

Commercial Revalue

2012 Assessment roll

BOEING
AREA 625

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

Lloyd Hara, Assessor



King County

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Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2012 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

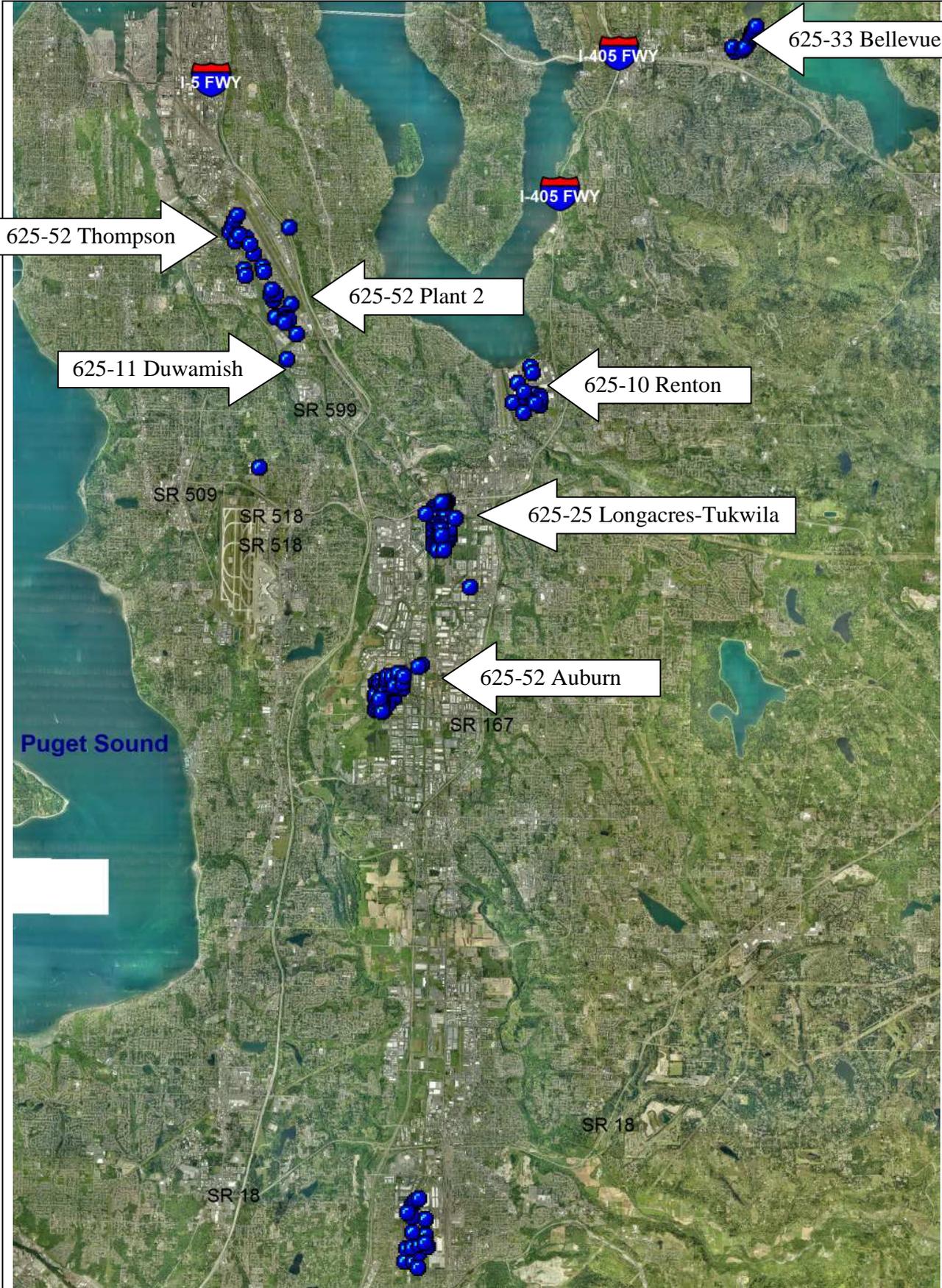
We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2012 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

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

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

Sincerely,

Lloyd Hara
Assessor



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King County
Assessments
7/10/12

Executive Summary Report

Appraisal Date 1/1/2012 – 2012 Assessment Year

Specialty Area: 625

Specialty Name: Boeing

Physical Inspection: June 2012

Total Population – Parcel Summary Data

Population: 162 parcels

	Land	Improvements	Total
2011 Value	\$615,052,400	\$900,118,700	\$1,515,171,100
2012 Value	\$615,858,900	\$902,845,500	\$1,518,704,400
Percent Change	0.13%	0.30%	0.23%

No ratio studies are included in this report due to the absence of sales.

Conclusion and Recommendation:

Since the values recommended in this report improve equity, the specialty appraiser recommends posting them for the 2012 assessment year.

Analysis Process

Effective Date of Appraisal: January 1, 2012

Date of Appraisal Report: June 25, 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 use. Any opinion not consistent with this is specifically noted in the records and considered in the valuation of the specific parcel

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are 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 token value of \$1,000.00 is assigned to the improvements.

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

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

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

Identification of the Area

Name or Designation: Specialty Area: 625: The Boeing Company

Boundaries: King County

Maps:

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

Specialty Description:

Boeing is the world's leading aerospace company and the largest manufacturer of commercial jetliners and military aircraft combined. The company is organized into two business units: Boeing Commercial Airplanes and Boeing Defense, Space & Security. Boeing Commercial Airplanes (BCA), headquartered in Renton, is organized into five airplane programs, VIP-derivative airplanes, extensive fabrication and assembly facilities, and a customer support division. The major commercial airplane facilities in King County are located in Seattle, Renton, and Auburn. The Kent Space Center and work groups at the Developmental Center Campus and Thompson site are part of the Boeing Defense, Space & Security (BDS) business unit, which is headquartered in St. Louis, Missouri.

The Renton site began manufacturing operations in 1941. It has been home to many of commercial aviation's most renowned airplanes. Renton currently produces The Next-Generation 737 airplanes, which includes the Boeing Business Jet and the company's newest 737 derivative, the P-8A Poseidon a maritime patrol and reconnaissance aircraft being built for the U.S. Navy. The 737 is the world's most popular and reliable commercial jet. Boeing has booked about 450 firm orders for the updated version called the 737 MAX and has more than 500 informal commitments. Jim Albaugh, president of Commercial Airplanes, said Boeing would continue to sell the 737 MAX aggressively -- with hopes even of converting traditional customers of European rival Airbus that might be expected to buy the A320 new engine option aircraft.

Boeing Training and Flight Services are also located in at the Longacres Industrial Park in Renton. Alteon, which is a wholly owned subsidiary of The Boeing Company within the Commercial Airplane group, conducts the flight training as well as aircraft maintenance. It is the world's first full-service provider of airline flight and maintenance training in the 100+ seat aircraft category. The Seattle Training Center has room for up to 10 full-flight simulators, has computer equipped classrooms, and recently added a 787 training suite.

The Auburn plant, opened in 1966, is the headquarters for Boeing's Fabrication Division. It is the largest airplane parts plant in the world with 265,000 part numbers currently manufactured here. This location is considered Commercial Airplanes' area of excellence

for emergent operations, complex precision machining, and specialty production focused on advanced metal structures.

Seattle is home to the Developmental Center, Plant 2/Boeing Field, the Thompson Site, Spares Distribution Center, and South Park. The Seattle locations are primarily in the Commercial Aviation Services unit and provide customer support, maintenance, training, and various other services. In addition to these locations, Boeing owns and/or occupies office properties in Tukwila, Bellevue and the Boeing Commercial Airplanes group headquarters at Longacres Industrial Park in Renton.

A new P-8 aircraft production facility opened in 2010 at the Thompson Site in Seattle along the Duwamish River. The P-8A is a long-range anti-submarine warfare, anti-surface warfare, intelligence, surveillance, and reconnaissance aircraft that is being developed for the U.S. Navy by a Boeing-led team. The Navy is slated to buy 117 of the P-8As. A derivative of the Next-Generation 737-800, the P-8A had its first test flight from Renton Field on June 5, 2009 and the ceremonial roll out July 30, 2009. Initial operational capability is slated for 2013. BCA employees assemble the P-8 aircraft in Renton then fly them to Seattle where BDS employees will install mission systems and conduct testing prior to customer delivery.

The Kent Space Center is headquarters to the Defense and Space Group and the Information and Communications Systems, which are part of the BDS operating group. This group provides communication networks with air, land, sea and space-based platforms for military, government and commercial customers. Operations at the Kent location are also integrated with Phantom Works, which is an advanced research, and development unit that provides leading edge systems and technology solutions. The BDS Puget Sound site has more than 7,000 employees in the Kent and Developmental Center facilities. Additionally, Boeing designs and manufactures rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles and advanced information and communication systems. As a major service provider to NASA, Boeing has supported the Space Shuttle program since 1972 and is the prime contractor for the International Space Station (ISS). After the final mission of the Space Shuttle Atlantis in July of 2011, Boeing transitioned many members of its experienced shuttle workforce to the ISS program and to preparations for NASA's future heavy-lift rocket.

Commercial Aviation Services is a highly customer-focused organization that provides a broad range of support products and services to the air transport industry. The Boeing Commercial Airplanes Operations Center is located at Plant II in the Duwamish area of Seattle. This center provides 24-hour technical support to airline customers and features multimedia-equipped workrooms. The Developmental Center campus is adjacent to Plant II. This location provides services for both the Boeing Commercial Airplanes and Boeing Defense, Space & Security groups through new commercial airplane and military aircraft design and development.

Boeing completed the demolition of a number of the historic Plant II buildings, located along the Duwamish Waterway, in September 2011. The buildings were carefully taken apart so that more than 85 percent of the material was reused or recycled. It demolished the plant as part of a cleanup of the Duwamish watershed. “We are committed to restoring habitat along the Duwamish and conducting environmental work that is vital to the ecosystem, nearby wetlands, the Puget Sound and to our community,” Mary Armstrong, Boeing vice president of Environment, Health and Safety, said in a news release. “This is the largest planned habitat restoration in the Duwamish Waterway, and it will provide an important ecological resource to improve Puget Sound fish runs.”

As of May 2012, Boeing employs over 173,000 people in the United States and Washington State remains Boeing’s largest center of employment with approximately 83,000 workers.

Preliminary Ratio Analysis:

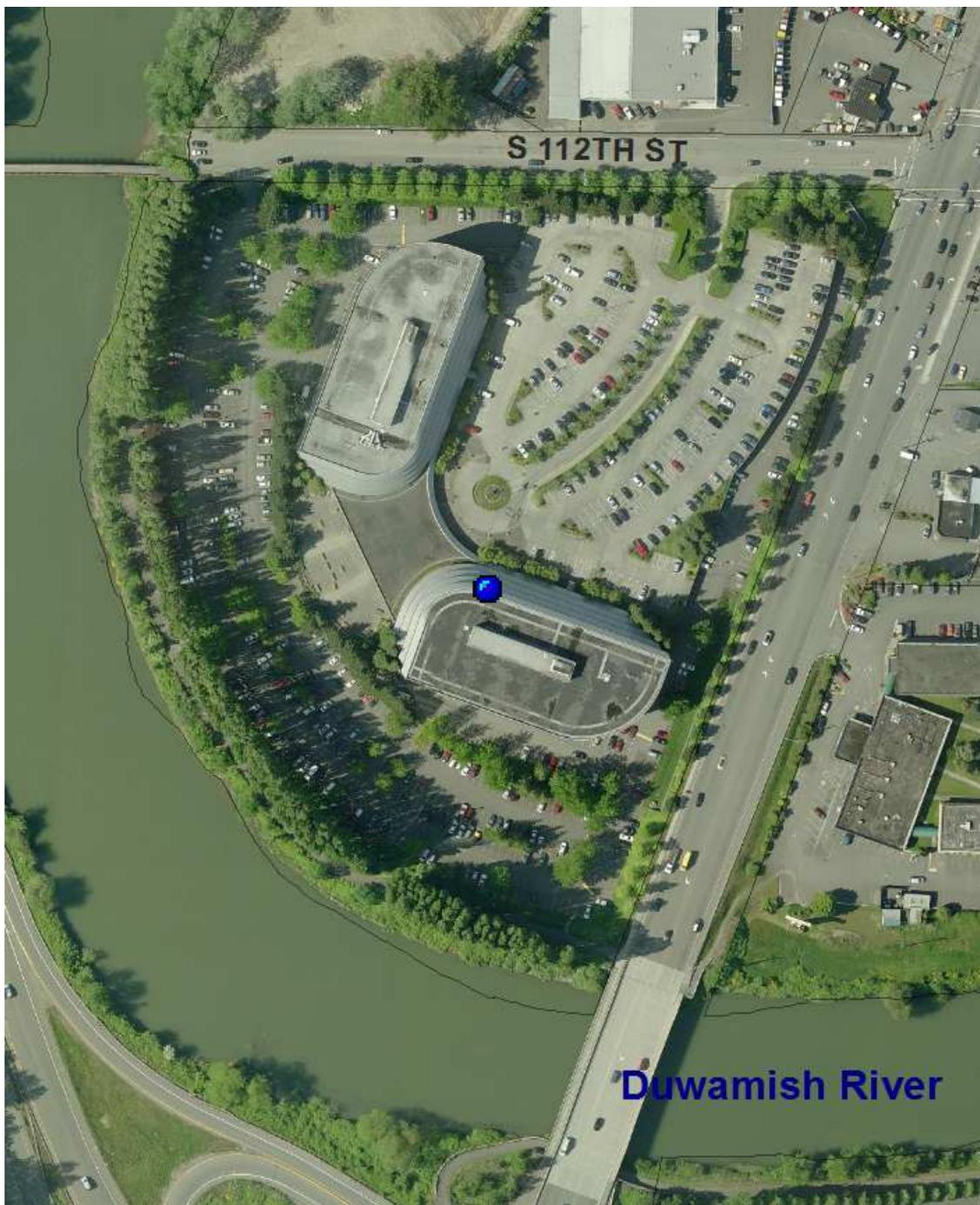
No ratio study was performed for Boeing properties due to the absence of sales data necessary to measure assessment levels and uniformity statistics.

Physical Inspection:

The Bellevue office complex, neighborhood 33, and the Duwamish office park, neighborhood 11, were physically inspected for the 2012 assessment year. The following parcels were inspected:

Major	Minor	Property Name
092304	9155	BOEING DUWAMISH OFFICE PARK 11-14
112405	9004	BOEING COMPUTER SERVICES 33-01
112405	9124	BOEING BUILDING 33-12
112405	9126	OFFICE BUILDING 33-11
112405	9130	OFFICE BUILDING 33-14
112405	9131	OFFICE BUILDING 33-15
112405	9132	COMPUTER BUILDING 33-03
112405	9133	WAREHOUSE BUILDING 33-04
112405	9134	OFFICE BUILDING 33-07
112405	9135	OFFICE BUILDING 33-08
112405	9136	OFFICE BUILDING 33-05

**Duwamish Office Park
625-11**



**Bellevue Office Complex
625-33**



Scope of Data

Land Value Data:

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

Improved Parcel Total Values

Sales comparison approach model description:

The sales comparison approach was not utilized because there are too few quality sales to form an efficient market. In general, these properties are useful for a specific purpose and rarely sell for investment purposes. Sales that have occurred have been for the future development of the land and not the continued use of the respective improvements on site at the time of sale. No improved Boeing properties sold in 2011.

Cost approach model description:

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

Cost calibration:

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

Income capitalization approach model description:

The income approach to value was considered and used for Boeing owned or occupied office buildings. Lease rates, vacancy and collection loss statistics, typical expense amounts, and capitalization rates appropriate to the subject property's geographic area were utilized. Lease rates reflect full service tenancy. The majority of Boeing office properties were valued using the income approach. The economic income models developed by the geographic appraiser and the office specialist were considered. The Boeing office model is most closely based on the income models developed by the office specialty appraiser. Similar to the office specialty, the Boeing offices typically have in excess of 100,000 square feet of net rentable area and are considered to be class A or B investment grade properties. The single tenancy nature of the office buildings was also

considered in valuation. The largest concentration of Boeing offices is in Bellevue followed by Renton and Duwamish.

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

Economic Income Parameters				
Boeing Neighborhood	Rent	V&CL	Expenses	CAP Rate
Renton 625-10	\$18-\$24	12.00%	35.00%	7.5%-8.25%
Duwamish 625-11	\$16-\$22	12.00%	35.00%	7.75%-9.25%
Longacres 625-25	\$16-\$24	12.00%	35%-40%	7.5%-8.25%
Bellevue 625-33	\$23.50-\$27.50	15.00%	35.00%	7.5%-8.25%

Income approach calibration:

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

Reconciliation:

All parcels were individually reviewed by the specialty appraiser for correctness before the final value was selected. Extraordinary obsolescence was considered on a case-by-case basis. Parcels were physically inspected in 2012 include the Duwamish office complex as well as the Bellevue office complex.

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 particular characteristics and conditions as they occur in the valuation area.

Application of the recommended values for 2012 improves uniformity among the Boeing properties. A majority of the improved Boeing properties are valued based on reconstruction cost new less depreciation plus the land value assigned by the geographic appraiser. However, a number of tax parcels suffer from contamination that reduces the land value based on the cost to remedy over a period of time. The contaminated

properties have not yet been adjusted for the 2012 assessment year. There is a specialty appraiser responsible for adjusting for contamination. The contamination specialist adjusts the land value based on the cost to cure. The improvement selected by the Boeing appraiser remains unchanged.

Boeing improvements increased from the 2011 assessments of .30%. Recommend application of the new values.

USPAP Compliance

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

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

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

Highest and Best Use

RCW 84.40.030

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

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

- *Services performed by me within the prior three years include physical inspection, revaluation, and data collection.*

- *The reported analyses, opinions and conclusions were developed, and this report prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.*
- *I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.*
- *As of the date of this report, I have/have not completed the continuing education program of the Appraisal Institute.*

Commercial Appraiser II

Date