

Commercial Revalue

2016 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

Accounting Division

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John Wilson
Assessor

Dear Property Owners:

Property assessments are being completed by our team throughout the year and valuation notices are being mailed out as neighborhoods are completed. We value your property at fee simple, reflecting property at its highest and best use and following the requirements of state law (RCW 84.40.030) to appraise property at true and fair value.

We are continuing to work hard to implement your feedback and ensure we provide accurate and timely information to you. This has resulted in significant improvements to our website and online tools for your convenience. The following report summarizes the results of the assessments for this area along with a map located inside the report. It is meant to provide you with information about the process used and basis for property assessments in your area.

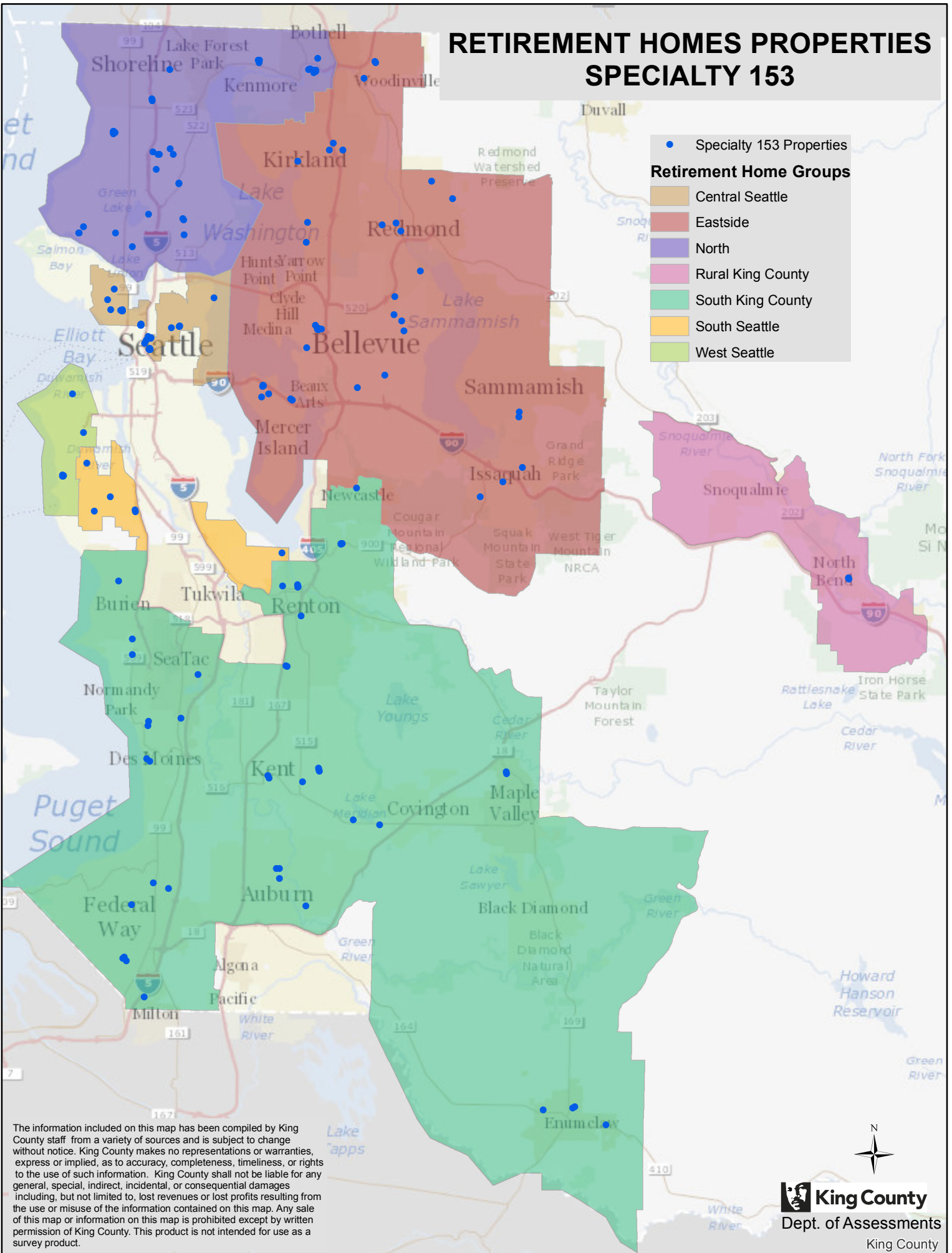
Fairness, accuracy, and uniform assessments set the foundation for effective government. I am pleased to incorporate your input as we make continuous and ongoing improvements to best serve you. Our goal is to ensure every taxpayer is treated fairly and equitably.

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

In Service,

John Wilson
King County Assessor

RETIREMENT HOMES PROPERTIES SPECIALTY 153



- Specialty 153 Properties

Retirement Home Groups

- Central Seattle
- Eastside
- North
- Rural King County
- South King County
- South Seattle
- West Seattle

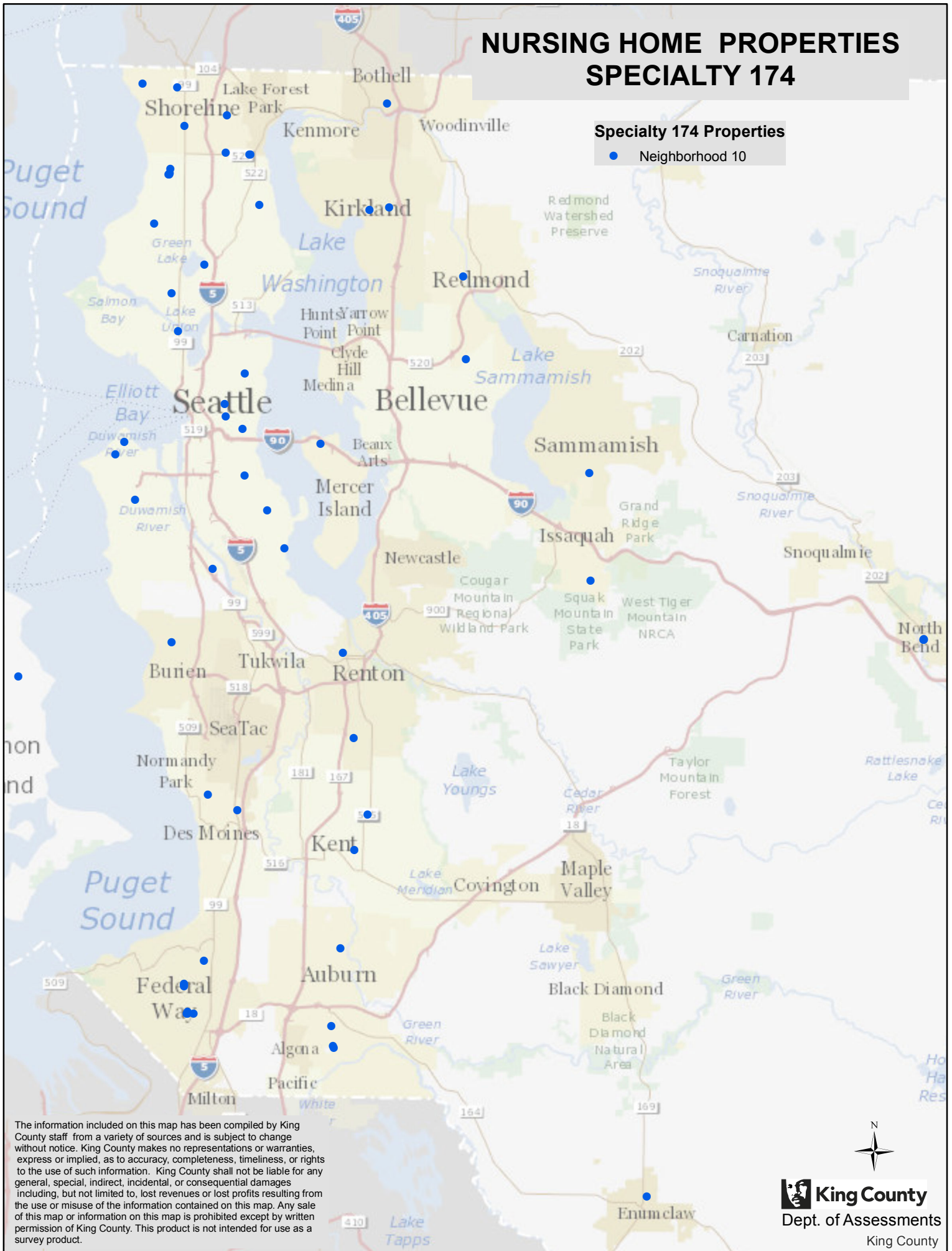
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NURSING HOME PROPERTIES SPECIALTY 174

Specialty 174 Properties

● Neighborhood 10



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Executive Summary Report

Effective Date of Appraisal: January 1, 2016 – 2016 Assessment Roll

Date of Appraisal Report: June 1, 2016

Specialty Name

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

Specialty Area 153

- Number of sales: 6
- Range of sales dates: 1/09/2013 – 3/01/2015

Specialty Area 174

- Number of sales: 1
- Date of sale: 5/01/2013
- There were no sales of senior nursing homes that meet the requirements of a fair market transaction in 2014 and 2015.

- **Specialty Area 153 – Retirement Homes**

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2015 Value	\$526,734,600	\$1,689,263,700	\$2,215,998,300
2016 Value	\$584,653,000	\$1,734,111,100	\$2,318,764,100
% Change	11.00%	2.65%	4.64%

- **Specialty Area 174 – Nursing Homes**

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2015 Value	\$174,241,300	\$169,381,700	\$343,623,000
2016 Value	\$185,766,200	\$148,361,300	\$334,127,500
% Change	6.61%	-12.41%	-2.76%

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

The total parcel count for specialty areas 153 and 174 is 346 parcels. There are 123 retirement homes (Area 153) in King County – 292 total number of parcels, 116 of which are condominium units. There are 51 nursing homes (Area 174) in King County – 59 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.

Conclusions and Recommendations

With only six sales of retirement homes (Spec 153) and one nursing home sale (Spec 174), there were insufficient sales in all of the market segments to rely on the Sales Comparison Approach in the 2015 revalue. The Income Approach is used in the final reconciliation of value because it allows for greater equalization and uniformity in the valuation of retirement facilities and nursing homes. In addition, sufficient market income data was available for the analysis.

The resulting valuation by the income approach reflects the improving income fundamentals, particularly the lower capitalization rates. The overall increase of 4.64% in Specialty Area 153 reflects the improving senior care market in King County. Specialty Area 174 saw a decrease in overall value of -2.76%. This decrease is mainly due to increasing land values across King County. Other factors include the senior care market shifting away from standalone nursing homes. The recommended values do not include the limited new construction values which are valued later.

The values recommended in this report are believed to improve uniformity, assessment level and equity. In consideration of current market conditions, it is recommended that these values be posted for the 2016 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 / Fautleroy	290	Auburn North
235	Admiral	300	Enumclaw / Black Diamond
North		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
385	Bothell	380	Totem Lake
400	Kenmore	425	Woodinville
415	Shoreline East	430	Redmond
420	Shoreline West	Rural King County	
		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 freestanding 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 senior 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.

Boarding homes are licensed on a per-bed basis. Typically, the bed licenses are "floating" in that they can be assigned to whichever resident in the facility is utilizing the assisted living services. Thus there is not much difference between Independent Living facilities and Assisted Living facilities from a physical standpoint. The assisted living requires either more staff resources on site or contracting with others off site to provide those services.

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 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 rooms (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 nonprofit homes. The King County assessment rolls show 30% of the Nursing Home parcels as exempt or partially exempt.

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.

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 currently has 41 beds per 1,000 persons aged 70 and older.⁴ Therefore, the bed need for King County as of 2014 is determined to be met.

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 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

Continuing Care Retirement Communities

Aging in place options will become increasingly attractive. Continuing care retirement communities (CCRC's) have been an attractive option for many seniors in the past, this trend is expected to continue into 2016 and beyond. CCRC's offer a continuum of care with options for completely independent living, assisted living, and even nursing home-level care, providing residents with the appropriate level of care at each life stage, without having to relocate to other facilities. As Boomers begin to enter the senior home care arena, the advantages of CCRC's are likely to be a big draw for this generation that grew up with greater affluence and household conveniences than their elders.

Assisted Living

As cost concerns continue to affect the assisted living industry, the economic advantages of "going green" will entice a growing number of assisted living communities to embrace eco-friendly measures. While there may be an initial investment in building up a green infrastructure (LEED-certification, for instance), eco-friendly improvements, lighting and appliances can save money in the long run and are much better for the environment.

With an eye on attracting a new generation of older adults, many assisted living communities will be adding amenities that resonate with Boomers. Master bedrooms with walk-in closets, spacious bathrooms, and fully equipped kitchens will provide a comfortable setting more like the homes they are used to living in.

Memory Care

Utilizing the theory behind reminiscence therapy and extending it, many memory care facilities are using sight, sound, and even smell to help dementia residents retrieve long-term memories. Grounds and living areas which mimic styles from the 1950s and 1960s immerses residents in

⁴ 2014 Bed Need Forecast – 70+ <http://www.doh.wa.gov/Portals/1/Documents/2300/NHBedProj70.pdf>

the familiar world of their youth. Research indicates that this form of memory care reduces agitation and anxiety, and even improves cognitive function for some. As research in this interesting field progresses, it is likely that more and more assisted living communities will utilize familiar objects and images from the past to enhance the wellbeing of residents at any level.

Retirement Facilities Market Summary

Regional: In 2015, King County seniors housing occupancy rose 135 basis points (bps) to 91.6% compared with 2014. The average rent for an independent living unit in 2015 is \$3,379 per month, year over year rent growth of 1.8%. The average monthly rent for an assisted living unit is \$4,365 and memory care units rent for an average of \$7,052 per month. Year over year rent growth was 2.6% for assisted living units.⁵ Yearly inventory grew by only 9 units for independent living facilities, while assisted living inventory shrunk by 81 units.

In King County, occupancy for units in CCRCs is at 92.5% for units with an entrance fee and 93.6% for monthly rental units.⁶ The average entrance fee for studio units is \$78,020; \$218,075 for 1 bedroom units; \$506,608 for 2 bedroom units; \$255,702 for 3+ bedroom units. The range for rental units is \$1,400 - \$5,600 per month⁷. King County households with seniors aged 75 and older is projected to grow by 2.4% annually which will increase demand for the construction of new CCRC's.

National: Sales of senior housing properties remain robust in 2015 as continued improvement in this real estate sector and a bright outlook for the near term draw capital. Independent living properties remain an attractive investment option. The assisted-living segment is gaining traction as low interest rates fuel trades and an increase in activity. Higher-end, luxury properties have come online marketing to a group of seniors that control a considerable amount of our country's disposable income.⁸

NIC MAP reported approximately 4,000 independent living units were added to inventory during the last 12 months, up from the 3,200 units in the prior year. Across the country, development is rising and just over 14,000 independent living units are underway, representing 2.6% of existing inventory. Although falling slightly from the end of last year, occupancy at stabilized independent living centers is still up on a year-over-year basis, reaching 91.4% in the second quarter, a 40-basis-point annual increase. Occupancy now rests 290 basis points above the recessionary low. The pace of rent growth is rising, though modestly, as construction of independent living properties picks up and competition from other market-rate and age-restricted housing intensifies. The average rent reached \$2,892 per unit, a 2.3% year-over-year climb. In the last 12 months, sales of independent living properties grew 23%. During this period, investors paid an average price of \$186,000 per unit, marking a 12% increase over the previous year.⁹

⁵ NIC MAP Metro Report 4th Quarter 2015, Seattle, WA, Pg. 11

⁶ NIC MAP Metro Report 4th Quarter 2015, Seattle, WA Pg. 10

⁷ NIC MAP Metro Report 4th Quarter 2015, Seattle, WA, Pg. 10

⁸ Marcus & Millichap Sr. Housing Research Report, 2nd Half 2015, Pg. 1

⁹ Marcus & Millichap Sr. Housing Research Report, 2nd Half 2015, Pg. 2

Per NIC MAP, builders delivered 12,100 assisted living units during the last four quarters, increasing inventory by 3.6%. Inventory expanded by 10,700 units in the prior 12-month period. Nearly 23,800 units are under construction across the country, representing 6.8% of current inventory. A surge in deliveries during the past year has put downward pressure on occupancies, and occupancy at stable assisted living properties reached 90.3% in June, representing a drop of 40 basis points year-over-year. Average rent growth is rising at the fastest pace in two years despite the surge of new inventory that came online during that time. The average rent reached \$4,264 per month in the second quarter, up 2.3% from one year ago. Sales activity for assisted living centers across the country surged 35% in the last four quarters. In addition, the average price during the period advanced 24% to \$174,000 per unit.¹⁰

According to industry source, NIC MAP, builders brought nearly 1,100 CCRC units online in the last 12 months, or about half of the number of units delivered in the prior 12-month stretch. Currently, 56 CCRC properties are under construction with a total 5,400 units. Reduced construction and demographics that strongly support CCRCs contributed to an increase in stabilized occupancy of 40 basis points in the last 12 months, to 90.9% at midyear. Improving property operations are encouraging stable rent growth at CCRCs. The average rent grew 2.4% in the past four quarters to \$2,974 per month. The average entrance fee at CCRC properties was up 2% from one year ago in the second quarter to approximately \$297,000. Sales of CCRC assets more than tripled during the last four quarters as several large funds and institutions expanded their holdings in the asset class. The average price increased 40 percent during the period to \$136,000 per unit.¹¹

Nursing Homes Market Summary

Regional: In the fourth quarter of 2015, occupancy in King, Pierce and Snohomish counties declined 90 bps to 90.1% from 89.2% last quarter, which was attributable to inventory growth of 2 units and absorption of 77 units during the quarter. There were 70 stabilized properties reporting occupancy, with 9 reporting stabilized occupancy of 80% or less. NIC MAP data shows 90.1% occupancy for nursing homes in King County. Average daily rent per bed is \$332, a year over year rent growth of 5.5%.¹²

National: The NIC MAP reported that inventory of skilled nursing facilities fell for the fourth consecutive quarter, bringing the annual loss to nearly 2,700 beds nationwide. The number of properties under construction also dropped as just 73 properties comprising 6,200 beds are under development. Occupancy is falling at skilled nursing facilities, reaching 87.8% year-over-year in the second quarter after rising 40 basis points one year earlier. The decline is the first since mid-2013. The average rent is growing at a stable pace in the skilled nursing sector, rising 2.5% in the last four quarters to \$289 per bed per day. The average daily rate rose 4% or more in Seattle and Chicago, the top showing nationwide. Sales in the skilled nursing sector more than doubled in the last four quarters as REITs and institutional-grade buyers became more active in this

¹⁰ Marcus & Millichap Seniors Housing Report, 2nd Half 2015, Pg. 2

¹¹ Marcus & Millichap Seniors Housing Report, 2nd Half 2015, Pg. 3

¹² NIC MAP Metro Report 4th Quarter 2015, Seattle, WA, Pg. 10

segment than in the preceding 12 months. As more multi-property deals occurred, the price per unit ticked down slightly, resting at \$78,000 per unit.¹³

¹³ Marcus & Millichap Seniors Housing Report, 2nd Half 2015, Pg. 3

Analysis Process

Effective Date of Appraisal: January 1, 2016

Date of Appraisal Report: June 1, 2016

The following appraiser prepared the valuation analysis for commercial specialty areas: Specialty Area 153, Retirement Homes and Specialty Area 174, Nursing Homes.

- Nick Moody – Commercial Appraiser II

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

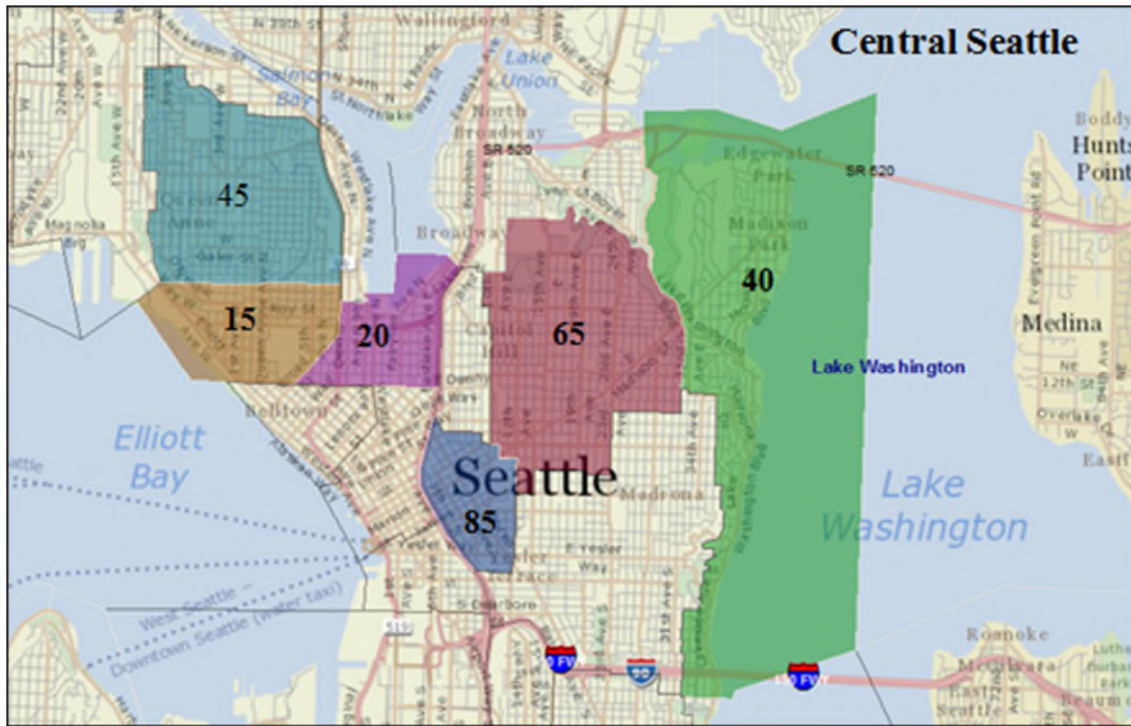
All three approaches to value were considered in this appraisal. The following departmental guidelines were considered and adhered to:

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

Area Description

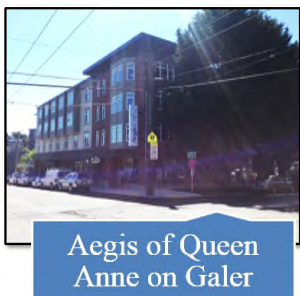
Nursing homes and retirement facilities are dispersed throughout the county. For purposes of the revaluation of the retirement home specialty, the population has been segmented into seven regions. These regions are generally described by their geographic location with the exception of nursing homes,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

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



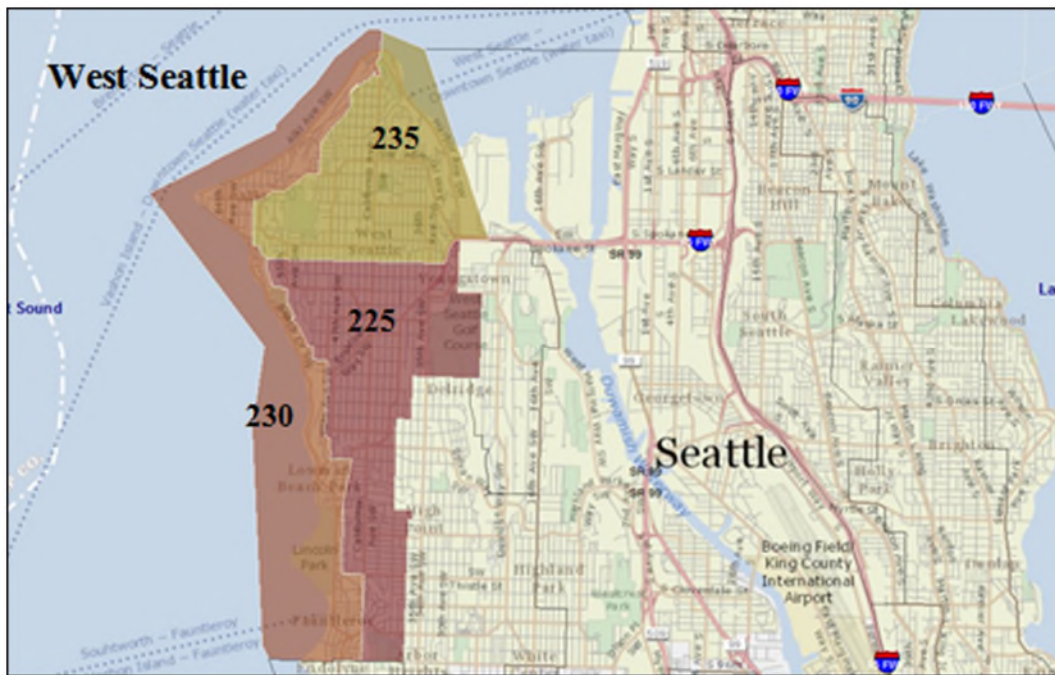
- **Aegis of Queen Anne on Galer** - Aegis Living, a Redmond based assisted living care provider, completed construction of a four-story, 58 unit retirement home located at the top of Queen Anne Hill in the city of Seattle. The residence features one and two bedroom assisted living units and memory care residences for seniors living with



Alzheimer's. The project was completed and ready for occupancy in 2015.

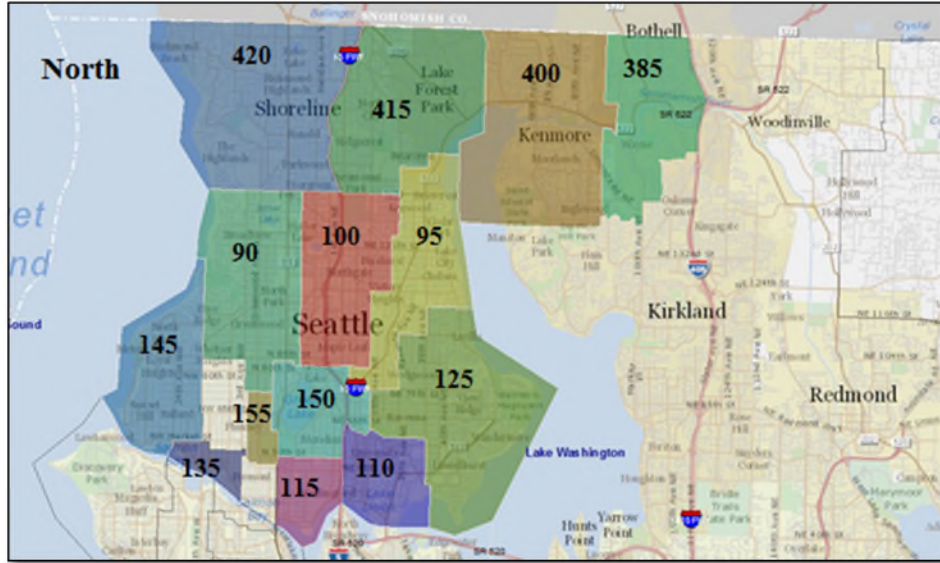
- **Aegis of Queen Anne at Rodgers Park** – Aegis Living began construction of a three-story, 129 unit retirement home located on the north side of Queen Anne Hill. The residence features one and two bedroom assisted living and memory care apartments. Onsite amenities will include a movie theater, sports den, and a hobby room and wellness center. Residents will also have access to dining amenities. The project is expected to be complete in 2016.

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. There is currently no new construction of retirement homes in the West Seattle region.

North Seattle and North King County Super Groups

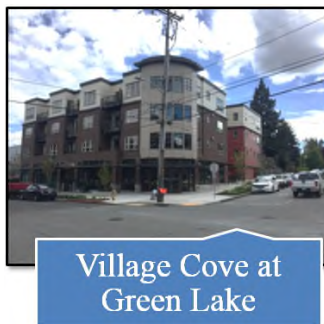


The North region represents 27.6% of the Specialty Area 153 population, which is equal to the South King County region. The improvements tend to be low-rise to mid-rise. The largest concentrations of retirement homes are located in the north end in the city of Seattle.

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



- **Merrill Gardens at Ballard** – Merrill Gardens began construction of a 103 unit continuing care retirement community, located in the Ballard neighborhood in the City of Seattle. Merrill Gardens at Ballard will provide independent living, assisted living and memory care options for seniors. Unit amenities include full kitchens and washers and dryers. Residents of Merrill Gardens at Ballard will also have access to onsite amenities including a library, theater and common areas. Merrill Gardens at Ballard is scheduled to be complete in 2016.

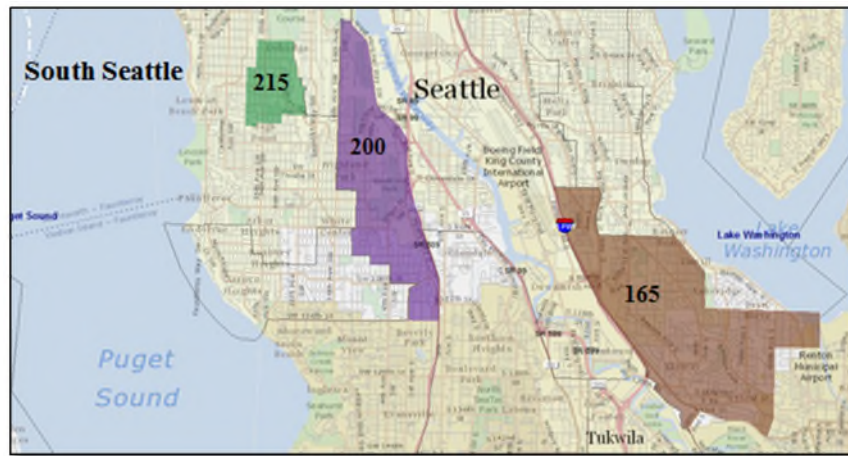


- **Village Cove at Green Lake** – Village Cove, an independent living option of the nearby Hearthstone, completed construction in 2015. Village Cove features 28 one and two-bedroom units equipped with full kitchens. Onsite amenities include a fitness center and a community party room.



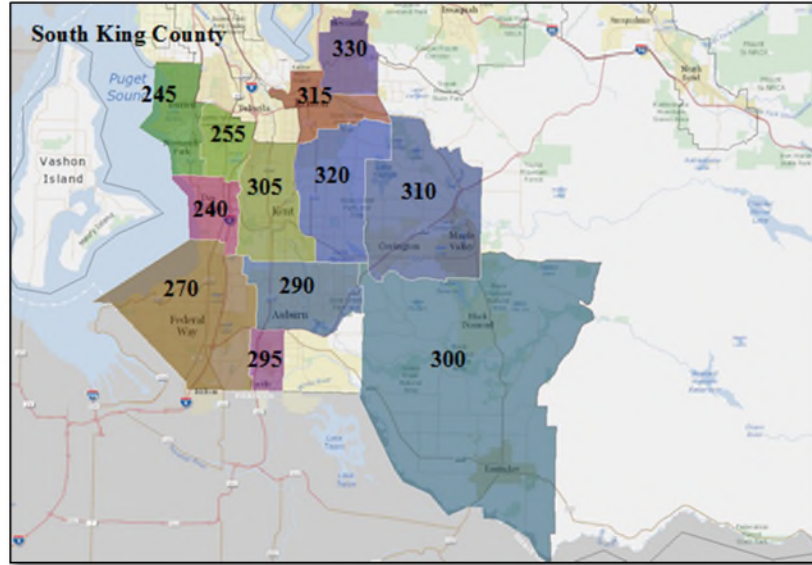
- **Chateau at Bothell Landing** – In 2015, Chateau at Bothell Landing began construction on a new addition to its existing continuing care retirement community in Bothell. The new addition will feature 76 studio, one and two-bedroom independent and assisted living units. Additional resident amenities will include a recreation room, conference room and a dining room. Construction is expected to be complete in 2016.

South Seattle Super Group



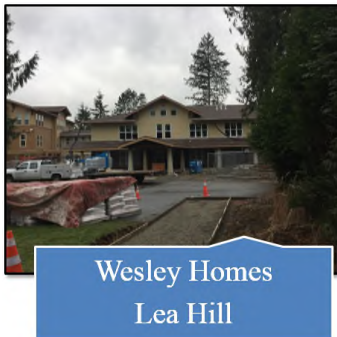
The South Seattle region represents 4.5% of the Specialty Area 153 population. The improvements tend to be low-rise to mid-rise. The most recent project in the South Seattle region was the Arrowhead Gardens, an affordable senior living community. Arrowhead Gardens is a seven-story 449-unit retirement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

South King County Super Group

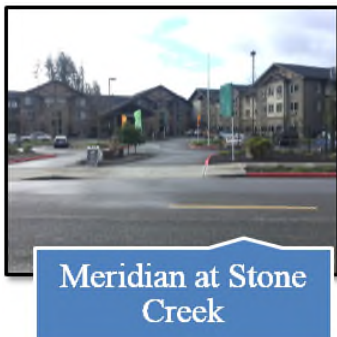


The South King County region represents 27.6% of the Specialty Area 153 population. South King County is characterized by urban and large rural areas. The improvements are comprised of low-rise to mid-rise buildings and concentrated mainly in dense urban centers. Health care amenities are primarily located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

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

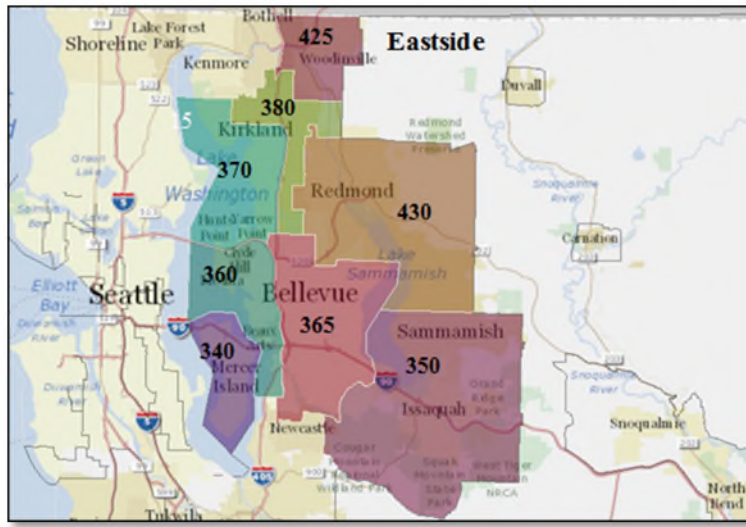


- **Wesley Homes Lea Hill** – In 2014, construction began on the addition of a 33,500 square foot skilled nursing and rehabilitation center to its existing 174 unit independent and assisted living facility. Construction is expected to be complete in 2016.



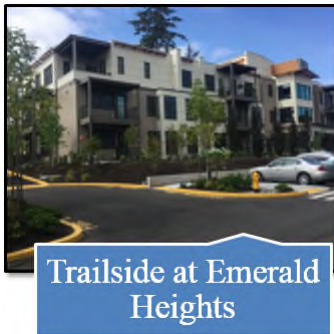
- **Meridian at Stone Ridge** – Pacifica Senior Living purchased Stone Ridge in late 2013. At the time of purchase, Stone Ridge was unfinished and unoccupied. Construction began in 2009 and was halted in 2011 when the developer went bankrupt. Construction then restarted in 2014. The Meridian at Stone Creek features studio, one and two-bedroom apartments and detached two-bedroom cottages with garages. The Meridian at Stone Creek completed construction in 2015.

Eastside Super Group



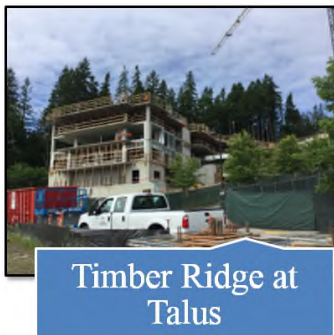
The Eastside region represents 26.9% of the Specialty Area 153 population. The improvements tend to be low-rise to mid-rise with the inclusion of one high-rise tower located in downtown Bellevue. The Eastside region is characterized by urban and suburban areas with many available commercial amenities.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



Trailside at Emerald Heights

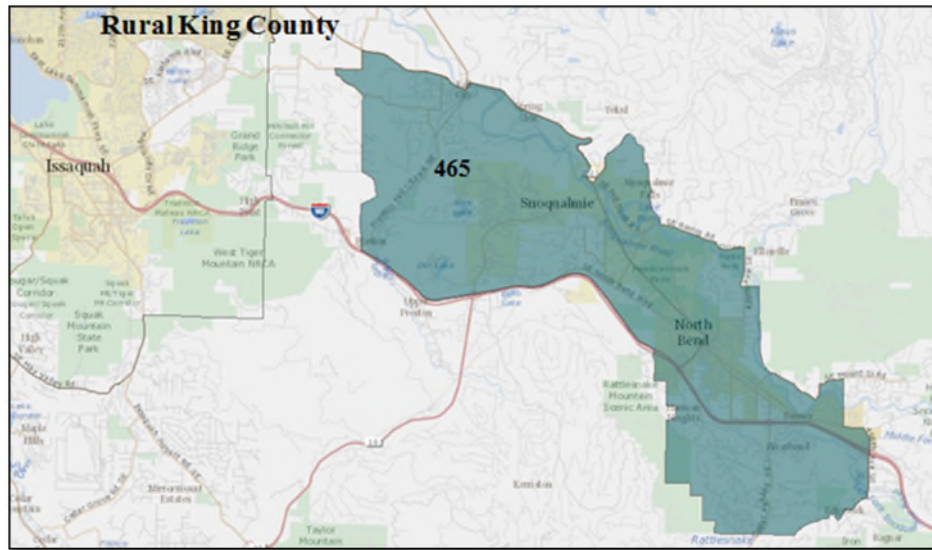
- **Emerald Heights Retirement Center** – The Trailside expansion, completed in 2015, adds 43 one and two-bedroom independent living units.



Timber Ridge at Talus

- **Timber Ridge at Talus** – The Phase II expansion began in 2015. The eight-story expansion will add 145 independent living units and 26 assisted living and memory care units. An enhanced wellness and an aquatic center is included in the project. The new expansion is expected to be complete in 2016.

Rural King County Super Group



The Rural King County region represents 0.7% of the Specialty Area 153 population. South King County is characterized of 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 2016 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 out the intangible 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*,¹⁴ 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
- 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. Retirement Facilities are appraised on a per unit basis, similar to apartments, while nursing homes are appraised based on lease rates for skilled nursing facilities and medical clinics. Both types can be alternatively 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


¹⁴ James K. Tellatin, MAI, *The Appraising of Nursing Facilities*, Appraisal Institute, 2009, p. 324.


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 homes and only six retirement facilities have sold since 2013 – 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:


Property Name	Characteristics	Comments
	<i>Parcel Number</i> 067310-0011	The property is located in Redmond at the intersection of 152nd Avenue Northeast and Northeast 31st Street. Sales price was negotiated and purchased by a property management trust. The sales price includes undisclosed value for the existing business. Overlake Terrace was 85% occupied at time of purchase. The property was then leased to Stellar Senior Living for 15 years with the option to renew. Overlake Terrace was originally offered as part of a portfolio of 12 properties.
	<i>Excise Tax Number</i> 2583993	
	<i>Sale Date</i> 1/9/2013	
	<i>Sale Price</i> \$12,850,000	
	<i>Sale Price Per Unit</i> \$139,172	


Property Name	Characteristics	Comments
	<i>Parcel Number</i> 555630-0005	The subject, formerly known as Regency Marymoor, is located in Redmond at the intersection of West Lake Sammamish Parkway Northeast and Northeast Bellevue-Redmond Road. The property was vacant at the time of purchase. The sales price represents the value of the real estate only and does not include consideration for the existing business or personal property. The new owners have completely remodeled the property including all units and common areas.
	<i>Excise Tax Number</i> 2586242	
	<i>Sale Date</i> 1/17/2013	
	<i>Sale Price</i> \$4,260,680	
	<i>Sale Price Per Unit</i> \$106,517	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 022505-9157	The subject is located at the intersection of Willows Road Northeast and Northeast Redmond Way. The sales price included undisclosed business value. The buyer will continue operations as a retirement home. Redmond Heights and Redmond Care and Rehabilitation Center were purchased by the same buyer.
	<i>Excise Tax Number</i> 2603039	
	<i>Sale Date</i> 5/1/2013	
	<i>Sale Price</i> \$6,567,526	
	<i>Sale Price Per Unit</i> \$65,675	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 112505-9084	The subject is located at the intersection of Willows Road Northeast and Northeast Redmond Way. The sales price included undisclosed business value. The buyer will continue operations as a nursing home. Redmond Heights and Redmond Care and Rehabilitation Center were purchased by the same buyer.
	<i>Excise Tax Number</i> 2603045	
	<i>Sale Date</i> 5/1/2013	
	<i>Sale Price</i> \$4,335,659	
	<i>Sale Price Per Unit</i> \$31,191	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 102505-9001	The subject is located on Northeast Redmond Way at 148th Avenue Northeast in the city of Redmond. The property was originally listed for \$4,000,000. The final sales price was \$3,665,000 which included business value and personal property. The adjusted sales price represents the value of the real estate only.
	<i>Excise Tax Number</i> 2646804	
	<i>Sale Date</i> 12/13/2013	
	<i>Sale Price</i> \$3,121,843	
	<i>Sale Price Per Unit</i> \$46,594	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 692840-0070	The subject is located in the Totem Lake neighborhood in the city of Kirkland. The total sales price was \$16,600,000 which includes business value and personal property. The business value and personal property accounted for \$4,100,000 of the sales price. The adjusted sales price, which represents real estate value only is \$12,500,000, or \$85,616/unit.
	<i>Excise Tax Number</i> 2659955	
	<i>Sale Date</i> 3/3/2014	
	<i>Sale Price</i> \$12,500,000	
	<i>Sale Price Per Unit</i> \$85,616	

Property Name	Characteristics	Comments
	<i>Parcel Number</i> 276760-4780	The subject is located in the Ballard neighborhood in the city of Seattle. The sales price includes undisclosed business value. This sale was negotiated directly between buyer and seller. The buyer is an investment firm specializing in acquisition, turnaround and asset management of senior housing communities in the west. The buyer plans to renovate the property.
	<i>Excise Tax Number</i> 2716388	
	<i>Sale Date</i> 3/1/2015	
	<i>Sale Price</i> \$7,897,500	
	<i>Sale Price Per Unit</i> \$121,500	

Cost Approach

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 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 were 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).

Income Approach

Retirement facilities are considered to be apartments that provide extra services. While the physical amenities may differ from what is typical to an apartment house, their utility is at least as great, and is considered equal in this analysis. Quoted rates from retirement facilities tend to include services which cannot be considered in valuing the real estate.

With the addition of unit breakdowns in the database for the Retirement Facilities, the Apartment Model developed for the revalue of apartments (Specialty 100) was adapted to reflect the value of the apartment use for Retirement Facilities. The Apartment Model includes two income approaches (gross income multiplier and direct capitalization), the cost approach, and two sales comparison approaches (multiple regression and direct sales comparison). The Apartment Report is incorporated by reference in this report, together with its validity as an extraordinary assumption. Comparable apartment sales were also cited for all retirement facilities.

Nursing home values are based on actual lease rates from nursing facilities, 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	\$8.00 to \$23.00	10.00%	30% to 35%	7.00% to 9.00%
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%	7.25% to 9.00%
344 OFFICE BUILDING 840 Mixed-use Office	\$5.50 to \$20.00	10.00%	15.00%	7.25% to 10.00%
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. The apartment model was not used for nursing homes. For retirement facilities, the apartment model was used, with most weight given to the income 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 2016 assessment year.

The 2016 valuation reflects the improving market dynamics of the senior care market. The housing market is a bright spot for the industry. After the housing downturn, many seniors remained in their homes rather than liquidate the largest portion of their retirement nest egg at rock bottom prices. As the market recovered, robust appreciation supported a longer hold period for seniors to build equity. Now that some normalcy has returned to the housing market, seniors are financially and psychologically in a position to transition to some form of seniors housing.

In the independent living arena, intense demand for apartments is spilling into the sector as buyers outnumber sellers by a wide margin. The added spread between cap rates and interest rates for these properties has been a strong selling point for investors. Assisted living facilities, which typically do not receive the same level of interest from traditional multi-family buyers, are receiving a wave of new capital from REITs expanding in the sector. Nationally, approximately \$30 billion in non-traded REIT funds could enter the seniors housing market this year, with a significant share targeted at private-pay assisted living facilities.

The current economic conditions have resulted in higher valuations for most of the retirement homes (153) in King County. Current economic conditions indicate flat or minor changes in value for nursing homes (174) in King County.

Application of these recommended values for the 2016 assessment year results in a total change from the 2015 assessments of 4.64% in specialty area 153 and -2.76% 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, 2016).

Property Type	Change in Total Assessed Value			
	2015 Total Value	2016 Total Value	\$ Change	% Change
Retirement Facilities (153)	\$2,215,998,300	\$2,318,764,100	\$102,765,800	4.64%
Nursing Homes (174)	\$343,623,000	\$334,127,500	-\$9,495,500	-2.76%

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.*
- *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*

Nick Moody, Commercial Appraiser II

Date

Improvement Sales for Area 153 with Sales Used

06/01/2016

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	380	692840	0070	107,128	2659955	\$12,500,000	03/31/14	\$116.68	MADISON HOUSE	PR 1.8	1	Y	
153	430	022505	9157	64,340	2603039	\$6,567,526	05/01/13	\$102.08	CASCADE PLAZA RETIREMENT CE	R30	1	Y	
153	430	067310	0011	110,000	2583993	\$21,850,000	01/09/13	\$198.64	OVERLAKE TERRACE ASSISTED L	OV1	1	Y	
153	430	102505	9001	42,952	2646804	\$3,121,843	12/16/13	\$72.68	PETERS CREEK Retirement and Ass	R5	1	Y	
153	430	555630	0005	44,563	2586242	\$4,260,680	01/17/13	\$95.61	REGENCY MARYMOOR	R4	1	Y	

Improvement Sales for Area 174 with Sales Used

06/01/2016

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	112505	9084	34,396	2603045	\$4,335,659	05/01/13	\$126.05	Redmond Care and Rehabilitation Ce	R30	1	Y	

Improvement Sales for Area 153 with Sales not Used

06/01/2016

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	085	197820	0250	539,758	2602985	\$100,000	05/01/13	\$0.19	HORIZON HOUSE	HR-PUD	1	15	No market exposure
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	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	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	270	436820	0010	154,886	2647106	\$8,600,000	12/19/13	\$55.52	STONE RIDGE	PD	3	61	Financial institution resale
153	290	000100	0097	81,231	2668286	\$3,750,000	05/16/14	\$46.16	PARKSIDE WEST RETIREMENT CO	C3	1	13	Bankruptcy - receiver or trustee
153	290	509440	0025	66,236	2652471	\$21,839,600	02/01/14	\$329.72	AUBURN MEADOWS	R10	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	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	1130	0	2741847	\$340,000	06/30/15	\$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	1	59	Bulk portfolio sale
153	365	262505	9224	68,520	2695292	\$8,025,000	10/10/14	\$117.12	CROSSROADS RETIREMENT CTR	R-30	1	13	Bankruptcy - receiver or trustee
153	365	545330	0020	91,632	2647733	\$18,333,671	12/23/13	\$200.08	GARDEN CLUB, THE	R-20	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

Improvement Sales for Area 174 with Sales not Used

06/01/2016

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
174	010	342406	9152	61,520	2596232	\$15,000	03/25/13	\$0.24	ISSAQUAH NURSING AND REHAB C	MF-H	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 C	R24	2	59	Bulk portfolio sale

2016 Physical Inspection Parcels

Major	Minor	Spec Area	Prop Name	Addr Line
082104	9042	174	LIFE CARE CENTER OF FEDERAL WAY	1045 S 308TH ST
082204	9133	174	WESLEY HOMES HEALTH CTR	1122 S 216TH ST
172104	9073	174	HALLMARK MANOR	32300 1ST AVE S
172104	9135	174	Hallmark Manor	32300 1ST AVE S
172104	9136	174	Hallmark Manor	32340 1ST AVE S
551460	0005	174	STAFFORD HEALTHCARE	2800 S 224TH ST
926480	0220	174	GARDEN TERRACE	491 S 338TH ST
926504	0080	174	Avalon Care Center	145 S 336TH ST
926504	0110	174	AVALON CARE CENTER	135 S 336TH ST
926504	0120	174	Avalon Care Center	130 S 340TH ST
082104	9088	153	EMERITUS AT FEDERAL WAY (EVERGREEN LODGE)	31002 14TH AVE S
082204	9014	153	WESLEY HOMES - THE GARDENS, WESLEY VIEW & COTTAGES	815 S 216TH ST
082204	9087	153	WESLEY HOMES - THE TERRACE + COTTAGES	816 S 216TH ST
092104	9127	153	EMERITUS AT STEEL LAKE	31200 23RD AVE S
172104	9039	153	FOUNDATION HOUSE - FEDERAL WAY	32290 1ST AVE S
172204	9025	153	JUDSON PARK RETIREMENT HOME	23600 MARINE VIEW DR S
172204	9023	153	LANDMARK ON THE SOUND	23660 MARINE VIEW DR S
302104	9146	153	Vacant Land	
302104	9017	153	Village Green Retirement Campus	
302104	9024	153	VILLAGE GREEN RETIREMENT CAMPUS	35419 1ST AVE S
436820	0010	153	STONE RIDGE	37600 9TH AVE S
000100	0004	174	NORTH AUBURN REHAB & HEALTH CNTR	2830 I ST NE
007100	0020	174	CANTERBURY HOUSE	502 29TH ST SE
192105	9110	174	REGENCY AUBURN REHAB CENTER	414 17TH ST SE
331360	0470	174	CHARTLEY HOUSE	505 29TH ST SE
000100	0080	153	PARKSIDE EAST (ASST LIVING)	2902 I ST NE
000100	0097	153	PARKSIDE WEST RETIREMENT COMMUNITY	2801 I ST NE
172105	9007	153	WESLEY HOMES - LEA HILL	10805 SE 320TH ST
509440	0025	153	AUBURN MEADOWS	945 22ND ST NE
172205	9173	174	BENSON HEIGHTS REHAB CENTER	22410 BENSON RD SE
192205	9219	174	SUNRISE HAVEN NURSING HOME	24423 100TH AVE SE
242006	9493	174	ENUMCLAW HEALTH CARE AND REHAB	2323 JENSEN ST
192007	9137	153	CASCADE HOUSE	2000 MOUNTAIN VIEW DR
192205	9042	153	FARRINGTON COURT	516 KENOSIA AVE
192205	9126	153	STAFFORD SUITES RETIREMENT	112 KENNEBECK AVE N
202205	9208	153	AEGIS - KENT	10421 SE 248TH ST
202205	9062	153	ARBOR VILLAGE	24121 116TH AVE SE
202205	9067	153	ARBOR VILLAGE - THE INN	24205 116TH AVE SE
202205	9157	153	ARBOR VILLAGE - THE LODGE (Memory Care)	24004 114TH PL SE
212206	9151	153	FOUNTAIN COURT ASSISTED LIVING FACILITY	24200 224TH AVE SE
212206	9187	153	FOUNTAIN COURT COTTAGES	
232006	9314	153	HIGH POINT VILLAGE RETIREMENT CO	1777 HIGHPOINT ST
242006	9599	153	EXPRESSIONS AT ENUMCLAW	2454 COLE ST
242006	9402	153	LIVING COURT ASSISTED LIVING	2229 JENSEN ST
272205	9073	153	RADCLIFFE PLACE RETIREMENT	13530 SE 272ND ST
352205	9123	153	WEATHERLY INN AT LAKE MERIDIAN	15101 SE 272ND ST