

APPRAISAL REVIEW**IDENTIFICATION OF WORK UNDER REVIEW**

Property Name: NW Portion of Cadman Pit

Owners: King County - Roads

Address or Location: 19101 NE Union Hill Rd., Redmond 98052

Work Reviewed: Market Value Appraisal, Partial Acquisition, dated Dec. 3, 2012

Authors of Reviewed Work: Glenn L. Price and James B. Price, MAI, SR/WA, Appraisal Group of the Northwest LLP

Effective Date of Value: November 19, 2012

Interest Appraised: Fee simple

Value Conclusion of Work Under Review: \$1,013,000

THE APPRAISAL REVIEW ASSIGNMENT

Client/Intended User: The Client and intended user of this report is Steve Salyer and King County Real Estate Services section. King County Roads is another intended user.

Intended Use: To be used in decision making in negotiating the sale of an identified, 1.43 acre portion of the Cadman Pit property to the City of Redmond.

Objective of the Assignment: To develop an opinion of the credibility and reliability of the appraisal report under review.

“Fair Market Value” is the amount in cash which a well-informed buyer, willing but not obliged to buy the property, would pay, and which a well-informed seller, willing but not obligated to sell it would accept, taking into consideration all uses to which the property is adapted or may be reasonably adaptable. (Washington Pattern Instruction 150.08).

The report under review uses a definition of market value from an Appraisal Institute text book that is very similar to that commonly used in appraisals for the mortgage lending industry, from Title XI of FIRREA and other regulatory sources. The appraisal's definition of Market Value is essentially the same as the definition cited above.

Effective Date of Review Conclusions: September 25, 2013.

Real Property Interests Valued: Fee simple.

Review Appraisal Extraordinary Assumptions and Hypothetical Conditions:

This review includes no hypothetical conditions.

It is a condition of the assignment that the land value only is appraised; the value of existing improvements on the land is not considered or included in this analysis.

The report under review states, "No hypothetical conditions have been made for this appraisal."

I consider the reporting of facts, market research and reporting of the market data in the report under review are credible and appropriate to the assignment. I extend these into the development process of this review by extraordinary assumption.

The use of extraordinary assumptions and hypothetical conditions might have affected the assignment results.

Reviewer's Scope of Work:

Reviewed the requirements of USPAP Standard 3, Appraisal Review, Development and Reporting; read the appraisal, followed the methodology, reviewed the MLS, CBA, CoStar COMPS and public record information on the market sales used in the appraisal, checked the facts and the math, and attempted to understand the basis of the logic and adjustments. I have inspected the subject property from the road but have not inspected the sales.

REVIEWER'S OPINIONS AND CONCLUSIONS

Information Provided:

The report under review is a summary appraisal report. It is structured as an appraisal for acquisition under eminent domain, appraising the land value of the subject property before, and after the acquisition of 1.43 acres for drainage improvements. The difference between the two values is concluded to be the value of the acquisition.

The report states the subject is vacant land, and also states the site is improved with small structures and site improvements. The value of improvements is not addressed in the appraisal, nor does the report state improvements are excluded.

Descriptions of the land and neighborhood are adequate. The discussion of topography and drainage notes that areas of the site are low, and have drainage problems. It is not clearly stated whether the acquisition area is affected.

Five properties are presented as comparable sales, including one reported as a pending sale. The essential facts of the sales are shown in a grid, including price per square foot. There is an appropriate map of the sales, and a single-page summary of each sale with photograph and a brief comparison with the subject. Tax identification numbers are not included in the summaries, nor is the specific source of the data or extent of verification noted. The comparisons to the subject are summarized in an adjustment grid using the price per square foot.

The reconciliation is very brief, as is the discussion of the property

after the acquisition and the After valuation. It is noted that the value of the road frontage at the acquisition area is offset by the low elevation of this portion of the land.

Analysis:

The larger parcel is 23.67 acres of land zoned for business park, and in use by King County Roads for gravel extraction and maintenance operations. The proposed acquisition is 1.43 acres at the northwest corner of the land the City of Redmond seeks for storm water detention.

The highest and best use analysis concludes essentially that the larger parcel is all usable, and that as vacant and as improved, the highest and best use of the land is office or light industrial use. Though not stated clearly, the highest and best use After the acquisition is unchanged but for the size of the potential structures.

The appraisal methodology uses a direct comparison analysis based on the price per square foot of land that is appropriate for this assignment. The procedure of valuing the larger parcel Before and After the planned acquisition is also appropriate for the assignment.

The property transactions used for direct comparison are generally appropriate for the analysis. The quality of the nearest comparable sale, Sale No. 2, offsets the weakness of some other sales.

Sale No. 1 is a marginal indication of value for the subject. It is less than one acre, located close to downtown Bothell, and is zoned for downtown density, including mixed-use, and has been so developed. My research found a minor discrepancy in the square footage of the land sold, and that the reported sale was part of a concurrent assemblage with two other parcels. This indication is adjusted for size, zoning, shape (incorrectly reported), and adjustments for both topography and lack of lowlands, to an indication of \$16.60 per square foot.

Sale No. 2 is the most compelling indication of value for the subject. It is near the subject, and has similar size. Its MP zoning allows outdoor storage whereas the subject BP zone does not, and this property has no visibility or frontage on a major roadway. Offsetting adjustments were applied for exposure and less lowlands, resulting in an indication of \$16.40 per square foot.

Sale No. 3 is an REO sale of a driving range zoned for commercial use in Lynnwood. This has some relevance to the valuation of the subject. The analysis is based on a usable area of 5.82 acres, with about 1.74 acres of wetland given no value. This 2011 sale was adjusted upward for market trends, an inferior location, and the motivation of an REO sale. Downward adjustments for smaller size and superior zoning nearly offset the upward adjustments, resulting in an indication of \$13.78 per square foot for the usable area.

Sale No. 4 is reasonable indicator of value for the subject. This property is not far west of the subject and sold in 2010 for development of a Swedish Medical Center. The analysis is based on a usable area of 3.5 acres, compared with a gross area of 6.5

acres impacted by required setbacks from Bear Creek. The price per square foot of usable land is adjusted upward for market trends, and downward for superior location, smaller size, and for having no lowlands. This sale provides an indication of \$14.56 per square foot for the subject.

Comparable No. 5 is noted as a pending sale, and with unknown price it is not a good indication of value. I confirmed with the listing broker this property is still under contract, but did not confirm the price, which is reported as the list price prior to the expiration of the listing, \$26.00 per square foot. This is a smaller property, likely a retail site, about one mile north of the Alderwood Mall in unincorporated Snohomish County with community business zoning. The location is rated inferior but a downward adjustment is made. Downward adjustments are also made for smaller size and more flexible zoning. The frontage is stated as inferior but a downward adjustment is made for exposure. A small adjustment is also made for shape. Correcting the downward adjustments for location and frontage to positives, this provides an indication of \$22.36 per square foot, but which is based on a list price, not a sale price.

The Before valuation reconciles the adjusted indications, with most reliance on Sale No. 2, to a value of \$16.25 per square foot, which is reasonable. This is applied to the Before area for a value, and to the After area for a second value, and the difference is concluded to be the value of the acquisition. Though briefly presented, this is an acceptable method.

Review Appraiser's Opinions:

The report appears to satisfy USPAP reporting requirements and is relatively logical in its presentation. The valuation methodology and market data are appropriate for the assignment. A number of minor inconsistencies and small errors do not reach the level of being misleading, careless or negligent.

The adjustments applied in the sales comparison analyses are of reasonable proportion to the problem and despite minor errors tend to provide a rational result.

Conclusions:

I find that overall the appraisal report was competently prepared, used appropriate methods and analyses, and provides an adequately supported conclusion.

In this review, I conclude the appraisal is adequately reliable to support its value for the acquisition of a portion of the subject, subject, as of the November 19, 2013 date of value, of \$1,013,000.

In the course of my review, I found no market evidence to suggest the valuation was not still reliable on the date of this review.

USPAP Appraisal Reporting Requirements

- The appraisal is not misleading.

- The written report contains adequate information on the property and comparable data, with sufficient information to explain if not support the adjustments to the comparables.
- The appraisal includes a Scope of Work statement and meets the reporting requirements of a Summary appraisal report as defined in USPAP, with the exception of stating the appraisal is of land value only.
- Extraordinary assumptions and hypothetical conditions are not utilized in the report.
- The report adequately identifies real estate appraised.
- The report adequately identifies real property interest appraised.
- The purpose of the appraisal is stated.
- The report states the definition of Market Value and source.
- The report states the effective date of appraisal.
- The date of the report is stated.
- The report sets forth assumptions and limiting conditions.
- The report describes the market data and appraisal procedure used.
- An opinion of the highest and best use is developed and stated.
- The report explains the exclusion of the cost and income approaches.
- A signed certification is included.

CERTIFICATION OF APPRAISER

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

- the statements of fact contained in this report are true and correct.
- the reported 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 with this assignment.
- 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 a 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*.
- I have made a personal inspection of the subject of the work under review.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, John Ely, have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



John M. Ely
Washington Certified Real Estate Appraiser
License Number 1100825
September 25, 2013