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## Appraisal Report

for

**Debby Wilson  
City of Redmond  
15670 NE 8th Street  
Redmond, WA 98052**

of

**Vacant Commercial Land  
19101 NE Union Hill Road  
Redmond, WA 98053**

by

**Glenn L. Price, Appraiser  
James B. Price, MAI, SR/WA  
Appraisal Group of the Northwest LLP  
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A-4537



APPRAISAL GROUP  
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**LETTER OF TRANSMITTAL**

December 3, 2012

Debby Wilson  
Real Property Manager  
City of Redmond  
PO Box 97010  
Redmond, WA 97010

Re: Appraisal Report, Vacant Commercial Land, 19101 NE Union Hill Road, Redmond, WA 98053

Dear Ms. Wilson:

To fulfill your request, we have considered all the applicable methods of appraisal analysis, and are reporting our findings using a summary report format. This appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation; and the appraisal guidelines of the Appraisal Institute.

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject property both before and after the acquisition of a portion of the subject. The valuation is as of November 19, 2012, which is also the date of formal inspection. The market value of the entire subject property's fee simple interest is:

**SIXTEEN MILLION SEVEN HUNDRED FIFTY SIX THOUSAND DOLLARS**

**\$16,756,000**

The value of the acquisition in the northwest corner of the subject is:

**ONE MILLION THIRTEEN THOUSAND DOLLARS**

**\$1,013,000**

Please note that this appraisal is intended to assist the client, the City of Redmond, and their designees. This appraisal was requested by the client for a partial acquisition. It should be used for no other purpose without the permission of the client and the appraisers. The appraisal is subject to the Certification, Assumptions, and Limiting Conditions sections contained within this report.

Debby Wilson, City of Redmond  
December 3, 2012

Page 2

Thank you for giving us the opportunity to do this appraisal for you. If you have any questions, please feel free to call us.

Sincerely,



Glenn L. Price, Appraiser  
Certified General Real Estate Appraiser, WA  
Certification No. 1101927



James B. Price, MAI, SR/WA  
Certified General Real Estate Appraiser, WA  
Certification No. 1100229

**CERTIFICATION**

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

1. The statements of fact contained in this report are true and correct.
2. 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.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
8. The appraisal was made, and the appraisal report prepared, in conformity with the Appraisal Institute's Standards of Professional Appraisal Practice and the Code of Professional Ethics, and the Standards of Professional Appraisal Practice of the Appraisal Institute.
9. I, Glenn L. Price, and I, James B. Price, MAI, SR/WA, have made a personal inspection of the property that is the subject of this report.
10. No one else has provided significant real property appraisal assistance to the undersigned.
11. The use of this report is subject to the requirements of the Appraisal Institute regarding review by its duly authorized representatives.
12. As of the date of this report, James B. Price, MAI, SR/WA has completed the requirements under the continuing education program of the Appraisal Institute.
13. The appraiser(s) **have not** performed any appraisal services with regard to the subject property within the three-year period immediately preceding acceptance of this assignment.



Glenn L. Price, Appraiser  
December 3, 2012



James B. Price, MAI, SR/WA  
December 3, 2012

**IDENTIFICATION****Property Identification**

The subject property is vacant commercial land. The site has 1,031,116 SF of land zoned Business Park. The address is 19101 NE Union Hill Road, Redmond, WA 98053 in King County, Washington.

**Legal Description**

According to King County records, the property's legal description is as follows: Section 07, Township 25, Range 06, W.M., Tax Lot 41. See addenda for a full legal description.

The Assessor's parcel number is 072506 9041.

**Ostensible Owner**

According to public records, title to the subject property is currently held by King County Roads.

**SUMMARY OF FACTS AND CONCLUSIONS****Parcel Size**

The subject site area is 1,031,116 square feet, according to the King County Assessor's records. The acquisition is of about 62,300 SF (1.43 acres) for a stormwater detention pond, leaving a remainder of 968,816 SF (22.24 SF).

**Zoning**

The subject property is zoned BP (Business Park) by the City of Redmond.

**Date of Valuation**

November 19, 2012

**Date of Inspection**

November 19, 2012

**Highest and Best Use**

The "highest and best use as vacant" is for commercial development in conformance with the surrounding neighborhood and the current zoning regulations.

**Value Estimates**

Cost Approach	NA
Sales Comparison Approach	\$16,756,000
Income Approach	NA
The market value of the subject property as of the date of valuation is	\$16,756,000
The market value of the subject After Acquisition is	\$15,743,000
The market value of the acquisition is	\$ 1,013,000

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FULL LEGAL DESCRIPTION  
QUALIFICATIONS OF APPRAISERS

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## REPORT CRITERIA AND INFORMATION

### Assumptions

#### General Assumptions

This appraisal is contingent upon the following assumptions:

1. The legal description is correct, and title to the property is good and marketable.
2. The title to the property is free and clear of liens or encumbrances.
3. The property has responsible owner(s) and competent property manager(s).
4. The information furnished by others is reliable, but no warranty is given for its accuracy.
5. All engineering is correct. (The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.)
6. There are no hidden unapparent conditions of the property, subsoil, or structures that render it more or less valuable. This includes any toxic waste or asbestos insulation that may be present. We take no responsibility for such conditions or for arranging for engineering studies that may be required to discover them.
7. There is full compliance with all applicable federal, state, and local environmental regulations and laws.
8. The property conforms to all applicable zoning and use regulations and restrictions.
9. All required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value contained in this report is based.
10. The use of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass.
11. We did not observe any hazardous materials, which may or may not be present, on the property. We have no knowledge of the existence of such materials on or in the property, but are not qualified to detect such substances. The presence of such substances as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The opinion of value is formulated under the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them.

#### Extraordinary Assumptions and Hypothetical Conditions

No hypothetical conditions have been made for this appraisal.

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## Limiting Conditions

This appraisal is contingent upon the following conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements, if any, applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless the proration or division of interests has been set forth in the report.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. No appraiser, by reason of this appraisal, is required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless prior arrangements have been made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
5. Appraisal Group of the Northwest LLP and its associate appraisers and employees assume liability only to the client and only up to the amount of the fee actually received for this assignment.
6. Appraisal Group of the Northwest LLP and its associate appraisers and employees are not responsible for any costs incurred to discover or correct any deficiency in the property. If a lawsuit is instigated by a lender, partner, part-owner in any form of ownership, tenant, or any other party wherein this report is used in evidence in the disposition of any and all awards, settlements, or cost, regardless of outcome, Appraisal Group of the Northwest LLP and its associate appraisers and employees will be held completely harmless.
7. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply-and-demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

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**Date of the Inspection**

November 19, 2012

**Effective Date of the Appraisal**

November 19, 2012

**Function of the Appraisal Report**

This appraisal was requested by the client for a partial acquisition. This acquired area will eventually function as a stormwater detention pond to encourage future development of the surrounding areas to higher intensity uses such as a business park or manufacturing.

**Disclosure of Client and Intended User(s)**

Uniform Standards of Professional Appraisal Practice, 2012-13 edition, provides the following definitions:

**Client:** *“The party or parties who engage, by employment or contract, an appraiser in a specific assignment.”*

**Intended User(s):** *“The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report, by the appraiser on the basis of communication with the client at the time of the assignment.”*

This report is intended for use only by the client, the City of Redmond , and its designees. Use of this report by others is not intended by the Appraisal Group of the Northwest LLP.

**Property Rights Appraised**

The subject property is appraised under the assumption that its fee simple interest is available for sale on the open market both before and after the acquisition of land.

**Scope of the Appraisal**

The scope of the appraisal assignment included the following tasks:

An inspection of the comparable sales considered,

Analysis of the subject property’s physical, locational, and investment characteristics,

Investigation and evaluation of market characteristics and trends,

Collection and analysis of pertinent data,

Development of a conclusion as to the market value of the property through the applicable approaches to value.

This information has been obtained from CoStar Comps, CoreLogic MetroScan, the Northwest Multiple Listing Service, public records, the Appraisal Group of the Northwest database, personal inspection, and interviews with owners and various market participants. The exteriors of the comparable properties have been inspected and photographed, and sales information has been confirmed with knowledgeable parties when possible.

This report is intended to comply with appraisal guidelines and reporting requirements set forth under Standards Rule 1 and Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. As it is intended to be a summary report, it includes a summarized description of the appraisal process, such as a description of the region and city, a highest and best use analysis, and development of the applicable approaches to valuation.

The only approach to valuation that is appropriate for this appraisal is the sales comparison approach.

We have estimated the value of the land before partial acquisition and of the remainder after acquisition of a 1.43-acre portion intended for use as a stormwater detention pond.

## DEFINITIONS

### Market Value

Reference: The Appraisal of Real Estate, 13<sup>th</sup> Edition, pages 24-25; Appraisal Institute, Chicago, 2008.

Market value is the most probable price a property should bring in a competitive and open market under all conditions requisite to a fair sale; the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

### Cash Equivalency

Standard definitions of market value indicate payment in cash or its equivalent. The equivalent of cash includes financing terms generally available in the market. If below-

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market financing is involved in a comparable sale, the sale price must be adjusted to a cash equivalent price.

### **Fee Simple Interest**

Fee simple interest is “*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.*” The Appraisal of Real Estate, 13<sup>th</sup> Edition, page 111; Appraisal Institute, Chicago, 2008.

### **Disclosure of Competency**

The qualifications in the Addenda provide evidence of qualification for this assignment. Appraisal assignments for valuing properties similar to the subject have been completed by each signer of this report in the State of Washington.

### **Marketing Time**

The term “marketing period” is defined by the Office of the Comptroller of the Currency as: “*the term in which an owner of a property is actively attempting to sell that property in a competitive and open market.*”

For purposes of this report, marketing time is an estimate of the amount of time it would likely take to sell an interest in the subject property at its estimated market value during the period immediately after the effective date of the appraisal. It is the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of the sale at a price supportable by market conditions. Implicit in this definition are the following conditions:

- The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of properties of types of property.
- The property will be offered at a price reflecting the most probable mark-up over market value used by sellers of similar property.
- A sale will be consummated under the terms and conditions of the definition of market value stated in this report.

Marketing times for properties with characteristics similar to the subject’s may vary due to differences in location and how realistic the listing price is. It is anticipated that the subject, offered at a reasonable listing price and considering current market conditions, would have a marketing time of 6 to 9 months.

### **Exposure Time**

The term “exposure time” is defined as the “*estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal;*”

*a retrospective opinion based upon an analysis of past events assuming a competitive and open market."*

Exposure time differs from marketing time in that exposure time is always presumed to precede the effective date of the appraisal.

Based on the supply and demand conditions as of the effective date of this appraisal, for a property with characteristics similar to the subject's, if placed on the open market at a reasonable list price, the exposure time is estimated to be 6 to 12 months.



Plat Map with Acquisition Area Highlighted



## Neighborhood Description

The subject is located along the east border of the city of Redmond, east of the Redmond CBD (Central Business District). This area has a variety of office buildings, though this is an industrial area for the most part that quickly transitions to agricultural properties and sparse single-family homes to the east and north. This area has been used for gravel extraction, which still continues on the neighboring property to the west. A quarter mile to the west, office buildings and industrial buildings are prevalent. This area has good access to SR-520, the main east/west arterial in the area that leads to Seattle to the west, and ends in the east about a mile west of the subject.

This area is on the edge of development in Redmond. Access to the SR-520 freeway is good. The Redmond CBD is located about 1.25 miles to the west. This area between the subject and Avondale Road NE, the main north/south arterial in the area that becomes SR-520 to the southwest, has primarily large anchored retail, industrial, and office uses.

The City of Redmond is planning a series of stormwater detention ponds in the area in order to prepare for eventual development into more commercially oriented uses. The proximity to the freeway makes this a desirable area for development.



Looking SE at Subject Frontage from across NE Union Hill Road



Looking West along NE Union Hill Road (Subject to Left)



Looking South from the Middle of the Acquisition Area



Looking NW at Acquisition Area  
(The structures are on neighboring property to west.)  
The site improvements on the right are part of the subject.

## **Site Description**

### **Location and Access**

The subject property is located at 19101 NE Union Hill Road, Redmond, WA 98053 in King County, Washington. Access is provided by NE Union Hill Road.

### **Immediate Surroundings**

The subject property is in an industrial area surrounded by industrial properties that quickly turn into offices a quarter mile to the west, and large anchored retail about 0.75 mile to the west, and to rural single-family uses to the east, just outside the eastern Redmond city limits.

### **Shape and Size**

The subject site is an irregularly shaped parcel. According to the King County Assessor, the site has a total area of 1,031,116 square feet or 23.67 AC. The site is improved with small structures used for the maintenance of roads by the current owner, King County Road Services.

### **Topography**

The site topography is uneven, partially due to its use for gravel extraction over the years. An upper area is used as the current building pad where all the structures are located in the northeast portion of the lot. The western border and the southern sections are uneven or lowland areas that currently have problems draining. Future construction that maximizes the construction potential would require that these areas be brought to near the current building grade, much of which can come from on-site fill sources. The northern border of the lot is at grade with the frontage street.

### **Soils and Drainage**

No soils report, building plans, structural engineering report, or environmental report was provided for review. The inspection of existing improvements in the immediate area did not reveal any problem with settling or with the load-bearing capacity of the soils. This appraisal is under the assumption that the subject has sufficiently load-bearing soils to support structures that would contribute to the highest and best use.

Some of this area is currently lowland that does not have sufficient drainage to support structures, but on-site sources of sand and gravel and property drainage features could make it usable for construction.

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## **Environmental Concerns**

### **Hazardous Materials or Toxic Conditions**

No environmental assessment was available for review. No indications of toxic hazards were observed; however, detailed analysis of such potential is beyond the scope of this appraisal. As noted in the Assumptions and Limiting Conditions sections, Appraisal Group of the Northwest LLP is not qualified to detect hazardous material or toxic conditions, and this appraisal is based on the assumption that no hazardous material or toxic condition is present that is adversely affecting the market value, utility, or marketability of the subject property. The subject is assumed to be free of toxic materials.

### **Earthquakes**

Earthquakes are a potential hazard for properties located throughout the Puget Sound area. Since 1870, seven earthquakes in the Puget Sound basin had measured or estimated magnitudes of 6.0 or higher. The last major earthquakes to strike the region were one of 6.5 magnitude in 1965 and another of 6.8 magnitude in 2001. Appraisal Group of the Northwest LLP is not qualified to determine the extent or location of earthquake faults that may have an impact on the subject. Several faults have been documented in the earth's crust in the greater Puget Sound region, but none appear to be located near the subject property.

### **Floods**

The Federal Emergency Management Agency (FEMA) map shows the property in Zone X, which means that it is outside the 500-year floodplain, according to FEMA flood map 53033c0390 G from 3/30/1998. Evans Creek is adjacent to the subject to the east, but the elevation of the subject is far above the level of the creek, so although it is adjacent to flood zone B, there is little risk to the subject.

### **Easements and Restrictions**

No adverse easements, encroachments, or other adverse conditions were noted or observed. For the purposes of this appraisal, the subject property is assumed to be free from any adverse easements or encroachments. A title report has been provided by the client.

### **Utilities**

The subject has adequate public utility services for general commercial and industrial purposes. Electricity, gas, telephone, water, sanitary sewer, and refuse collection are all available.

### **Zoning**

The subject property is zoned BP, Business Park, by the City of Redmond. The purpose of the Business Park zone is to provide business and manufacturing employment opportunities that complement commercial activities that are typically

found in the downtown area, involve limited outdoor storage, and include a high level of amenities.

### **Assessed Valuation and Taxes**

For 2012, the King County Assessor's records show the subject property's assessed values as follows:

<b>Parcel No.</b>	<b>Land Value</b>	<b>Building Value</b>	<b>Total Value</b>	<b>Real Estate Taxes)</b>
072506 9041	\$5,413,300	\$1,000	\$5,414,300	\$15.70

The subject is owned by a government entity, and as such, pays little to no property taxes.

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## HIGHEST AND BEST USE ANALYSIS

*“Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value.”* (from The Appraisal of Real Estate, 13<sup>th</sup> Edition, Page 278; published by the Appraisal Institute, Chicago, USA, 2008). Highest and best use analysis is undertaken to determine the optimum use of a property in light of market conditions. Because the price that potential purchasers consider feasible to pay for a property tends to be based on the use they plan for it, the highest and best use of the property is a major factor affecting its market value. This influences what improvements should be constructed on a site if it were vacant, and how any present improvements can best be used.

Real estate can be analyzed “as though vacant” and “as improved” to determine its highest and best use. The highest and best use of a site as though vacant may be different from what it is as currently improved. The current use may be retained so long as the existing improvements continue to contribute to the overall value of the property.

To determine the highest and best use of a property, four significant factors are analyzed. These are the possible uses that are: (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive.

### AS VACANT

The analysis of highest and best use of land or a site as though vacant involves the assumption that a parcel of land, if not already vacant, can be made vacant through the demolition of any improvements.

The site already has small structures present on the site, and a large FedEx facility is being built on similar soils two lots to the west. The soils seem capable of supporting a wide variety of structures.

The subject site is zoned BP by the City of Redmond. This zone is intended for such uses as research and development, software development, advanced technology industries, wholesale businesses, and manufacturing with largely indoor operations, along with the corresponding office space for those uses.

The greater Seattle area, and the Eastside specifically, has a market for all of those uses, especially in Redmond, which is one of the hotspots for software development in the US due to the presence of Microsoft and a variety of other software companies.

Distribution centers, office parks, and industrial buildings are located nearby between the subject and the SR-520 freeway.

The “highest and best use as vacant” is for an office or light industrial use involved with distribution, development, or manufacturing along with the required office space.

**AS IMPROVED**

The subject is currently improved with a variety of buildings used by King County Road Services for maintenance of roads. This is not the most economic use of the site and, from a profitability standpoint, these buildings should be removed and redeveloped as indicated by the "highest and best use as unimproved" on the previous page.

### SALES COMPARISON APPROACH TO VALUE

In the sales comparison approach, the value of a property is estimated by comparing it with similar properties in its market area that have been sold recently. This approach is based on the premise that the value of a property tends to be set by the price that would have to be paid to acquire an equally desirable substitute property on the open market in an "arm's length" transaction. The value estimate is based on prices paid over a time period that reasonably reflects market conditions. This approach is particularly useful for valuing developed general-purpose properties and vacant land.

The validity of the sales comparison approach depends on the existence of recent sales of properties that are comparable to the subject property in the following factors:

**Location:** Comparable sales should be located in the same area or in areas of similar land use, traffic flow, access to amenities, and access to transportation facilities;

**Visibility:** The property's visibility from the surrounding area can be important for many uses.

**Size:** Comparable sales should be of a similar size.

**Utility:** Comparable sales should have similar utility to the subject for a similar use.

**Overall market appeal:** Investors who would consider purchasing the subject property should also be likely to consider purchasing the comparable sale properties, assuming all were on the market simultaneously.

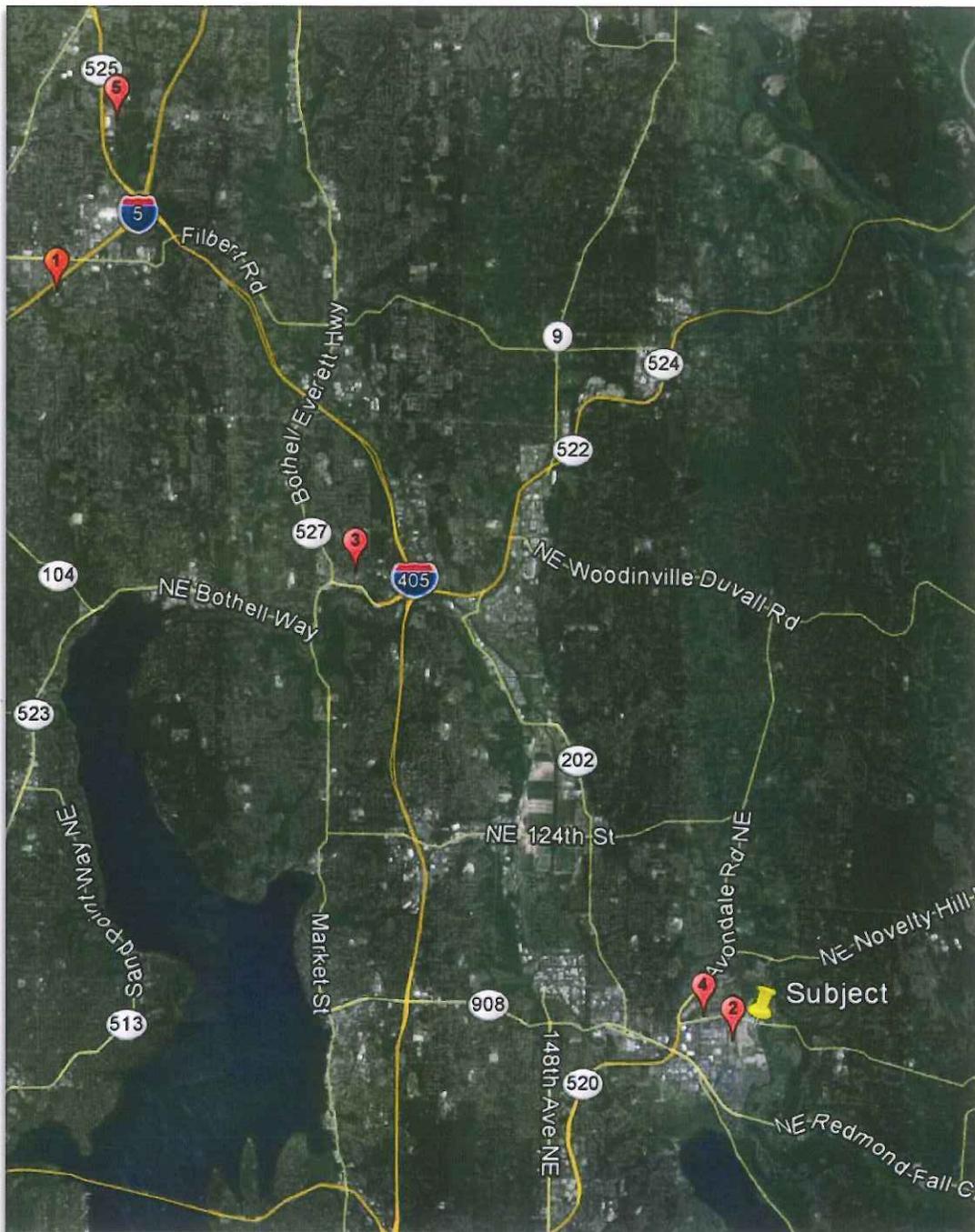
An appropriate unit of measure must be selected (entire property, price per square foot, etc.). Adjustments are made to each comparable sale to account for value differences between the sold property and the subject. Adjustments are made for transaction characteristics such as financing, terms, conditions of the sale, and the date of the sale, as well as for the property characteristics listed above. The adjustments should result in a relatively narrow value range, from which a specific estimate of the subject property's value is generally selected.

A search through the MetroScan, CBA, and CoStar databases was made for recent sales of similar properties. There were only two comparable sales in Redmond in the last few years, so our search was expanded to surrounding communities, and those properties that could have a similar use.

### COMPARABLE SALES SUMMARY

Sale No.	Location	Sale Date	Sales Price	Usable (SF)	\$/SF
<b>Subject</b>	<b>19101 NE Union Hill Rd Redmond</b>			<b>1,031,116</b>	
1	18422 104th Ave NE Bothell	7/6/2012	\$1,250,000	40,866	\$30.59
2	18795 E 73rd St Redmond	10/17/2012	\$16,872,500	1,028,587	\$16.40
3	4001 204th St SW Lynnwood	1/5/2011	\$3,225,000	253,345	\$12.73
4	18100 NE Union Hill Rd Redmond	4/9/2010	\$3,710,000	152,460	\$24.33
5	16601 Alderwood Mall Pky Lynnwood	Pending	\$2,208,492	84,942	\$26.00

MAP OF COMPARABLE SALE PROPERTIES



**Comparable Sale No. 1****18422 104<sup>th</sup> Avenue NE, Bothell**

Comparable Land Sale No. 1 sold for \$1,250,000 on July 6, 2012 from the Oscar W. Lynn Credit Trust to MSPT VIII LLC. The site has 40,866 square feet, all of which are level and at grade with the frontage streets. The site had a variety of single-family homes at the time of sale, which have subsequently been demolished. It is currently being improved with a mixed-use building with retail on the bottom level and apartments above. The property is zoned GDC (General Downtown Corridor) by the City of Bothell which allows for a wide variety of land uses including offices.

Compared to the subject, the comparable sale is far smaller at just under an acre, which requires a downward adjustment, since smaller parcels of land generally sell for a higher price/acre. Downward adjustments were also made for the zoning, since the GDC zoning allows for denser development and a wider array of uses; for its less restrictive shape, more level topography, and lack of any wet lowland areas.

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**Comparable Sale No. 2****18795 E. 73<sup>rd</sup> Street, Redmond**

Comparable Land Sale No. 2 sold for \$16,872,500 (\$703,021/AC) on October 2012 from Magnussen Development and Taylor Development to SunCap Property Group, which is building a FedEx distribution facility on the site. The lot has a total of 1,028,587 SF or 24 acres, with access to NE Union Hill Road to the north and 188<sup>th</sup> Avenue NE to the south. The site was vacant at sale, and zoned for Manufacturing Park (MP), which is intended for manufacturing and industrial uses, particularly those that require significant areas for storage of materials and equipment.

The subject is very similar to this site. This sale has a similar site size, it would be in demand for similar uses, and it has an irregular shape like the subject. It has no frontage on a major road, but it does have less lowland compared to the subject.

**Comparable Sale No. 3****4001 204<sup>th</sup> Street SW, Lynnwood**

Comparable Sale No. 3 is located to the south of the Lynnwood CBD across I-5. It sold for \$3,225,000 (\$554,505/AC) on January 5, 2011 as an REO from Pacific International Bank to ZIC 2 LLC (Zumiez). The site is 329,314 SF (7.56 acres), though in this analysis we have used only the upland area of 253,345 SF (5.82 acres) since the remainder is wetland, and not usable for improvements. Wetlands are generally given no value by the market for commercial properties and thus were given none in our analysis. At sale, this was the Kaddyshack Driving Range, and is now improved with an office building used as the corporate Zumiez headquarters. It is zoned PCD (Planned Commercial Development) by the City of Lynnwood, and could have been used for a variety of commercial structures. The site slopes from southeast to northwest.

Compared to the subject, the sale is in an inferior area further from other similar development, and further from the Lynnwood CBD. The zoning allows for denser development that is superior to the subject, and it sold as an REO sale with a reduced marketing time, which requires an upward adjustment.

**Comparable Sale No. 4****18100 NE Union Hill Road, Redmond, WA**

Comparable Sale No. 4 is located about a quarter mile east of the intersection of NE Union Hill Road and Avondale Road, about  $\frac{3}{4}$  of a mile to the west of the subject. It sold for \$3,500,000 (\$538,462/AC) in April 2010 from Frederick Walter Keller to HC Redmond LLC, at which time the Swedish Medical Center was developed on the site. The site is technically 6.5 acres, but much of this is taken up by the stream buffer, and only approximately 3.5 acres, or 152,460 SF, of buildable area was available, with the rest being excess land. The property is level and at grade with its frontage street, NW Union Hill Road. It is zoned Business Park (BP), which encourages business and manufacturing employment opportunities that complement commercial activities that are typically found in the downtown area, involve limited outdoor storage, and include a high level of amenities.

Compared to the subject, the sale is in a superior location where denser office development occurs that is closer to the Redmond CBD. Downward adjustments were required because the site is smaller and more level.

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**Comparable Sale No. 5****16601 Alderwood Mall Parkway, Lynnwood**

Comparable Land Sale No. 5 is located about two miles north of the Lynnwood CBD and is pending for \$2,208,492. To the north is the intersection of 164<sup>th</sup> Street SW (a major east-west arterial in the neighborhood) and Alderwood Mall Parkway. Across the street is a Fred Meyer and a variety of other small retail shops. The rectangular site has 84,942 SF (1.95 acres) with hummocky terrain below the level of its frontage street. The site is zoned PCB (Planned Community Business), which allows for a wide range of uses, including office space.

Compared to the subject, the site is in an inferior location with less development in the area, is a smaller lot, has zoning with a wider range of building options, has inferior frontage because it is not on a main road, has a less restrictive shape, and lacks view potential.

**COMPARABLE ADJUSTMENT GRID**

	Subject	Comparable Sale 1	Adj.	Comparable Sale 2	Adj.	Comparable Sale 3	Adj.	Comparable Sale 4	Adj.	Comparable Sale 5	Adj.
Adj. Land Price		\$1,250,000		\$16,872,500		\$3,225,000		\$3,500,000		\$2,208,492	
Date of Sale		7/6/2012		10/17/2012		1/5/2011	6%	4/9/2010	6%	Pending	
Market Adj. \$		\$1,250,000		\$16,872,500		\$3,418,500		\$3,710,000		\$2,208,492	
Adj. \$/SF		\$30.59		\$16.40		\$13.49		\$24.33		\$26.00	
Location	19101 NE Union Hill Rd Redmond	18422 104th Ave NE Bothell		18795 E 73rd St Redmond		4001 204th St SW Lynnwood	15%	18100 NE Union Hill Redmond	-5%	16601 Alderwood Mall Pky Lynnwood	-5%
Net Size (SF)	1,031,116	40,866	-23%	1,028,587		253,345	-18%	152,460	-20%	84,942	-22%
Zoning	BP	GDC	-5%	MP		PCD	-5%	BP		PCB	-5%
Access	NE Union Hill Rd	104th Ave NE		NE Union Hill Rd		204th St SW		NE Union Hill Rd		Alderwood Mall Pky	
Exposure	NE Union Hill Rd	104th Ave NE		None	3%	204th St SW		NE Union Hill Rd		Alderwood Mall Pky	-5%
Shape	Irregular	Rectangular	-3%	Irregular		Irregular		Irregular		Rectangular	-3%
Topography	Hummocky, At Grade	Level, At Grade	-10%	Similar		Similar		Level, At Grade	-10%	More Lvl, Below Grade	
Utilities	All Available	All Available		All Available		All Available		All Available		All Available	
Other	Some Lowlands	None	-5%	Less Lowland	-3%	REO Sale	10%	None	-5%	Similar	
Adj. Lot Value / Adjustment		\$16.60	-46%	\$16.40	0%	\$13.78	2%	\$14.56	-40%	\$15.67	-40%

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**VALUE BY THE SALES COMPARISON APPROACH BEFORE ACQUISITION**

For valuing the land, most emphasis was placed on Sale 2 because it is the closest to the subject, sold within the last month, has similar frontage, and is a very similar size. Sale 4 is also very close to the subject, though it has a smaller lot. Others were given supportive weight in the analysis, since they create a range of value from approximately \$13.78 to \$16.99 with the least emphasis given to the listing.

The indicated value of the subject property is \$16.25 per SF.

$$1,031,116 \text{ SF} \times \$16.25/\text{SF} = \$16,756,000$$

The value of the subject Before Acquisition is **\$16,756,000**

**VALUE OF THE SALES COMPARISON APPROACH AFTER ACQUISITION**

After the acquisition, there will be a loss of 1.43 acres, or 62,300 SF. This will not cause a loss in value of the subject on a price/SF basis, since it does not further restrict the shape of the lot, or negatively impact its access.

$$1,031,116 \text{ SF} - 62,300 \text{ SF} = 968,816 \text{ SF}$$

$$968,816 \text{ SF} \times \$16.25/\text{SF} = \$15,743,000$$

The value of the subject After Acquisition is **\$15,743,000**

**VALUE OF THE ACQUISITION**

In order to estimate the value of the acquisition area, we estimated how much the property was worth before the acquisition and subtract its worth after the acquisition. Though the subject will lose frontage on the main road, the area being acquired is below grade from the current improvements, which offsets the extra value the acquisition area was worth to the property as a whole.

$$\$16,756,000 - \$15,743,000 = \$1,013,000$$

The value of the Acquisition is **\$1,013,000**

**RECONCILIATION OF VALUE ESTIMATES****COST APPROACH**

The cost approach was not used in this report because the small structures on the subject property are not affected by the acquisition of a portion of the land.

**SALES COMPARISON APPROACH**

The value indication by the sales comparison approach is adequately supported by timely sales of reasonably located, physically similar properties. The sales data, while the best available, are reflective of a marketplace that has reduced sales.

**INCOME CAPITALIZATION APPROACH**

The subject does not generate revenue, so the Income Capitalization Approach was not used.

**FINAL ESTIMATE OF VALUE**

Based upon our investigation and analyses, the "As Is" market value of the fee simple interest in the subject property, as of November 19, 2012, is:

**\$16,756,000**

The "After Acquisition" market value of the fee simple interest in the subject property is

**\$15,743,000**

The Acquisition is:

**\$1,013,000**

**ADDENDA**

**FULL LEGAL DESCRIPTION**

BEG ON SLY MGN REDMOND-SNOQUALMIE RD AT PT 149.17 FT M/L N OF NE COR OF NW 1/4 OF NE 1/4 TH SLY TO S LN OF N 1/2 OF NW 1/4 OF NE 1/4 TH WLY ALG SD S LN TO PT 814 FT E OF W LN OF NW 1/4 OF NE 1/4 TH NLY TO SLY MGN REDMOND SNOQUALMIE RD TH SELY ALG SD MGN TO POB LESS C/M RGTS IN POR SEC 7 ONLY & POR VAC RD TGW POR OF NE 1/4 OF NE 1/4 DAF - BEG NE COR OF SD SEC TH W ALG N LN OF SD NE 1/4 1153.93 FT TO TPOB TH S 40-32-21 E 167.20 FT TH S 16-52-18 E 685.22 FT TO N LN OF S 563 FT OF SD NE 1/4 OF NE 1/4 TH S 05-50-36 E 169.86 FT TH S 00-41-36 E 394.41 FT TO S LN OF SD NE 1/4 OF NE 1/4 TH W ALG SD S LN 522.83 FT TO SW COR OF SD SUBD TH N 00-31-11 E ALG W LN OF SD SUBD 1342.63 FT TO NW COR OF SD SUBD TH S 88-53-21 E ALG N LN OF SD SUBD 181.02 FT TO TPOB LESS POR FOR RD PER DEED REC #20080109001406

**Qualifications of Appraiser  
Glenn L. Price**

WWW.APPRAISALGROUPNW.COM; GPRICE@APPRAISALGROUPNW.COM

PHONE NO. (425) 453-9292; FAX NO. (425) 455-9740

1409 140<sup>TH</sup> PLACE NE, SUITE 105, BELLEVUE, WA 98007-3963

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**EDUCATION**

Bachelor of Science from University of Washington, Geology major, Architecture minor

**CONTINUING EDUCATION**

Appraisal Principals, Appraisal Institute, 2005  
USPAP & Ethics, Standards of Professional Practice, Appraisal Institute, 2005  
Basic Income Capitalization, Appraisal Institute, 2005  
Appraisal Procedures, Appraisal Institute, 2006  
Right of Way: 100, IRWA, 2007  
General Applications, 2007, Appraisal Institute, 2007  
Advanced Income Capitalization, Appraisal Institute, 2007  
General Market Analysis & Highest and Best Use, Appraisal Institute, 2008  
Uniform Appraisal Standards for Federal Land Acquisitions, Appraisal Institute, 2008  
General Appraiser Report Writing and Case Studies, Appraisal Institute, 2010  
Principles of Real Estate Engineering, IRWA, 2012

**EXPERIENCE:**

Currently: Appraiser, Appraisal Group of the Northwest LLP, Bellevue, WA  
2003 – 2009, 2012 - Current  
Past: Hage & Associates Appraisers, Fairbanks, AK  
2009 - 2012

**AFFILIATIONS:**

Member of the Appraisal Institute, Seattle Chapter  
Member of the International Right of Way Association, Chapter 71  
Washington State General Certified Real Estate Appraiser (Certification No. 1101927)

**SPECIALTIES**

**Commercial, Industrial, Residential, Land**  
Sensitive Areas and Conservation Easements  
Right of Way Acquisitions

**CLIENTS SERVED**

Abeyta & Associates  
Alaska Department of Fish & Game  
Alaska Department of Transportation  
Bellevue College  
Brandt Law Group  
Bullivant, Houser, Bailey  
Catherine Janicki, Atty.  
Certified Land Services  
City of Arlington  
City of Auburn  
City of Redmond  
City of Sammamish  
City of Shoreline  
Cascade Land Conservancy  
City of Tacoma  
Citywide Mortgage  
Chase Bank  
Cook Schuhmann & Groseclose, Inc.  
Davis & Jonas, CAP  
Denali State Bank  
Dynasty Mortgage  
Evangelical Christian Credit Union  
Fairbanks North Star Borough  
Financial Advantage  
HDR, Inc.  
Howe, Cunningham & Lowe, PLC  
H.W. Lochner, Inc.  
Joseph DePalma Administrative Trust  
Johnson River Enterprises  
Kent Schools  
Keller Williams Real Estate  
KeyBank National Association  
Pacific Christian Center  
Pacific City Bank  
King County Library System  
King County Water District #1  
O.R. Colan Associates, Inc.  
Port of Seattle  
Ronald Wastewater District  
Schwartz, Kales, Accountants  
Sound Transit  
Suburban North Wealth Management  
Tagiugmiullu Nunamiullu Housing Authority  
Terry Brink, Atty.  
Umpqua Bank  
Union Bank  
Universal Field Services  
US Bank  
Wilshire State Bank  
Weichert Relocation Company

**QUALIFICATIONS OF APPRAISER**  
**James B. Price, MAI, SR/WA**

WWW.APPRAISALGROUPNW.COM ; JPRICE@APPRAISALGROUPNW.COM  
 PHONE NO.: (425) 453-9292; FAX NO. (425) 455-9740  
 1409 140<sup>TH</sup> PLACE NE, STE 105, BELLEVUE, WA 98007-3963

**EDUCATION**

Bachelor of Science in Finance, Real Estate Emphasis; Northern Illinois University/  
 University of Illinois.

Appraisal Institute courses include Capitalization Theory, Residential Valuation, Easement  
 Valuation, and Standards of Professional Practice.

Seminars and Classes include: AI Course 833- Fundamentals of Separating Real Property,  
 Personal Property, and Intangible business Assets, Real Estate Feasibility, Business  
 Valuation, Valuation of Easements and Litigation Skills, Appraising for Pension Funds,  
 and Appraisal of Partial Acquisitions.

**PROFESSIONAL MEMBERSHIPS****Appraisal Institute**

Membership: MAI Designated Member of the Appraisal Institute since 1979  
 Formerly: President, Director, and Vice President, Seattle Chapter and Alaska  
 Chapter

**International Right of Way Association**

Designation: SR/WA (Senior Right of Way Agent)  
 Position: International Right of Way Association Valuation Committee, past  
 chair  
 Formerly: Regional Chair, Region 7, International Right of Way Association  
 International Right of Way Association Director, President, and Vice  
 President; Seattle, Washington and Fairbanks, Alaska Chapters

**EXPERIENCE: Over 43 years**

Currently: General Partner, APPRAISAL GROUP OF THE NORTHWEST LLP  
 Developer of subdivision, office building, and residences  
 Owner of office buildings and apartments

Formerly: Proprietor, APPRAISAL GROUP OF THE NORTHWEST  
 Appraiser, Schueler, McKown & Keenan  
 Partner, Price & Associates, Alaska  
 Senior Appraiser, First State Bank of Oregon  
 Appraiser, Pacific First Federal Savings Bank  
 Appraiser, U.S. Small Business Administration  
 Appraiser, Washington State Dept. of Transportation

Qualified as an expert witness in Superior Court, Federal Court Master's Hearings, and  
 Federal Bankruptcy Court. Served as an arbitrator in property valuation and lease renewals.

Washington State Department of Transportation approved appraiser.

Fee reviewer; Washington Dept. of Transportation, major banks, and governmental clients.

Qualified as a Master; held Master's Hearings in Alaska.

Currently certified under the continuing education program of the Appraisal Institute.

Currently certified in Washington State as a General Appraiser (Certificate No. 1100229)

**CLIENTS SERVED**

Abeyta & Associates, R/W Company	KeyBank of Washington
Benson & McLaughlin, Accountants	King County Library System
Boston Private Bank	Korea Exchange Bank
Bullivant, Houser, Bailey, Pendergrass & Hoffman;	Lane & Associates, Inc., R/W Company
Bureau of Indian Affairs	O. R. Colan Associates, Inc. (Acquisition Specialists)
Bureau of Land Management	Ogden Murphy Wallace, Attorneys
Cathay Bank	Pharos Corporation (R/W Company)
Center Bank	Port of Friday Harbor
Certified Land Services	Port of Orcas
Chevron Products Company	Port of Seattle
Church of God, Western Washington	Puget Sound Energy
City of Auburn	Reid Middleton, Engineers
City of Bellevue	Saeahan Bank
City of Des Moines	Seattle City Light
City of Issaquah	Seattle School District
City of Maple Valley	Sound Transit
City of Mount Vernon	Tacoma Utilities
City of Newcastle	U.S. Bank
City of Port Angeles	U.S. Fidelity & Guarantee
City of Redmond	U.S. Postal Service
City of SeaTac	Union Bank
City of Seattle	Universal Field Services, Inc.
City of Shoreline	Washington Dept. of Transportation- Approved Appraiser & Reviewer
City of Tacoma	Washington State Dept. of Natural Resources
Coldwell Banker Relocation	Washington State Parks & Recreation Commission
Columbia Bank	Waste Management
Costco	Williams Northwest Pipeline
Eastman, Scott, Attorney, Bellevue	Wilshire State Bank
El Centro De La Raza, Felicia Gonzales	
Enumelaw Public Schools	
First Sound Bank	
HDR Engineering	
John Lynch, CPA, Bellevue	
Johns Monroe Mitsunaga, Attorneys; Michael Monroe, Darrell Mitsunaga	
Keating Bucklin & McCormack, Attorneys	
Kent Schools	