



King County

Department of Assessments
King County Administration Bldg.
500 Fourth Avenue, ADM-AS-0708
Seattle, WA 98104-2384
(206) 296-5195 FAX (206) 296-0595
Email: assessor.info@kingcounty.gov

Lloyd Hara
Assessor

As we start preparations for the 2012 property assessments, it is helpful to remember that the mission and work of the Assessor's Office sets the foundation for efficient and effective government and is vital to ensure adequate funding for services in our communities. Maintaining the public's confidence in our property tax system requires that we build on a track record of fairness, equity, and uniformity in property assessments. Though we face ongoing economic challenges, I challenge each of us to seek out strategies for continuous improvement in our business processes.

Please follow these standards as you perform your tasks.

- Use all appropriate mass appraisal techniques as stated in Washington State Laws, Washington State Administrative Codes, Uniform Standards of Professional Appraisal Practice (USPAP), and accepted International Association of Assessing Officers (IAAO) standards and practices.
- Work with your supervisor on the development of the annual valuation plan and develop the scope of work for your portion of appraisal work assigned, including physical inspections and statistical updates of properties;
- Where applicable, validate correctness of physical characteristics and sales of all vacant and improved properties.
- Appraise land as if vacant and available for development to its highest and best use. The improvements are to be valued at their contribution to the total in compliance with applicable laws, codes and DOR guidelines. The Jurisdictional Exception is applied in cases where Federal, State or local laws or regulations preclude compliance with USPAP;
- Develop and validate valuation models as delineated by IAAO standards: Standard on Mass Appraisal of Real Property and Standard on Ratio Studies. Apply models uniformly to sold and unsold properties, so that ratio statistics can be accurately inferred to the entire population.
- Time adjust sales to January 1, 2012 in conformance with generally accepted appraisal practices.
- Prepare written reports in compliance with USPAP Standard 6 for Mass Appraisals. The intended users of your appraisals and the written reports include the public, Assessor, the Boards of Equalization and Tax Appeals, and potentially other governmental jurisdictions. The intended use of the appraisals and the written reports is the administration of ad valorem property taxation.

Lloyd Hara
King County Assessor

Executive Summary Report

Appraisal Date: 1/1/2012- 2012 Assessment Year

Quadrant Name: Vashon & Maury Islands – Commercial Area 47

Physical Inspection: None required

Sales – Improved Summary

Number of Sales: 0 included Ratio Study Analysis, 1 Total Sale in Area 47

Range of Sales Dates: 01/01/2009 – 12/31/2011

All improved sales which were verified as good that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis.

Ratio studies were not included in this report due to the small number of sale transactions in relation to the population size. The resulting ratio study statistics do not provide good indicators of the statistical measures relevant to the IAAO guidelines.

Population – Parcel Summary Data

	Land	Imps	Total
2011 Value	\$109,884,200	\$59,037,200	\$168,921,400
2012 Value	\$108,441,200	\$60,108,000	\$168,549,200
Percent Change	-1.31%	1.81%	-0.22%

Number of Parcels in the Population, Excluding Specialties: 283

Conclusion and Recommendation

Due to the small number of sales, which is typical for Vashon and Maury Islands, statistically-significant results are not yielded within the statistical analysis. We recommend posting these values for the 2012 assessment year as the relatively minor changes in assessed values resulted mainly from the increasing costs, balanced against continued depreciation, of the multiple properties in this area that are valued by the cost approach.

Analysis Process

Effective Date of Appraisal: January 1, 2012

Date of Appraisal Report: May 29, 2012

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial. 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. 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.

Interim Use: In many instances a property's highest and best use may change in the foreseeable future. A tract of land at the edge of a city might not be ready for immediate development, but current growth trends may suggest that the land should be developed in a few years. Similarly, there may not be enough demand for office space to justify the construction of a multistory office building at the present time, but increased demand may be expected within five years. 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.

The use to which the site is put until it is ready for its future highest and best use is called an interim use. Thus, interim uses are current highest and best uses that are likely to change in a relatively short time.

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 via field inspection.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this appraisal.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/2009 to 12/2011 (at minimum) were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Area 47: Vashon & Maury Islands

Boundaries

Area 47 encompasses Vashon & Maury Islands, which are located within the Puget Sound, to the west of Seattle. The islands are connected by a man-made isthmus between Tramp and Quartermaster Harbors.

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.

Area Description

Area 47 – Vashon & Maury Islands, often referred to as “Vashon”, which is the census-designated place name covering the islands, inhabit an area approximately 12 miles long and 8 miles wide, at the widest point. The area covers roughly 37 square miles or 23,680 acres, and houses a population of approximately 11,000 persons. The islands are accessible only via boat or private airplane. The Washington State Ferry system provides public access to the islands via four routes. A passenger-only ferry located at Pier 50 services Seattle's central business district and the Vashon Island Terminal on the northern portion of the island. An auto/passenger ferry route travels from West Seattle's Fauntleroy Terminal to the Vashon Island Terminal. This ferry terminal is also accessed from Southworth, due west, on the Kitsap County Peninsula. A ferry from Point Defiance in Tacoma, which is located within Pierce County, connects to the Tahlequah Terminal in the southernmost portion of Maury Island. Private boats have access to the islands through public and private docks. The Vashon Municipal Airport is a small airport in the north-central portion of Vashon Island with a grass landing strip and a medevac heliport.

Residential land use primarily consists of detached single-family homes generally situated on two-and-a-half-, five- or ten-acre parcels. Apartment buildings, classified as residential properties containing four or more units, number twenty properties with one-hundred-and-ninety-six units. There are also seven condominium complexes with a total of 74 privately-owned residential units. The apartment buildings and condominium units are valued by the Apartment and Condominium specialty sections, respectively, within the Commercial Business Division of the King County Department of Assessments. A small number of additional dwelling units are located in mixed-use commercial properties.

Commercial land use is concentrated in three major areas: Vashon Center, Burton, and Dockton. The principal business district is Vashon Center (portions of neighborhoods 10, 20 & 30), located approximately three miles south of the Vashon Island Terminal, on Vashon Highway between about Southwest 168th Street and Southwest 204th Street. This area consists of a community shopping center, retail strip centers, and free-standing retail and

office buildings. There are also service garages, a lumber yard, small warehouses, and institutional uses (churches, schools, government building and utilities). A smaller business district, known as Burton, is located about two miles south of Vashon Center on the north side of Quartermaster Harbor (portion of neighborhood 50). Burton features a few retail stores, churches, and a bed and breakfast. Directly across Quartermaster Harbor, on Maury Island, is Dockton (portion of neighborhood 50). Dockton features mostly institutional uses, such as churches, government buildings and utilities.

Historically, development activity on Vashon & Maury Islands has maintained a slower pace in comparison to King County as a whole, which can, in part, be attributed to a combination of the following: 1) The islands maintain a degree of isolation from the mainland due to the lack of a bridge to provide easier accessibility; 2) The islands lack major large-scale employers; 3) A potential to increase development activity has in many cases received minimal support from many island residents, due to the belief that a dramatic change in the rural character of the island may result; and 4) The fresh-water supply, and current means of accessing/distributing it, are not inadequate to support fuller development of the island.

The full impact of the islands' fresh-water limitations is impossible to quantify as no centralized water authority exists. Sites which are served receive fresh water either from a private well, or from one of the islands' several independent purveyors. The largest of these is King County Water District 19 (KCWD19), serving approximately 1,400 accounts and encompassing Vashon Center. KCWD19's source water has come, historically, from a large well field of two wells, and two creeks. Attempts by KCWD19 over the years to add wells have been relatively unsuccessful, meeting with 1) resistance from the local population to tapping into more creeks, 2) expired or severely limited underlying water rights associated with potential well sites, or 3) prohibitive costs incurred in the development and treatment processes. These costs are passed along to customers who are paying some of the highest water prices in the state.

In the absence of a private well, a given site's access to fresh water is determined by the total number of water units associated with that site. Potential development of a site is impacted by the site's water units. The King County Department of Development and Environmental Services, in charge of issuing building permits on Vashon, requires a Certificate of Water Availability (CWA) be granted by a water district to any owner intending to develop a given site. For water purveyors to grant such a CWA the property owner must have the requisite number of Equivalent Residential Units (ERUs, or water units) to support the proposed development. There is not an adequate supply of fresh water to meet peak demand from all potentially developable properties. In 1996 a moratorium was placed on the creation and issuance of new units, in an attempt to consistently meet peak demand for existing customers. This has resulted in a waiting list which, at times, has represented over 100 applicants, requesting anywhere from 300 to 500 units. In order to accommodate new units, the water-system capacity must be expanded to show a small surplus above current peak demands. The district's 2009 Capacity Analysis Report showed a small surplus, indicating to managers that KCWD19 might be able to release some new units. The decision to do so was delayed, however. In 2010 the King County Council and KCWD19 began discussing why the system has not able to maintain a surplus and create new units. A major result from these

discussions has been the opening of the Morgan Hill and Beall Wells, which went online in August 2011. These new fresh-water sources are expected to increase system capacity by up to 20%. The results of the 2009 report and the addition of these wells have prompted KCWD19 to create 15 new units which will be available for sale to the next applicant(s) on the waiting list, sometime in 2012. KCWD19 also anticipates creating an additional 15 units once the new wells have been proven to reliably and consistently perform.

There are a handful of other water purveyors on the islands. Vashon Island is also served by Heights Water in the northeast, Burton Water Company in and around the community of Burton, and Westside Water Association, in the northwest. Maury Island is served by the Maury Mutual Water Company and the Dockton Water Association.

The above factors affect the valuation of Vashon properties, particularly in Vashon Center. Even though isolation of the islands shield some of the development pressures experienced in other parts of King County, the demand that does exist for improved and unimproved commercial properties on Vashon confronts a highly inelastic supply. Thus, existing developed commercial space and the land beneath the improvements may prove more valuable than they would be without the constraints that limit new development.

Area 47-10

Area 47-10 is the northern half of the downtown core, with the southern boundary located at Southwest Bank Road. The neighborhood is contained within all of Sections 29 and 30 of Township 23N Range 03E, equaling about 1,280 acres. Most of the commercial development clusters within a block or two of the intersection of Southwest Bank Road and Vashon Highway South. This area features mostly one-to-two story stand-alone commercial buildings, some of which are converted single-family residences. Use is primarily retail, with some restaurant and offices, as well as schools, banks, and the Vashon Municipal Airport. This King County airfield features one grass runway, a heliport, and approximately 40 lots which are leasable to private parties who may place a hangar thereon, as personal property.

Most recent additions to this area included a second office building, constructed behind the Windermere Real Estate Office in 2008, on the same parcel. Also in 2008 the King County Wastewater Treatment Division added some offices and an equipment shop to their site. In 2009 an existing multi-tenant office building was converted to the island's only commercial condominium, with three separately-owned general and medical office units.

Area 47-20

Area 47-20 is directly south of neighborhood 47-10 and forms the southern half of the downtown core, with the northern boundary located at Southwest Bank Road. The neighborhood is contained within all of Sections 31 and 32 of Township 23N Range 03E, equaling about 1,280 acres. Most of the commercial development clusters within a block or two of the intersection of Southwest Bank Road and Vashon Highway South. This area features mostly one-story retail buildings, configured as zero-lot-line developments in a "main

street” style business district. There are also offices, restaurants, churches, service garages, warehouses, government/utility structures, and a movie theater.

The Eernisse Apartments, a 26-unit apartment complex, was completed in 2008. It features six buildings around a greenbelt. Half of the apartments will be rent-subsidized, with the remaining units renting at below-market rates. Also in 2008 Pacific Research Labs added an office and warehouse to their site. Island Lumber and Hardware finished construction of a storage warehouse and a wash building behind the retail establishment in 2009.

In 2009 the recent purchasers of the Vashon Pharmacy also purchased a vacant site behind it, apparently with intentions to hold for development. This parcel has one water unit.

Area 47-30

Area 47-30 is directly south of economic neighborhood 20, and is contained within all of Sections 5, 6, 7 and 8 of Township 22N Range 03E, equaling about 2,560 acres. Commercial development is along Vashon Highway South, clustered near Southwest Cemetery Road and Southwest 204th Street, both in the north-central portion of the neighborhood. Commercial structures are mostly one-story stand-alone buildings. Commercial uses are evenly distributed between retail, restaurant, office, service garage, warehouse, and institutional.

The most recent improvements to this area occurred in 2001 with the addition of a 4,000-square-foot church along Beall Road Southwest.

In 2010 the former VFW Post building was sold. It is now used as the Vashon Books club.

Area 47-40

Area 47-40 comprises the parcels surrounding neighborhoods 10, 20 and 30 on the north, east and west sides. It contains approximately 7,680 acres of land within all or parts of numerous sections of Townships 22N and 23N, Ranges 02E and 03E. This area graphically resembles a horseshoe, with the outer edge extending along the northern, eastern and western island boundaries of Vashon Island. Commercial properties are spread out across this area, occurring in the middle of Vashon along Vashon Highway Southwest, as well as to the west along Westside Highway Southwest and to the east along Dockton Road Southwest. Commercial structures uses are primarily institutional (churches, schools, government buildings and utilities), with an office building, restaurant, some warehouses, tidelands, and the Vashon Ferry Terminal.

The most recent improvements to this area occurred in 2001 when the current Vashon Transfer and Recycling Station were completed.

In January 2012 a 10-acre parcel along Cemetery Road was purchased. This site had been used as a broadcast facility by AT&T and features some related facilities. The site was purchased as land only, though the intentions of the buyer are unknown at this time.

Area 47-50

Area 47-50 comprises the remainder of Vashon Island and all of Maury Island, totaling approximately 10,880 acres of land, within all or parts of numerous sections of Townships 21N and 22N, Ranges 02E and 03E. Commercial structures group around the small towns of Burton and Dockton and typically consist of one-story stand-alone structures, with a few two-story mixed-use buildings. Commercial uses include some retail stores and offices, volunteer fire stations, churches, water towers, community halls, parks, several television transmitters, and the Tahlequah Terminal. There is also a bed and breakfast – the Quartermaster Inn and Restaurant. About one-half of the commercial parcels in this area are undeveloped and serve as parks, tidelands, marinas, and vacant commercial/industrial sites.

The most recent improvements to this area occurred in 2000 with the addition of a 2,500-square-foot boathouse located at Burton Acres / Jensen Point Park in Burton. In 2008 a dormitory and clubhouse were added to Camp Burton.

In late 2010 the former Glacier NW Sand and Gravel quarry was obtained by King County. This 250-acre site, which has been a major supplier of raw materials for cement-related products, has been a source of contention between Vashon islanders and the operators/owners of the quarry, who in 1998 applied to expand operations at the south Maury Island site. Islanders had concerns over environmental impacts. While Glacier was in the process of satisfying environmental elements, a key permit was revoked in 2008. Glacier then became amenable to selling the site, and the deal was completed in 2010. The general plan is to use the site as a park or natural area, after much required environmental remediation.

Physical Inspection Identification:

None required.

Preliminary Ratio Analysis

The improved sale that did occur, while being considered “good”, was not included in a ratio study due to changes of the property characteristics immediately following the sale. Further, the limited number of sales impacts the meaningfulness of Ratio Study analysis which diminishes the reliability and statistical significance of the results.

Scope of Data

Land Value Data

Two sale transactions which occurred during the time period ranging from January 1, 2009 through January 5, 2012 were given primary consideration in the valuation of commercial zoned land parcels for the 2012 revalue. One of these sales involved a previously commercially-developed site with an underlying residential zoning, occurring in Area 47-40.

Improved Parcel Total Value Data

One improved sale with a transaction date of 2/16/2010 was available to establish a market relationship for similar properties that were not sold. This sale was not included in the ratio study due to use changes after the sale. The time window for sales collection ranged from January 1, 2009 to December 31, 2011. Sales information was obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information was analyzed and investigated by the appraiser in the process of revaluation. All sales were verified, when possible, by contacting the purchaser, seller, or realtors involved in the transaction. Characteristic data was verified, when possible, for the sales. Due to time constraints, interior inspections were limited. Sales are located in the "Sales Used" and "Sales Not Used" sections of this report. Additional information may reside in the Assessor's Real Property Database, Assessor's procedures, Assessor's "field" maps, Revalue Plan, separate studies, and statutes.

Land Value

Land Sales, Analysis, Conclusions

The valuation of land in the Vashon business district, consisting of neighborhoods 10, 20, and the northern portion of 30, is historically based upon land sales with similar zoning designations, such as CB, Community Business, and R-12, Urban Residential.

The issue of water units continues to play a significant role in the valuation process, with resulting negative impact for parcels without water rights. King County Water District 19 (KCWD19), located at 17630 100th Avenue Southwest, maintains a list of property owners who retain water rights. The Assessor has made an effort to identify which parcels have been allocated water units. Due to the limited market activity, appraisal judgment was utilized to arrive at the rate of discount to correspond with water allocation. Under the current

moratorium, parcels without water rights are precluded from development (see Resolution No. 778 as adopted at a regular meeting of the Board of Commissioners of Water District No. 19 held on February 13, 1996.) As discussed earlier in this report, a recent (2009) water-supply surplus, the addition of two wells, and the water-conservation efforts of islander have resulted in the anticipated creation of up to 30 new water units, to be sold sometime in 2012.

Development activity is generally more contingent on the ability to support a desired use with quantity of water units held by an individual parcel rather than strictly the zoning parameters of the parcel. Water units are parcel-specific; however, transfer of units between parcels with contiguous ownership is permissible in the event multiple units are owned. One water unit allows parcel development use not exceeding an average water usage of 800 gallons/day (600 gallons/day for multi-family housing.)

The following table is an overview of the land valuation schedule for the Vashon business district, which encompasses neighborhoods 10, 20, and the northern portion of 30.

Land Valuation Schedule of the Business District

Neighborhood	Zone	\$/SF
10,20,30	CB, CBP	\$5 - \$30
	R4 – R12	\$1.25- \$10
Ranges in unit values reflect lot size, water availability, and proximity to Vashon's central business district.		

The zoning for parcels located in Neighborhoods 40 and 50 is primarily residential (RA-2.5, RA-5, RA-10), with the exception of NB zoning in Burton and Dockton. The highest and best use of residential zoned land with a commercial use within these neighborhoods, if vacant, would most likely be residential.

Land Value Comparisons and Recommended Conclusion:

The 2011 assessed land value was \$109,884,200 and the 2012 recommended assessed land value is \$108,441,200. The -1.31% reduction shows that the 2012 assessed land values overall have experienced almost no change in comparison to the 2011 assessed values.

For the time period ranging from January 1, 2009 to January 5, 2012, 2010, two vacant commercial sales can be categorized as arm's length transactions. Due to limited market activity during this revalue cycle land values remained relatively unchanged. Sales grids of both the vacant land sales used and not used are included in the subsequent sections of this report.

Improved Parcel Total Values

Sales Comparison Approach Model Description and Sales Comparison Calibration

The limited number of sales prevented the development of a statistically significant model for adequate sales comparison.

Sales Comparison Calibration

The limited number of sales prevented the development of a statistically significant model for adequate sales calibration.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. In most instances, cost estimates were considered value indicators for exempt properties, such as schools and churches, and new construction projects. The cost approach was also occasionally utilized in the valuation of non-exempt property, especially in circumstances where insufficient market rent data is available to apply the income approach to value.

Cost Calibration

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

Income Capitalization Approach Model Description:

The income approach was utilized for many properties through out Area 47. Income parameters were derived from the marketplace through real estate sales and the sales verification process, as well as market surveys of lease rates within the various neighborhoods that comprise Vashon/Maury Islands. The income tables are included in this report. Similar uses were grouped together with income rates that were correlated to the effective year built and building quality of the commercial property.

Income: Income parameters were derived from the market place through fair market sales within the geographic area and neighboring areas, as well as through published sources (i.e. Office Space Dot.Com, Commercial Brokers Association, Costar, Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market.

Vacancy: Vacancy rates used were derived mainly from published sources tempered by personal observation.

Expenses: Expense ratios were estimated based on industry standards, published sources, and personal knowledge of the area's rental practices. Within our income valuation models, the assessor used triple net expenses for typical retail/mixed-use, industrial and office type uses.

Capitalization Rates: Capitalization rates were determined by actual sales, local published market surveys, such as CoStar, and CB Richard Ellis Capital Market Update. Other national reports include the Real Estate Research Corporation Investment Trends Quarterly and the American Council of Life Insurers. The effective year built and condition of each building determines the capitalization rate used by the appraiser. For example; a building with a lower effective year built of lesser condition will typically warrant a higher capitalization rate and a building in better condition with a higher effective year built will warrant a lower capitalization rate.

Cap rate summary of various published sources:

SEATTLE / PACIFIC NW CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	Seattle	7.14%	7.27%	7.58%	
		Pacific Region	6.32%	7.03%	7.14%	
PWC – Korpaz	4Q 2011	Pacific NW	7.57%	-	-	Range = 5.5% to 12.00%
CBRE – Capital Markets Cap. Rate survey.	Aug.-11					CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2011 based on recent trades as well as interactions with investors. Value Added represents an underperforming property that has an occupancy level below the local average under typical market conditions.
		Seattle	5.00% - 5.50% 6.00% - 7.00% 6.50% - 7.00% 7.00% - 8.00% 5.50% - 6.25% 6.00% - 7.60% 6.50% - 7.50% 7.00% - 8.00% - - - -	- - - - - - - - 6.25% - 7.00% 6.75% - 7.25% 6.50% - 7.25% 7.75% - 8.25% - -	- - - - - - - - - - - - 5.75% - 6.50% 7.00% - 7.50%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Suburban - Class A Suburban - Class A – Value Added Suburban - Class B Suburban - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm. w/Grocery) Class B (Neigh./Comm. w/Grocery)
	Mar.-12					
		Seattle	5.50% - 5.75% 6.00% - 7.00% 6.50% - 7.00% 7.00% - 8.00% 5.50% - 6.25% 6.00% - 8.00% 6.50% - 7.50% 7.00% - 8.00% - - - -	- - - - - - - - 5.25% - 5.50% 6.00% - 6.50% 6.00% - 6.50% 6.50% - 7.00% - -	- - - - - - - - - - - - 5.00% - 6.25% 5.00% - 6.25% 6.25% - 7.25% 6.25% - 7.25%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Suburban - Class A Suburban - Class A – Value Added Suburban - Class B Suburban - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm.) Class A (Neigh./Comm.) – Value Added Class B (Neigh./Comm.) Class B (Neigh./Comm.) – Value Added
Real Capital Analytics	4Q 2011	Seattle	7.60%	7.20%	7.20%	
	Yr. End 2011	Seattle	6.80%	7.30%	7.40%	
IRR Viewpoint for 2012	Yr. End 2011	Seattle	6.00% 6.50% - - -	- - 8.25% - 8.75% 7.00% -	- - - - 6.50% - 7.50% 7.50%	“Institutional Grade Properties” CBD Office Suburban Office Manuf./Bulk/R&D Office/Warehouse Reg./Comm. Mall Neigh. Strip Ctrs.
Reis Quarterly Reports	4th Qtr 2011	Seattle	6.60%	-	8.50%	

Colliers International Office Highlights	Q4 2011	Seattle - Puget Sound	6.36% 7.94%	- -	- -	CBD Office Suburban Office
Terranomics Chainlinks Retail Advisors	Fall 2011	Pacific Region	-	-	7.00%	Shopping Centers (All Types)

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	National	6.53% 7.84% 7.16% - 7.74% 6.33%	7.65% 8.92% 7.62% - 8.15% 7.52%	7.00% 8.14% 7.39% - 7.68% 6.66%	Overall Sq.Ft. = <50k Sq.Ft. = 50k-200k Sq.Ft. = 200K+
Korpaz (PWC)	4Q 2011	National	6.84% 7.43% - - -	- - 7.48% - 8.71% - -	- - - 7.23% - 7.35% 7.16%	CBD Office Sub. Office Flex/R&D/Whse Regional Mall /Power Center Neigh. Strip Ctrs
Real Capital Analytics	4Q 2011	National	7.20%	7.60%	7.50%	
	Yr End 2011	National	7.30%	7.80%	7.50%	
IRR Viewpoint for 2012	Yr End 2011	National	7.98% 8.13% - - -	- - 8.46% 8.22% -	- - - - 7.56% - 7.83% 7.96%	CBD Office - (Range 5.25% - 12.75%) Sub. Office - (Range 6.50% - 10.00%) R&D - (Range 6.75% - 9.50%) Off./Whse. - (Range 6.75% - 10.00%) Reg./Comm. Mall - (Range 5.75% - 9.50%) Neigh. Strip Ctrs. - (Range 5.75% - 9.25%)
Emerging Trends in Real Estate 2011	August 2011	National	6.32% (CBD) 7.77% (Suburban)	7.02% - 7.59% (Office/Whse./R&D)	6.66% - 7.43% (Reg. Mall/Power Ctr.) 7.12% (Neigh./Comm. Ctr.)	
RERC-CCIM Investment Trends Quarterly	4Q 2011	National W. Region	6.40% 5.70% - 6.60% 7.00%	7.40% 6.70% - 7.40% 7.10%	7.70% 6.70% - 7.10% 7.40%	RERC Realized Cap Rates NCREIF Implied Cap Rates
Marcus & Millichap (Net Lease Single- Tenant Retail Report)	1 st Half 2011	National	 N/A	 N/A	7.30% 7.70% 8.90%	Drug Store Quick Service Rest. Casual Dining
Calkin Site Service (Net Lease Single- Tenant Retail Report)	Yr End 2011	National	 N/A	 N/A	7.69% 7.40% 7.50% 7.50%	Overall (Average) Drug Store Quick Service Rest. Big Box

The preceding table demonstrates ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market to develop the income model. The range of capitalization rates in the income model reflects the variety of properties in this area. In Area 47, the properties predominantly are considered to be non-institutional grade, with many purchased by owner users. Due to the lack of sales data on Vashon and Maury Islands, the West Seattle area is relied on for further support.

Income Approach Calibration

The tables were calibrated after setting economic rents, vacancy, expenses and capitalization rates by using adjustments based on size, effective year built, and construction quality as recorded in the Assessor's records. The income tables were formulated during the 2012 revalue for the main business district of Vashon, neighborhoods 10 and 20, and individually applied to selected properties in the northern portion of neighborhood 30. The application of the tables was based on the different uses of the income-producing properties in these neighborhoods.

The chart below lists the income parameters typically used in the process of developing the 2011 income approach to valuation.

Neighborhoods 10 & 20 & North Central portion of Neighborhood 30 (typically zoned CBP)

Office/Medical/Dental/Veterinary	range \$6 to \$18
Retail	range \$6.50 to \$13
Restaurants (table service)	range \$9 to \$20
Barber Shop/Salon	range \$9 to \$12
Bar/Tavern	range \$7 to \$10
Supermarket	range \$5.50 to \$8
Service Garages	range \$4.50 to \$12
Storage (various)	range \$1.75 to \$4.50

In neighborhoods 10, 20 and the north portion of 30, the following parameters outline vacancy and credit loss, triple net expenses, and capitalization rates used in the income tables to provide the basis for the income value estimate calculations.

1) Vacancy and Credit Loss	5%
2) Operating Expenses	7.5%-15%
3) Cap Rate	6% to 8%

In the outlying neighborhoods, values for the improved properties were selected using the income approach or the cost approach, with partial weight given to the three improved sales in the area. Typically, values by the income approach were derived from using the income tables within neighborhoods 10 and 20, with adjustments to the total for locations outside of the Vashon business district as required.

Reconciliation

All parcels were individually reviewed for correctness of the model application before final value selection. All factors analyzed in the process of establishing value utilizing the model were subject to adjustment by the appraiser. The market rental rates used as the bases of the income model may have been adjusted for specific properties in cases where those properties were not representative of the types used to establish the rates. Adjustment parameters were stratified based on construction quality, effective year built, size, and location. The market rental rates applied may vary somewhat, but fall within an acceptable range of deviation of the established guidelines.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

A ratio study analysis was not included in this report since the limited number of sales impacts the meaningfulness of a Ratio Study analysis by diminishing the statistical significance.

The total assessed value for the 2011 assessment year for Area 47 was \$168,921,400. The total recommended assessed value for the 2012 assessment year is \$168,549,200. Application of these recommended values for Area 47 in the 2012 assessment year (taxes payable in 2013) result in a total change from the 2011 assessments of -0.22%.

The change in the assessed values for the 2012 revalue resulted mainly from the increasing costs, balanced against continued depreciation, of the multiple properties in this area that are valued by the cost approach.

A list of both improved sales used and those considered not reflective of market are included in the subsequent sections.

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.
15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed:

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

CERTIFICATION:

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

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *The individuals listed below were part of the "appraisal team" and provided significant real property appraisal assistance to the person signing this certification. Any services regarding the subject area performed by the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent their name.*
- *No significant real property assistance as determined by the undersigned. All services as may be variously defined significant or otherwise, and performed by duly authorized and qualified King County Assessment staff employed in the areas of Public Information, Accounting/Abstract, Commercial, Residential, Information Services, Personal Property, Accounting/Mapping, Accounting/Support, Accounting/Appeals, Chief Appraiser, Accounting/Exemptions, Accounting/Levy Administration, who may have involvement in physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time, is made part of each real property parcel as a matter of public record and this certification by reference.*

- *Any services regarding the subject area performed by me within the prior three years, as an appraiser or in any other capacity is listed below: Any and all activities required under the Certificate of Appointment dated 3 March 2003 under sworn oath appointing the below signed appraiser to the position of true and lawful deputy in the Office of the King County Assessor, and authorized by the State of Washington, Department of Revenue under a Certificate of Accreditation. To Wit: all duties, responsibilities, and services associated with the position description of Commercial Appraiser II in the management and valuation of Commercial Area 47, or Vashon & Maury Islands. 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.*
-

Improvement Sales for Area 047 with Sales Used

05/29/2012

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	030	072203	9050	6,636	2429422	\$375,000	02/16/10	\$56.51	VFW POST	RA5	1	34	Use-change after sale; not in ratio

Vacant Sales for Area 047 with Sales Used

05/29/2012

Area	Nbhd.	Major	Minor	Land Area	E #	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
47	020	284620	0070	7,740	2417148	\$200,000	11/05/09	\$25.84	VACANT	CBP	1	Y	
47	040	012202	9090	449,539	2526549	\$140,000	01/05/12	\$0.31	AT&T ALASCOM	RA10	1	Y	

Improvement Sales for Area 047 with Sales not Used

05/29/2012

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	010	292303	9127	3,977	2490677	\$450,000	05/10/11	\$113.15	PlaySpace Building	NBP	1	44	Tenant
047	020	284620	0030	8,076	2377864	\$1,375,000	01/20/09	\$170.26	VASHON PHARMACY	CBP	2	51	Related party, friend, or neighbor
047	020	312303	9071	1,662	2519263	\$93,779	11/14/11	\$56.43	Zoomies Burgers and Ice Cream	CBP	2	22	Partial interest (1/3, 1/2, etc.)
047	050	262202	9008	68,282	2484662	\$930,000	03/30/11	\$13.62	CAMP SEALTH CAMPFIRE	RA10SO	4	24	Easement or right-of-way
047	050	282203	9023	0	2473038	\$36,000,000	12/30/10	\$0.00	GLACIER NW- GRAVEL PIT & PIER	MSO	4	16	Government agency

Vacant Sales for Area 047 with Sales not Used

05/29/2012

Area	Nbhd.	Major	Minor	Land Area	E #	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
047	020	312303	9009	1,708,423	2523395	\$698,500	12/20/11	\$0.41	Vacant Land	IP	1	16	Government agency
047	040	888600	0026	999,999	2482446	\$7,500	03/08/11	\$0.01	VACANT-SECOND CLASS TIDELANDS	RA2.5	1	12	Estate administrator, guardian, or e