

Commercial Revalue

2015 Assessment Roll

SPECIALTY AREA
540
INDUSTRIAL

King County, Department of Assessments
Seattle, Wa.

Lloyd Hara, Assessor



King County

Department of Assessments

Accounting Division

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Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2015 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2015 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

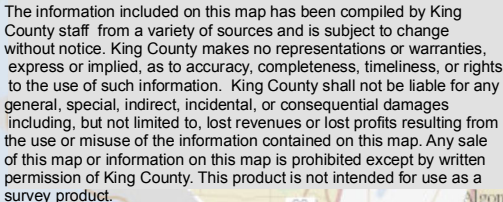
Fair and uniform assessments set the foundation for effective government and I am pleased that we are able to make continuous and ongoing improvements to serve you.

Please feel welcome to call my staff if you have questions about the property assessment process and how it relates to your property.

Sincerely,

Lloyd Hara
Assessor

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Executive Summary Report

Appraisal Date 1/1/2015 - 2015 Assessment Roll – 2016 Tax Roll Year

Specialty Name: Industrial, Specialty Area 540

Improved Sales Summary:

Number of Sales: 3

Range of Sale Dates: 9/8/2013 – 12/22/2014

The properties that comprise the industrial specialty are primarily designed for special purpose use. In the absence of the improved sales transactions demonstrating relevance to the overall population of industrial parcels, a ratio study analysis is not included in this report. Additionally, the small sample size of the improved sales transactions within the industrial specialty would preclude any meaningful statistical analysis.

Total Population – Average Improved Parcel Summary Data:

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2014 Value	\$603,041,400	\$508,372,200	\$1,111,413,600
2015 Value	\$657,343,500	\$494,754,500	\$1,152,098,000
% Change	9.00%	-2.68%	3.66%

Population: 95 parcels.

Conclusion and Recommendation:

The values recommended in this report improve uniformity and equity, the specialty appraiser recommends posting them for the 2015 assessment year.

Analysis Process

Effective Date of Appraisal: January 1, 2015

Date of Appraisal Report: July 22, 2015

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 industrial. Any opinion not consistent with this is specifically noted in the 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, in some cases, 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 assigned to the improvements. In some instances, the property is reassigned to the geographic appraiser.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Specialty Area

Name or Designation: Specialty Area 540 - Industrial Properties

Area Boundaries: The properties are located throughout King County. Due to the specialized nature and unique requirements of each of the individual industrial properties, King County has not been further broken down into neighborhoods. The majority of the properties are located within the Duwamish Manufacturing Industrial Center, and the southwestern portion of the county.

Maps:

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

Population:

The industrial specialty has a population of ninety five tax parcels, including privately owned improvements on government owned land, located throughout King County.

For the 2015 revalue year, five parcels, presently improved and used for broadcasting facilities, are included in the specialty category for industrial property. Although these properties were not built for manufacturing nor intended for use as such, they were included in the industrial specialty for revalue due to the special purpose nature of these facilities.

Specialty Description for Industrial Property:

“Ideally, a combination of land, improvements, and machinery which has been integrated into a functioning unit intended for the assembling, processing, and manufacturing of finished or partially finished products from raw materials or fabricated parts, such as factories; or a similar combination intended for rendering service, such as laundries, dry cleaners, storage; or for the production of natural resources, such as oil wells.”^[1]

Special characteristics of industrial properties are summarized by the Encyclopedia of Real Estate Appraising as follows: ^[1]

1. Greater tendency towards special-use design.
2. Greater average annual obsolescence rate.
3. Large number of locational determinants.
4. Less speculative value in improved properties.
5. Reluctance of banks to make loans on industrial property.
6. Importance of credit rating of occupant.

^[1]Edith J. Friedman, Encyclopedia of Real Estate Appraising, 3rd Edition, (Englewood Cliffs, N.J.: Prentice Hall, 1978) 479-480.

Forces Impacting Market Value of Industrial Property

Industries are affected by a multitude of external (factors affecting a particular industry) and internal (the specific property under appraisal) economic pressures. Value influencing factors unique to the industrial appraisal include labor markets, rail and shipping connections, availability/cost of raw materials (scarcity of raw materials,) production plant layout functionality, investor's expectations, technological modernization (including retooling,) economy (supply and demand) and environmental concerns. Considerations for the forces impacting market value are demonstrated in the forms of physical depreciation, functional and external economic obsolescence.

Recognition of all Forms of Depreciation

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

- **"Physical deterioration** [is a decrease in value caused by] wear and tear from regular use, the impact of the elements, or damage." ^[2] Physical deterioration can be quantified by the incursion of excess operating costs translated into a percentage of depreciation.
- **"Functional obsolescence** [results in a loss in value due to] a flaw in the structure, materials, or design that diminishes the function, utility, and value of the improvements."^[2] Functional obsolescence may occur when technological changes caused by new inventions adversely affect an existing facility that continues to work as efficiently as when it was new; however, the intended function has become outdated. Functional obsolescence is generally quantified and addressed by appropriately applying the subsequent methodologies, capitalizing excess operating costs, reducing value by the capital cost of the excess capacity, estimating the capital costs to cure a deficiency.
- **"External obsolescence** [results in] a temporary or impairment of utility ... of an improvement or property due to negative influences outside the property."^[2] Due to the fixed location of real estate, external influences usually cannot be controlled by the tenant or owner. External obsolescence can be quantified by capitalizing the loss of income or using the sales comparison method.

Changing Consumer Product Demands

Product innovation and technology, as well as changing consumer needs, affects both the nation's manufacturing industry and the production and harvesting of natural resources. Manufacturers of consumer goods have shifted their approach with the evolution of technology. The focus has shifted to increasing the production rate through flexibility of production.

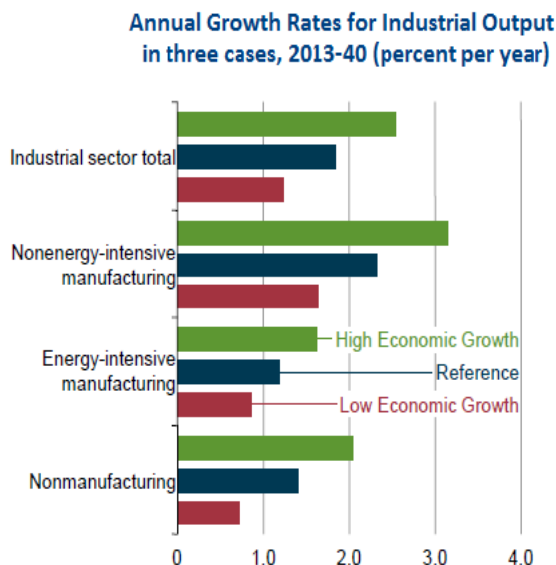
Production flexibility is being achieved with advances in automation and lean manufacturing will techniques. Cost reduction strategies include reducing the labor intensity and increasing peak flexibility in the modification of production lines. Manufacturing industries face the challenge of

^[2]The Appraisal of Real Estate, 13th Edition, (Chicago, IL: Appraisal Institute, 2008) 391-392.

constantly improving their products and bringing new products to the market, while keeping their prices low.

Economic Influences on Industrial Production during Post Recession Recovery

The U.S. Energy Information Administration (USEIA) “2015 Annual Energy Outlook” concluded an anticipated modest rate of average annual growth in real gross domestic product (GDP) from 2013 to 2025 of 2.4% per year, with the industrial sector growing an annual average rate of 2.3% per year (in the reference case on adjacent graph.) The 2013 through 2040 annual growth rates for industrial output rates vary among different manufacturing industries. On the low end, the pulp and paper projected output decreases at an annual average rate of 0.1% per year. Alternatively, the cement industry is projected to grow at an annual average rate of 2.3% per year, in line with the overall annual average growth rate manufacturing as a whole. From 2013 to 2040, real export of goods and services are expected to increase by an annual average rate of 4.9% per year, while real imports of goods and services grow by an annual average rate of 4% per year.



Industrial production is expected to be stronger and expand over the next decade, in part from increased U.S. shale production. The competitive advantage of low natural gas prices provide a boost to the industrial sector by supporting higher levels of industrial outputs, resulting in a higher GDP, as well as contributing overall to U.S. competitiveness. However, after 2025, industrial output growth is projected to slow due to increased foreign competition and rising energy prices, with energy-intensive, trade-exposed industries showing the largest drop in growth.^[3]

The industrial sector output has grown more slowly than the overall economy in recent decades, as imports have met a growing share of demand for industrial goods; whereas, the service sector has grown more rapidly. Non energy-intensive manufacturing industries show higher growth than the total industrial production, primarily as a result of growth in metal-based durables (MBD.) MBD industries, such as fabricated metal products, transportation equipment, machinery, and electronic products, are well-positioned to benefit from energy efficiency programs and the increased availability and lower cost of natural gas.^[4]

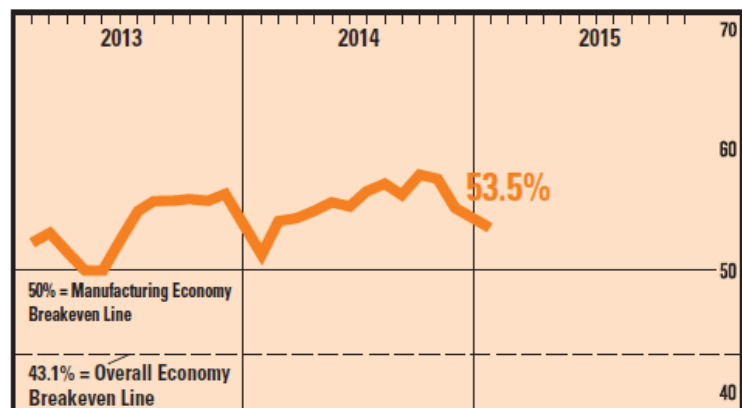
^[3]United States, Office of Integrated and International Energy Analysis, U.S. Energy Information Administration, Annual Energy Outlook, Report #DOE/EIA-0383, 15 April 2015, 28 July 2015, <[http://www.eia.gov/forecasts/aeo/pdf/0383\(2015\).pdf](http://www.eia.gov/forecasts/aeo/pdf/0383(2015).pdf)>.

^[4]United States, Independent Statistics and Analysis U.S. Energy Information Administration, “Metal-based durables manufacturers are fueled by electricity and natural gas,” Today in Energy, 1 August 2014, 29 July 2015, <<http://www.eia.gov/todayinenergy/detail.cfm?id=17371>>.

The Annual Energy Outlook economic forecasts are trend projections, with no major shocks assumed and potential growth determined by the economy's supply capability. Issues such as financial market reform, fiscal policies, and financial problems as currently occurring in Europe, among others, affect both short run and long-run growth, and add uncertainty to projections from both the positive and negative standpoints.

Markets around the world are significantly more integrated than in the past, and trouble experienced within a small corner of the globe can often ripple far beyond the borders of a single nation or region and manifest elsewhere. Past disasters and events have provided a historical context to the impact on the economies post-event. In many instances, the economic impact is typically largest for a quarter or two after the event, and is mostly concentrated in the region of the disaster. Generally within two quarters, growth is boosted by reconstruction efforts after the event. Some events can actually result in a boost in demand from other sources as the area affected may have disruptions in their supply chain.

The optimistic outlook is based on the positive growth, albeit minimal in some cases, of the five major indicators, including labor, wholesale and retail sales, industrial production, gross domestic product, and personal income. Manufacturing activity, as measured by the Institute for Supply Management's Purchasing Managers Index (PMI), has remained above 50 during 2014 (50 or higher indicates expansion.)



Economic activity in the manufacturing sector expanded in January 2015 for the 20th consecutive month above 50, and the overall economy grew for the 68th consecutive month.^[5]

Industrial Production Capacity Utilization

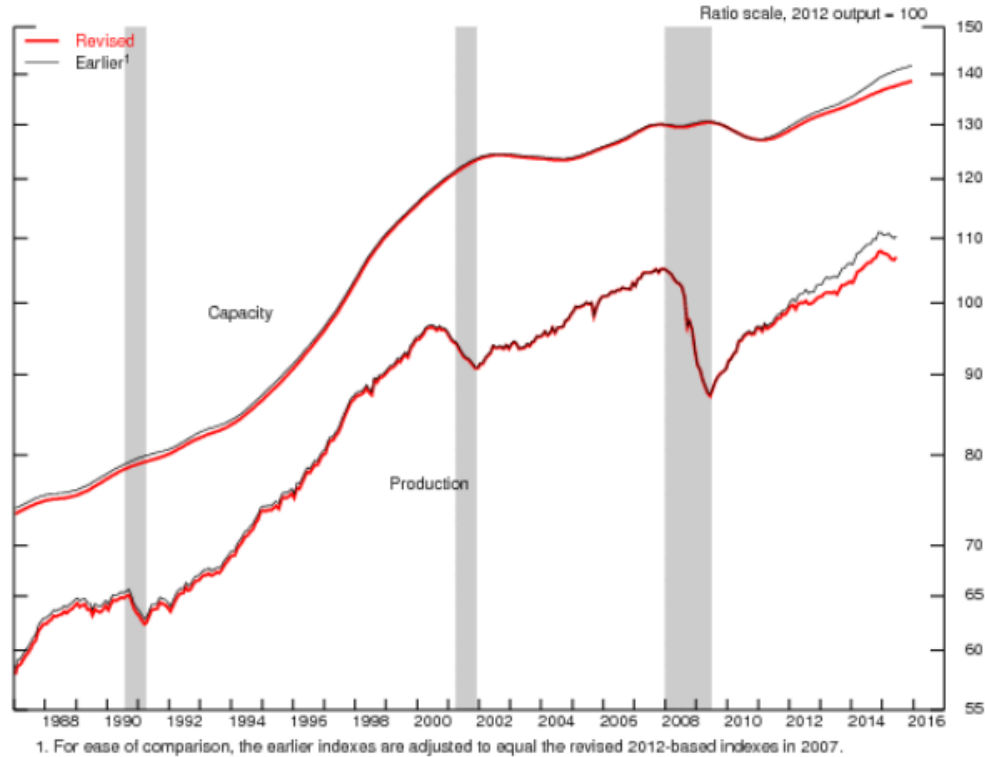
“The Federal Reserve Board constructs estimates of capacity and capacity utilization for industries in manufacturing, mining, and electric and gas utilities. For a given industry, the capacity utilization rate is equal to an output index (seasonally adjusted) divided by a capacity index. The Federal Reserve Board's capacity indexes attempt to capture the concept of sustainable maximum output, [which is defined] the greatest level of output a plant can maintain within the framework of a realistic work schedule, after factoring in normal peak downtime and assuming sufficient availability of inputs to operate the capital in place.”^[6]

^[5]Institute for Supply Management, “ISM Report on Business, Manufacturing,” January 2015, 29 July 2015, <<https://www.instituteforsupplymanagement.org/files/ISMReport/ROB201502.pdf>>.

^[6]United States, Board of Governors of the Federal Reserve System, “Industrial Production and Capacity Utilization-G17, Capacity Utilization Explanatory Notes,” U.S. Federal Reserve, 21 July 2015, 30 July 2015, <http://www.federalreserve.gov/releases/g17/cap_notes.htm>.

Total Industrial Production, Capacity and Utilization ^[7]

January 1985 through June 2015



Note: The shaded areas represent periods of business recession as defined by the National Bureau of Economic Research (NBER).

Total industrial production, excluding selected high tech industries, in the U.S. in December of 2014 was at 105.7% percent of the 2012 level, 3.8% above the level one year earlier. ^[8] As of May 2014, total industrial production is estimated to have returned to its pre-recession peak. The peak to trough (June, 2009) decline during the recession was about 17%. After having declined

^[7]United States, Board of Governors of the Federal Reserve System, "Industrial Production and Capacity Utilization-G17,Chart 1-Industrial Production, Capacity, and Capacity Utilization," U.S. Federal Reserve, 21 July 2015, 29 July 2015, <<http://www.federalreserve.gov/releases/g17/Current/revchart1.gif>>.

^[8]United States, Board of Governors of the Federal Reserve System, "Industrial Production and Capacity Utilization-G17,Chart 10a-Industrial Production, Capacity, and Capacity Utilization," U.S. Federal Reserve, 21 July 2015, 30 July 2015, <http://www.federalreserve.gov/releases/g17/revisions/Current/table10a_rev.htm>.

sharply during the recession, total industrial production rebounded strongly in 2010, and then increased moderately in each year from 2011 to 2013. Industrial production advanced solidly in 2014. Total capacity contracted each year from 2008 to 2010, manufacturing capacity rose modestly in each year from 2011 to 2014.^[9]

Industrial Production and Capacity Utilization, excluding High-technology Industries^[10]



After having dropped steeply during the recession, the capacity utilization increased modestly, on net, in the post-recession period from 2011 to 2013, and moving up more strongly in 2014. Capacity utilization for total industry also continued to rise in 2014. In the second quarter 2015, capacity utilization for total industry was 77.8 %, a rate 2.3 percentage points below its long-run average of 80.1% (since 1972.)^{*[8]}

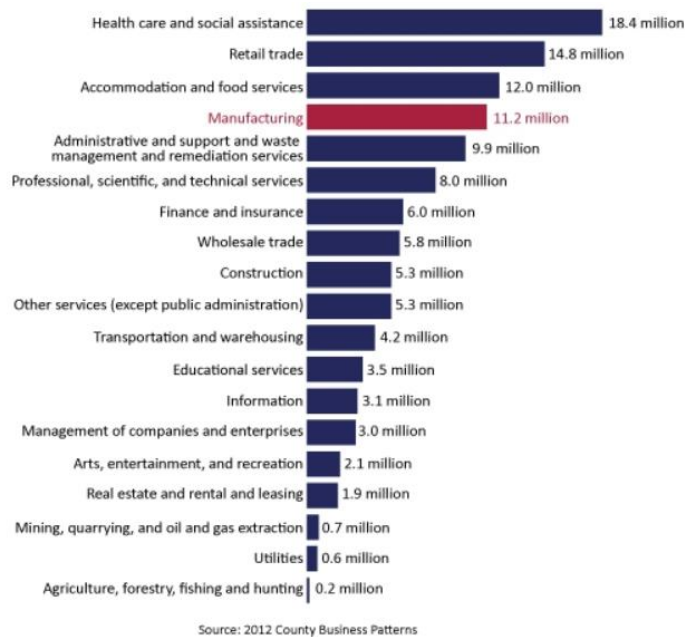
^[9]United States, Board of Governors of the Federal Reserve System, Federal Reserve Annual Revision Notice, "Industrial Production and Capacity Utilization-G17," U.S. Federal Reserve, 21 July 2015, 30 July 2015, <<http://www.federalreserve.gov/releases/g17/20150116/#NOTICE>>.

^[10]United States, Board of Governors of the Federal Reserve System, "Industrial Production and Capacity Utilization-G17, Chart 3-Industrial Production, Capacity, and Capacity Utilization, excluding high-technology industries" U.S. Federal Reserve, 21 July 2015, 29 July 2015, <<http://www.federalreserve.gov/releases/g17/Current/revchart2.gif>>.

*The Federal Reserve Annual Revision released July, 2015 updated the annual benchmark indexes of production from 2007 to 2012

The U.S. Economy

Manufacturing plays a major role in the U.S. economy as the fourth largest employer, behind health and social services, retail trade, and accommodation and food services. There are almost 300,000 establishments and over 11.2 million employees (2012) producing goods that we consume domestically or export abroad. The workers employed in manufacturing contributed to an annual payroll of \$598.6 billion with average annual payroll per employee in the manufacturing sector are \$53,500.^[11] According to the Bureau of Labor Statistics, nationally manufacturing employment had average gains of 18,000 per month in 2014.



United States Total Manufacturing Employment^[12]



^[11]U.S. Census Bureau, “Measuring America,” United States Census Bureau, 2 October 2014, 30 July 2015, <<http://www.census.gov/content/dam/Census/library/infographics/manufacturing>>.

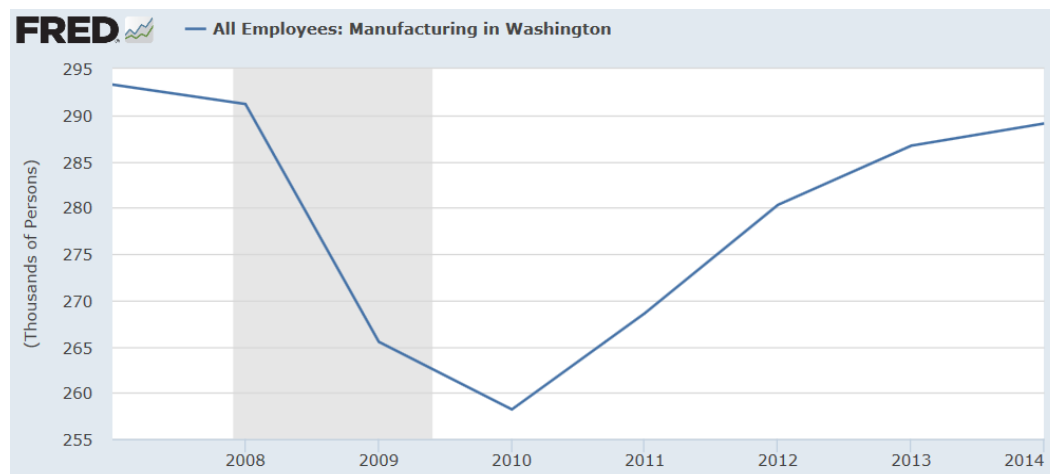
^[12]U.S. Bureau of Labor Statistics, “All Employees Manufacturing (MANEMP,) retrieved from FRED, Federal Bank St. Louis, 30 July 2015, 30 July 2015, <<http://research.stlouisfed.org/fred2/graph/series/MANEMP>>.

The U.S. Economy versus the State of Washington Economy

The 2015 Manufacturers News, Incorporated (MNI,) reported manufacturing employment in Washington State's industrial sector has climbed 6.3% since February 2011, overtaking the nation's growth rate of 5.8% during the same time period. Manufacturing employment now stands at pre-recession levels in Washington, with 6,661 manufacturers employing 313,509 workers.^[13]

The Northwest region of Washington has the highest manufacturing employment in the state with 208,118 jobs, climbing 1.3% over the past year. The city of Seattle ranks first in the state for industrial jobs, with 916 companies employing 44,281 workers. Seattle experienced a 3.3% increase in employment in the manufacturing sector year over year, and has risen 14% since February 2011.^[13]

Washington State Total Manufacturing Employment^[14]



Source: U.S. Department of Labor: Bureau of Labor Statistics

Labor productivity is expected to continue to increase at a faster rate than the labor force. U.S. labor force growth slows as the baby boom generation starts to retire; however, projected growth in business fixed investment and spending on research and development offsets the slowdown in labor force. The U.S. Bureau of Economic Analysis has noted a 1.8% per year drop in manufacturing employment nationally over the past decade due to productivity gains, which allows fewer workers produce more goods, as well as relocation or contraction for manufacturing work overseas.

^[13]“Washington State Gained Manufacturing Jobs For A Fourth Straight Year, Raising Employment to Pre-Recession Levels,” Manufacturers’ News, Inc., 14 May 2015, 1 August 2015, <<http://www.manufacturersnews.com/news/story/washington-state-gained-manufacturing-jobs-for-a-fourth-straight-year-raising-employment-to-pre-recession-level>>.

^[14]U.S. Bureau of Labor Statistics, “All Employees Manufacturing (MANEMP,) retrieved from FRED, Federal Bank St. Louis, 30 July 2015, 30 July 2015, <<http://research.stlouisfed.org/fred2/graph/series/MANEMP>>.

Physical Inspection Area

No physical inspection of Industrial properties occurred during this revalue year.

Preliminary Ratio Analysis

No ratio study was performed for industrial properties. The market for heavy industrial properties is extremely limited. By definition, these properties are useful for a single or special limited purpose and rarely sell for investment reasons.

Land Value

Land Sales, Analysis, Conclusions:

Geographic appraisers are responsible for the determination of the assessed valuation for land. Analysis and application of land value occurs during every annual revaluation cycle with each individual industrial property assigned to the geographic area in which it is situated. A list of vacant sales used and those considered not reflective of market are contained in the respective geographic appraiser reports.

Improved Parcel Total Values

Sales comparison approach model description:

The sales comparison approach was not utilized due to both insufficient sales and the individual nature of the improvements. In general, use of the sales comparison approach is problematic from a reliability standpoint due to the diversity of the distinct industrial classifications. The unique characteristics reflected within this property type may include features custom designed for an explicit function of a production line, which can result in inherent shortfall in the application of the sales comparison approach.

A brief summary of the sale transactions is provided below.

Hospital Central Services Association, Tax Parcels 122104-9041 and 122104-9042

The newly constructed, build-to-suit Hospital Central Services Association industrial laundry facility located at 1600 M Street Northwest in Auburn was purchased from the developer for \$25,565,665 (\$177 per square foot of gross building area) November 1, 2013. The development of the 144,357 state-of-the-art facility enabled a consortium of local non-profit hospitals to minimize costs associated laundry operations. The project was geared to make this facility one of the most cost-effective



operations in the U.S, and was intended to replace the existing facility on Seattle's First Hill.

A large portion of the cost savings of the facility results from cutting water usage by two-thirds. The special purpose use resulted in unique building improvement characteristics including two 61 foot "tunnel washers." For example, a traditional washer would consume three gallons per pound of linens; the HCSA facility will use approximately one gallon per pound of linens. Eighty percent of the water is recycled in the facility after passing through two "screens" and a "reverse osmosis filter." The facility also captures heat released from drying and pressing operations and other facility systems, and sends it back for use in the dryers.

The sale of a unique build-to-suit building results in a transaction that is not readily comparable to the population of industrial properties as whole within King County.

American Steel, Tax Parcel 362304-9069

The American Steel facility, located at 19022 80th Avenue South, Kent, sold September 8, 2014 for \$8,500,000 (\$50.19 per square foot of gross building area.) The 133,245 square foot building was predominantly constructed in the 1970s. At the time of sale, it was readily reusable for a steel service center or manufacturer (as was the prior tenant.) The building owners had initially attempted to lease the building, rather than sell the facility: however, this special purpose



building was not highly desirable to the typical warehouse tenant. The immediate Kent Valley area houses many modern distribution warehouses. This facility lacks amenities available at the modern warehouses and was unable to compete from a rental standpoint, resulting in little interest from

potential warehouse tenants. The existing improvements were not readily convertible to another use without input of significant capital.

The property was ultimately sold to a user within the same industry Cascadia Metals Incorporated/North American Pipe and Steel, for whom the building was already configured.

Berry Plastics (Pliant Corporation,) Tax Parcel 125370-0170

The owner user property was sold December 22, 2014 for \$7,800,000 (\$61.68 per square foot of gross building area.) The building had substantial deferred maintenance at the time of sale. The buyer is in the process of addressing the deferred maintenance, as well as removing any special purpose equipment abandoned by the seller.



The intent of the buyer is to lease out the building to either a warehouse distribution tenant or a special purpose manufacturer. Since the building has dock high space, and all the special use equipment has been removed, it's marketable to a warehouse distribution tenant. A special use tenant also has the ability to configure the building to suit their needs, since the heavy power still remains. At this point, the future use has not been determined.

Cost approach model description and calibration:

The cost approach was the primary valuation methodology utilized for industrial properties. Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation calculations were based on studies conducted by Marshall & Swift Valuation Service. Marshall & Swift cost data automatically adjusts to both the western region of the United States, as well as directly to the Seattle area. The cost calculations are automatically calibrated to the data in place in the Real Property Application. The Department of Revenue (DOR) January 1, 2015 Trended Depreciation Tables were applied to depreciate accessory improvements.

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

Income capitalization approach model description:

The income approach was not utilized to value the industrial specialty properties. For the valuation of general use buildings, the income approach may be considered one of the preferable approaches as buyers normally purchase income producing properties based on their ability to generate income. The validity of this approach is subject to the amount of sales and rental data available, which in the case of specialized industrial properties is rarely available. Also, the assets would need to be separated in the application of the income approach. Infrastructure needed to accommodate specific manufacturing processes would not necessarily be accounted for in the income approach. A function of applying income methodology on a specialized industrial property would include a determination of any super adequacies exist and their impact on value, which in some instances could be inherently difficult to quantify under the constructs of the methodology.

Reconciliation:

All parcels were individually reviewed for correctness of the model application before final value selection and reviewed by the senior appraiser prior to posting. The factors analyzed in the process of establishing value utilizing the model constructs were subject to adjustment by the appraiser. Any appropriate adjustments for functional, locational, and economic obsolescence were considered, with the provision of adequate documentation, and adjusted when warranted.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. The Appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area. Appropriate adjustments were applied when warranted, with the provision of adequate documentation.

The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.

Using the concept of highest and best use, some of the land values in this area exceeded the value of the entire property in its present use and the cost to remove the improvements. For those properties where the improvement is not at its highest and best use, a nominal value of \$1,000 is assigned to the improvements. Other factors that may affect assessed values include industrial market conditions, and property characteristic updates.

The total assessed value for the 2014 assessment year within the industrial specialty was \$1,111,413,600. The total recommended assessed value for the 2015 assessment year is \$1,152,098,000. The increase in overall assessed value is in part attributed to the calculation of total assessed value prior to any warranted contamination reductions by the contamination specialist. Some of the valuation changes may be a result of characteristic updates. In some instances, an obsolescence reduction was not applied due to lack of taxpayer supplied data. Application of the recommended values for the 2015 assessment year (taxes payable in 2016) results in an average total change from the 2014 assessment of 3.66%.

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 permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.

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

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

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

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

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

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

Date of Value Estimate

RCW 84.36.005

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

RCW 36.21.080

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

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

Property Rights Appraised: Fee Simple

Wash Constitution Article 7 § 1 Taxation:

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

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

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

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

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

The Dictionary of Real Estate Appraisal, 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.

Scope of Work Performed:

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

indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

CERTIFICATION:

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

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

- *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.*