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Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2014 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2014 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

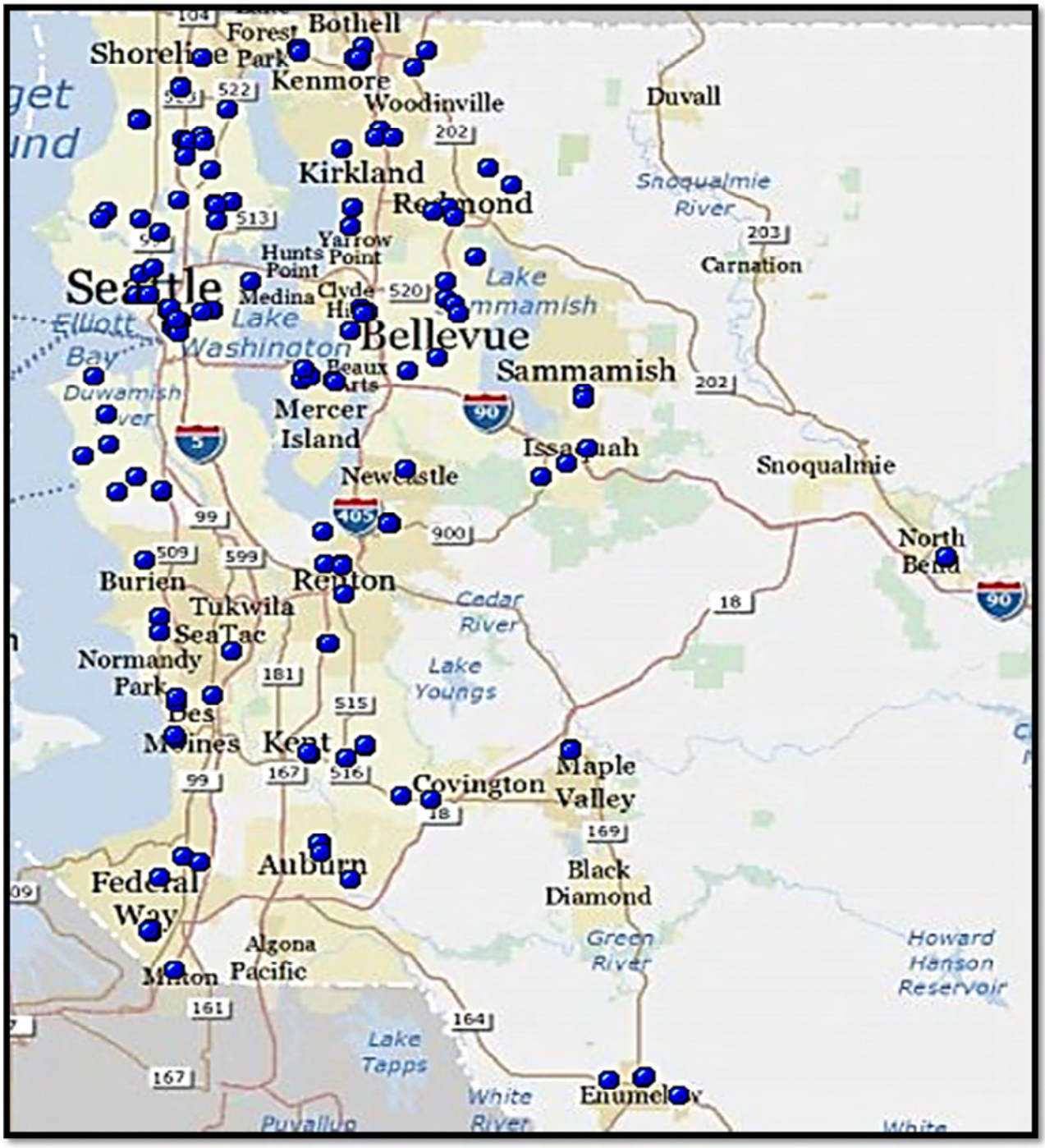
Fair and uniform assessments set the foundation for effective government and I am pleased that we are able to make continuous and ongoing improvements to serve you.

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

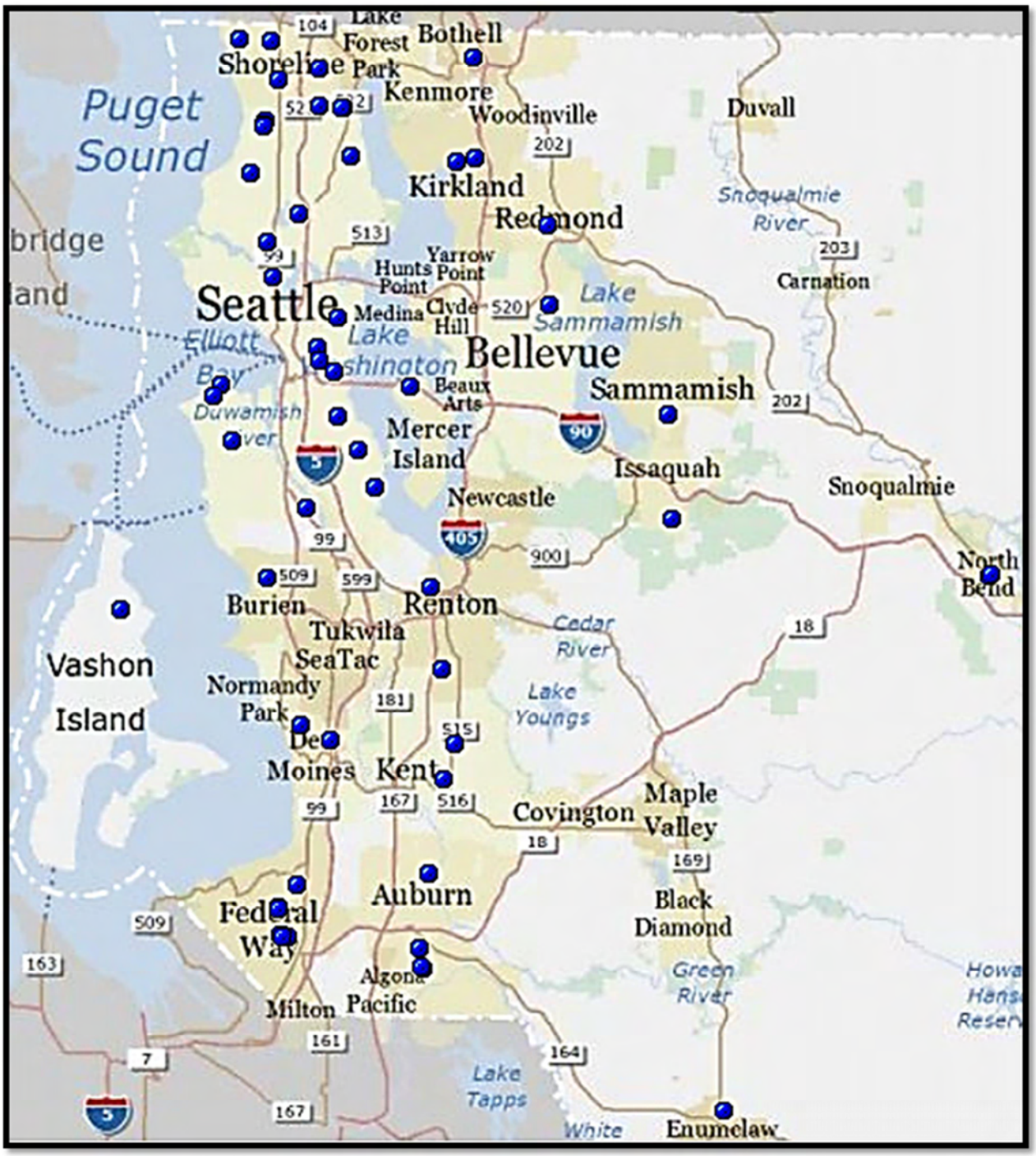
Sincerely,

Lloyd Hara
Assessor

Specialty Area 153 – Retirement Homes



Specialty Area 174 – Nursing Homes



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King County

Executive Summary Report

Effective Date of Appraisal: January 1st 2014 – 2014 Assessment Roll

Date of Appraisal Report: June 5, 2014

Specialty Name: Retirement Homes, Specialty Area 153;
Nursing Homes, Specialty Area 174

Improved Sales Summary

Specialty Area 153

- Number of sales: 5
- Range of sales dates: 1/20/2011 – 5/01/2013

Specialty Area 174

- Number of sales: 1
- Date of sale: 5/01/2013

Sales - Ratio Study Summary:

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

Population – Parcel Summary Data:

The total parcel count is 342. There are 56 nursing homes (Area 174) in King County and 286 retirement homes (Area 153) – 116 of which are condominiums. The population includes both improved and vacant parcels. Facilities which have both retirement and nursing services are assigned to the category appropriate for the majority of units.

Specialty Area 153 – Retirement Homes

	LAND	IMPS	TOTAL
2013 VALUE	$486,166,900	$1,358,036,800	$1,844,203,700
2014 VALUE	$513,773,000	$1,426,172,749	$1,939,945,749
PERCENT CHANGE	5.68%	5.02%	5.19%

Specialty Area 174 – Nursing Homes

	LAND	IMPS	TOTAL
2013 VALUE	$155,974,400	$153,698,300	$309,672,700
2014 VALUE	$154,309,100	$153,086,400	$307,395,500
PERCENT CHANGE	-1.07%	-0.40%	-0.74%

Recommendation

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 2014 assessment year.

Analysis Process

Effective Date of Appraisal: January 1, 2014

Date of Appraisal Report: June 5, 2014

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 demographics and current development patterns, the existing structures represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, plus the cost of demolition exceeds the total value of the parcel in its current state. In situations where the property is not at its highest and best use, a nominal value of $1,000 is assigned to the improvements.

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.

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:

- Sales from 1/1/2011 through 1/1/2014 (at minimum) were considered in all analyses.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

- **Name or Designation:** Retirement Homes & Nursing Homes
- **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 Description: Nursing homes and retirement homes are dispersed throughout the county. With improvement in medical technology, and the aging baby boomer population, the proportion of the population over 65 years of age is increasing rapidly. The number of households over age 65 is expected to increase 35% between 2010 and 2020[1]. Demand for these facilities is expected to grow.

Retirement Homes (153)

The three most common types of senior housing are congregate seniors housing (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:

University House - Issaquah

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

[1] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2012.* http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2012.pdf

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 seniors housing. Assisted Living and Boarding Home Reform was passed in March of 2000 to improve equitable regulations of assisted living. The rules aim to create more options and assure safety; they address medication, staff training, meal control, and residents' rights.

King County independent living facilities occupancy is at 90.8% and assisted living facilities are at 88.4%. The average rent for an independent living unit is $3,172 per month. Year over year rent growth was 0.2% for independent living units. The average monthly rent for an assisted living unit is $3,900. Year over year rent growth was 1.3% for assisted living units[2]. Development in the assisted living segment is robust, particularly facilities with a dementia care unit. NIC MAP data shows a 2.3% rise in inventory over the last year as, nationally, 6,800 units came online[3].

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 a refundable (or partially refundable) entrance fee plus a monthly fee; as equity ownership (cooperative or condominium) plus a monthly fee; or as a rental program. CCRCs are

[2] NIC MAP Metro Report 1st Quarter 2014, Seattle, WA
[3] Marcus & Millichap Seniors Housing Report, 2nd Half 2013, Pg. 2

not regulated by the federal government, but are subject to state licensing and regulation in most states.

In King County, occupancy for units in CCRCs are at 90.8% for units with an entrance fee and 94.4% for monthly rental units[4] compared with 89.8% occupancy nationally[5]. The average entrance fee for studio units is $88,644; 1 bedroom units is $220,153; 2 bedroom units is $350,284; 3+ bedrooms is $323,728. The range for rental units is $1,400 - $5,600 per month[6]. As the national housing market improves, the percent of homeowners that are upside down in their mortgage will continue to fall. This will allow many seniors to sell their homes and relocate to independent living facilities. Average rents will also climb modestly as demand supports higher rates[7].

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 Mirabella[8] at the corner of Westlake and Denny, and Skyline[9] at First Hill are examples of this concept.

Mirabella

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 residents[10].

[4] NIC MAP Metro Report 1st Quarter 2014, Seattle, WA
[5] Marcus & Millichap Seniors Housing Report, 2nd Half 2013
[6] NIC MAP Metro Report 1st Quarter 2014, Seattle, WA, Pg. 10
[7] Marcus & Millichap Seniors Housing Report, 2nd Half 2013
[8] http://www.mirabellaretirement.org/seattle/
[9] http://www.skylineatfirsthill.org/
[10] "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.

New Construction Activity

Aegis on Madison

The newest project is Aegis on Madison, owned and operated by Aegis Living. Aegis on Madison is a six-story 102-unit assisted living and memory care community with 1,445 square feet of retail space. The studio and one-bedroom units will feature full kitchens. On-site amenities include a full service dining room, fitness center, activity space and a movie theater. Aegis on Madison is located between the Capitol Hill and Madison Park neighborhoods. Reservations began early in 2014.

New assisted-living projects have been proposed in Kent, Issaquah and Seattle neighborhoods Ballard and Queen Anne. In Redmond, the Emerald Heights retirement community is adding 43 new apartment homes with the Trailside expansion. In the coming years, more new construction is expected to meet the needs of seniors.

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 homes 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.

Richmond Beach Rehabilitation

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.

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.[11] Therefore, the bed need for King County in 2014 is determined to be met.

No new stand-alone nursing homes have been constructed in King County since 2002. Those built since then have been part of CCRCs. Healthcare properties are required to go through long procedures in demonstrating to state officials the need for additional services in the area. 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.

NIC MAP data shows 89.2% occupancy for nursing homes in King County. Average daily rent per bed is $302. Year over year rent growth was 2.8%[12]. There are currently no new stand-alone nursing homes under construction.

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*,[13] provides insight into the challenges of appraising retirement and nursing facilities. The methods for allocating the going concern value are the subject of on-going debate. Generally, appraisers will apply a top-down approach to allocation, whereby the going-concern value is developed first and then an allocation

[11] 2014 Bed Need Forecast – 70+ http://www.doh.wa.gov/Portals/1/Documents/2300/NHBedProj70.pdf
[12] NIC MAP Metro Report 1st Quarter 2014, Seattle, WA, Pg. 11
[13] James K. Tellatin, MAI, *The Appraising of Nursing Facilities*, Appraisal Institute, 2009, p. 324.

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 used:

- 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 considered on a per-bed basis in relation to what operators actually pay in rent to lease a facility. Both types can be alternatively valued on a per square foot basis.

Current Trends

The specialized nature of these properties tends to insulate them from the rest of the real estate market. In fact, retirement communities have been anticipating growth as life spans are increasing. However, some of these individuals are postponing retirement because of the current economic conditions; others are not yet ready for a retirement community setting. As they age, the demand will increase in stages, first for independent living, then for assisted living at increasing levels, and finally for skilled nursing care.

Those entering a skilled nursing facility do so as a result of medical needs rather than a lifestyle choice. Those moving to memory care assisted living also do so as a result of medical need. Moving to a retirement facility with independent living or assisted living is more a matter of choice and economics. With many seniors experiencing a decline in their home equity and investment portfolio, moving into a retirement facility can be delayed. One alternative is to move in with children or have children move back into their parents' home to provide the social needs and assistance with tasks of daily living. The rise of reverse mortgages has also allowed seniors to stay longer in their homes. Those living alone in their homes also have access to in-home health care assistance, which may be more economical than moving to an assisted living facility.

The Affordable Care Act contains a number of provisions affecting the nursing home industry. The measures are primarily focused on improving regulation, transparency, and care for seniors.

For example, nursing homes are now required to have three years of reports from surveys, certifications, and complaint investigations available for any individual upon request. The Nursing Home Compare website – the government's primary source for comparing facilities – will now provide more detailed information on nursing home staffing levels, complaints, and criminal violations. Nursing home aides are now required to receive training in dementia management and patient abuse prevention. Finally, the Elder Justice Act will provide federal funding to states in order to develop strategies to combat elder abuse.

In the spring of 2012, the Department of Health and Human Services announced the implementation of the Independence at Home Demonstration Program. "The demonstration encourages primary care practices to provide home-based care to chronically ill Medicare patients."[14] The program will award incentive payments to healthcare providers who succeed in reducing Medicare expenditures and meet designated quality measures. Home and community based care is highly regarded due to the level of personal care provided to patients and the cost savings. "The cost of staying at a nursing home ranges from about $40,000 to $85,000 a year, according to a recent report by John Hancock Financial Services Inc., an insurance and financial services company. The average cost of a home health aide, on the other hand, is about $37,000 a year."[15]

[14] "HHS announces new Affordable Care Act options for community-based care." http://www.hhs.gov/news/press/2012pres/04/20120426a.html

[15] "Helping Seniors Live at Home Longer." http://articles.latimes.com/2011/jun/19/health/la-he-long-term-care-20110612

Map of 2014 Inspection Parcels

Scope of Data

Physical Inspection Identification: For the 2013 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. Other properties were also inspected as noted in the Assessor's records for purposes of sales or data verification.

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

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: 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 15% or any decrease of more than 10% 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.

Sales Comparison Approach

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

The scarcity of reliable data – one nursing home and only five retirement facilities have sold since 2011 – 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 six market transactions is provided below:

Emeritus at Steel Lake

092104-9127: Emeritus, a retirement home, at Steel Lake sold on 1/20/11 for $9,191,300, or $103/SF of net rentable area. The property is located in Federal Way at the intersection of 23rd Avenue South and South 312th Street. Business value was included in the sale price.

082605-9127: Aegis of Bothell, a retirement home, sold on 1/21/11 for $7,589,930, or $231/SF of net rentable area. The property is located in Bothell at the intersection of NE 185th St and Beardslee Boulevard. The Buyer was the tenant at the property and continues to run the facility. Business value was included in the sale price.

Aegis of Bothell

067310-0011: Overlake Terrace Assisted Living retirement home sold on 1/09/2013 for $21,850,000, or $139,172/unit. 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.

Overlake Terrace Assisted Living

555630-0005: Aegis Living at Marymoor, a retirement home, sold on 1/17/2013 for $4,260,680, or $106,517/unit. The property 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.

Aegis at Marymoor

Redmond Heights Senior Living

022505-9157: Redmond Heights Senior Living retirement home sold on 5/01/2013 for $6,567,526, or $65,675/unit. The property 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.

112505-9084: Redmond Care and Rehabilitation Center, nursing home, sold on 5/01/2013 for $4,335,659, or $31,191/unit. The property 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.

Redmond Care and Rehabilitation Center

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 result 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 homes.

Nursing home values are based on actual lease rates from nursing homes, medical clinics and skilled nursing homes. 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).

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	$7.75 to $23.00	7.00%	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%	15.00%	7.25% to 9.00%
344 OFFICE BUILDING	$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 11.50%

Reconciliation

In arriving at a final value, each parcel was considered individually. For nursing homes, the most weight was given to the income approach. The apartment model was not used for nursing homes. For retirement facilities, the apartment model was use, 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 2014 assessment year.

Property Type	2013 Value	2014 Value	%Change
Retirement Facilities (153)	$1,844,203,700	$1,939,945,749	+5.19%
Nursing Homes (174)	$309,672,700	$307,395,500	-0.74%

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*

Date

Improvement Sales for Area 153 with Sales Used 06/02/2014

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	010	022505	9157	64,340	2603039	$6,567,526	05/01/13	$102.08	CASCADE PLAZA RETIREMENT CE	R30	1	Y	
153	010	067310	0011	110,000	2583993	$21,850,000	01/09/13	$198.64	OVERLAKE TERRACE ASSISTED L	OV1	1	Y	
153	010	082605	9127	32,828	2475699	$7,589,930	01/21/11	$231.20	AEGIS - BOTHELL	GDC	1	Y	
153	010	092104	9127	88,680	2476304	$9,191,300	01/20/11	$103.65	EMERITUS AT STEEL LAKE	CF	1	Y	
153	010	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 06/02/2014

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 06/02/2014

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
153	010	000100	0097	81,231	2668286	$3,750,000	05/16/14	$46.16	PARKSIDE WEST RETIREMENT CC	C3	1	7	Questionable per sales identificatio
153	010	011410	0545	61,245	2574245	$20,765,000	10/31/12	$339.05	SPRING ESTATES SENIOR LIVING	DR	1	1	Personal property included
153	010	102505	9001	42,952	2646804	$3,121,843	12/16/13	$72.68	PETERS CREEK Retirement and Ass	R5	1	1	Personal property included
153	010	124400	0005	171,759	2521234	$25,459,777	12/01/11	$148.23	MERRILL GARDENS - KIRKLAND	CBD 1B	1	52	Statement to dor
153	010	192205	9042	88,398	2556736	$9,650,000	07/31/12	$109.17	FARRINGTON COURT	MR-H	1	59	Bulk portfolio sale
153	010	197820	0250	539,758	2602985	$100,000	05/01/13	$0.19	HORIZON HOUSE	HR-PUD	1	7	Questionable per sales identificatio
153	010	202205	9208	22,669	2517792	$1,881,871	11/04/11	$83.02	AEGIS - KENT	O-MU	1	51	Related party, friend, or neighbor
153	010	202205	9208	22,669	2517791	$2,447,057	11/04/11	$107.95	AEGIS - KENT	O-MU	1	22	Partial interest (1/3, 1/2, etc.)
153	010	352890	0745	120,693	2665497	$19,949,900	04/24/14	$165.29	VIEWPOINT - QUEEN ANNE	LR3	1	15	No market exposure
153	010	436820	0010	154,886	2647106	$8,600,000	12/19/13	$55.52	STONE RIDGE	PD	3	61	Financial institution resale
153	010	509440	0025	66,236	2652471	$21,839,600	02/01/14	$329.72	AUBURN MEADOWS	R10	1	59	Bulk portfolio sale
153	010	545330	0020	91,632	2647733	$18,333,671	12/23/13	$200.08	GARDEN CLUB, THE	R-20	1	59	Bulk portfolio sale
153	010	660075	0100	0	2480948	$259,208	02/16/11	$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	1	15	No market exposure
153	010	660075	0110	0	2480951	$259,208	02/16/11	$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	1	15	No market exposure
153	010	660075	0660	0	2479227	$180,000	02/15/11	$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	1	15	No market exposure
153	010	660075	0670	0	2482859	$400,000	03/11/11	$0.00	PACIFIC REGENT CONDOMINIUM	DNTN-R	1	15	No market exposure
153	010	717480	0169	257,248	2521236	$13,849,449	12/01/11	$53.84	MERRILL GARDENS - UNIVERSITY	NC2P-30	1	59	Bulk portfolio sale
153	010	723150	2030	193,960	2521237	$14,979,204	12/01/11	$77.23	MERRILL GARDENS - RENTON CEI	CD	3	52	Statement to dor

Improvement Sales for Area 174 with Sales not Used 06/02/2014

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 (	MF-H	1	24	Easement or right-of-way
174	010	803620	0055	25,578	2561852	$1,000,000	08/20/12	$39.10	MT SI TRANSITIONAL HEALTH CEN	DC	3	59	Bulk portfolio sale