

## **Identification of the Area**

**Name or Designation:**           **Area 32: North Downtown Seattle**

### **Boundaries:**

Area 32, or North Downtown Seattle, as identified by the King County Department of Assessments lies immediately north and west of the Seattle's Central Business District, south of Queen Anne Hill, and east of Capital Hill. It includes the Downtown Elliot Bay waterfront, Belltown, Lower Queen Anne and the Seattle Center, and South Lake Union. Belltown and Lower Queen Anne are dynamic, urban neighborhoods with a mix of commercial and residential uses. South Lake Union is a neighborhood in transition from an underutilized commercial/warehouse/residential district to a neighborhood of new offices, biotechnical labs, retail and housing.

The boundary of Area 32 on the north is West Olympic Place, West Aloha Street and East Galer Street. The southern border is along Lenora Street to 5<sup>th</sup> Avenue and along Denny Way and South Washington Street. The west boundary is the Elliott waterfront and the east boundary is Interstate 5 in the north portion, and 5<sup>th</sup> Avenue in the Belltown neighborhood.

### **Maps:**

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

### **Area Description:**

Area 32, known as North Downtown Seattle, is divided into four neighborhoods. They are generally similar in their mixed-use zones. Commercial, community and regional service enterprises, and multifamily land uses predominate. They are typically distinguished by their respective arterial linkages south into Downtown proper, and north into the predominantly residential parts of Seattle beyond the Lake Washington Ship Canal. A brief description of the four neighborhoods follows.

## **Belltown: Area 32-10**

**Boundaries:** Belltown is bounded on the north by Denny Way, on the south by Lenora Street and the Pike Place Market, on the west by Elliott Avenue, and on the east by Fifth Avenue.

**Neighborhood Description:** This area is primarily zoned Downtown Mixed Residential (DMR) with Downtown Mixed Commercial (DMC) zoned parcels located in the north boundary. Belltown, a major part of Seattle's fastest growing neighborhood (Denny Regrade), has been an area in transition for many years. Historically Belltown was a neighborhood of apartments and rooming houses, union halls, and marginal businesses, in proximity to the city center. In the mid-1970's the city approved new zoning to encourage construction of a high-rise residential district, however, the economy did not support new development at that time. Instead, artists, musicians, and entrepreneurs took advantage of the low rents in Belltown. In the late 1980's and 1990's as the regional economy grew, development in Belltown took off. Condominiums, apartment buildings, retail and restaurants, and mid-rise office buildings were built. The proximity to Pike Place Market, the waterfront, Seattle Center, and the downtown business district plus the traffic congestion in the greater metropolitan area has resulted in Belltown being an attractive in-city neighborhood.

The Comprehensive Plan estimates that an additional 6,500 households will be constructed in Belltown by the year 2014. This area is primarily targeted to increase residential units' occupancies in the neighborhood by encouraging investors and developers to construct apartments and/or condominiums. The zone classifications for Belltown (Area 32-10) are Downtown Mixed Residential (DMR), designated as either Downtown Mixed Residential/Residential (DMR/R) or Downtown Mixed Residential/Commercial (DMR/C). These designations have a building height limit that ranges from 65 feet to 240 feet. The northern portion of the neighborhood along Denny Way has the zone classification of Downtown Mixed Commercial with a building height limit of 65 to 240 feet.

**South Lake Union: Area 32-20**

**Boundaries:** This area is located east of 6th Avenue North, south of Galer Street and Lake Union, west of I-5, and north of Denny Way.

**Neighborhood Description:** South Lake Union is a neighborhood in transition. Historically called the Cascade Neighborhood, residential use has declined since the 1950's when zoning changes limited new residential uses and promoted light manufacturing uses. Construction of I-5 in the 1960's cut off the neighborhood from the west portion of Capital Hill. In the late 1980's the in-close location and the less expensive land values started to get the attention of several biotech and high tech companies. Fred Hutchinson Cancer Research Center, and later Zymogenetics located in the northeast sector of the neighborhood, while in the southeast sector REI relocated their flagship store in 1995. In the mid 1990's the concept of the 74 acre "Seattle Commons" park was twice defeated. Subsequently, the City of Seattle and developers, including the Vulcan NW Group that has accumulated 55 acres, have put in place development plans that may transform the South Lake Union neighborhood into a new commercial/residential neighborhood with a focus on biotech and biomedical research. City projections include 15,000,000 square feet of development (half commercial and half residential) by 2020, and up to 39,000 new jobs directly and indirectly related to biotech by 2025. The city has already approved raising building height limitations in several zoning areas to accommodate biotech buildings and support higher residential density. Other infrastructure improvements will include a new substation, a waterfront park, a revamped Mercer Street, and possibly a street car service.

**Lower Queen Anne Hill: Area 32-30**

**Boundaries:** This area is located east of the Puget Sound waterfront, south of West Olympic Place and West Aloha Street, west of 6th Avenue North, and north of Denny Way.

**Neighborhood Description:** This area consists of mixed-use properties, predominately multi-family apartments and condominiums, and mid and low-rise office buildings. The area also is in demand for small-office, owner-occupant properties by those who want to be in a close-in, urban pedestrian neighborhood. The major landholder is the City of Seattle with the Seattle Center which includes Key Arena, Pacific Science Center, Memorial Stadium, Opera House, Pacific Science Center, the Space Needle and Experience Music Project Museum. There are many retail businesses, hotels, restaurants, and related parking structures adjacent to Seattle Center.

## **Downtown Harborfront: Area 32-40**

**Boundaries:** This neighborhood comprises the upland parcels along Seattle Elliott Bay Pier Waterfront and Alaskan Way, from South Washington Street at the southwestern boundary to Broad Street at the northwestern boundary. The Alaska Way Viaduct physically separates this waterfront area from Belltown, the CBD, and Pioneer Square to the east.

**Neighborhood Description:** The Downtown Harborfront neighborhood, known as the Central Waterfront, is located across from the downtown pier area. The area's improved parcels include retail and restaurants, hotels, office buildings, parking garages, mixed-use multi-family dwellings, storage warehouse, and office warehouse use. The Washington State Ferry Terminal at the Colman Dock, the Seattle Aquarium, the Port of Seattle Marina and Cruise Ship Terminal, the Edgewater Inn, and the Victoria Clipper terminal are well known landmarks. In recent years there has been considerable development of residential condominiums and a new Marriot hotel in the north sector of this area, on the east side of Alaskan Way. In the future Area 32-40 will be impacted by the configuration and reconstruction of the Alaskan Way Viaduct and the adjacent seawall.

The zone classifications are Downtown Harborfront-1 (DH-1) and Downtown Harborfront-2 (DH-2).

Downtown Harborfront-1 (DH-1) zone applies to waterfront lots and adjacent harbor areas where economically viable marine uses are encouraged to meet the needs of waterborne commerce, facilitate the revitalization of downtown's waterfront, provide opportunities for public access and recreational enjoyment of the shoreline, preserve and enhance elements of historic and cultural significance, and preserve views of Elliott Bay and the land forms beyond. To preserve and restore the historic maritime character of Piers 54 through 59 (but excluding the new Aquarium structure); development standards are augmented by Historic Character Area guidelines. Water dependent uses are encouraged through development standards that allow greater development potential and design flexibility than permitted by the base regulations.

Downtown Harborfront-2 (DH-2) zone applies to those areas near the downtown shoreline where development potential offers the opportunity to enhance public access and enjoyment of the waterfront. Because the areas designated DH-2 are partially within a shoreline environment, development standards include use and bulk regulations to carry out shorelines goals, and preserve views of the water. A diversity of uses and buildings of small scale are preferred. Incentives are offered for the provision of public open space integrated with an overall plan for public access improvements.

The general provision of these two zone classifications is that all uses shall meet the development standards of the Seattle Shoreline Master Program, and development rights may not be

transferred to or from lots in DH-1 or DH-2 zones. The zone designation for this neighborhood is intended to provide commercial activities in support of shoreline goals and related office, commercial, retail and residential uses. This area is intended to provide a transition in scale and character between the waterfront and adjacent downtown areas.

### **Physical Inspection Identification:**

Neighborhood Area 32-20, South Lake Union, was physically inspected for the 2004 assessment year.

### **Preliminary Ratio Analysis**

A Ratio Study was completed just prior to the application of the 2004 recommended values. This study benchmarks the current assessment level using 2003 posted values. The study was also repeated after application of the 2004 recommended values. The results are included in the validation section of this report, showing improvement in the Coefficient of Variation (COV) from 18% to 9.82%, Coefficient of Dispersion (COD) from 13.41% to 7.75%. The weighted mean ratio which is a statistical measure of assessment level went from 81.8% to 94.2%. The Price-related Differential (PRD) went from 1.04 to 0.99.

### **Scope of Data**

#### **Land Value Data:**

Vacant sales that closed between 1/5/2000 to 10/28/2003 were given primary consideration for valuing the land parcels in Area 32. Vacant sales that occurred in 2000 were included in this year's valuation because there were few 2003 sales other than in the South Lake Union neighborhood.

The primary unit of comparison considered was based on price per square foot of land area. "Shell" sales, interim use sales, tear down sales, and land transactions that included plans and permits were considered in the analysis of the land values. The comparative sales approach generally is considered the most reliable method for land valuation. Zoning and location were the primary variables considered in the valuation process.

#### **Improved Parcel Total Value Data:**

Improved sales from 1/20/2001 to 12/13/2003 were given consideration for establishing total value estimates. Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales were verified, if possible, by contacting either the purchaser or seller, inquiring in the field or contacting the real estate broker.

Characteristic data is verified for all sales when possible. Due to time constraints, interior inspections were limited. Sales are listed in the “Sales Used” and “Sales Not Used” sections of this report. Additional information resides in the Assessor’s procedure manual located in the Public Information area of the King County Administration Building.

## Land Value

### Land Sales, Analysis, Conclusions

There were 49 sales considered in Area 32 which include sub-areas 32-10, 32-20, 32-30, and 32-40. These neighborhoods are typically distinguished by their predominant zone classification. In analyzing the sales in Area 32, neighborhood, location within the neighborhood, zoning and height limit availabilities, and utility of the site were also considered. When recent sales were unavailable such as in sub-area 32-40 the Downtown Waterfront, sales from other neighborhoods were considered.

#### Belltown: Area 32-10

Lack of recent land sales in this neighborhood indicated no change in land values for most of the parcels. Any change in land assessments reflect adjustments made for location and utility. The range of value for many of the DMR zoning designations reflects adjustments for the location and or utility of the individual parcels. The table below represents the 2004 estimated land value per square foot for each zone in the Belltown Area.

32-10	Belltown	DMC 85	\$120 to \$140
32-10	Belltown	DMR/R 85/65	\$130 to \$140
32-10	Belltown	DMR/C 85/65	\$130 to \$140
32-10	Belltown	DMR/C 125/65	\$140 to \$150
32-10	Belltown	DMC 240	\$185
32-10	Belltown	DMC 65	\$120
32-10	Belltown	DMR/C 240/125	\$150 to \$160
32-10	Belltown	DMR/R 125/ 65	\$130 to \$150
32-10	Belltown – Seattle Puget Sound Pier Waterfront	DH1-45	\$35
32-10	Belltown – Seattle Puget Sound Pier Waterfront	IC-45	\$35

**South Lake Union: Area 32-20**

Land sales in this neighborhood support an increase in value for certain zone designations and areas within the neighborhood where development is occurring or is planned. The table below represents the 2004 estimated land value per square foot for each zone in the South Lake Union Area.

32-20	South Lake Union	NC3-125'	\$108 to \$115
32-20	South Lake Union	NC3-85'	\$105 to \$110
32-20	South Lake Union	NC3-65'	\$95 to \$120
32-20	South Lake Union	NC3-40'	\$95
32-20	South Lake Union	C1-65'	\$80 to \$95
32-20	South Lake Union	C1-85'	\$100 to \$110
32-20	South Lake Union	C2-40'	\$85 to \$90
32-20	South Lake Union	C2-65'	\$80 to \$120
32-20	South Lake Union	C2-85'	\$110
32-20	South Lake Union	C2-125'	\$115
32-20	South Lake Union	IC-45'	\$85
32-20	South Lake Union	IC-65'	\$95 to \$120
32-20	South Lake Union	IC-85'	\$100
32-20	South Lake Union	SCM-75'	\$95
32-20	South Lake Union	SCM-125'	\$100 to \$105
32-20	South Lake Union	SCM/R 55/75	\$98
32-20	South Lake Union Waterfront	C2-40'	\$45 to \$50

The range of values for certain zone designations reflects location, size, access, and utility. The land values of a few parcels along Aurora Avenue were adjusted for topography.

### Lower Queen Anne Hill: Area 32-30

There were few new land sales in this neighborhood indicating only minimal or no value changes for most parcels. The table below represents the 2004 estimated land value per square foot for each zone in the Lower Queen Anne Hill Area.

32-30	Lower Queen Anne Hill	MR	\$85 to \$110
32-30	Lower Queen Anne Hill	L-3 RC	\$90
32-30	Lower Queen Anne Hill	NC2-40'	\$90
32-30	Lower Queen Anne Hill	NC3-85'	\$95 to \$105
32-30	Lower Queen Anne Hill	NC3-65'	\$100
32-30	Lower Queen Anne Hill	NC3-40'	\$95
32-30	Lower Queen Anne Hill	C1-65'	\$85 to \$95
32-30	Lower Queen Anne Hill	C2-40'	\$55 to \$90
32-30	Lower Queen Anne Hill	IC-45'	\$35 to \$70
32-30	Lower Queen Anne Hill	IC1 U-45	\$35
32-30	Lower Queen Anne Hill	L-3	\$60 to \$70

The range of values for certain zone designations reflects location, size, utility, and topography of individual parcels within the sub-area.

**Downtown Harborfront: Areas 32-40**

Due to the lack of land sales in this neighborhood, land sales in Areas 32-10, 32-30, 30-60, 30-80, and 30-100 were considered to estimate the land value. The table below indicates the 2004 estimated land per square foot for each zone.

32-40	Downtown Harborfront	DH2-65	\$130
32-40	Downtown Harborfront	DH2-85	\$130 to \$140
32-40	Downtown Harborfront	DH2-55	\$109 - \$120
32-40	Downtown Harborfront – Seattle Puget Sound Pier Waterfront	DH1-45	\$35

The total assessed land value in Area 32, for the 2003 assessment year was \$1,902,484,442 (this includes commercial condominium unit land but not the land of specialty properties) and the 2004 total recommended assessed land value is \$1,990,596,800. Application of these recommended values for the 2004 assessment year (taxes payable in 2005) results in an increase of 4.63%. This increase is primarily due to upward market changes in South Lake Union market area (32-20).

A list of vacant sales used and those considered not reflective of market are included in the following sections.

**Vacant Sales for Area 032 with Sales Used**

Area	Nbhd.	Major	Minor	Land Area	E #	Sale Price	Sale Date	SP / Ld. Area	Property Name	Zone	Par. Ct.
032	010	069500	0180	9,300	1816141	\$1,460,000	04/24/01	\$156.99	IVAR'S ON DENNY	DMC65'	1
032	010	069500	0235	13,900	1802008	\$2,264,083	02/14/01	\$162.88	VACANT LAND	DMC 65	1
032	010	069600	0175	12,960	1806109	\$3,000,000	03/14/01	\$231.48	UNDER THE RAIL	DMRC24*	1
032	010	197720	0570	6,660	1804908	\$1,375,000	03/09/01	\$206.46	PARKING LOT	DMRR85	1
032	020	005200	0090	47,328	1871046	\$4,550,000	02/28/02	\$96.14	VACANT LAND	C1/65	7
032	020	198320	0325	48,236	1996666	\$7,049,465	10/22/03	\$146.15	HUGH MCNIVEN CO	IC/65	2
032	020	198320	0375	26,754	1996668	\$3,879,330	10/22/03	\$145.00	WESTLAKE CARPET DISTRIBUTORS	IC/65	1
032	020	198320	0475	9,221	1803069	\$830,000	02/27/01	\$90.01	WINDWARD PRESS & GRAPHICS WEST	C2-40'	1
032	020	198320	0626	7,920	1826644	\$700,000	06/25/01	\$88.38	MULTI-RES	IC/65	1
032	020	199120	1195	2,590	1920767	\$440,000	11/07/02	\$169.88	DUPLEX	C1/85	1
032	020	199120	1405	10,800	1978726	\$1,350,000	08/05/03	\$125.00	CALCOM INC	C1/85	1
032	020	216390	1030	6,180	1867638	\$771,500	02/08/02	\$124.84	LAND ONLY	C2-65	2
032	020	216390	1050	14,206	1915851	\$1,595,500	10/16/02	\$112.31	PARKING	C2-65	1
032	020	216390	1060	3,600	1867610	\$449,000	02/06/02	\$124.72	VACANT LAND	C2-65'	1
032	020	216390	1066	13,200	1859945	\$1,399,900	12/28/01	\$106.05	RAINIER PRECISION INC	C2/65	1
032	020	246740	0065	14,400	1799514	\$1,600,000	01/29/01	\$111.11	BRICKLAYERS BLDG	IC-65'	1
032	020	408880	3385	134,698	1992505	\$21,250,000	10/01/03	\$157.76	MCKAY/PACIFIC AUTO SALES	C2/65	2
032	030	198820	0110	3,600	1820819	\$330,000	05/29/01	\$91.67	SFR	NC3-65	1
032	030	545780	0430	7,680	1863475	\$797,500	01/15/02	\$103.84	PARKING	NC3-40	1
032	030	545780	0525	16,640	1832798	\$1,050,000	07/25/01	\$63.10	PARKING LOT-TEAR DOWN	L3	3
032	030	545830	0230	16,988	1834785	\$1,910,000	08/04/01	\$112.43	KELLEY BUSINESS MACHINES	NC2/40V	2
032	030	545830	0265	4,800	1834783	\$456,000	08/04/01	\$95.00	DUPLEX	NC2 40	1
032	030	766620	2160	46,609	1998652	\$3,377,778	10/28/03	\$72.47	VACANT RESTAURANT	IC/45'	1

## **Improved Parcel Total Values:**

### **Sales Comparison Approach model description**

The model for sales comparison was based on characteristics from the Assessor's records including location, effective age, building quality and net rentable area. Sales with characteristics most similar to the subject properties were considered.

The improved sales used range in date from 1/20/2001 to 12/31/2003. There were 30 improved sales in Area 32 that were considered as fair market transactions reflective of the market conditions. These sales were organized into market segments based on predominant use. The sale price ranges serve to establish a general upper and lower market boundary for the various property types within the subject area and were useful when analyzing the income parameters and capitalization rates used in the income models for the various neighborhoods. Location, quality, and effective age were factors considered for adjustment. Stratification of these sales shows the following market ranges:

- 1) Offices (25,000 SF rentable or larger): \$105 to \$198 per sq. ft.
- 2) Offices (under 25,000 SF rentable): \$146 to \$271 per sq. ft.
- 3) Retail \$175 to \$240 per sq. ft.
- 4) Research Laboratories \$325 to \$350 per sq. ft.
- 5) Warehouse/Light Industrial \$50 to \$163 per sq. ft.
- 6) Commercial Condominium Units \$176 to \$246 per sq. ft.

### **Cost Approach model description**

Cost estimates are automatically calculated via the Marshall & Swift Valuation modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Cost estimates were relied upon for valuing special use properties where comparable sales data and/or income/expense information is not available. These properties are typically exempt properties such as churches, schools, public utility buildings, and park improvements. Non-exempt buildings that are valued by the Cost method might be fraternal halls, daycares, and on-going new construction.

## Cost calibration

The Marshall & Swift Valuation modeling system which is built in the Real Property Application is calibrated to the region and the Seattle area.

## Income Capitalization Approach model description

The Income Approach was considered the most reliable approach to valuation throughout Area 32 for improved property types where income and expense data is available to ascertain market rates. Income parameters were derived from the market place through market rental surveys, sales, and available real estates publications and websites.

The following tables are the results of an analysis of this information. The tables stratify the major property types for each area and the income parameters used.

### **Belltown: Area 32-10 & Downtown Harbor: Area 32-40**

<b>Property Type</b>	<b>Rent/SF Range</b>	<b>Vacancy Rate</b>	<b>Expense Rate</b>	<b>OAR</b>
Office	\$16 to \$30	10% to 15%	35%	9.00% to 10%
Open Office	\$12 to \$25	10% to 15%	35%	9.00% to 10%
Loft Basement Office & Mezzaninies Office	\$10 to \$22	15% to 20%	25% to 40%	9.00% to 10.50%
Retail, Restaurant	\$10 to \$24	10% to 15%	10% to 20%	9% to 10.25%
Basement Finished, Mezz, Balcony	\$4 to \$13	10% to 15%	15% to 25%	9% to 10.50%
Discount Store, Supermarket, Dept Store	\$8 to \$20	5% to 15%	10% to 20%	8.75% to 10.25%
Laboratories	\$16 to \$30	10% to 15%	15% to 25%	9% to 10%
Apt (Mixed Use or under 3 units)	\$10 to \$22	7% to 10%	35% to 40%	6.5% to 9%
Storage Warehouse &	\$5 to \$16	10% to 15%	10% to 20%	9% to 11.00%

Light Manufacturing				
Line Retail	\$18 to \$30	10% to 12%	10% to 15%	9% to 9.25%
Service Garage Repair	\$8 to \$19	10% to 15%	15% to 25%	9.25% to 11.00%

**South Lake Union: Area 32-20**

Property Type	Rent/SF Range	Vacancy Rate	Expense Rate	OAR
Office	\$16 to \$30	10% to 15%	35%	8.75% to 10.00%
Open Office	\$12 to \$25	10% to 15%	30% to 35%	9.00% to 10.00%
Loft Basement Office & Mezzanines Office	\$10 to \$22	15% to 20%	25% to 40%	9.00% to 10.50%
Retail, Restaurant	\$13 to \$24	10% to 15%	10% to 20%	9.00% to 10.25%
Line Retail	\$18 to \$30	10% to 12%	10% to 15%	9% to 9.25%
Basement Finished, Mezz, Balcony	\$4 to \$13	10% to 15%	15% to 25%	9.00% to 10.50%
Discount Store, Supermarket, Dept Store	\$8 to \$20	5% to 20%	10% to 20%	8.75% to 10.25%
Laboratories	\$14 to \$34	10% to 15%	15% to 25%	9% to 10%
Mixed-Use Apt & Less than 3 Units	\$10 to \$22	7% to 10%	35% to 40%	6.50% to 9%
Warehouse Storage & Light Manufacturing	\$5 to \$16	10% to 15%	10% to 20%	9.50% to 11.00%
Industrial	\$5 to \$16	10% to 15%	12% to 25%	9.00% to 11.00%
Service Garage Repair	\$10 to \$19	10% to 15%	15% to 25%	9.25% to 11.00%

**Lower Queen Anne Hill: Area 32-30**

<b>Property Type</b>	<b>Rent/SF Range</b>	<b>Vacancy Rate</b>	<b>Expense Rate</b>	<b>OAR</b>
Office	\$16 to \$30	10% to 15%	35%	8.75% to 10.00%
Open Office	\$12 to \$21	10% to 15%	30% to 35%	9.00% to 10.00%
Loft Bsmt. Office & Mezz. Office	\$10 to \$22	15% to 20%	25% to 40%	9.00% to 10.50%
Retail, Restaurant	\$13 to \$24	10% to 15%	10% to 20%	9.00% to 10.25%
Line Retail	\$18 to \$30	10% to 12%	10% to 15%	9% to 9.25%
Basement Finished, Mezz, Balcony	\$5 to \$13	10% to 15%	15% to 25%	9.00% to 10.50%
Discount Store, Supermarket, Dept Store	\$8 to \$20	5% to 15%	10% to 20%	8.75% to 10.25%
Laboratories	\$14 to \$30	10% to 15%	15% to 25%	9% to 10%
Mixed-Use Apt. & Less than 3 Units	\$10 to \$22	7% to 10%	35% to 40%	6.50% to 9%
Warehouse Storage & Light Manufacturing	\$5 to \$16	10% to 15%	10% to 12%	9.00% to 11.00%
Service Garage Repair	\$9 to \$19	10% to 15%	15% to 25%	9.25% to 12.00%

Stratification adjustments for the parameters listed were based on quality of construction, effective age, size, and location

On properties where income from parking was valued, a separate income approach was utilized. This income approach was developed through sales, market surveys, and available publications including the publication of the 2002 Parking Inventory for the Central Puget Sound Region, prepared by the Puget Sound Regional Council. The monthly rate ranged from \$74 to \$200/stall depending on the location. The vacancy and credit loss rate range from 25% to 45%

and the annual expense rate range from 10% to 25%. The overall capitalization rate ranged from 9% to 10%. Stratification adjustments made were based on condition, quality of construction, effective age, and location.

### **Income approach calibration**

The models were calibrated after setting base rents by using adjustments on size, quality of construction, and the effective age. When the value of the property by the income approach was less than the land value, a minimal \$1,000 value was allocated to the improvements. For properties where sales and income/expense data was not available, the Cost Approach was utilized.

### **Reconciliation and/or validation study of calibrated value models including ratio study of hold out samples.**

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The income approach to value was considered to be most reliable indicator of value in most instances. The market rents as established by the income model were used as a guide in establishing the rental market rates used. The market rental rate applied to a few properties varied from the model but fell within an acceptable range of variation from the established guideline.

## **Model Validation**

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

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel in the physical inspection neighborhood was field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

The standard statistical measures of valuation performance are presented both in the Executive Summary and the 2003 and 2004 Ratio Analysis charts included in this report. Comparison of the 2003 Ratio Study Analysis with the 2004 Ratio Study Analysis indicates that the weighted mean statistical measure of assessment level went from 81.8% to 94.2%. The Coefficient of Dispersion (COD) went from 13.41% to 7.75%, the Coefficient of Variation (COV) went from 18% to 9.82%, and the Price-related Differential (PRD) went from 1.04 to 0.99. This is well within the IAAO appraisal guidelines for measures of valuation uniformity and equity.

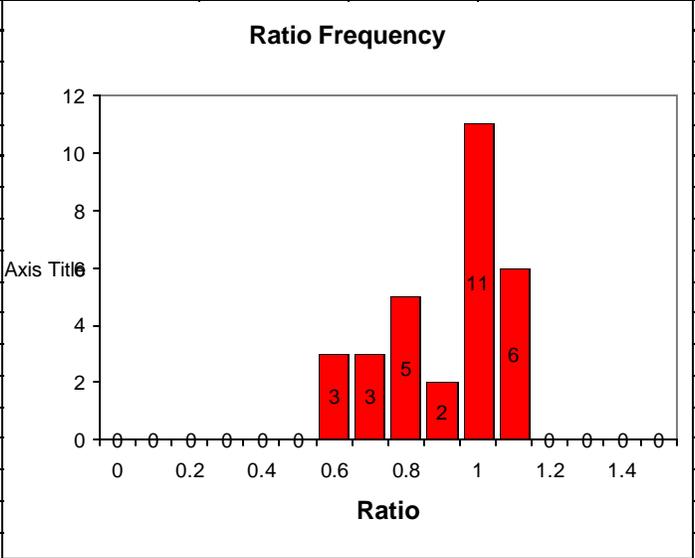
The total assessed values for Area 32 for the 2003 assessment year was \$3,228,662,223 and the total recommended value for the 2004 assessment year is \$3,544,895,509 (does not include specialty properties). Application of these recommended values for the 2004 assessment year (taxes payable in 2004) results in an average total change from the 2003 assessments of 9.79%.

Much of the value increase can be attributed to the land value increases and substantial new construction in the South Lake Union.

**Note:** More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the office.

**Area 032 NORTH DOWNTOWN  
2004 Assessment Year  
Sales used w/2003 AV**

<b>Quadrant/Crew:</b>	<b>Lien Date:</b>	<b>Date:</b>		<b>Sales Dates:</b>
Central Crew	1/1/2003	3/31/2004		1/20/01 - 12/31/03
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>		<b>Trend used?: Y / N</b>
32	DMAR	Improvement		N
<b>SAMPLE STATISTICS</b>				
<b>Sample size (n)</b>	30			
<b>Mean Assessed Value</b>	2,421,900			
<b>Mean Sales Price</b>	2,959,800			
<b>Standard Deviation AV</b>	4,947,187			
<b>Standard Deviation SP</b>	6,515,615			
<b>ASSESSMENT LEVEL</b>				
<b>Arithmetic mean ratio</b>	0.853			
<b>Median Ratio</b>	0.915			
<b>Weighted Mean Ratio</b>	0.818			
<b>UNIFORMITY</b>				
<b>Lowest ratio</b>	0.5490			
<b>Highest ratio:</b>	1.0371			
<b>Coeffient of Dispersion</b>	13.41%			
<b>Standard Deviation</b>	0.1536			
<b>Coefficient of Variation</b>	18.00%			
<b>Price-related Differential</b>	1.04			
<b>RELIABILITY</b>				
<b>95% Confidence: Median</b>				
Lower limit	0.739			
Upper limit	0.951			
<b>95% Confidence: Mean</b>				
Lower limit	0.798			
Upper limit	0.908			
<b>SAMPLE SIZE EVALUATION</b>				
<b>N (population size)</b>	671			
<b>B (acceptable error - in decimal)</b>	0.05			
<b>S (estimated from this sample)</b>	0.1536			
<b>Recommended minimum:</b>	36			
<b>Actual sample size:</b>	30			
<b>Conclusion:</b>	Uh-oh			
<b>NORMALITY</b>				
<b>Binomial Test</b>				
# ratios below mean:	11			
# ratios above mean:	19			
z:	1.278019301			
<b>Conclusion:</b>	<b>Normal*</b>			
*i.e., no evidence of non-normality				



These figures reflect the 2003 assessed values as compared to the current market

**Area 032 NORTH DOWNTOWN  
2004 Assessment Year  
Sales used w/2004 AV**

<b>Quadrant/Crew:</b>	<b>Lien Date:</b>	<b>Date:</b>	<b>Sales Dates:</b>
Central Crew	1/1/2004	3/31/2004	1/20/01 - 12/31/03
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>	<b>Trend used?: Y / N</b>
32	DMAR	Improvement	N
<b>SAMPLE STATISTICS</b>			
<i>Sample size (n)</i>	30		
<i>Mean Assessed Value</i>	2,787,500		
<i>Mean Sales Price</i>	2,959,800		
<i>Standard Deviation AV</i>	6,169,934		
<i>Standard Deviation SP</i>	6,515,615		
<b>ASSESSMENT LEVEL</b>			
<i>Arithmetic mean ratio</i>	0.930	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>These figures reflect the recommended 2004 assessed values as compared to the current market.</p> </div>	
<i>Median Ratio</i>	0.944		
<i>Weighted Mean Ratio</i>	0.942		
<b>UNIFORMITY</b>			
<i>Lowest ratio</i>	0.7360		
<i>Highest ratio:</i>	1.1066		
<i>Coefficient of Dispersion</i>	7.75%		
<i>Standard Deviation</i>	0.0913		
<i>Coefficient of Variation</i>	9.82%		
<i>Price-related Differential</i>	0.99		
<b>RELIABILITY</b>		<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>These figures reflect the recommended 2004 assessed values as compared to the current market.</p> </div>	
<b>95% Confidence: Median</b>			
<i>Lower limit</i>	0.879		
<i>Upper limit</i>	0.992		
<b>95% Confidence: Mean</b>			
<i>Lower limit</i>	0.897		
<i>Upper limit</i>	0.962		
<b>SAMPLE SIZE EVALUATION</b>		<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>These figures reflect the recommended 2004 assessed values as compared to the current market.</p> </div>	
<i>N (population size)</i>	671		
<i>B (acceptable error - in decimal)</i>	0.05		
<i>S (estimated from this sample)</i>	0.0913		
<b>Recommended minimum:</b>	13		
<i>Actual sample size:</i>	30		
<b>Conclusion:</b>	OK	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>These figures reflect the recommended 2004 assessed values as compared to the current market.</p> </div>	
<b>NORMALITY</b>			
<b>Binomial Test</b>			
<i># ratios below mean:</i>	12		
<i># ratios above mean:</i>	18		
<i>z:</i>	0.912870929		
<b>Conclusion:</b>	Normal*	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>These figures reflect the recommended 2004 assessed values as compared to the current market.</p> </div>	
*i.e., no evidence of non-normality			

### Improvement Sales for Area 032 with Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par . Ct.
032	010	065600	0350	29,200	1951665	\$3,300,000	04/15/03	\$113.01	THIRD AVENUE PRODUCTIONS	DMRC/*	1
032	010	069400	0055	5,400	1897816	\$950,000	07/09/02	\$175.93	CRAWFORD HARDWARE	DMRR125	1
032	020	020900	0030	30,258	2001300	\$2,900,000	11/12/03	\$95.84	FRANK POTTER & ASSOC'S	SCM/75	1
032	020	198320	0025	4,800	1985658	\$1,150,000	08/29/03	\$239.58	E M C	NC3/85	1
032	020	198320	0545	25,871	1972576	\$2,825,000	07/15/03	\$109.20	COLOR SERVICE INC	IC/65	1
032	020	198320	0645	29,000	1943577	\$3,000,000	03/07/03	\$103.45	WAREHOUSE	IC/65	1
032	020	198620	0085	12,960	1888938	\$1,462,500	05/30/02	\$112.85	BOOK PUBLISHING CO	NC3/85	1
032	020	198620	0305	27,600	1900995	\$2,900,000	07/25/02	\$105.07	OFFICE	NC3125'	1
032	020	216390	1095	6,400	1897938	\$1,300,000	07/15/02	\$203.13	BUFFALO BLDG	C2/65	1
032	020	216390	1160	49,300	1914013	\$17,269,890	10/03/02	\$350.30	ZYMOGENETICS	IC	1
032	020	224900	0210	17,046	1860272	\$2,550,000	12/24/01	\$149.60	PACIFIC CAPITAL BLDG	NC3/40V	1
032	020	224950	0115	10,836	1830134	\$1,100,000	07/18/01	\$101.51	PAMECC - AIRE	C2/65	2
032	020	246740	0315	69,504	1817334	\$13,798,450	05/15/01	\$198.53	WRIGHT SCHUCHART BLDG	SCMR/55	1
032	020	269310	0055	42,357	2011928	\$2,124,600	12/31/03	\$50.16	BUNGE FOODS	NC3/125	1
032	020	408880	2925	107,354	1914010	\$34,980,990	10/03/02	\$325.85	ZYMOGENETICS	IC	1
032	020	786350	0065	5,400	1921811	\$790,000	11/13/02	\$146.30	NEBAR SUPPLY	SCMR 55	2
032	030	198920	0705	4,116	1797659	\$775,000	01/20/01	\$188.29	AVIATION INSURANCE CO	NC3/65'	1
032	030	198920	0786	3,421	1853554	\$649,000	11/20/01	\$189.71	COMMUNICATION NORTHWEST INC	NC3/65'	1
032	030	198920	0900	12,165	1854625	\$2,177,000	11/30/01	\$178.96	GREAT REPUBLIC LIFE INS	NC3/65'	1
032	030	198920	1260	4,868	1884740	\$795,000	05/07/02	\$163.31	DONNA'S BARBER SHOP	NC3/65'	1
032	030	199020	0223	4,998	1857777	\$950,000	12/13/01	\$190.08	LABEL MAKERS INC (01 PUBLISHING)	NC3/40'	1
032	030	199020	0300	4,980	1857875	\$1,200,000	12/18/01	\$240.96	EASTER SEAL SOCIETY	NC3/40'	1
032	030	545730	0610	2,028	1982748	\$550,000	08/05/03	\$271.20	OFFICE & APT	NC3/40V	1
032	030	545730	0675	7,300	1979120	\$1,250,000	08/05/03	\$171.23	160 ROY ST OFFICE BLDG	NC3/40V	1
032	030	545780	1505	10,440	1996346	\$1,200,000	10/14/03	\$114.94	MAGNA COLOR PRESS	NC2/40V	1
032	010	069600	0320	6,480	1932531	\$1,240,000	01/06/03	\$191.36	5 POINT & OTHER RETAIL	DMR/C125/65	1
032	010	894635	0530	2,017	1947945	\$354,200	03/28/03	\$176.60	OFFICE CONDO - VINE BLDG	DMR/C125/65	1
032	010	051240	0050	6,513	1939334	\$1,600,000	02/11/03	\$246.66	COM. CONDO - BANNER BLDG	DMR/C125/65	1
032	030	140050	0010	1,259	1949823	\$231,656	04/01/03	\$184.00	OFFICE CONDO - CARRARA BLDG	NC3/65'	1
032	010	231330	1030	2,985	1833449	\$525,000	07/31/01	\$175.87	RETAIL CONDO - ELLINGTON	DMR/R 125/65	