

Commercial Revalue

2018 Assessment roll

**RETIREMENT HOMES
AREA 153 &**

**NURSING HOMES
AREA 174**

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

John Wilson, Assessor



King County

Department of Assessments

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John Wilson
Assessor

Dear Property Owners,

Our field appraisers work hard throughout the year to visit properties in neighborhoods across King County. As a result, new commercial and residential valuation notices are mailed as values are completed. We value your property at its “true and fair value” reflecting its highest and best use as prescribed by state law (RCW 84.40.030; WAC 458-07-030).

We continue to work hard to implement your feedback and ensure we provide accurate and timely information to you. We have made significant improvements to our website and online tools to make interacting with us easier. The following report summarizes the results of the assessments for your area along with a map. Additionally, I have provided a brief tutorial of our property assessment process. It is meant to provide you with background information about the process we use and our basis for the assessments in your area.

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

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

In Service,

John Wilson
King County Assessor

How Property Is Valued

King County along with Washington's 38 other counties use mass appraisal techniques to value all real property each year for property assessment purposes.

What Are Mass Appraisal Techniques?

In King County the Mass Appraisal process incorporates statistical testing, generally accepted valuation methods, and a set of property characteristics for approximately 700,000 residential, commercial and industrial properties. More specifically for commercial property, the Assessor breaks up King County into geographic or specialty (i.e., office buildings, warehouses, retail centers, etc.) market areas and annually develops valuation models using one or more of the three standard appraisal indicators of value: Cost, Sales Comparison (market) and Income. For most commercial properties the income approach is the primary indicator of value. The results of the models are then applied to all properties within the same geographic or specialty area.

Are Properties Inspected?

All property in King County is physically inspected at least once during each six year cycle. Each year our appraisers inspect a different geographic area. An inspection is frequently an external observation of the property to confirm whether the property has changed by adding new improvements or shows signs of deterioration more than normal for the property's age. For some larger or complex commercial properties an appraiser may need to also conduct an interior inspection of the buildings or property. From the property inspections we update our property assessment records for each property.

How are Commercial Properties Valued?

The Assessor collects a large amount of data regarding commercial properties: cost of construction, sales of property, and prevailing levels of rent, operating expenses, and capitalization rates. Statistical analysis is conducted to establish relationships between factors that might influence the value of commercial property. Lastly valuation models are built and applied to the individual properties. For income producing properties, the following steps are employed to calculate an income approach:

1. Estimate potential gross income
2. Deduct for vacancy and credit loss
3. Add miscellaneous income to get the effective gross income
4. Determine typical operating expenses
5. Deduct operating expenses from the effective gross income
6. Select the proper capitalization rate
7. Capitalize the net operating income into an estimated property value

How is Assessment Uniformity Achieved?

The Assessor achieves uniformity of assessments through standardization of rate tables for incomes, operating expenses, vacancy and credit loss collections and capitalization rates which are uniformly applied to similarly situated commercial properties. Rate tables are generated annually that identify specific rates based on location, age, property type, improvement class, and quality grade. Rate tables are annually calibrated and updated based on surveys and collection of data from local real estate brokers, professional trade publications, and regional

financial data sources. With up-to-date market rates we are able to uniformly apply the results back to properties based on their unique set of attributes.

Where there is a sufficient number of sales, assessment staff may generate a ratio study to measure uniformity mathematically through the use of a coefficient of dispersion (aka COD). A COD is developed to measure the uniformity of predicted property assessments. We have adopted the Property Assessment Standards prescribed by the International Association of Assessing Officers (aka IAAO) that may be reviewed at www.IAAO.org. The following are target CODs we employ based on standards set by IAAO:

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

Source: IAAO, *Standard on Ratio Studies*, 2013, Table 1-3. www.IAAO.org

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

Requirements of State Law

Within Washington State, property is required to be revalued each year to market value based on its highest and best use. (RCW 84.41.030; 84.40.030; and WAC 458-07-030). Washington Courts have interpreted fair market value as the amount of money a buyer, willing but not obligated to buy, would pay to a seller willing but not obligated to sell. Highest and Best Use is simply viewed as the most profitable use that a property can be legally used for. In cases where a property is underutilized by a property owner, it still must be valued at its highest and best use.

Appraisal Area Reports

The following area report summarizes the property assessment activities and results for a general market area. The area report is meant to comply with state law for appraisal documentation purposes as well as provide the public with insight into the mass appraisal process.

Executive Summary Report

Effective Date of Appraisal: January 1, 2018 – 2018 Assessment Roll

Date of Appraisal Report: May 15, 2018

Specialty Name

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

Physical Inspection: Selected retirement homes and nursing homes from the South King County super group were physically inspected. These properties were inspected in 2017 prior to posting the specialty area 153 and 174 values.

Improved Sales Summary

Specialty Area 153

- Number of sales: 2
- Range of sales dates: 3/1/2015 – 12/16/2016
- There were no sales senior retirement homes that meet the requirements of a fair market transaction in 2015 or 2017.

Specialty Area 174

- Number of sales: 2
- Date of sale: 9/26/2016 – 6/01/2017
- There were no sales of senior nursing homes that meet the requirements of a fair market transaction in 2015.

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

Sales - Ratio Study Summary

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

Population – Parcel Summary Data

There are a total of 368 parcels within specialty areas 153 and 174. There are 129 retirement homes (Area 153) in King County – 308 total number of parcels, 115 of which are condominium units. There are 48 nursing homes (Area 174) in King County – 60 total parcels. The population includes

both improved and vacant parcels. Facilities which have both retirement and nursing services are assigned to the category appropriate for the majority of units.

Specialty Area 153 – Retirement Homes

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2017 Value	\$721,731,300	\$1,794,232,700	\$2,515,964,000
2018 Value	\$811,047,458	\$1,870,082,200	\$2,681,129,658
% Change	12.38%	4.23%	6.56%

Specialty Area 174 – Nursing Homes

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2017 Value	\$204,923,500	\$143,983,300	\$348,906,800
2018 Value	\$239,759,400	\$121,860,600	\$361,620,000
% Change	17.00%	-15.36%	3.64%

Conclusions and Recommendations

With only two sales of retirement homes (Spec 153) and two nursing home sales (Spec 174), there were insufficient sales in all of the market segments to rely on the Sales Comparison Approach in the 2018 revalue. The Cost Approach was utilized in the final reconciliation of value in Specialty Area 153 as it recognizes only the value for the real estate component of retirement homes. The Income Approach is used in the final reconciliation of value in Specialty Area 174 because it allows for greater equalization and uniformity in the valuation of nursing homes. In addition, sufficient market income data was available for the analysis.

The overall increase of 6.56% in Specialty Area 153 reflects the addition of completed new retirement homes in King County. The resulting valuation by the income approach for Specialty Area 174 reflects the improving income fundamentals, particularly the slightly lower capitalization rates. Specialty Area 174 saw a slight increase in overall value of 3.64%. This increase is mainly due to increasing land values across King County. The recommended values do not include the limited new construction which is valued later.

The values recommended in this report are intended to improve uniformity, assessment level and equity. In consideration of current market conditions, it is recommended that these values be posted for the 2018 assessment year.

Identification of the Specialty Areas

Specialty Area 153 Neighborhoods

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

Specialty Area 174 Neighborhood

- 10 – King County

Area Boundaries

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

Maps

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

Area Overview

Retirement Facilities (153)

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

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

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

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

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

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

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

The growing trend in the senior housing industry is to combine a variety of housing and services in one campus. The goal is to have residents age in one place, without the need to move off campus as their needs change. These facilities will have senior apartments with age restrictions but few services, combined with on-site meal plans for independent living, then adding varying assisted living services, and also providing a section for memory care and a skilled nursing facility. The Mirabella¹ at the corner of Westlake and Denny, and Skyline² at First Hill are examples of this concept.

In an effort to maximize the productivity of staff, some facilities, including nursing homes, are providing services to non-residents. This can complicate the valuation of the real estate because all the services are not directly related to the residents³.

Nursing Homes (174)

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

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

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

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

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

¹ <http://www.mirabellaretirement.org/seattle/>

² <http://www.skylineatfirsthill.org/>

³ "Owner and Operators Get Creative to Boost Profits", National Real Estate Investor, http://nreionline.com/seniorshousing/owners_operators_boost_profits_1025/, downloaded 6/30/2011.

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

No new stand-alone nursing homes have been constructed in King County since 2002 and none are currently planned. Those built since then have been part of CCRCs. The stand-alone nursing home model of care has been in decline for years. Factors such as the high cost of skilled nursing and cuts to Medicare and Medicaid will likely accelerate this trend. Other deterrents for growth include information that nursing homes are rarely built on a speculative basis, and building codes for these facilities are very stringent. Most stand-alone nursing homes in King County were constructed in the 1960's.

Current Trends in Senior Care

Retirement Homes

Location

Senior Housing News predicts that the locations of new senior housing will see a big shift this year, with a focus on greater cultural connections and integrated living in urban areas.

Many seniors today wish to stay within the neighborhoods in which they have raised their families and lived their lives. Seniors want to live where there are multicultural and multigenerational influences and where they are close to a variety of services, activities and amenities. New projects are expected to focus on truly integrating seniors into the “urban fabric” of a community.

Other location-based considerations include:

- Access to arts and culture
- Creation of “third places” – social surroundings separate from senior housing, such as cafes, cultural organizations, parks or public libraries
- Partnerships with non-senior living organizations and community integrated programs
- Proximity to grocery and retail stores
- Proximity to multiple transportation options

Unit Design

Smart unit design and an innovative footprint are two important factors of senior housing trends for 2018. Baby boomers are not interested in bare and sterile housing units – with this thought in mind, many continuing care retirement communities are beginning to offer apartment-style units that are larger in size, inviting and do not represent an older traditional facility.

Other considerations around unit design include:

- Flexible common areas and spaces that can serve multipurpose functions
- Focus on preventative health – designated areas for fitness, wellness programs, yoga, etc.
- Smart floor plan layout with a smaller footprint, short corridors and close elevator access for residents and staff
- Outdoor spaces, featuring community gardens, multi-use lawns, paths and trails, rooftop spaces and sufficient shade structures

Nursing Homes

The skilled nursing business saw dramatic fundamental shifts for owners and operators in 2017. Aging skilled nursing facilities (SNF) in senior housing will make owners, operators and developers rethink how to use these obsolete buildings to propel future growth and adjust strategies for their existing buildings and campuses.

The changing environment of senior care may mean repurposing or converting existing nursing homes into assisted living and memory care units. Some new campus developments are being designed and completed without the SNF component to round out the continuum of care as operators are choosing instead to partner with local skilled nursing and post-acute providers. Owners and operators of these new developments will need to convince capital providers that this strategy is safe and sound; a challenge made greater with rising interest rates and a more competitive operating environment. While these challenges raise the risk profile for this trend, purchase price and cost to renovate will be the dominating drivers as to whether repositioning older SNF structures is a viable plan.

Retirement Facilities Market Summary

Regional Market

In Q4 2017, King County seniors housing occupancy rose 94 basis points (bps) to 92.9%, a year over year growth of 5.0% compared with 2016. The average rent for an independent living unit in 2017 is \$3,735 per month, which is a year over year rent growth of 6.3%. The average monthly rent for an assisted living unit is \$4,619 and memory care units rent for an average of \$7,302 per month. Year over year rent growth was 2.6% and occupancy was 91.5% in the assisted living category.⁵ Yearly inventory grew by 100 units for independent living facilities, while assisted living inventory grew by 313 units.

In King County, stabilized occupancy for units in CCRCs is at 92.6% for units with an entrance fee.⁶ The average entrance fee for studio units is \$104,406; \$219,272 for 1 bedroom units; \$552,153 for 2 bedroom units; \$241,994 for 3+ bedroom units. Year over year rent growth for CCRC's in 2017 was 8.3%.⁷ King County households with seniors aged 75 and older is projected to grow by 3.9% annually which will increase demand for the construction of new CCRC's.

National Market

Independent Living

Nationally, IL inventory expanded by 12,116 units during the last four quarters as inventory grew at a faster pace than any other 12-month period since 2009. The number of units underway topped 23,000 at midyear 2016, but the pipeline has thinned slightly over the last year, and 20,334 units were under construction at the end of June. Annual absorption reached 8,522 units in June, up from 6,266 one year ago. However, supply additions outweigh demand for the past seven quarters. As

⁵ NIC MAP Metro Report 4th Quarter 2017, Seattle, WA, Pg. 11

⁶ NIC MAP Metro Report 4th Quarter 2017, Seattle, WA Pg. 10

⁷ NIC MAP Metro Report 4th Quarter 2017, Seattle, WA, Pg. 10

a result, the stabilized IL occupancy rate dipped 10 basis points to 91.4 percent. The rate remains 60 basis points below the prior peak and has stayed in the 91 percent to 92 percent range for the last three years.⁸ Demand remains strong, producing a healthy pace of rent growth. In June, the average rent for IL units increased 2.7% annually to \$3,078 per month.

Assisted Living

Assisted Living inventory growth climbed to 8,276 units in the second quarter, pushing annual inventory expansion to a new peak as 23,228 units were added over the last 12 months. AL development remains robust as 29,213 units were underway at the end of June, falling from the 35,535 units under construction one year ago. Construction in this segment is heavily concentrated in just a few markets, but overall absorption of AL units is strengthening, resulting in 13,988 units filling over the last year. Supply additions outpaced demand, however, and stabilized occupancy declined 110 basis points to 88.7% in the second quarter, the lowest rate since mid-2009. Improving absorption trends over the last few years have strengthened rent growth, with the pace of gains rising for four consecutive years. Year over year in the second quarter, the average rent increased 3.3% to \$4,548 per month.⁹

Continuing Care Retirement Communities

CCRC inventory growth ticked up for a second consecutive year as 3,214 units were added to inventory. Construction in the segment is up from recessionary levels, but it remains nearly half of peak activity achieved prior to 2009. At the end of the second quarter, developers had 6,846 units underway. Demand for CCRC units is rising, and annual CCRC absorption more than doubled from last year as 4,417 units were occupied. As a result, stabilized occupancy in the CCRC segment continued its upward climb, with the rate rising 50 basis points over the last four quarters to 91.3 percent, its highest point since early 2009. Healthy demand is encouraging stable rent gains at CCRC properties with the average rate increasing 2.8% over the last year to \$3,175 per month. Average entrance fees also climbed over the last year, nearing \$320,000 in the second quarter.¹⁰

Nursing Homes Market Summary

Regional Market

In Q4 2017, occupancy was unchanged at 84.5% from last quarter, which was attributable to inventory growth of 19 units and absorption of 16 units during the quarter. There were 70 stabilized properties reporting occupancy, with 24 reporting stabilized occupancy of 80.0% or less. In the past year, occupancy has declined 120 bps due to inventory decline of 59 units and absorption of 145 units during that time. Year-over-year rent growth was 2.8%, which is slower than its 3.8% pace last year.¹¹

⁸ Marcus & Millichap Sr. Housing Research Report, 2nd Half 2017, Pg. 2

⁹ Marcus & Millichap Sr. Housing Research Report, 2nd Half 2017, Pg. 2

¹⁰ Marcus & Millichap Sr. Housing Research Report, 2nd Half 2017, Pg. 3

¹¹ NIC MAP Metro Report 4th Quarter 2017, Seattle, WA, Pg. 3

National Market

Skilled Nursing inventory fell for a fifth consecutive year as 330 beds were pulled from stock year over year in the second quarter. Removals in the SN segment continue to outweigh deliveries, and construction is falling as developers focus on AL and IL facilities. The number of beds underway fell to 4,927, down from a peak of 11,145 beds at the end of 2012. SN occupancy has remained below 90 percent for nine consecutive years and continues to fall, spurred by changes in the care delivery model and patient reimbursements. Over the last 12 months the stabilized occupancy rate plunged 70 basis points to 86.4 percent, its lowest level in the last 10 years.¹²

¹² Marcus & Millichap Sr. Housing Research Report, 2nd Half 2017, Pg. 3

Analysis Process

Effective Date of Appraisal: January 1, 2018

Date of Appraisal Report: May 15, 2018

Highest & Best Use Analysis

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

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

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

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

Special Assumptions, Departures, and Limiting Conditions

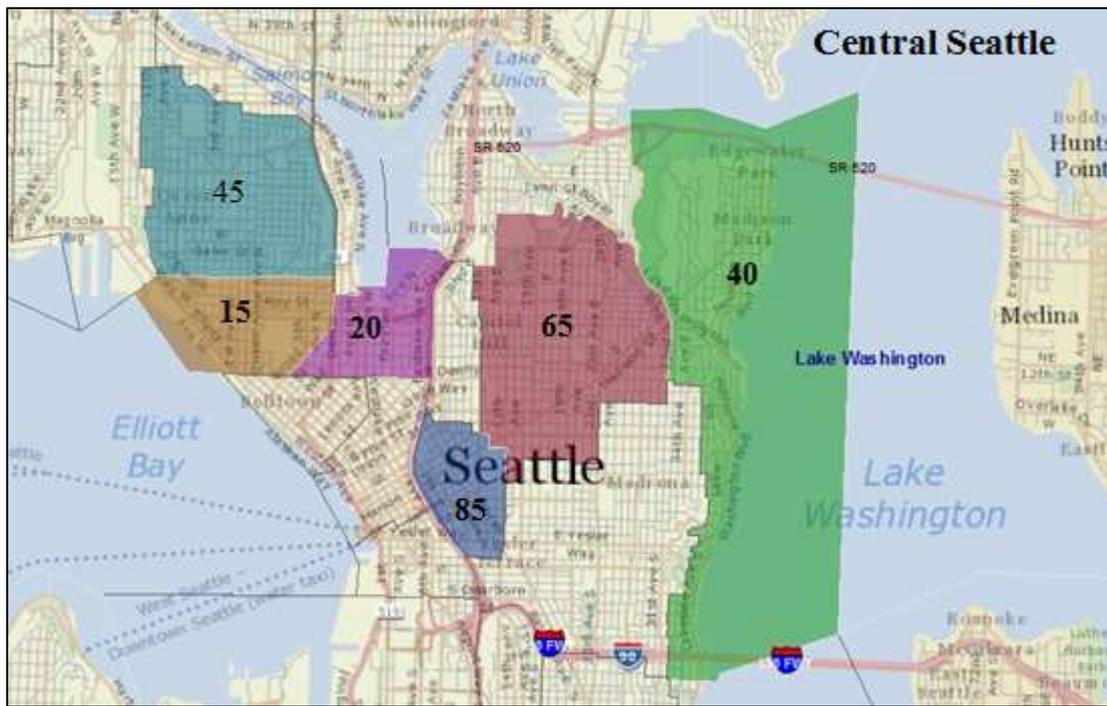
All three approaches to value were considered in this appraisal. The following departmental guidelines were considered and adhered to:

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

Area Description

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

Central Seattle Super Group



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

West Seattle Super Group



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

A brief summary of current projects in West Seattle is provided below:



Quail Park Memory Care

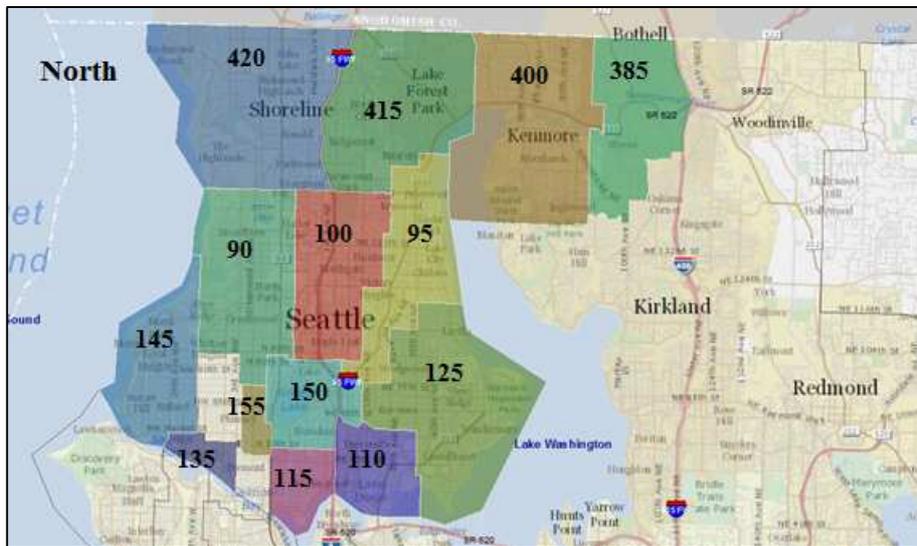
- [Quail Park Memory Care of West Seattle](#) – The project is a four-story, 48 unit assisted care facility specializing in dementia and Alzheimer’s care. Onsite resident amenities include a dining area, lounge, theater, activity space and an outdoor patio. It is located in the Alaska Junction and is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



Aegis of West Seattle

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

North Seattle and North King County Super Groups



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

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



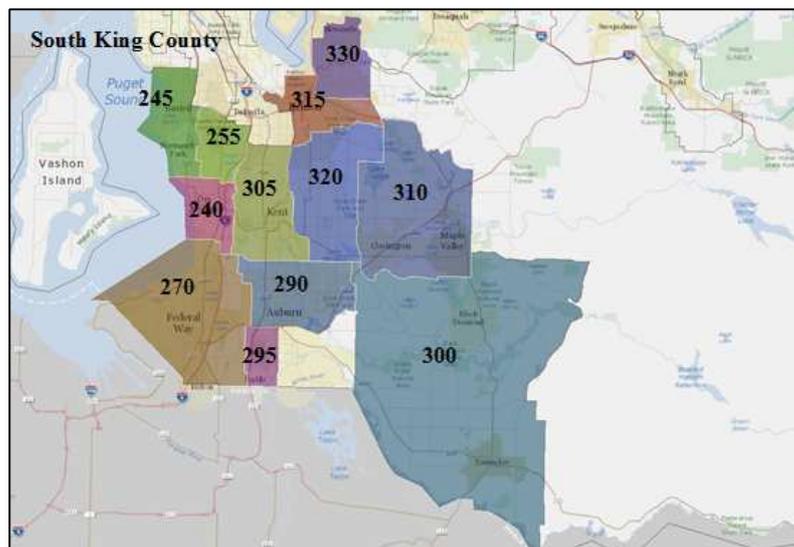
- [Aegis Living at Ravenna](#) – The project is a three-story senior retirement home. The project will include assisted living, memory care and short term care. It is located in the Ravenna neighborhood in the City of Seattle and is expected to be complete in 2018.

South Seattle Super Group



The South Seattle region represents 4.5% of the Specialty Area 153 population. The improvements tend to be low-rise to mid-rise. The most recent project in the South Seattle region was the Arrowhead Gardens, an affordable senior living community. Arrowhead Gardens is a seven-story 449-unit retirement home completed in 2010. There is currently no new construction of retirement homes in the South Seattle region.

South King County Super Group



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

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



Merrill Gardens
Auburn

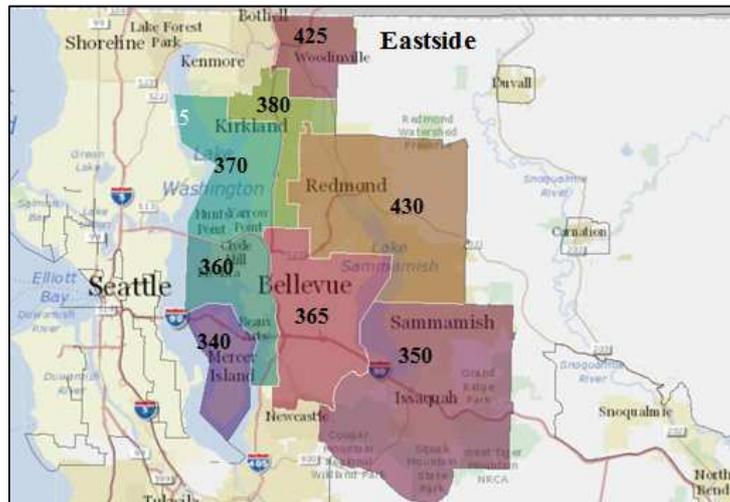
- [Merrill Gardens at Auburn](#) – In 2016, construction began on a new four-story assisted living facility. When completed the project will feature 129 studio, one and two-bedroom private units. Each unit will have a full kitchen. Onsite resident amenities include dining, a theater and a library. Construction was completed in 2017.



Merrill Gardens at
Burien

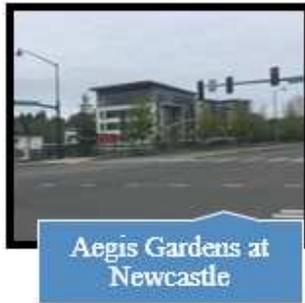
- [Merrill Gardens at Burien](#) – Construction of a new four-story assisted living facility began in 2016. The project will feature 126 studio, one and two-bedroom units. All units will have full kitchens. Onsite resident amenities will include dining, an extensive library, theater and common area lounges. Construction was completed in 2017.

[Eastside Super Group](#)



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

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

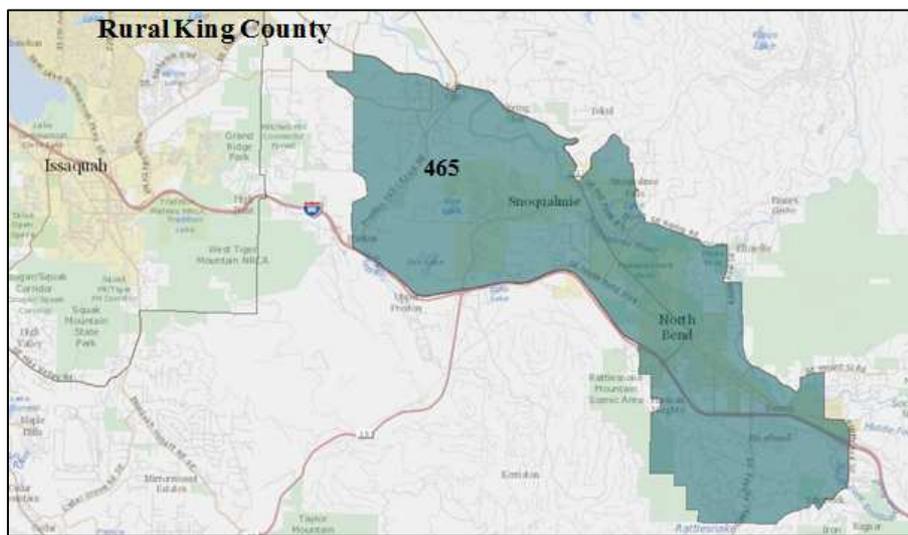


- [Aegis Gardens at Newcastle](#) – Construction of Aegis Gardens began in 2016. The project is five-stories and features 110 living units. The units are a mix of studios, one and two bedroom apartments with kitchenettes. This is an assisted living community with memory care and short term care. Resident amenities include dining, a lounge, exercise studio and wellness suite, pool, art studio, movie theater and community center. Aegis Gardens was completed in 2017.



- [Fieldstone Memory Care](#) – This is a 60 unit community specializing in Alzheimer’s and dementia care. Resident amenities include dining, common areas featuring a “town square”, movie theater and activity spaces. Fieldstone is located in Issaquah and was completed in 2017.

[Rural King County Super Group](#)



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

Scope of Data

Physical Inspection Identification: For the 2018 assessment year, as required by WAC 458-07-0154 (A), one sixth of the population was physically inspected. An exterior observation of the properties was made to verify the accuracy and completeness of property characteristic data. The inspected properties are listed in the Addenda and shown on the included map. Other properties were also inspected as noted in the Assessor's records for purposes of sales or data verification.

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

Improved Value: Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales considered were verified, if possible, by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides on the Assessor's website.

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

Issues in Valuation

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

The Appraisal Institute text, *The Appraisal of Nursing Homes*,¹³ provides insight into the challenges of appraising retirement and nursing facilities. The methods for allocating the going concern value are the subject of on-going debate. Generally, appraisers will apply a top-down approach to allocation, whereby the going-concern value is developed first and then an allocation is made between the real estate and the tangible and intangible personal property assets. The allocation process should start with the "best" known value(s). The following are some allocation techniques considered:

- Use of the cost approach
- Capitalization of entrepreneurial or proprietary profits

¹³ James K. Tellatin, MAI, *The Appraising of Nursing Facilities*, Appraisal Institute, 2009, p. 324.

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

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

Sales Comparison Approach

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

The scarcity of reliable data – one nursing home and only three retirement facilities have sold since 2014 – and the difficulty in relating sales to a meaningful unit of comparison for valuation, makes the direct sales comparison approach, at best, a rough gauge of value. Sales provide the upper bracket of value and are generally used to cross check the other two approaches.

A brief summary of the market transactions is provided below:

Specialty Area 153: Retirement Homes

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

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

Specialty Area 174: Nursing Homes

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

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

Cost Approach

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

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

The limitations of the cost approach in valuing older improvements are recognized. Depreciation other than for age was also considered in applying weight to the cost approach. Functional depreciation diminishes value as older buildings do not conform to current standards. Economic

depreciation diminishes the building value as the land value increases and the highest and best use of the land becomes redevelopment. Market conditions can also impact economic depreciation in the cost approach; for example, since few skilled nursing facilities have been built recently outside of retirement community complexes, the cost of a stand-alone skilled nursing facility may not be the best basis for value.

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

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

Recognized Forms of Depreciation

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

- **“Physical deterioration** [is a decrease in value caused by] wear and tear from regular use, the impact of the elements, or damage.”¹⁴ 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.”¹⁵ 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.”¹⁶ 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.

¹⁴ The Appraisal of Real Estate, 13th Edition, (Chicago, IL: Appraisal Institute, 2008) 391-392

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

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

Income Approach

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

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

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

Specialty Area 174 Income Parameters

SECTION USES	Typical Annual Rent \$/SF	Vac./Coll. Loss %	Expense Rate %	Overall Cap Rate Range
313 Convalescent Hospital 330 Home for the elderly 348 Residence 352 MULTIPLE RESIDENCE (LOW RISE) 424 Group Home 451 MULTIPLE RESIDENCE (SR. CITIZEN) 589 Multiple Residence Assisted Living 710 Retirement Community Complex	\$9.00 to \$23.00	10.00%	30% to 35%	7.00% to 8.75%
302 Auditorium 309 CHURCH 311 CLUBHOUSE 336 Laundromat 350 Restaurant, Table Service 353 RETAIL STORE 380 Theatre, Cinema 418 HEALTH CLUB 426 DAY CARE CENTER 483 FITNESS CENTER 530 CAFETERIA 761 MEZZANINES-OFFICE	\$5.50 to \$20.00	10.00%	10.00%	7.00% to 8.75%

SECTION USES	Typical Annual Rent \$/SF	Vac./Coll. Loss %	Expense Rate %	Overall Cap Rate Range
344 OFFICE BUILDING 840 Mixed-use Office	\$5.50 to \$20.00	10.00%	15.00%	7.00% to 9.75%
326 GARAGE, STORAGE 345 PARKING STRUCTURE 388 UNDERGROUND PARKING STRUCTURE 470 Equipment Shop 702 Basement, Semi-finished 703 Basement, Unfinished 706 Basement parking 708 Basement storage	\$5.40 to \$7.00	7.00%	10.00%	7.00% to 11.00%

Reconciliation

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

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

Model Validation

Total Value Conclusions, Recommendations, and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. The assessed value is selected based on general and specific data pertaining to the parcel, neighborhood, and the market. The appraiser determines which available value estimate is appropriate and may adjust for particular characteristics and conditions as they occur. Uniformity and equity are both improved over the previous year and in consideration of current market conditions, it is recommend that these values be posted for the 2017 assessment year.

The 2018 valuation reflects the improving market dynamics of the senior care market. Construction costs have returned to pre-recession levels with moderate to high inflation over the past five years, a trend that is expected to continue. Increased construction costs coupled with increasing land values, has narrowed the gap between replacement cost and market values.

Application of these recommended values for the 2018 assessment year results in a total change from the 2017 assessments of 6.56% in specialty area 153 and 3.64% in specialty area 174. The recommended values do not include the limited new construction values which is added later (the new construction valuation date is July 31st, 2018).

Property Type	Change in Total Assessed Value			
	2017 Total Value	2018 Total Value	\$ Change	% Change
Retirement Facilities (153)	\$2,515,964,000	\$2,681,129,658	\$165,165,658	6.56%
Nursing Homes (174)	\$348,906,800	\$361,620,000	\$12,713,200	3.64%

USPAP Compliance

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

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

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

Highest and Best Use

RCW 84.40.030

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

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

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

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

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

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

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

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

Date of Value Estimate

RCW 84.36.005

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

RCW 36.21.080

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

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

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

Property Rights Appraised: Fee Simple

Wash Constitution Article 7 § 1 Taxation:

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

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

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

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

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

The Dictionary of Real Estate Appraisal, 3rd Addition, Appraisal Institute.

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

Assumptions and Limiting Conditions:

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

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

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

Scope of Work Performed:

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

CERTIFICATION:

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

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

Improvement Sales for Area 153 with Sales Used

05/14/2018

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	145	276760	4780	53,041	2716388	\$7,897,500	03/01/15	\$148.89	BALLARD MANOR	MR-RC	1	Y	
153	415	616390	1560	60,352	2840135	\$4,725,186	12/16/16	\$78.29	ANDERSON PLAZA	R48	1	26	Imp changed after sale; not in ratio

Improvement Sales for Area 153 with Sales not Used

05/14/2018

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	085	197670	0260	164,120	2799489	\$33,217,000	05/31/16	\$202.39	EXETER HOUSE	HR	1	N	
153	085	872560	0380	95,117	2820403	\$23,780,000	09/01/16	\$250.01	Merrill Gardens at First Hill	MR	1	51	Related party, friend, or neighbor
153	095	864150	0385	99,941	2765641	\$17,275,276	11/05/15	\$172.85	STRATFORD AT MAPLE LEAF RETI	C1-40	2	22	Partial interest (1/3, 1/2, etc.)
153	095	864150	0385	99,941	2765642	\$8,707,724	11/05/15	\$87.13	STRATFORD AT MAPLE LEAF RETI	C1-40	2	22	Partial interest (1/3, 1/2, etc.)
153	100	292604	9051	107,774	2885149	\$24,500,000	08/24/17	\$227.33	FOUNDATION HOUSE - NORTHGA	MR	1	15	No market exposure
153	100	292604	9055	94,711	2815019	\$17,327,000	08/02/16	\$182.95	MERRILL GARDENS - NORTHGATE	MR	1	59	Bulk portfolio sale
153	100	890100	0370	31,680	2760150	\$4,359,600	09/30/15	\$137.61	AEGIS - SENIOR INN AT NORTHGA	SF 7200	1	59	Bulk portfolio sale
153	215	327860	3190	144,682	2721979	\$31,837,226	03/27/15	\$220.05	BRIDGE PARK HOLIDAY RETIREME	LR3	1	59	Bulk portfolio sale
153	225	095200	8285	106,976	2851574	\$10,070,000	02/21/17	\$94.13	BROOKDALE - WEST SEATTLE	NC3-65	1	59	Bulk portfolio sale
153	235	608710	0540	76,699	2851573	\$18,060,000	02/21/17	\$235.47	BROOKDALE - ADMIRAL HEIGHTS	NC2P-40	1	59	Bulk portfolio sale
153	245	312304	9001	98,507	2732646	\$21,340,505	05/19/15	\$216.64	FERNWOOD AT THE PARK	RM-2400	1	59	Bulk portfolio sale
153	330	042305	9042	90,152	2732632	\$25,336,328	05/19/15	\$281.04	EVERGREEN PLACE	R-10	3	59	Bulk portfolio sale
153	340	531510	1215	92,311	2814997	\$19,748,000	08/02/16	\$213.93	MERRILL GARDENS - ISLAND HOU	TC	1	59	Bulk portfolio sale
153	360	660075	0010	0	2735903	\$24,250,411	06/01/15	\$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	112	59	Bulk portfolio sale
153	360	660075	0330	679	2888564	\$350,000	08/30/17	\$515.46	PACIFIC REGENT CONDOMINIUM	(DNTN-R	1	15	No market exposure
153	360	660075	0540	1,360	2888554	\$725,000	09/06/17	\$533.09	PACIFIC REGENT CONDOMINIUM	(DNTN-R	1	15	No market exposure
153	360	660075	1130	0	2741847	\$340,000	06/30/15	\$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	1	59	Bulk portfolio sale
153	380	692840	0070	107,128	2850973	\$12,996,000	02/27/17	\$121.31	MADISON HOUSE	PR 1.8	1	59	Bulk portfolio sale
153	385	082605	9127	32,828	2760148	\$6,238,050	09/30/15	\$190.02	AEGIS - BOTHELL	GDC	1	59	Bulk portfolio sale
153	425	951710	0010	51,508	2815000	\$16,363,000	08/03/16	\$317.68	MERRILL GARDENS - CREEKSIDE	CBD	1	59	Bulk portfolio sale

Improvement Sales for Area 174 with Sales Used

05/14/2018

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

Improvement Sales for Area 174 with Sales not Used

05/14/2018

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	182304	9220	39,507	2892002	\$17,776,296	09/19/17	\$449.95	BURIEN NURSING & REHAB CENTE	O	1	64	Sales/leaseback
174	010	329370	0010	36,538	2893281	\$6,973,844	09/21/17	\$190.87	ARDEN REHAB AND HEALTHCARE	R48	1	59	Bulk portfolio sale
174	010	329370	0010	36,538	2893280	\$4,636,500	10/01/17	\$126.90	ARDEN REHAB AND HEALTHCARE	R48	1	59	Bulk portfolio sale
174	010	342406	9152	61,520	2890244	\$17,738,161	09/19/17	\$288.33	ISSAQUAH NURSING AND REHAB	MF-H	1	64	Sales/leaseback
174	010	531510	0457	0	2859246	\$10,000	03/20/17	\$0.00	MERCER ISLAND CARE CENTER	MF-2	1	24	Easement or right-of-way
174	010	531510	0457	0	2859237	\$7,875	04/04/17	\$0.00	MERCER ISLAND CARE CENTER	MF-2	1	24	Easement or right-of-way
174	010	664930	0250	40,248	2733833	\$6,502,409	06/01/15	\$161.56	SHORELINE HEALTH AND REHAB	R24	2	59	Bulk portfolio sale
174	010	927420	0430	54,863	2890243	\$12,496,416	09/19/17	\$227.77	PARK WEST CARE CENTER	LR3	1	64	Sales/leaseback

Physical Inspection Parcels

Major	Minor	Spec Area	Spec Nbhd	Prop Name	Situs Addr
154460	0102	153	360	BELLETTINI, THE (Dist A & B)	1115 108TH AVE NE
066600	0126	153	360	AEGIS - BELLEVUE - Assisted Living and Memory	148 102ND AVE SE
067310	0087	174	10	MISSION HEALTHCARE	2424 156TH AVE NE
140330	0020	153	360	Pacific Regent - SFR as Office (Core)	909 109TH AVE NE
140330	0014	153	360		915 109TH AVE NE
140330	0015	153	360	Pacific Regent Parking (Core)	915 109TH AVE NE
660075	0000	153	360	PACIFIC REGENT CONDOMINIUM (Core)	919 109TH AVE NE
292505	9349	153	360	Pacific Regent Parking Lot	919 109TH AVE NE
292505	9348	153	360		919 109TH AVE NE
292505	9197	153	360	Pacific Regent - Parking (Core)	919 109TH AVE NE
292505	9345	153	360	Pacific Regent - Parking (Core)	919 109TH AVE NE
292505	9346	153	360	PACIFIC REGENT GARAGE (Core)	919 NE 109TH ST
140330	0010	153	360	SFR Tear-down (Core)	923 109TH AVE NE
140330	0155	153	360	GARDENS AT TOWN SQUARE, THE (Core)	933 111TH AVE NE
082605	9257	153	385	RIVERSIDE EAST	10315 RIVERSIDE DR
082605	9045	153	385	VINEYARD PARK AT BOTHELL LANDING	10519 E RIVERSIDE DR
082605	9074	153	385	Vinyard Park	10519 E RIVERSIDE DR
082605	9127	153	385	SUNRISE SENIOR LIVING - BOTHELL	10605 NE 185TH ST
082605	9095	174	10	NORTH CREEK HEALTH AND REHAB CENTER	10909 NE 185TH ST
082605	9059	153	385	WOODLAND TERRACE	17502 102ND AVE NE
053100	0020	153	385	Associated land w/ Chateau St. Laurent @ Bothell L	17522 W RIVERSIDE DR
082605	9129	153	385	CHATEAU AT BOTHELL LANDING	17543 102ND AVE NE
082605	9224	153	385	Chateau at Bothell Landing Building D	9911 W RIVERSIDE DR
082605	9355	153	385		9911 W RIVERSIDE DR
053100	0005	153	385	Associated land w/ Chateau St. Laurent @ Bothell L	9930 W RIVERSIDE DR
053100	0010	153	385	Associated land w/ Chateau St. Laurent @ Bothell L	9930 W RIVERSIDE DR
053100	0030	153	385	Land associated with Chateau St. Laurent @ Bothe	9930 W RIVERSIDE DR
082605	9117	153	385	Chateau St. Laurent @ Bothell Landing	9930 W RIVERSIDE DR
011410	0519	153	400	HERON LANDING SENIOR RESIDENCE	7025 NE 182ND ST
011410	0521	153	400	Heron Landing Senior Residence	7203 NE 182ND ST
011410	0545	153	400	BROOKDALE SPRING ESTATES	7221 NE 182ND ST
011410	0645	153	400	SEQUOIAS, THE	7111 NE 181ST ST
082505	9030	153	370	BROOKDALE KIRKLAND	6505 LAKEVIEW DR NE
124400	0005	153	370	MERRILL GARDENS - KIRKLAND	14 MAIN ST S
282605	9107	153	380	AEGIS - KIRKLAND	13020 TOTEM LAKE BLVD NE
292605	9210	153	380	AEGIS LODGE AT TOTEM LAKE	12629 116TH AVE NE
302605	9079	153	370	GARDENS AT JUANITA BAY	11843 97TH AVE NE
692840	0070	153	380	MADISON HOUSE	12215 NE 128TH ST
292605	9153	174	10	LIFE CARE CENTER OF KIRKLAND	10101 NE 120TH ST
292605	9124	174	10	Residence XII	12029 113TH AVE NE
022505	9157	153	430	Redmond Heights Senior Living	7950 WILLOWS RD

Physical Inspection Parcels

067310	0011	153	430	OVERLAKE TERRACE ASSISTED LIVING	2956 152ND AVE NE
102505	9001	153	430	PETERS CREEK Retirement and Assisted Living	14431 NE REDMOND WAY
112505	9055	153	430	AEGIS - REDMOND	7480 WEST LAKE SAMMAMISH PKWY NE
312606	9026	153	430	FAIRWINDS REDMOND	9988 AVONDALE RD NE
362605	9003	153	430	EMERALD HEIGHTS RETIREMENT CTR	10901 176TH CIR NE
555630	0005	153	430	Aegis Living at Marymoor	4585 WEST LAKE SAMMAMISH PKWY NE
112505	9084	174	10	Redmond Care and Rehabilitation Center	7900 WILLOWS RD
102605	9026	153	425	FAIRWINDS - BRITTANY PARK	17143 133RD AVE NE
951710	0010	153	425	MERRILL GARDENS - CREEKSIDE II	18151 140TH AVE NE
951710	0011	153	425	MERRILL GARDENS - CREEKSIDE I	18200 WOODINVILLE-SNOHOMISH RD