property Application. Because of the difficulty in accurately determining the depreciation of older properties, this approach to value was given the least weight in the final reconciliation of values. Cost estimates were relied upon for valuing on going new construction where comparable sales data and/or sufficient income and expense information is not available.

### **Cost calibration**

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

### **Income Capitalization Approach model description**

The income approach is considered the most reliable approach to valuation in area 413 where relevant income and expense data is available to ascertain market rates. During the sales verification process, an attempt is made to obtain income and expense data from the parties involved in the transactions through interviews or via mail. The information requested includes current and anticipated future rents, operating expense breakdown and assigned responsibility for the expenses, and estimated capitalization rates associated with a sale. In addition, owners, tenants, and agents of non-sale properties are surveyed to collect similar data. Disclosure of this information is not required by law and therefore is often difficult to obtain. The return rate of mail surveys varies and the data can be incomplete. Telephone interviews are dependent upon obtaining a valid number for a knowledgeable party and the opportunity to contact them. Due to the highly competitive nature of this specialty, information of a confidential nature is very difficult to obtain. As a supplement, lease information is gathered from Costar and other websites.

The valuation model includes the following steps:

1. The program multiplies the property's net rentable area by the market rent to derive potential gross income (PGI).
2. The program subtracts allowances for vacancy and operating expenses to derive net operating income (NOI).
3. The program capitalizes NOI (divides it by the overall rate) to produce the value estimate.

**In order to calibrate a credible income model, it is necessary to consider data from recognized published sources to assist in developing capitalization rates. The following table recaps the capitalization rates as reported by these publications.**

<b>National/Regional CAP Rates for QSR/Fast Casual and Casual Dining Restaurants</b>					
<b>Restaurant Type</b>	<b>2017</b>	<b>2018</b>	<b>% Change</b>	<b>Change Basis Points*</b>	<b>Remarks</b>
QSR	5.35%	5.24%	-2.06%	-(11)	All Corporate QSR, The Boulder Group (2Q) 2018 (National Rate)
QSR	5.95%	5.72%	-3.87%	-(23)	Single Tenant Net-Leased Investment Market Report-1Q 2019
QSR	5.70%	5.53%	-2.98%	-(17)	Colliers International Jan 2019
Fast Casual	5.54%	5.60%	-1.08%	+(6)	Colliers International Jan 2019
QSR	5.75%	5.55%	-3.48%	-(20)	Net Lease Advisor, Average Cap Rates 2018 (Q2) (20 restaurant chains)
Casual Dining	6.50%	6.85%	+5.38%	+(35)	The Boulder Group, Net Lease Casual Dining Market Report 2019 (Q1)
Casual Dining	6.16%	6.17%	+0.16%	+(1)	Single Tenant Net-Lease Investment Market Report-1Q 2019

The above graph portrays the three restaurant segments including QSR, Fast Casual and Casual Dining with respect to overall capitalization (CAP) rates for each group. Sources for the graph are both national and regional restaurant industry market analysis including but not limited to the following: Marcus & Millichap, The Boulder Group, Net Lease Advisors, Calkain Research and Colliers International, a real estate research publication. According to the above reports the QSR industry has shown a decrease in the CAP rate from 11 to 23 basis points over the past year. Fast Casual CAP rate is up 6 basis points and Casual Dining is up 1 to 35 basis points. Overall the restaurant industry is a minus - 29 basis points or approximately 1.29%.

Not shown in the above graph is the CAP rates for ground leases which are in the 4.90%\* range and would include QSR corporate properties such as Chick-fil-A and McDonald's. Also, not addressed in the graph are the CAP variation between corporate-backed and franchisee-backed restaurants. Typically, corporate-backed leased restaurants sell for 70\* basis points lower than do franchisee-backed leased restaurants, all other factors being equal, as an investor desires the corporation support.

*\*Calkain Research Net Lease Report September 2018*

2018 Year End Metrics			
	QSR	Fast Casual	Casual Dining
Vacancy Rate	↔ (stable)	↔ (stable)	↔ (stable)
Rental Rate	↗ (slight increase)	↗ (slight increase)	↔ (stable)
Capitalization Rate	↘ (slight decrease)	↘ (slight decrease)	↘ (slight decrease)
Improved Property Values	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)
Land Values	↑ (increase)	↗ (slight increase)	↗ (slight increase)

Rental rates, vacancy levels and operating expenses are derived by reconciling all of the information collected through the sales verification process, completed surveys, publications, and interviews with tenants, owners, and brokers and the appraiser's independent market research. Quality, effective year, condition, and location are variables considered in the application of the income model to the parcels in the population.

### Income approach calibration

The models were calibrated after setting economic base rents, vacancy rates, expenses, and capitalization rates by using adjustments based on size, effective age, and quality of construction as recorded in the Assessor's records. When the value of the property by the income approach was less than the land value, a minimal \$1,000 value was allocated to the improvements. The following table outlines specific income parameters:

PROPERTY TYPE	TYPICAL RENT RANGE	VACANCY	EXPENSE RATE	CAP RANGE
Quick Service Restaurant/Fast Casual	\$22.00 to \$40.00	3% to 7%	8%	5.50% to 7.25%
Casual Dining	\$18.00 to \$32.00	3% to 7%	8% to 10%	5.50% to 7.25%
Metrics* *Change from Prior Year	Stable	Stable	Stable	Slight Decrease

## Reconciliation

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. Under no circumstances were business enterprise or personal property values included in the Assessor's appraisals. Every effort was made, through the use of market rent, to eliminate any possibility of value estimates that included anything but the value of the real estate. The market sales approach is considered the most reliable indicator of value when comparable sales were available, however, the income approach was applied to most parcels in order to better equalize comparable properties. Whenever possible, market rents, expenses, and cap rates were ascertained from sales, and along with data from surveys and publications these parameters were applied to the income model. An administrative review of the selected values was made by Ruth Peterson, Senior Appraiser for quality purposes.

## Model Validation

### Total Value Conclusions, Recommendations and Validation:

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

The income approach to value was considered on all of the Quick Service/Fast Casual Restaurants and the Casual Dining Restaurants and is the most reliable approach for these specialty properties.

The total assessed value for the 2018 assessment year for Area 413 was \$504,819,900. The total recommended assessed value for the 2019 assessment year is \$551,304,100.

Both land and improvement values increased over prior year. Land values increased by a 10.16% while improvement values rose by 6.84%. The application of these recommended values for the 2019 assessment year results in a total change from the 2018 assessments of a plus 9.21% increase.

	Land	Improvements	Total
2018 Value	\$359,772,900	\$145,047,000	\$504,819,900
2019 Value	\$396,343,600	\$154,961,500	\$551,304,100
Amount Change	\$36,570,700	\$9,914,500	\$46,484,200
Percent Change	+10.16%	+6.84%	+9.21%

The QSR and Fast Casual Dining restaurant market has seen an increase in new construction; including two McDonald restaurants, Taco Time and the fourth and fifth Chick-fil-A in King County, additionally three new chain restaurants have opened in the County. Overall there has been a slight uptick in rental rates and a modest lowering of the CAP rate trending the total property values upward, supporting the Assessors increase in total property values of 9.21%.

### **Client and Intended Use of the Appraisal:**

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

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

### **Definition and date of value estimate:**

#### **Market Value**

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

*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**

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

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

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

## **Property rights appraised:**

### **Fee Simple**

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

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

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

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

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

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

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

### **Scope of Work Performed:**

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

## **CERTIFICATION:**

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

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

*Russell O. Butler*

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Russell O. Butler, Commercial Appraiser II

# Area 413 Quick Service Restaurants

## Ratio Study Report

### PRE-REVALUE RATIO ANALYSIS

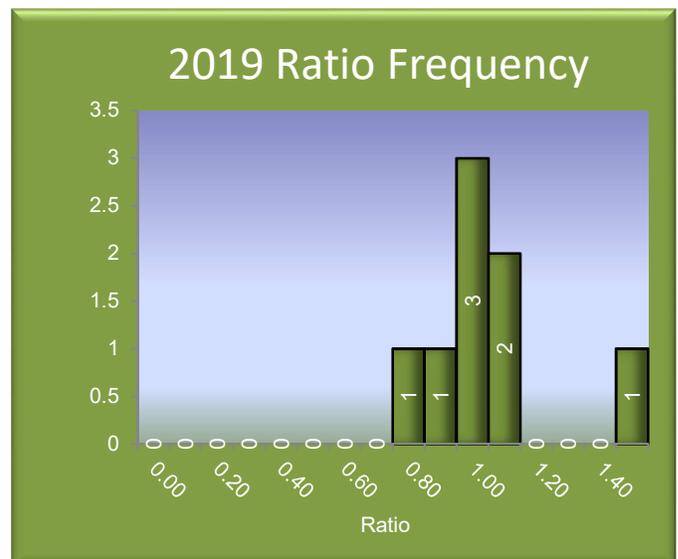
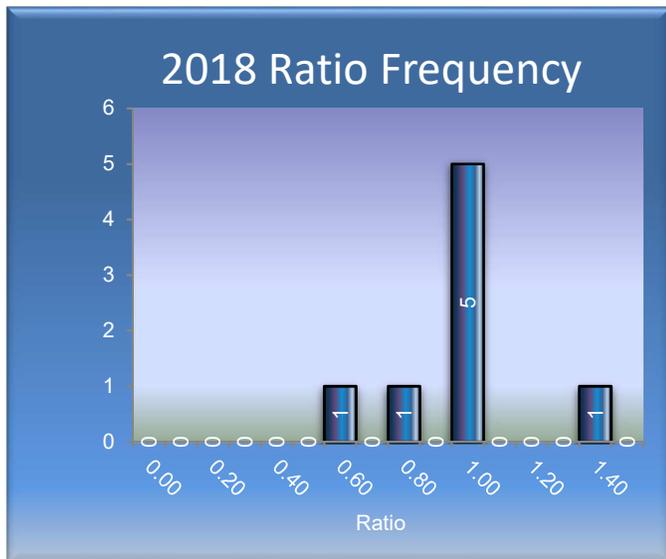
Pre-revalue ratio analysis compares sales from 2016 through 2018 in relation to the previous assessed value as of 1/1/2018.

PRE-REVALUE RATIO SAMPLE STATISTICS	
<b>Sample size (n)</b>	8
<b>Mean Assessed Value</b>	1,520,800
<b>Mean Adj. Sales Price</b>	1,681,400
<b>Standard Deviation AV</b>	910,342
<b>Standard Deviation SP</b>	970,161
ASSESSMENT LEVEL	
<b>Arithmetic Mean Ratio</b>	0.916
<b>Median Ratio</b>	0.929
<b>Weighted Mean Ratio</b>	0.904
UNIFORMITY	
<b>Lowest ratio</b>	0.5157
<b>Highest ratio:</b>	1.3119
<b>Coefficient of Dispersion</b>	13.51%
<b>Standard Deviation</b>	0.2190
<b>Coefficient of Variation</b>	23.92%
<b>Price Related Differential (PRD)</b>	1.01

### POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2016 through 2018 and reflects the assessment level after the property has been revalued to 1/1/2019.

POST REVALUE RATIO SAMPLE STATISTICS	
<b>Sample size (n)</b>	8
<b>Mean Assessed Value</b>	1,629,600
<b>Mean Sales Price</b>	1,681,400
<b>Standard Deviation AV</b>	864,264
<b>Standard Deviation SP</b>	970,161
ASSESSMENT LEVEL	
<b>Arithmetic Mean Ratio</b>	1.006
<b>Median Ratio</b>	0.969
<b>Weighted Mean Ratio</b>	0.969
UNIFORMITY	
<b>Lowest ratio</b>	0.7994
<b>Highest ratio:</b>	1.4056
<b>Coefficient of Dispersion</b>	12.96%
<b>Standard Deviation</b>	0.1890
<b>Coefficient of Variation</b>	18.79%
<b>Price Related Differential (PRD)</b>	1.04



## Improvement Sales for Area 413 with Sales Used

05/21/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	020	712930	4550	2,270	2776155	\$1,050,000	01/15/16	\$462.56	KENTUCKY FRIED CHICKEN	NC2-40	2	Y	
413	040	252006	9133	3,334	2842443	\$770,000	12/27/16	\$230.95	PAPA MURPHYS	HCB	1	Y	
413	040	322305	9054	4,278	2894956	\$1,200,000	10/10/17	\$280.50	VACANT BUILDING	CA	1	Y	
413	040	516970	0092	2,796	2878475	\$1,500,000	07/21/17	\$536.48	STARBUCKS COFFEE RENTON HI	CA	1	Y	
413	040	782050	0040	3,085	2852472	\$2,181,000	03/09/17	\$706.97	SCHLOTZSKT'S DELI - FAST FOOD	CC	1	Y	
413	050	202205	9080	7,525	2837437	\$3,750,000	12/02/16	\$498.34	RED ROBIN RESTAURANT (see Mir	CC-MU	2	Y	
413	050	282304	9093	4,504	2847758	\$2,000,000	01/25/17	\$444.05	DENNYS RESTAURANT	CB-C	1	Y	
413	050	760060	0055	2,292	2936178	\$1,000,000	06/12/18	\$436.30	DOMINO'S PIZZA	CBD	1	Y	

## Improvement Sales for Area 413 with Sales not Used

05/01/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	030	390010	1330	3,236	2777768	\$3,200,000	01/25/16	\$988.88	WENDYS	CBD 7	1	N	Land Sale
413	030	927070	0005	1,860	2804191	\$1,650,000	06/14/16	\$887.10	KENTUCKY FRIED CHICKEN	RVBD	1	66	Condemnation/eminent domain
413	040	030150	0290	3,330	2808685	\$950,000	06/22/16	\$285.29	BURGER KING RESTAURANT	C3	1	44	Tenant
413	020	200660	1080	2,372	2897003	\$3,600,000	10/21/17	\$1,517.71	JACK IN THE BOX (Imps on Minor 1	D-C	2	46	Non-representative sale
413	030	282605	9021	2,050	2914401	\$3,375,000	02/12/18	\$1,646.34	KENTUCKY FRIED CHICKEN	TL 5	1	46	Non-representative sale
413	050	176060	0240	2,520	2915648	\$2,000,000	02/20/18	\$793.65	PIZZA HUT	CR	1	36	Plottage
413	020	062304	9412	2,750	2936009	\$3,187,500	06/12/18	\$1,159.09	POPEYES RESTAURANT	CBSO	1	46	Non-representative sale
413	040	675670	0050	2,627	2949974	\$4,500,000	08/24/18	\$1,712.98	SONIC RESTAURANT AND STARBU	CC-MU	1	46	Non-representative sale
413	050	334330	1180	6,524	2970596	\$2,725,000	10/02/18	\$417.69	DENNY'S RESTAURANT	CA	1	68	Non-gov't to gov't
413	050	072105	9054	5,652	2966178	\$4,225,000	11/29/18	\$747.52	APPLEBEES RESTAURANT	C1	1	46	Non-representative sale
413	010	199120	0315	3,622	2980326	\$13,631,826	03/28/19	\$3,763.62	MCDONALDS	SM-UP 1	1		After Lien Date
413	050	242320	0040	5,559	2983708	\$2,870,000	04/17/19	\$516.28	DENNY'S RESTAURANT	CC-C	1		After Lien Date

### INSPECTION AREA 413-10

<u>AREA</u>	<u>NERHD</u>	<u>PARCEL</u>		<u>PROPERTY ADDRESS</u>	<u>TAX PAYER</u>
413	10	11410	661	7214 NE BOTHELL WAY	GIA ENTERPRISES
413	10	51000	910	2212 N 45TH ST	WALLINGFORD TT LLC
413	10	99300	1805	8502 AURORA AVE N	WR SCOTT PROPERTY HOLDINGS
413	10	112604	9035	6100 NE BOTHELL WAY	JACK IN THE BOX
413	10	112604	9039	6100 NE BOTHELL WAY	JACK IN THE BOX
413	10	114200	1395	4145 UNIVERSITY WAY NE	UDPA 4145 LLC
413	10	117500	984	2853 NW MARKET ST	SHILSHOLE TT LLC
413	10	145360	241	13055 LAKE CITY WAY NE	FOODMAKER INC
413	10	156810	460	14511 BOTHELL WAY NE	MCDONALDS CORPORATION
413	10	162604	9070	14506 BOTHELL WAY NE	AIP VENTURES LLC
413	10	182604	9312	No Situs Address	MARATHON PROPERTIES INC
413	10	186240	145	9208 HOLMAN RD NW	DICK'S DRIVE-INS LTD L P
413	10	186240	495	9037 14TH AVE NW	MCDONALD'S CORP 046-0289
413	10	192604	9038	13248 AURORA AVE N	IVAR'S
413	10	192604	9115	14303 AURORA AVE N	KV HOLDINGS
413	10	192604	9116	906 N 143RD ST	KV HOLDINGS
413	10	192604	9432	12505 AURORA AVE N	1700 INVESTORS LLC
413	10	208020	15	5146 25TH AVE NE	GIA ENTERPRISES
413	10	222890	20	19533 AURORA AVE N	M O S LLC
413	10	276770	1385	5315 15TH AVE NW	SEA WEND LTD
413	10	276770	4715	5918 15TH AVE NW	TACO BELL OF AMERICA LLC
413	10	276810	605	1140 NW MARKET ST	STANLEY MARGARET T
413	10	276830	115	5400 14TH AVE NW	SANTILLANES DAVID M
413	10	276830	2825	943 NW LEARY WAY	PACIFIC CENTERS LLC 111
413	10	276830	2835	926 NW BALLARD WAY	PACIFIC CENTERS LLC 111
413	10	276830	2840	931 NW LEARY WAY	PACIFIC CENTERS LLC 111
413	10	276830	2890	926 NW BALLARD WAY	PACIFIC CENTERS LLC 111
413	10	276830	2895	926 NW BALLARD WAY	PACIFIC CENTERS LLC 111
413	10	276830	2900	999 NW LEARY WAY	PACIFIC CENTERS LLC 111
413	10	292604	9470	2147 N NORTHGATE WAY	GIA ENTERPRISES
413	10	313120	340	111 NE 45TH ST	DICK'S DRIVE-INS LTD L P
413	10	344800	110	12325 30TH AVE NE	DICK'S DRIVE-INS LTD L P
413	10	344800	575	12001 LAKE CITY WAY NE	BAKKER JANET
413	10	344800	1081	11744 LAKE CITY WAY NE	BEVERLEY M SMITH TRSTEE
413	10	401930	1658	17039 BOTHELL WAY NE	TAYLOR CHRISTOPHER & MARGAR
413	10	531510	1305	2807 78TH AVE SE	MCDONALD'S CORP 46-0200
413	10	616990	1740	1140 ELLIOTT AVE W	ELLIOTT TT LLC
413	10	663230	271	14400 15TH AVE NE	ABC PACIFIC CORP
413	10	686520	110	4910 E GREEN LAKE WAY N	SEAVER PROPERTIES III LLC
413	10	728770	12	18207 AURORA AVE N	JACK IN THE BOX
413	10	741770	340	20227 BALLINGER WAY NE	MCDONALDS CORPORATION
413	10	760870	51	No Situs Address	CHICK FIL A INC

413	10	760870	65	12801 AURORA AVE N	CHICK FIL A INC
413	10	794630	85	6733 NE 181ST ST	REAND LLC
413	10	794630	230	6434 NE BOTHELL WAY	SEAVER PROPERTIES III IV V
413	10	881640	905	4749 UNIVERSITY WAY NE	JACK IN THE BOX C/O EPROP T
413	10	919120	1440	5502 25TH AVE NE	5502 25TH NE LLC
413	10	931030	60	No Situs Address	MONCRIEF KATHI
413	10	931030	70	15201 AURORA AVE N	MONCRIEF KATHI