

**Commercial Revalue**

**2016 Assessment roll**

# **INDUSTRIAL**

**AREA 540**

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

**John Wilson, Assessor**



## **King County**

**Department of Assessments**

**Accounting Division**

500 Fourth Avenue, ADM-AS-0740  
Seattle, WA 98104-2384

(206) 205-0444      FAX (206) 296-0106

Email: [assessor.info@kingcounty.gov](mailto:assessor.info@kingcounty.gov)

<http://www.kingcounty.gov/assessor/>

***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.

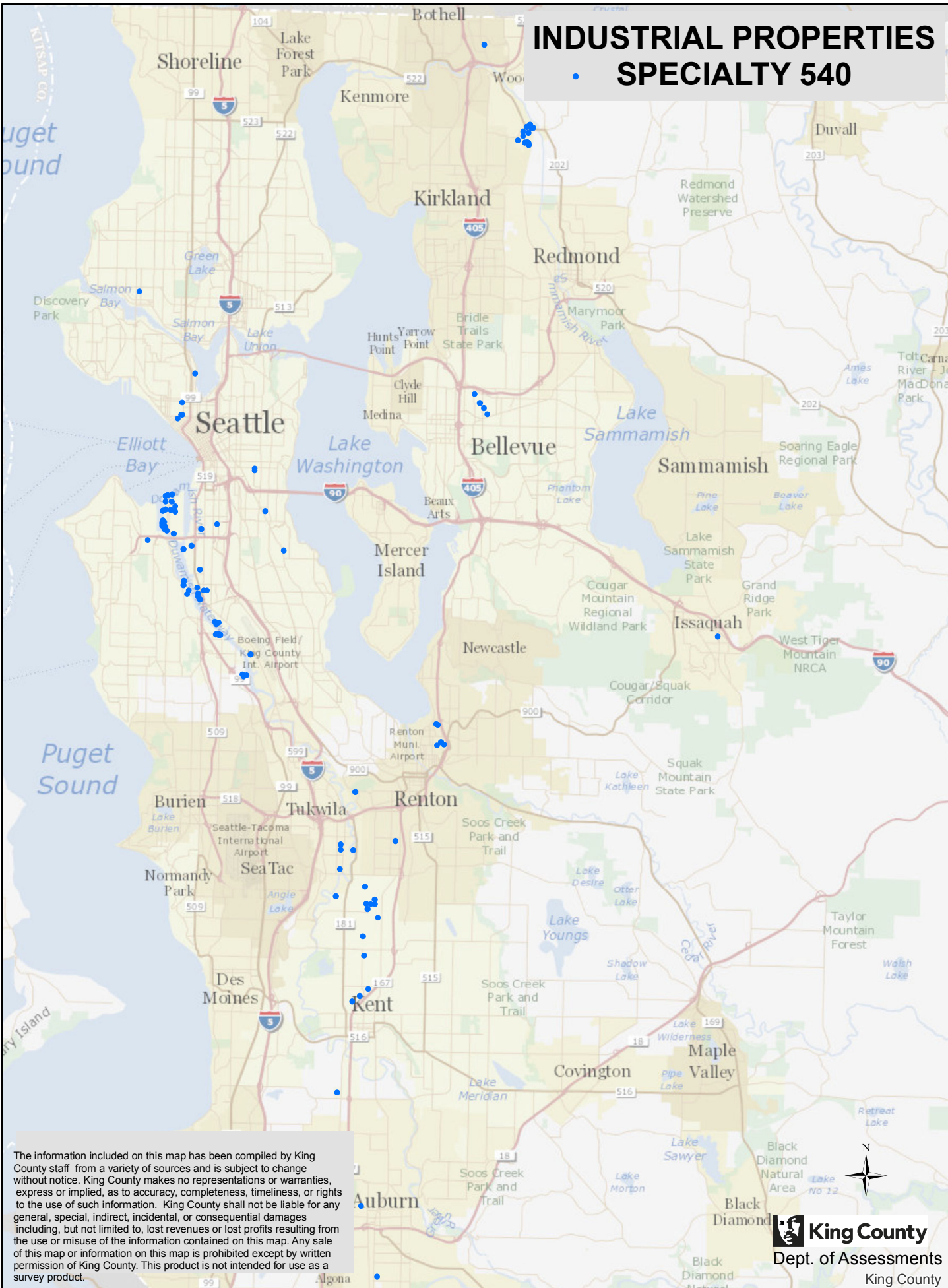
Fairness, accuracy, and uniform assessments set the foundation for effective government. I am pleased to incorporate your input as we make continuous and ongoing improvements to best serve you. Our goal is to ensure every taxpayer is treated fairly and equitably.

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

# INDUSTRIAL PROPERTIES SPECIALTY 540



The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representations or warranties, express or implied, as to accuracy, completeness, timeliness, or rights to the use of such information. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County. This product is not intended for use as a survey product.

# Executive Summary Report

**Appraisal Date 1/1/2016 - 2016 Assessment Roll – 2017 Tax Roll Year**

**Specialty Name:** Industrial, Specialty Area 540

**Improved Sales Summary:**

Number of Sales: 2 (Improvement Sales considered Good)  
 Range of Sale Dates: 9/8/2013 – 12/22/2014

All improved sales, which were verified as good that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis. Examples of sales that are not included in the analysis are sales that are leased back to the seller; sold as a portion of a bulk portfolio sale; net lease sales; sales that have had major renovations after the sale, or have been segregated or merged since being purchased.

Three sales occurred that were not considered good including a builder or developer sale, a sale involving corporate affiliates, and the sale of an easement.

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

**Total Population – Average Improved Parcel Summary Data:**

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2015 Value	\$600,955,500	\$471,213,300	\$1,072,168,800
2016 Value	\$673,996,700	\$481,731,900	\$1,155,728,600
% Change	12.15%	2.23%	7.79%

Population: 90 parcels.

**Conclusion and Recommendation:**

The values recommended in this report improve uniformity and equity, the specialty appraiser recommends posting them for the 2016 assessment year.

# Identification of the Specialty Area

**Name or Designation: Specialty Area 540 - Industrial Properties**

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

## **Maps:**

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

## **Population:**

The industrial specialty has a population of ninety tax parcels.

For the 2016 revalue year, four parcels, presently improved and used as non-exempt broadcasting facilities, are included in the specialty category for industrial property. Although these properties were not built for manufacturing nor intended for use as such, they were included in the industrial specialty for revalue due to the special purpose nature of their facilities.

## **Specialty Description for Industrial Property:**

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

Special characteristics of industrial properties are summarized by the Encyclopedia of Real Estate Appraising as follows:<sup>[1]</sup>

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

---

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

## Area Overview

Industries are affected by a multitude of external (factors affecting a particular industry) and internal (the specific property under appraisal) economic pressures. Value influencing factors unique to the industrial appraisal include labor markets, rail and shipping connections, availability/cost of raw material.

The industrial specialty is comprised of a diverse group of manufacturers located throughout King County. Many of the industries are the only ones of their type within this county, Washington State, and the Pacific Northwest Region. The products range from perishable locally distributed goods and products that remain exclusively local markets based on lack of cost effective shipping to products that compete in the national and international marketplaces.

The industrial sector output has grown more slowly than the overall economy in recent decades, as imports have met a growing share of demand for industrial goods; whereas, the service sector has grown more rapidly. A marginal contraction in manufacturing occurred during 2015 with the PMI falling just below the 50 benchmark, which signifies expansion. However, the PMI annualized from April 2015 to April 2016 averaged 50.4, with a high of 53.1 and a low of 48.

Manufacturing plays a major role in the U.S. economy as the fourth largest employer. The jobs generated by manufacturers are a critical component to the local economy since most provide a living wage and career opportunities. The 2015 Manufacturers News, Incorporated (MNI,) reported manufacturing employment in Washington State's industrial sector has climbed 6.3% since February 2011, overtaking the nation's growth rate of 5.8% during the same time period. Manufacturing employment now stands at pre-recession levels in Washington, with 6,661 manufacturers employing 313,509 workers.

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

## **Analysis Process**

**Effective Date of Appraisal:** January 1, 2016

**Date of Appraisal Report:** May 12, 2016

### **Highest and Best Use Analysis:**

**As if vacant:** Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as industrial. Any opinion not consistent with this is specifically noted in the records and considered in the valuation of the specific parcel.

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use (and, in some cases, the cost to remove the improvements.) We find that the current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of \$1,000.00 is assigned to the improvements. In some instances, the property is reassigned to the geographic appraiser.

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

### **Special Assumptions, Departures and Limiting Conditions**

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

The following Departmental guidelines were considered and adhered to:

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

## **Forces Impacting Market Value of Industrial Property**

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

### **Recognition of all Forms of Depreciation**

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

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

### **Changing Consumer Product Demands**

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

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

---

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

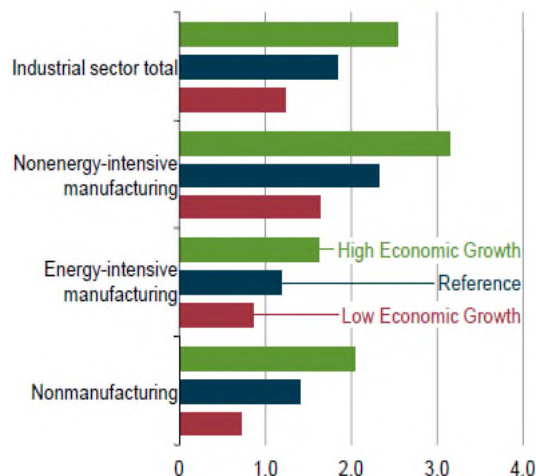


constantly improving their products and bringing new products to the market, while keeping their prices low.

### Economic Influences on Industrial Production during Post Recession Recovery

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

Annual Growth Rates for Industrial Output in three cases, 2013-40 (percent per year)



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

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

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

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

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

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

The optimistic outlook is based on the positive growth, albeit minimal in some cases, of the five major indicators, including labor, wholesale and retail sales, industrial production, gross domestic product, and personal income. Manufacturing activity, as measured by the Institute for Supply Management's Purchasing Managers Index (PMI), had remained above 50 during 2014 (50 or higher indicates that the manufacturing economy is generally expanding.) Economic activity in the manufacturing sector expanded until September 2015, which was the 28th consecutive month above 50. A marginal contraction in manufacturing occurred for the subsequent 5 months with PMIs in the 48 and 49 ranges, with expansion resuming in March 2016. Annualized to April 2016, the manufacturing PMI averaged 50.4, with a high of 53.1 and a low of 48. In comparison, a PMI above 43.2 percent, over a period of time, generally indicates an expansion in the overall economy, or GDP. The overall economy grew for the 83rd consecutive month as of April 2016 with an annualized 2.4% increase in GDP.<sup>[5]</sup>

### **Industrial Production Capacity Utilization**

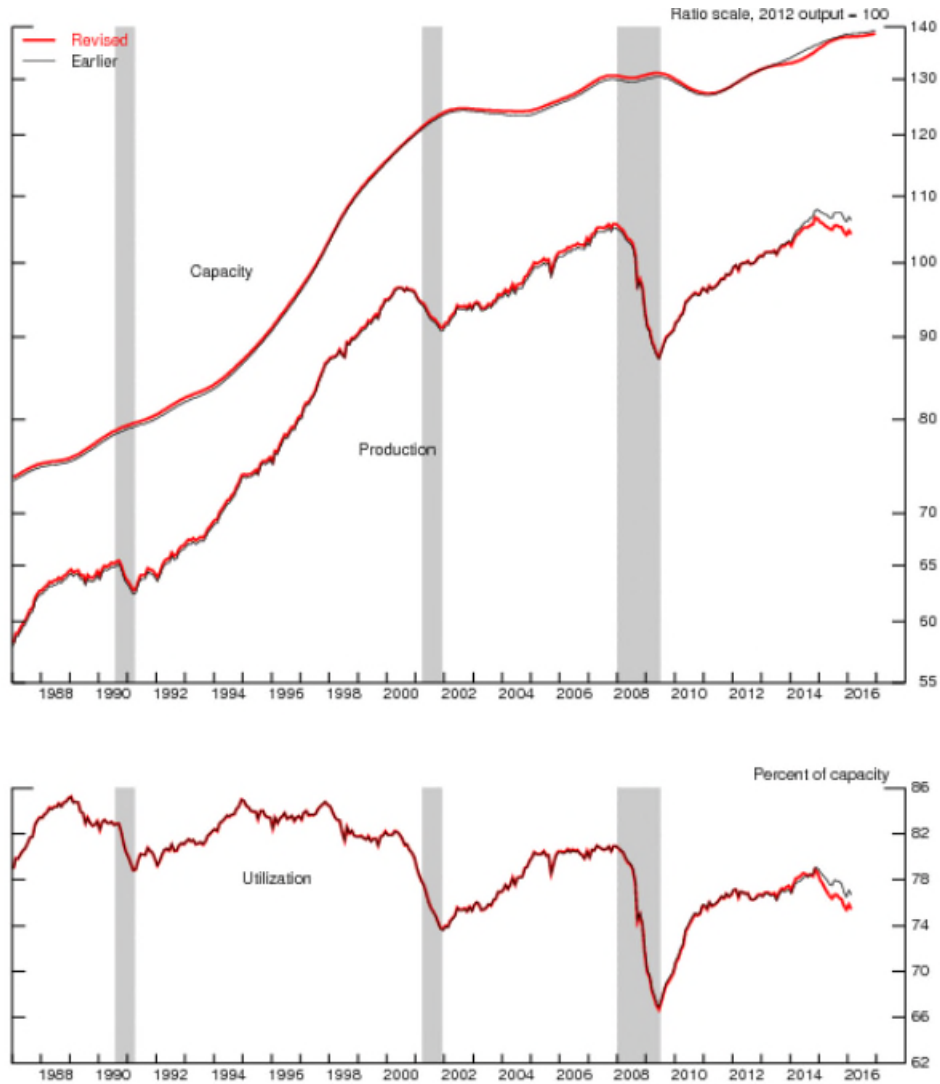
“The Federal Reserve Board constructs estimates of capacity and capacity utilization for industries in manufacturing, mining, and electric and gas utilities. For a given industry, the capacity utilization rate is equal to an output index (seasonally adjusted) divided by a capacity index. The Federal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

---

<sup>[5]</sup>Institute for Supply Management, “April 2016 Manufacturing ISM, Report on Business,” 2 May 2016, 26 May 2016, <<https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm>>.

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

## Total Industrial Production, Capacity and Utilization <sup>[7]</sup>



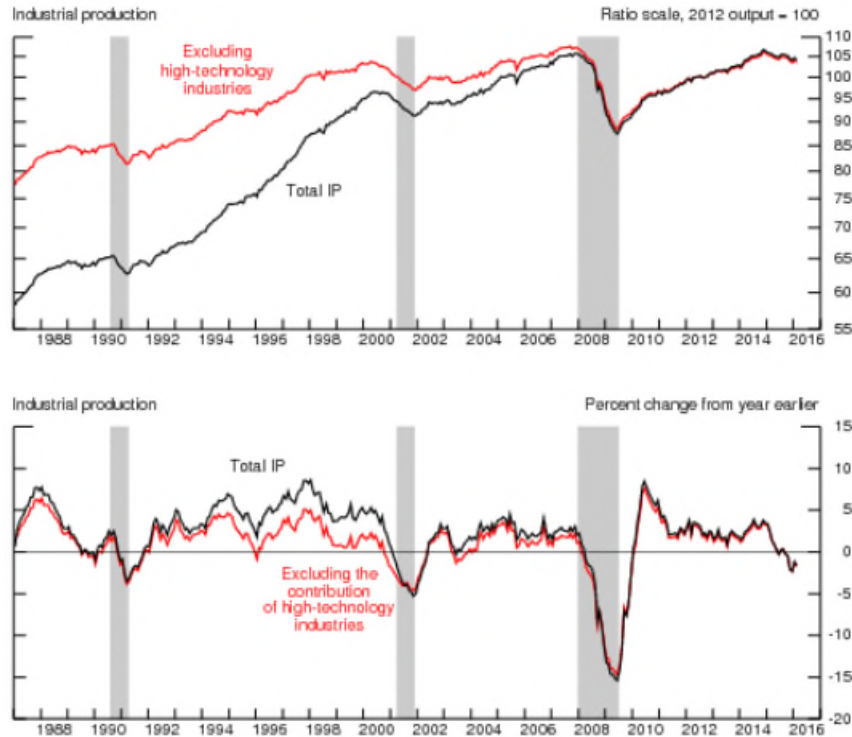
Note: The shaded areas represent periods of business recession as defined by the National Bureau of Economic Research (NBER).

Total industrial production, excluding selected high tech industries, in the U.S. during 2015 was at 105.2% percent of the 2012 level, 0.3% above the annual level for 2014. As of November 2014, total industrial production is estimated to have returned to its pre-recession peak (which is 6 months later than previously estimated.) The peak to trough (June, 2009) decline during the recession was about 17%. After having declined sharply during the recession, total industrial production rebounded strongly in 2010, and then increased about 2.5%, on average, each year

<sup>[7]</sup>United States, Board of Governors of the Federal Reserve System, "Industrial Production and Capacity Utilization-G17, Chart 1-Industrial Production, Capacity, and Capacity Utilization," U.S. Federal Reserve, 1 April 2016, 26 May 2016, < <http://www.federalreserve.gov/releases/g17/Revisions/20160401/revchart1.gif>>.

from 2011 to 2014, before falling 1.5% in 2015. Capacity for total industry increased about 2% in 2014 and 2015, after having increased only 1% in 2013.<sup>[8]</sup>

**Industrial Production and Capacity Utilization, excluding High-technology Industries<sup>[9]</sup>**



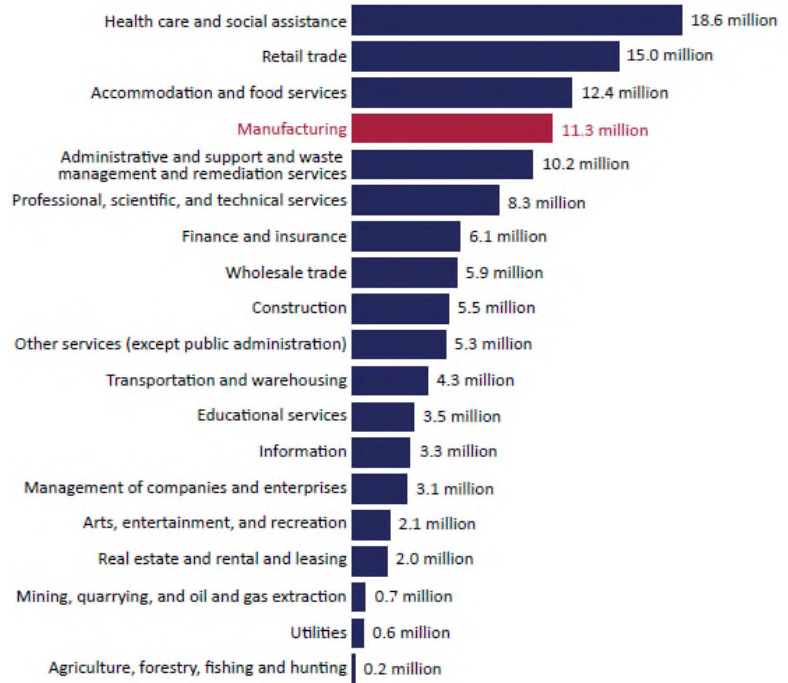
After having dropped steeply during the recession, the capacity utilization increased, on net, in the post-recession period before falling in 2015. In the fourth quarter 2015, capacity utilization for total industry was 75.8 %, a rate 4.2 percentage points below its long-run average of 80%.<sup>[8]</sup>

<sup>[8]</sup>United States, Board of Governors of the Federal Reserve System, Federal Reserve Annual Revision Notice, “Industrial Production and Capacity Utilization-G17,” U.S. Federal Reserve, 1 April 2016, 26 May 2016, <<http://www.federalreserve.gov/releases/g17/Revisions/20160401/DefaultRev.htm>>.

<sup>[9]</sup>United States, Board of Governors of the Federal Reserve System, “Industrial Production and Capacity Utilization-G17, Chart 3-Industrial Production, Capacity, and Capacity Utilization, excluding high-technology industries” U.S. Federal Reserve, 1 April 2016, 26 May 2016, <<http://www.federalreserve.gov/releases/g17/Revisions/20160401/revchart3.gif>>.

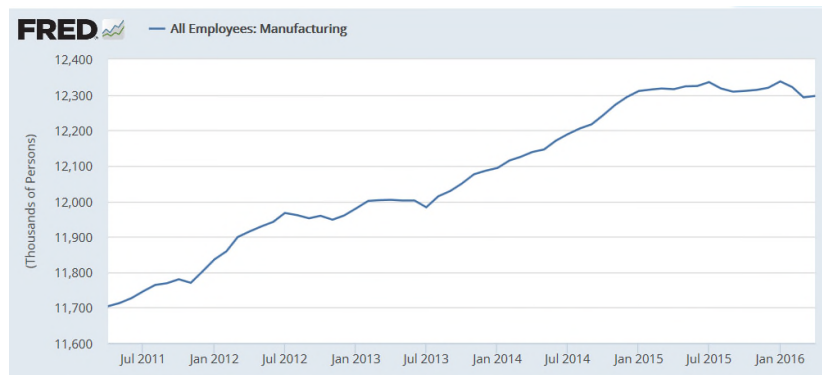
## The U.S. Economy

Manufacturing plays a major role in the U.S. economy as the fourth largest employer, behind health and social services, retail trade, and accommodation and food services. There are over 11.3 million employees (2013) producing goods that we consume domestically or export abroad. <sup>[10]</sup> In 2014, the workers employed in manufacturing contributed to an annual payroll of \$618.9 billion, up 2.5% from the previous year. <sup>[11]</sup> According to the Bureau of Labor Statistics, nationally manufacturing employment had average gains of 18,000 per month in 2014.



Source: 2013 County Business Patterns

## United States Total Manufacturing Employment<sup>[12]</sup>



<sup>[10]</sup>U.S. Census Bureau, “Measuring America,” United States Census Bureau, 2 October 2015, 24 May 2016, <<http://www.census.gov/content/dam/Census/library/infographics/manufacturing>>.

<sup>[11]</sup>U.S. Census Bureau, “Census Bureau Releases 2014 Annual Survey of Manufactures Data,” United States Census Bureau, 1 March 2016, 24 May 2016, <<http://www.census.gov/newsroom/press-releases/2015/cb15-tps108.html>>.

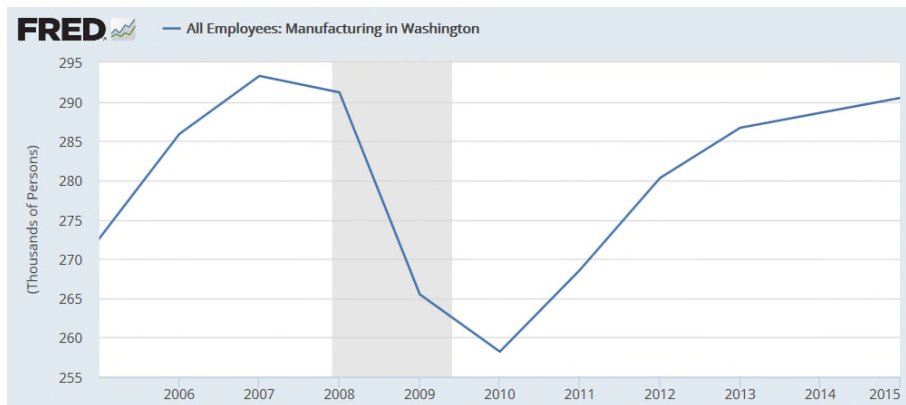
<sup>[12]</sup>U.S. Bureau of Labor Statistics, “All Employees Manufacturing (MANEMP,) retrieved from FRED, Federal Bank St. Louis, 1 May 2016, 24 May 2016, <<http://research.stlouisfed.org/fred2/graph/series/MANEMP#>>.

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

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

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

### Washington State Total Manufacturing Employment<sup>[14]</sup>



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

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

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

<sup>[14]</sup>U.S. Bureau of Labor Statistics, “All Employees Manufacturing (MANEMP,) retrieved from FRED, Federal Bank St. Louis, 1 January 2016, 24 May 2016, <<http://research.stlouisfed.org/fred2/series/SMU53000003000000001A>>.

## **Physical Inspection Area**

The physical inspections for Industrial properties for this revalue year include the parcels listed below. As a result of the physical inspection, a few of the parcels have been removed from the Industrial Specialty as they have undergone a change of use and no longer fit within the parameters of manufacturing.

**082305-9170 Paccar Renton**  
**082305-9197 Paccar Renton**  
**125372-0020 Starbucks Roastery**  
**152605-9019 Columbia Winery**  
**152605-9042 Redhook Brewery**  
**152605-9121 Redhook Brewery**  
**152605-9122 Redhook Brewery**  
**172280-1620 Capital Industries**  
**172280-2255 Capital Industries**  
**192404-9098 Chemithon**  
**213620-0380 Seattle Iron & Metals**  
**213620-0706 Seattle Iron & Metals**  
**222605-9032 Chateau Ste Michelle Winery**  
**222605-9046 Chateau Ste Michelle Winery**  
**222605-9047 Chateau Ste Michelle Winery**  
**222605-9076 Chateau Ste Michelle Winery**  
**222605-9081 Chateau Ste Michelle Winery**  
**222605-9086 Chateau Ste Michelle Winery**  
**222605-9092 Chateau Ste Michelle Winery**  
**222605-9096 Chateau Ste Michelle Winery**  
**282406-9022 Darigold Issaquah**  
**292404-9089 Seattle Iron & Metals**  
**331950-1070 Gai's Bakery**  
**331950-1940 Gai's Bakery**  
**562420-0005 Delta Marine**  
**562420-0006 Delta Marine**  
**562420-0021 Delta Marine**  
**722300-0010 Paccar Renton**  
**732790-4100 Lukas Machine**  
**732790-4135 Lukas Machine**  
**732790-4190 Lukas Machine**  
**766620-4210 Gai's Bakery East Duwamish MIC**  
**766620-7445 Young Corporation East Duwamish MIC**  
**766670-2155 Young Corporation Harbor Island**  
**795030-1240 Darigold Rainier**  
**912200-1075 Pepsi**

## **Preliminary Ratio Analysis**

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

## **Land Value**

### **Land Sales, Analysis, Conclusions:**

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

## **Improved Parcel Total Values**

### **Sales comparison approach model description:**

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

A brief summary of the sale transactions is provided below.

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

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

A large portion of the cost savings of the facility results from cutting water usage by two-thirds. The special purpose use resulted in unique building improvement characteristics including two 61 foot "tunnel washers." For





example, a traditional washer would consume three gallons per pound of linens; the HCSA facility will use approximately one gallon per pound of linens. Eighty percent of the water is recycled in the facility after passing through two “screens” and a “reverse osmosis filter.” The facility also captures heat released from drying and pressing operations and other facility systems, and sends it back for use in the dryers.

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

### **Former American Steel, Tax Parcel 362304-9069**

The American Steel facility, located at 19022 80<sup>th</sup> Avenue South, Kent, sold September 8, 2014 for \$8,500,000 (\$50.19 per square foot of gross building area.) The 133,245 square foot building was predominantly constructed in the 1970s. At the time of sale, it was readily reusable for a steel service center or manufacturer (as was the prior tenant.) The building owners had initially attempted to lease the building, rather than sell the facility: however, this special purpose building was not highly desirable to the typical warehouse tenant. The immediate Kent Valley area houses many modern distribution warehouses. This facility lacks amenities available at the modern warehouses and was unable to compete from a rental standpoint, resulting in little interest from potential warehouse tenants. The existing improvements were not readily convertible to another use without input of significant capital.



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

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

The owner user property was sold December 22, 2014 for \$7,800,000 (\$61.68 per square foot of gross building area.) The building had substantial deferred maintenance at the time of sale. The buyer is in the process of addressing the deferred maintenance, as well as removing any special purpose equipment abandoned by the seller. A re-roofing permit was issued in June 2015 for \$497,000.

The intent of the buyer is to lease out the building to either a warehouse distribution tenant or a special purpose manufacturer. Since the building has dock high space, and all the special use equipment has been removed, it's marketable to a



warehouse distribution tenant. A special use tenant also has the ability to configure the building to suit their needs, since the heavy power still remains. At this point, the building is available for lease; thus the future use is undetermined.

### **Cost approach model description and calibration:**

The cost approach was the primary valuation methodology utilized for industrial properties. Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation calculations were based on studies conducted by Marshall & Swift Valuation Service. Marshall & Swift cost data automatically adjusts to both the western region of the United States, as well as directly to the Seattle area. The cost calculations are automatically calibrated to the data in place in the Real Property Application. The Department of Revenue (DOR) January 1, 2016 Trended Depreciation Tables were applied to depreciate accessory improvements.

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

### **Income capitalization approach model description:**

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

### **Reconciliation:**

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

## **Model Validation**

### **Total Value Conclusions, Recommendations and Validation:**

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

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

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

The total assessed value for the 2015 assessment year within the industrial specialty was \$1,072,168,800. The total recommended assessed value for the 2016 assessment year is \$1,155,728,600. The increase in overall assessed value is in part attributed to the calculation of total assessed value prior to any warranted contamination reductions by the contamination specialist. Some of the valuation changes may be a result of characteristic updates. In some instances, an obsolescence reduction was not applied due to lack of taxpayer supplied data. Application of the recommended values for the 2016 assessment year (taxes payable in 2017) results in an average total change from the 2015 assessment of 7.79%.

# 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, 3<sup>rd</sup> Addition, Appraisal Institute.

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

## Assumptions and Limiting Conditions:

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

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

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

### **Scope of Work Performed:**

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

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

**CERTIFICATION:**

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

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



Improvement Sales for Area 540 with Sales Used

05/09/2016

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
540	010	125370	0170	126,464	2706986	\$7,800,000	12/22/14	\$61.68	PLIANT CORP.	M2	1	Y	
540	010	362304	9069	169,345	2689655	\$8,500,000	09/08/14	\$50.19	AMERICAN STEEL INC	M2	1	Y	

Improvement Sales for Area 540 with Sales not Used

05/09/2016

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
540	010	122104	9042	144,357	2639195	\$25,565,665	11/01/13	\$177.10	HCSA	C3	2	56	Builder or developer sales
540	010	766670	0350	100,493	2760968	\$64,200	09/18/15	\$0.64	ASH GROVE CEMENT	IG1 U/85	1	24	Easement or right-of-way
540	010	788880	0050	78,753	2773719	\$5,319,154	12/28/15	\$67.54	RALCORP FROZEN BAKERY PRODUCTS	M2	1	11	Corporate affiliates