

Appraisal of

**City of Bothell
Surplus Blocks EFG and A**

NE Corner of SR-522 and SR-527 (EFG)
East Side of SR-522 Southeast of NE 180th St (A)
Bothell, Washington



**Appraisal
of
City of Bothell
Surplus Blocks EFG and A**

*Appraisal of Real Property:
Two Vacant Parcels of Commercial Land*

Location:

NE Corner of SR-522 and SR-527 (EFG)
SR-522 Southeast of NE 180th St (A)
Bothell, Washington

Effective Date of Appraisal:

April 10, 2017 - Value As Is

Prepared for:

City of Bothell
Peter Troedsson
Bothell, Washington

Appraised by:

Kenneth A. Barnes, MAI, CRE
Tia Belisle, Appraiser



McKee Appraisal Reference No. 37074



April 19, 2017

City of Bothell
Attention: Peter Troedsson
18415 101st Ave NE
Bothell, Washington

Property Name:	City of Bothell
<i>Description:</i>	Surplus Blocks EFG and A <i>Appraisal of Real property -</i> <i>Two Vacant Parcels of Commercial Land</i>
Address:	<i>King County Parcel Nos. 945720-0020 and 072605-9096</i> NE Corner of SR-522 and SR-527 (EFG) SR-522 Southeast of NE 180th St (A) Bothell, Washington
<i>McKee Appraisal Reference</i>	37074

Dear Mr. Troedsson:

At the request of the City of Bothell, we have prepared an appraisal of the market value of the real property referenced above. This written appraisal report communicates our findings. The letter authorizing this appraisal is attached in the Addenda.

The subject properties consist of two parcels of commercial land on SR-522 near downtown Bothell, Washington. The properties are currently owned by the City of Bothell who has made them available for sale. The purpose of this appraisal is to estimate the Market Value of the fee simple estates of the subject properties. Both sites are currently vacant and situated next to the re-aligned SR-522 right-of-way, and this is the basis of the as-is values of the properties.

This is an appraisal of the market value of the subject property, providing an estimate of the price the property would sell for in the open market, if transacted on the effective date of appraisal. This is an appraisal of the fee simple estate, representing the value of the property rights to an owner of the property without any lease or other encumbrances.

This appraisal has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). It 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, and is subject to the attached Certification, Assumptions & Limiting Conditions, as well as specific assumptions contained herein. This appraisal has also been

Transmittal Letter
City of Bothell Surplus Blocks EFG and A Appraisal
McKee Appraisal Reference 37074
April 19, 2017
Page 2

prepared in conformity with the appraisal standards and scope of work required by the client, City of Bothell.

We have personally inspected the subject property, and have both substantially participated in the analysis of this appraisal. As a result of our investigation and analysis, our conclusion is:

<i>Description</i>	<i>Date of Value</i>	<i>Value</i>
Market Value - As Is - Fee Simple Interest	March 17, 2017	
Block EFG		\$1,800,000 (\$37/sf)
Block A		\$780,000 (\$20/sf)

The above value estimates are commensurate with a reasonable marketing period and exposure time of six to nine months.

Respectfully submitted,



Kenneth A. Barnes, MAI, CRE
WA State-Certified General Real Estate Appraiser (1100578)




Tia Belisle, Appraiser
WA State-Registered Appraiser Trainee (1001619)

Certification

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

- The statements of fact contained in this report are true and correct.
- The 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 not performed any services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- Kenneth Barnes, MAI, CRE appraised the property that is the subject of this appraisal for the City of Bothell in October 2013.
- 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*.
- 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 Standards of Professional Appraisal Practice of the Appraisal Institute
- 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, Kenneth Barnes, MAI, CRE, has completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Tia Belisle has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.
- Kenneth Barnes, MAI, CRE and Tia Belisle have personally inspected the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

Respectfully submitted,



Kenneth A. Barnes, MAI, CRE

WA State-Certified General Real Estate Appraiser (1100578)



Tia Belisle, Appraiser

WA State-Registered Appraiser Trainee (1001619)

McKee Appraisal

Real Estate Services & Consulting, Inc.

General Assumptions and Limiting Conditions

The attached report may only be used or reviewed in its entirety. No individual pages, portions, analyses or conclusions may be separated from the complete report or verbally disseminated without transmittal of the entire report. This appraisal is intended for use only by the client and intended users specifically identified in the report, and may not be transferred to any other party without the specific written permission of McKee Appraisal, Inc. Certain aspects of the report (including analysis methodology, spreadsheets, textual formatting and content) are considered the exclusive intellectual property of McKee Appraisal, Inc. All rights are reserved.

The following General Assumptions and Limiting Conditions are supplemented by additional specific assumptions and limiting conditions identified in the report.

It is assumed that there have been no substantial changes to the property between the date of our inspection or most recent investigation and the date of the report.

It is assumed that there are no hidden or unapparent conditions of the property, subsoil, structures, or environment (including asbestos, formaldehyde, radon, soil contamination, structural conditions, legal compliance including zoning and Americans With Disabilities Act compliance, title or legal conditions, mineral or other valuable conditions or rights, or unknown soils, hydrological, or environmental factors) that render it more or less valuable. We have no expertise in any of these areas, and we specifically counsel the client to perform additional investigation by qualified experts. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.

The liability of McKee Appraisal, Inc. and its employees is limited to the client only.

The value conclusions are the result of integration of the entire appraisal process, including multiple methodologies, approaches and analyses. Any specific errors or omissions may or may not change the value conclusions.

The appraiser is not required to provide further appraisal services, give further consultation, testimony or attendance in court by reason of this appraisal unless specific arrangements have been previously made.

The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

The forecasts, projections and estimates contained in this report are based on current market conditions, anticipated short-term supply and demand factors, and a stable economy. These forecasts are, therefore, subject to changes with future conditions which are unknown at the date of appraisal. The analyses and conclusions are valid only as of the date of transmittal of the report.

The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.

No responsibility is assumed for the legal description or for matters including legal or title considerations. The property is appraised free and clear of any or all liens or encumbrances, unless otherwise stated. Title to the property is assumed to be good and marketable.

Responsible ownership and competent management are assumed.

The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately or in conjunction with any other appraisal.

RESTRICTION UPON DISCLOSURE & USE:

This appraisal is intended for use only by the client and intended users specifically identified in the report, and may not be transmitted or communicated to any other party without the specific written permission of McKee Appraisal, Inc. Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. 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 (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the signatories. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

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Summary of Important Conclusions

Name of Subject Property	City of Bothell Surplus Blocks EFG and A
Address	NE Corner of SR-522 and SR-527 (EFG) East Side of SR-522 Southeast of NE 180th St (A) Bothell, Washington
King County Parcel Nos.	945720-0020 (EFG) 072605-9096 (A)
Latitude, Longitude	47.759488, -122.207040 (EFG) 47.757636, -122.210994 (A)
Property Description	Two parcels of commercial land in and around downtown Bothell. Both properties are owned by the City of Bothell, considered surplus and available for sale.
Detailed Description	Block EGF <ul style="list-style-type: none"> • 48,057 sf • Zoning: DC/DN • Triangular Shape Block EGF <ul style="list-style-type: none"> • 38,856 sf • Zoning: SR522 Corridor with Special Riverfront Overlay • Irregular Shape
Highest and Best Use	Commercial development as allowed by the zoning designations.
Dates of Appraised Values	March 17, 2017 (Value "As Is")
Preparation Date of Report	April 19, 2017
Property Interest Appraised	Fee Simple interest
Intended Use of Appraisal	Estimate fair market value of the subject properties in order to assist the City of Bothell.
Appraisal Certification	Attached

McKee Appraisal

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Assumptions and Limitations	Attached
Valuation Premise	This appraisal estimates the "market value" (the expected sale price) of the subject property, as if it sells or was sold on the date of appraised value.
Valuation Approaches	The market value is estimated by using the following approach: <ul style="list-style-type: none"> the "<i>Sale Comparison Approach</i>", using an analysis of the sale prices of other comparable development properties.

Value Conclusion

<i>Description</i>	<i>Date of Value</i>	<i>Value</i>
Market Value - As Is - Fee Simple Interest	March 17, 2017	
Block EFG		\$1,800,000 (\$37/sf)
Block A		\$780,000 (\$20/sf)

Comments

The subject properties consist of two surplus blocks of developable commercial land in the City of Bothell. The properties currently consist of several parcels that are being declared "surplus" by the city after the re-alignment of SR-522 through Bothell.

Surplus Block EFG consists of a single tax parcel situated at the northeast corner of the newly rerouted SR-522 and Bothell Way NE (SR-527). It also has some frontage on Bothell's Main Street, to the north. The total land area is 48,057 sf in an irregular, triangular shape. The highest and best use would be to assemble this block with some of the adjacent parcels to the northeast to increase the size and improve the shape. The property is split-zoned DN (Downtown Neighborhood) and DC (Downtown Commercial) by the city. The two zoning designations are the densest zones in the downtown Bothell area, allowing up to five or six stories of commercial development with 95% to 100% site coverage allowed. A wide variety of uses is permitted, including retail, office, hotel, and multifamily residential.

Surplus Block A is near the western limits of incorporated Bothell, on the east side of SR-522 between the highway and the Sammamish River, next to the Park at Bothell Landing (a 5.87 acre city park set along the Sammamish River). Block A is, too, a single parcel measuring 38,856 sf. The shape of Block A is also irregular, which would likely constrain development somewhat. Block A is zoned SR-522 Corridor, which is a highway-oriented zoning that allows most commercial uses including auto-oriented retail, office, hotels, and multifamily residential. The height limit is four stories or 45'. The subject is also within the Special Riverfront Overlay, which limits impervious surface coverage to 70% of the site and requires a view corridor of at least $\frac{1}{4}$ of the width of the property.

Currently, there is good demand for vacant, developable sites in the Bothell area. There are several recent sales of properties comparable to the subjects in the immediate area, and both EFG and A were recently under contract. At this time, the strength of the local multifamily residential market is fueling much of the demand for vacant land. Apartment vacancy rates in Bothell and the surrounding markets are under 4.5% and apartment rents are at five-year highs. As a result, there are several apartment projects planned, under construction, or recently completed in the neighborhood. There is also evidence of gaining strength in the local residential for-sale market, as well as evidence of demand for developable retail land. Overall, this, as well as the city's ongoing transportation and revitalization projects, bodes well for the subject's local market and demand for the subject properties.

The single most reliable and relevant approach in the valuation of the subject vacant land is the sale comparison approach, and this is the approach used in this appraisal. We searched several sources for recent sales of developable land in Bothell and the surrounding markets, and chose a number of transactions for direct comparison with the subject properties. We also considered other indications of value, including the recent purchase agreements of the subject properties and listings of developable land within the City. The closed sale transactions were then adjusted relative to each of the subjects' characteristics to indicate value for Block EFG and Block A.

Subject Photographs



View of Block EFG facing southwest from the adjacent property to the north.



View of Block A from SR-522.



Interior view of Block A.



South end of Block A.



Southern edge of Block A.

Appraisal Description

Identity of Property

The subject properties are City of Bothell Surplus Blocks EFG and A. Neither site has a specific address at this time.

Block EFG is situated at the northeast corner of the newly-aligned SR-522 and SR-527 in Bothell.

Block A is identified along the east side of SR-522 just south of the NE 180th St.

Legal Description

Block EFG: The property may be described as King County Assessor Parcel No. 945720-0020.

“WILSONS GARDEN TRS PCL 6 BOTHELL BLA 2014-05666 REV REC #20140819900001 REC #20150108900002 & REV #20150506900004 SD BLA BEING NE 7-26-5 & NW 8-26-5 SR 522 CORRIDOR LESS R/W #2”

Block A: The property may be described as King County Assessor Parcel No. 072605-9096.

“PCL 2 BOTHELL BLA 2014-05666 REV REC #20150819900001 REC #20150108900002 & REV #20150506900004 SD BLA BEING NE 7-26-5 & NW 8-26-5 SR 522 CORRIDOR LESS R/W #1”

The Site Map in the Site Description section of this report shows our understanding of the property boundaries.

Title Report: Easements and Other Restrictions

We have not been provided with a title report for the subject. It is assumed that the subject is clear of any encumbrances which significantly influence the value of the property.

Purpose of Appraisal

The purpose of this appraisal is to estimate the Market Value of the subject property. The following definition of Market Value is found under Advisory Opinion 22 (AO-22) in The Uniform Standards of Professional Appraisal Practice, 2016-2017 Edition, Page 150:

"Market Value means the most probable price which 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 is 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 acting in what they consider their own best interests;*
- 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."*

This definition is consistent with Code of Federal Regulations, Title 12, Part 34, Subpart C, 34.42(g), August 24, 1990.

Client and Intended Users

The client and intended user of this appraisal is the City of Bothell.

Intended Use of Appraisal

The intended use of this appraisal is to assist the owner (City of Bothell) in establishing the "as-is" market value of the properties.

Property Interest Appraised

This is an appraisal of the fee simple estate, representing the value of the property rights to an owner of the property without any lease or other encumbrances. The properties consist of vacant, unimproved land.

Unavailability of Information

We have not been provided with a title report, an environmental report, a geologic (soils) or hydrologic report. We are not expert in any of these areas, and rely on the technical reports of qualified personnel when available. Please refer to the following extraordinary assumption relating to these issues.

Extraordinary Assumptions and Hypothetical Conditions

This appraisal is subject to the General Assumptions and Limiting Conditions found at the beginning of this report, as well as the assumptions in the previous paragraphs. The use of

extraordinary assumptions and/or hypothetical conditions could affect the appraiser's opinions or conclusions. Specific extraordinary assumptions used in this report include:

We assume:

- No easements or other restrictions that encumber the property to a degree that the value would be impaired
- No conditions with regard to ADA compliance that affect the value or utility of the property
- No conditions that would affect the value or utility of the property

As a hypothetical condition we have appraised the property as though it is free of soil and groundwater contaminants. There are contaminants present but the City is working to remediate this problem, and will transfer the site with no cleanup responsibility to the buyer. This hypothetical condition is necessary to form a credible opinion of value for this assignment.

Scope of Work

In the course of this assignment we inspected each of the subject properties. We researched the subject properties first by viewing the "Development + Surplus Properties Map" provided by the City of Bothell. We further researched the subjects using King County Assessor information, reviewing Bothell zoning code, and by speaking to several representatives with the City of Bothell. We also visited the subject neighborhood and researched trends and public announcements about the subject and the neighborhood.

We used the sale comparison approach to value, which included a search for recent sales of commercial land in Bothell and surrounding areas. Several sales and pending transactions and offers were researched and considered in the analysis. Each of the comparisons was confirmed with a party involved in the transaction and researched using King County Assessor records, CoStar, CBA, and other public sources. Each comparable was also inspected from the public right-of-way. Overall, the sale comparisons provide strong evidence of market value for the subject property and this approach is considered both reliable and relevant.

Competency

We have the knowledge and experience to complete the assignment competently. We have considerable experience in the analysis and valuation of vacant commercial land throughout the Puget Sound and the subject's immediate City of Bothell area. Specifically, we previously appraised the subject property for the City. Please refer to the Scope of Work, the Appraisers' Qualifications and Experience data in the Addenda, and the research and presentation embodied in this report for verification of competency.

Ownership of Property

The current owner of both properties is the City of Bothell.

History and Current Status

Block EFG received an unsolicited offer in 2013 with a Purchase and Sale Agreement reached in April 2016. The buyer was TRF Equities Bothell who initially submitted an offer in 2011. The purchase and sale price was \$1,428,870, or \$30/sf of land. The original closing date was September 1, 2016 with three options to extend in three month intervals at a cost of \$30,000 for each extension to the buyer.

The buyer agreed to purchase the property As-Is. The property was discovered to have some contamination from an offsite sources including historic dry cleaning operations of the north of the subject and some other offsite petroleum contamination. The City is undertaking remediation under the agreed orders from the Department of Ecology, and is entitled to continue its process once the property transacts for ongoing maintenance and compliance required as part of the remediation process. This will be in the form of some sort of easement.

This property requires additional costs for the construction of the Multi-Way Boulevard sidewalk and access lane, as do a number of other properties within the City. For the subject, the total costs are estimated at \$605,607.

The agreement also required the buyer to provide an access easement to the neighboring property located at 10015 Main St given the loss of vehicular access cause by the relocation of SR-522.

The buyer plans to assemble with the adjacent parcel and construct a mixed-use residential project required by the PSA to have a minimum of 30,000 sf of commercial space, including 12,000 sf for a drugstore anchor tenant.

3-Year Sales History

Neither property has not transacted within the three years prior to this appraisal.

Current Agreements of Sale, Options and Listings

It is our understanding that while it is public information that the subject properties are surplus and available for purchase, they are not "actively" marketed.

We are not aware of any other purchase options or listings as of the effective date of the appraisal.

Exposure Time and Marketing Time

The value conclusions in this report are as of the effective dates of this appraisal, and assume that a "reasonable exposure time" has preceded those effective dates. Thus the value conclusions are consistent with expected transaction on the effective date of the appraisal after prior exposure. The "marketing time" is that period which would be expected to be incurred to market the property in the current environment as of the date of the appraisal report, with the marketing to occur subsequently. Thus the value conclusion is not necessarily the subsequent value that would be anticipated for transaction of the property after future marketing.

We conclude that the subject properties would be marketable if available for sale. Our research of recent land sales in the area resulted in several recent transactions of commercial land in Bothell and Kenmore, with significant interest for these sites and recent purchase agreements. The subject properties are well-located, with high visibility and good frontage characteristics. After consideration of all of these factors, it is our conclusion that a reasonable average exposure time for the subject property would be six months, and the value conclusions of this report are consistent with that period.

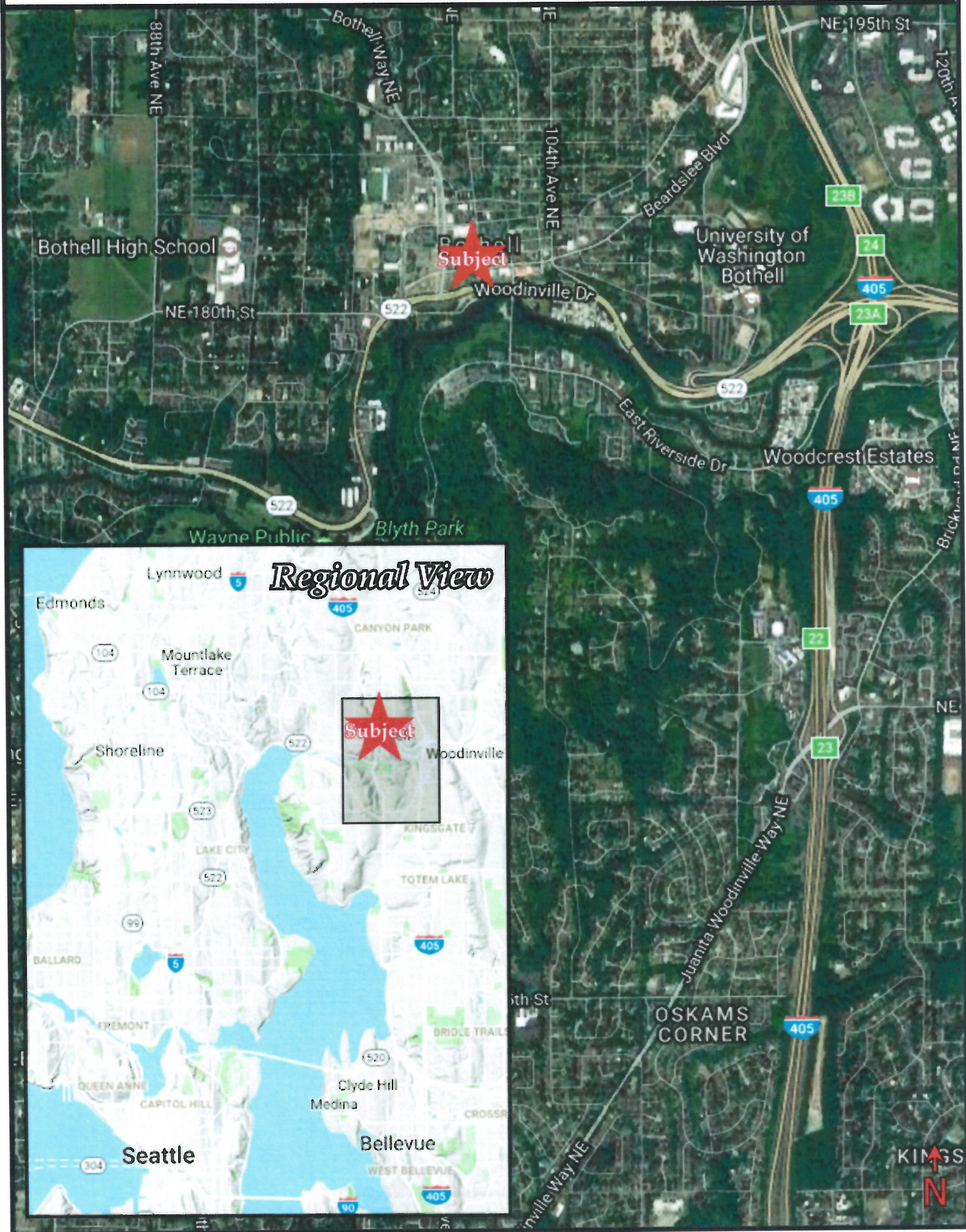
Effective Date of Appraisal

March 17, 2017 Current Value "As Is"

Date of Report

April 19, 2017

Neighborhood Map



Neighborhood Description and Market Analysis

The subject is located in Bothell, a suburb located roughly 15 miles northeast of downtown Seattle and the core of the Metropolitan Area.

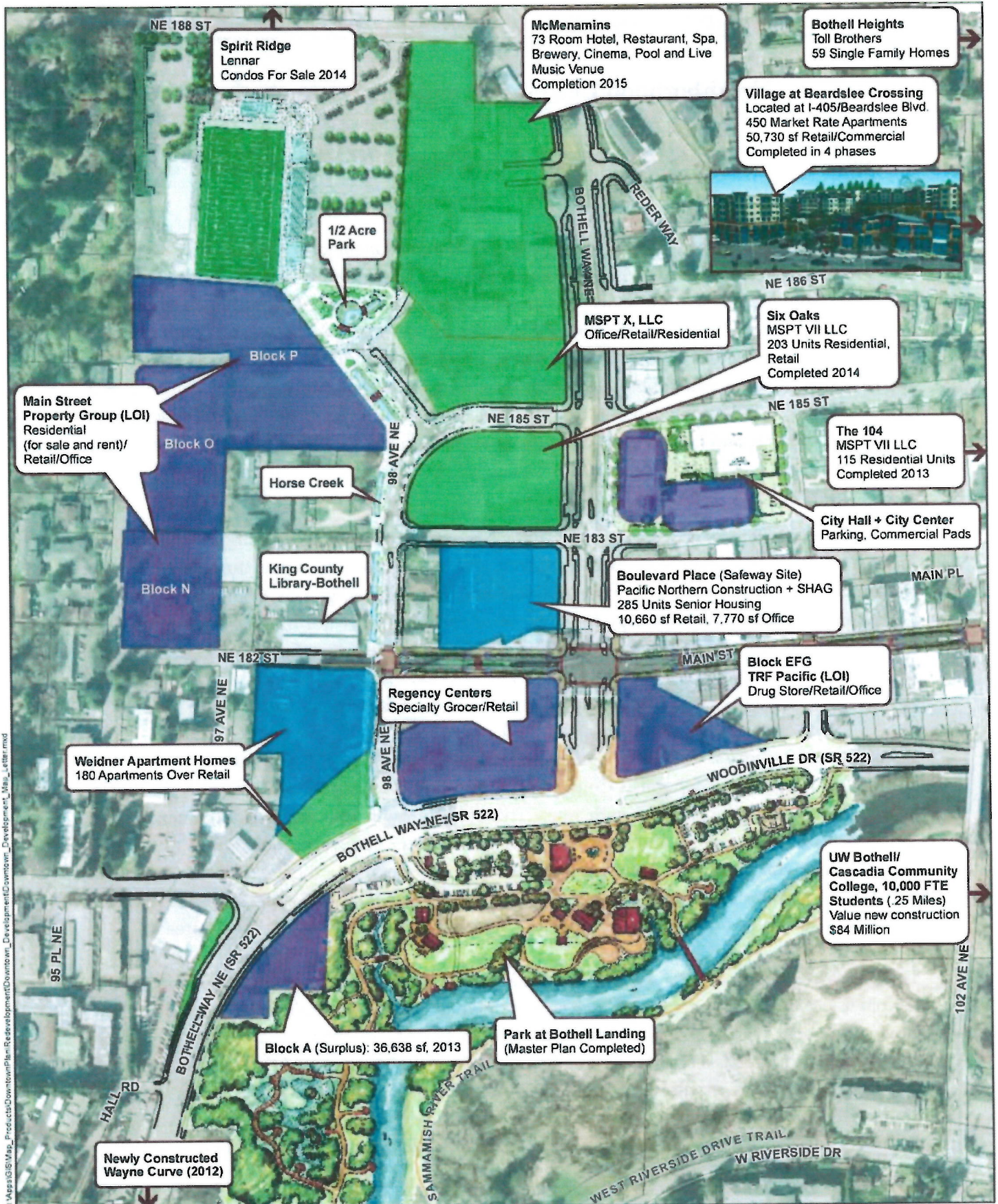
Seattle is the central focus of economic activity for western Washington and has a reputation as a desirable place to live and work. It is located in King County and is both the largest city and largest metropolitan area in the state. The greater Seattle area is likely to continue to experience increases in both population and economic activity for the foreseeable future. The subject is specifically located in the City of Auburn, just north of downtown Auburn. Trends in this area indicate that the area will continue to experience long-term increases in both population and economic activity. For a detailed description of the area, please refer to the Seattle Metropolitan Area Description found in the Addenda of the attached report.

City of Bothell

The City of Bothell was incorporated over 100 years ago (April 1909) as a frontier logging town. As the region was populated, Bothell developed as a primarily agricultural area in the production of dairy products. After the war era, Bothell emerged as a suburb to Seattle. Through the 1980's and 1990's, growth pressures pushed farms north, as sizeable corporate campuses with millions of square feet in commercial office and manufacturing space replaced them. Primary commercial nodes include North Creek, Canyon Park, and Downtown. The subject is located just south of I-405 about two and a half miles north of downtown Bothell.

As of the 2010 Census, Bothell's population totaled 33,505, with 17,090 residents in the King County and 16,415 in Snohomish County. Bothell grew most significantly during the 1990s, with a 9.34% annual average growth rate. This rapid growth rate was due to annexation of developed areas, as well as in-migration of new residents. Between 2000 and 2010 the rate slowed considerably, as Bothell only grew 11.4% in that decade. In the years ahead, the city is expected to accommodate even more growth. Bothell's population is expected to increase by 12,000 this decade. Another 20,000 people now live within its potential annexation areas.

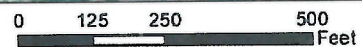
Downtown Bothell currently consists of a variety of residential and commercial uses, including an older "Main Street" area with pedestrian-oriented storefronts lining the sidewalk. The downtown area was originally developed prior to the rise of modern suburban office and industrial parks, and as a result, this area has a relatively intact street grid throughout, although downtown Bothell is smaller and has less commercial space than either the North Creek or Canyon Park neighborhoods. However, this is expected to change in the near to mid-term future through various revitalization and transportation projects described within this section.



**City of Bothell
Downtown Developments**
Attachment 1

- Developments**
- Private Development
 - Development in Progress
 - Available

Prepared by GIS Services
September, 2015



The City of Bothell delivers this data (maps) in an AS-IS condition. GIS data (maps) are produced by the City of Bothell for internal purposes. No representation or guarantee is made concerning the accuracy, currency, or completeness of the information provided.



City Developments

The downtown neighborhood has excellent access to regional transportation corridors. SR-527 (Bothell Way NE or Bothell Everett Highway) is a significant corridor primarily in Snohomish County that runs from SR-522 at the southern end of downtown Bothell north to Interstate 5 in southeast Everett. Bothell Way NE through downtown Bothell will soon have five lanes of traffic (including center turn lane) as part of a larger \$60 million "Bothell Crossroads" project. Within the Downtown Area this corridor is currently being expanded into a "Multiway Boulevard" that will also include two side medians with parallel parking, several columns of trees, wide sidewalks, and rain gardens.

A significant highway in the area, SR-522 (now called Woodinville Drive in the vicinity of the subject), runs through the southern end of Downtown Bothell and is adjacent to both subject properties. This highway ultimately runs from Interstate 5 west of Lake Washington in Seattle to Highway 2 in Monroe, and intersects with Interstate 405 just east of the UW Bothell campus. Recently, the primary element of the Bothell Crossroads Project realigned SR-522 to the south between NE 180th St and 102nd Ave NE. This realignment created several new commercial blocks (including subject EFG), and will reportedly improve travel times for the 46,000 vehicles that pass through the city on a daily basis.

Another downtown transportation project is the Main Street Extension project. An extension of the existing road will link the King County Library to the historic Main Street, one block to the west from SR 527 to 98th Avenue NE. This will create a new interior block from the realignment of SR 522. The existing (older) portion of Main Street will get a makeover as well to prepare these existing businesses to compete with the new commercial development that will occur. This segment is known as the Main Street Enhancement project. Main Street will have travel lanes, parking and sidewalk improvements, and it will provide a pedestrian-friendly atmosphere while maintaining smooth flowing transportation functionality.

The City of Bothell is in the midst of a downtown redevelopment called Bothell Landing. The redevelopment effort is the largest downtown redevelopment in Washington and is expected to ultimately result in 2,000 residential units and 1,600 jobs. \$150 million of the project is publicly funded. A new city hall and city center campus is currently being developed by Vulcan Real Estate and significant private developments are also under construction. SR-522 has also been realigned, with two lanes traveling in each direction, forming an enhanced and extended Main Street. This realignment created several new commercial blocks, and will reportedly improve travel times for the 46,000 vehicles that pass through the city on a daily basis.

The Wayne Curve project is another recent project that improved capacity at the west entrance to the city on SR-522 to SE 180th St. Transit queue lanes were added in each direction, as well as a second west to southbound left turn lane on SR-522. Improvements were also made to the 96th

Ave SE intersection. This project was the first of the downtown revitalization projects to begin construction.

The Horse Creek/98th Avenue NE Improvement involves “daylighting” the existing Horse Creek, which was piped underground through the city. The project will re-align the creek closer to its natural course along 98th Avenue NE, and create an open waterway from NE 188th Street to the Sammamish River. At the same time, roadway improvements to 98th Avenue NE will be made, from approximately 150’ north of SR-522 to NE 183rd Street. Improvements include new sidewalks, landscaping and lighting on the west side of 98th, and sidewalk restoration on the east side. 98th Avenue NE will eventually connect with 185th Street and a promenade to Pop Keeney Stadium.

Recent Private Development

One notable private project is the recent redevelopment of the former Anderson School on the north edge of the downtown area into a McMenamin’s hotel, which featured a boutique hotel with adjoining restaurant, pub, movie theatre, and live entertainment venue.

Pacific Northern Construction and the Senior Housing Assistance Group (SHAG) are currently planning a 285 unit apartment project with ground floor retail that will be developed on the current Safeway site just north of the intersection of SR-522 and SR-527. This project is currently on hold, although the developer still plans to build here. In January of 2012 a private developer announced plans to purchase 7.4 acres in downtown Bothell and develop it with nearly 400 apartments and 30,000 sf of commercial space. A few other housing developments are also proposed. The first project on one of Bothell’s surplus lots has been completed and is open. This is the Six Oaks Apartments, constructed by Main Street Property Group. It includes 203 residential units and ground floor retail. The Six Oaks retail space has been fully leased to an Italian restaurant, credit union and coffee shop from \$32-\$24/sf NNN. On the east edge of downtown, Main Street Property Group also recently completed construction on 115 apartment units in a 3-story building with underground parking, called the 104 Apartments.

Bothell 185 recently closed on an approximately one acre site and is constructing a 135 unit apartment complex. Toll Brothers just closed on an approximately two acre site located downtown and plans to construct 45 townhomes on the site in the near term future. The 360 Hotel Group closed on an almost one acre site located in Downtown Bothell to develop two hotels. The City sold the land to the buyer who plans to build about 180 rooms total within two Marriott hotels.

Immediate Surrounding Uses

Block EFG is surrounded primarily by commercial uses. It is bordered by highways on two sides. Across SR-527 to the west is another 94,000 sf surplus parcel. To the north/northeast are generally single and two story retail/commercial buildings, including a Baskin Robbins store

and a parking lot. To the east are more single-story, storefront retail buildings. South of the subject, across SR-522 is the Park at Bothell Landing.

Block A borders SR-522 to the west and the Park at Bothell Landing to the north, south, and east. The area across SR-522 from the subject is improved mostly with automotive-oriented retail, including a car sales lot and a gas station.

Market Analysis

As described in detail above, several multifamily projects are either planned or under construction on commercial land in the downtown Bothell area. The multi-family market in the region is currently strong and has continued to strengthen in the past year. Several factors have led to the rebound of the apartment market after a period of decline in 2009. Home ownership is down, with consumers still hesitant to commit with current economic uncertainty. This had bolstered the rental market, increasing demand and lowering vacancy rates. These trends, along with the strong absorption of new projects the past several years, and the lack of new supply over that same period has continued to have a positive impact on the market. Please see the table below:

Bothell Apartment Market History

	Sep-12	Mar-13	Sep-13	Mar-14	Sep-14	Mar-15	Sep-15	Mar-16	Sep-16	Mar-17	5 Yr Avg
% Vac Rate	5.1%	5.0%	3.1%	3.6%	4.1%	4.2%	3.9%	3.9%	4.9%	4.0%	4.2%
Avg Rent	\$1,031	\$1,094	\$1,111	\$1,163	\$1,264	\$1,317	\$1,377	\$1,448	\$1,496	\$1,551	\$1,285
% Off. Incentives	13%	5%	0%	10%	10%	22%	10%	16%	10%	22%	12%
Avg \$ Incentive	\$500	\$500	\$0	\$925	\$1,643	\$1,115	\$1,496	\$1,425	\$250	\$1,067	\$892
Avg. Rent Change	2.5%	3.0%	2.5%	2.8%	2.2%	2.9%	2.6%	3.3%	2.1%	3.3%	2.7%
New Units	0	0	115	0	146	361	0	138	0	153	91

Source: Dupre + Scott Apartment Advisors, Inc., APARTMENT VACANCY REPORT, March 2017

Currently, the apartment vacancy rate in Bothell is quite low at 4.0%, though up slightly from its 5-year low in 2013, and rental rates are at a 5-year high. The current average rental rate for all apartment units in Bothell is \$1,551 per month. Average rental rates for newly constructed properties, 2010 and newer, is at \$1,758 per month with three bedroom units going for nearly \$2,700 per month. Overall, demand for multifamily rental units in Bothell is strong. Additionally, as evidenced by recent new and under construction single family homes in Bothell, it appears that demand for condominiums and/or townhomes may be emerging again.

The local commercial markets have also improved slightly over the past year or so, but are not currently as strong as the residential market. Office vacancy in the Bothell/Kenmore submarket (per CoStar Analytics) is about 12%. The average annual asking rate is about \$24.00/sf full service, which has been fairly steady over the past couple of years. Retail vacancy in

Bothell/Kenmore is currently much lower, at 2.1%. Retail vacancy has steadily improved over the past five plus years, from a high of 7.4% at the end of 2010, and appears to be continuing to improve more than the Bothell office market. The average annual asking rate for retail space in Bothell/Kenmore is \$25.28/sf NNN, which is up significantly from the average asking rate of \$16.68/sf/yr in the 4Q 2010 survey. Little commercial development is happening in Bothell and surrounding areas that isn't part of city project or linked with residential development.

In summary, the continued strength in the multifamily housing market is fueling ongoing demand for vacant, developable multifamily land in the Seattle area and in Bothell specifically. This is evidenced by several recent transactions of multifamily land in the subject's immediate area, and by several planned multifamily developments. While the commercial market appears to be slowly improving (more so retail than office), multifamily uses are still most in-demand at this time.

Site Description

In this section, we describe characteristics of the subject sites. Data sources include our physical inspection of the subject and documentation provided by the City along with public records such as County Assessor records. Please also refer to the Aerial and Subject Photographs at the beginning of this report for further visualization of the subject site.

Block EFG

Land Area 48,057 sf, 1.10 acres

Shape Irregular, though generally triangular

Site Dimensions and Frontage Situated at the corner of SR-527 and SR-522

West Edge: ± 210 ft on SR-527
 South Edge: ± 205 ft on SR-522
 North Edge: ± 70 ft on Main St
 Northeast Edge: ± 270 ft along neighboring parcels

Access Single curb-cut from SR-522 along the south edge of the property. Right-in and right-out access only.

Topography The site is level and at grade with the fronting streets.

Soil Conditions We have not been provided with a soils report. We specifically assume the soils will be adequate to support the proposed improvements throughout their useful life.

Environmental Conditions We have not been provided with an environmental site assessment for the subject property.

In discussions with the City, we are aware of contamination from a property to the north of the subject that has leaked. The City is in the process of remediation. The City is hopeful to acquire a letter of no further action by the end of the year.

We have made the extraordinary assumption that there are no other negative environmental factors that materially impact the value or utility of the property.

Utilities

All public utilities are available including electricity, gas, water, sewer, and telephone.

Hydrology and Flood Hazard

We have not been provided with a hydrologic report for the subject property. According to Q3 FEMA Mapping Technology, it appears that EFG may be situated partly in "Special Flood Hazard Areas Inundated by 100-Year Flood". However, this appears to be from Horse Creek, which has been re-routed west of the subject by the city, as shown in the neighborhood map, therefore, it appears that flood risk will be minimized. Additionally, King County iMap mapping does not show either Block A or EFG to be situated in the 100-year flood plain. Overall, we have relied on King County mapping, showing the subjects to be outside of the 100-year flood, as this data appears more recent and updated (the FEMA map dates to 1999.)

Zoning

Zoned partially DC (Downtown Core) and partially DN (Downtown Neighborhood) by the City of Bothell. It is our understanding that a developer of the property would have to adhere to each zone. Based on a discussion with the city planner, it is our understanding that there would be some flexibility as to exactly where the "line" between the DN and DC zones is located. Roughly half of EFG is zoned DC, and half DN, based on the zoning map. Pedestrian-oriented retail use is required for the subject along SR-527 and Main Street. No parking is required for the retail uses along Main Street.

DC Zone

The Downtown Core District is "where a lively and synergistic mix of ground floor shops, restaurants, cafes, entertainment venues and personal services are clustered." Many commercial and residential uses are permitted, including multi-family residential, single-family residential, hotels, office, pedestrian-oriented retail, and civic and cultural uses. Industrial uses are not allowed and pedestrian oriented retail uses are required along SR-527. Examples of pedestrian oriented retail include drug stores, grocery stores, restaurants (without a drive-through), book stores, banking, and convenience stores, among others.

Development standards in this DC zone include a maximum building height of 6 floors and 65 feet. The minimum building height is 2 floors and 20 feet although special exceptions apply to retail anchors. The only setback required is a 5' minimum alley setback. There is a maximum setback requirement of 0 feet with 100% frontage coverage required, although there are some exceptions for retail anchors. There is also a requirement to build to the corner, and maximum allowed building length is 300 feet. Impervious surface coverage is allowed at 100% and there are no requirements for open space or private outdoor space in the DC zone. Parking requirements vary by use, but 1 space per 400 sf of building area is generally required for retail, one stall per 500 sf for office, and 0.75 spaces per bedroom for residential or lodging uses.

DN Zone

The Downtown Neighborhood district encircles the Downtown Commercial-zoned area, completing the part of the subarea that most people will refer to as "Downtown." This District will serve as a transition area from the Downtown Core to less urban, more residential uses located in adjacent Downtown Transition Districts. It will also create a transition to the Sammamish Riverfront Overlay and Park at Bothell Landing areas to the south of the downtown area. Overall, buildings in the Downtown Neighborhood area will more typically (but not always) be single-use structures. Urban housing & offices in this area will more commonly extend to the ground floor, rather than the structures holding retail ground floor uses. Furthermore, this area will provide a wide range of housing uses not easily found in other areas of Bothell.

Many commercial and residential uses are permitted, including multi-family residential, single-family residential, hotels, office, business & personal service retail, corner store retail, and civic and cultural uses. Industrial uses and auto-oriented retail are not allowed, and pedestrian oriented retail uses are allowed as long as all other DN requirements are satisfied and as long as the retail shop-fronts are adjacent to or progress in a continuous line from retail shop-fronts within the Downtown Core district. It is noted that retail anchors exceeding 30,000 sf shall be permitted in the DN District only on those parcels fronting SR 527.

Development standards in this DN zone include a maximum building height of 5 floors and 55 feet. The minimum building height is 2 floors and 20 feet. The required setbacks include a 5' minimum alley setback as well as a 10-foot minimum side yard setback from living spaces with windows or if adjacent to single-family uses. There is a minimum front setback of 0 feet to a maximum front setback of 10 feet required, with 80% frontage coverage required. There is also a requirement to build to the corner, and maximum allowed building length is 240 feet, with 20' required between buildings. Maximum allowed parcel perimeter is 1500'. Parking requirements vary by use, but 1 space per 400 sf of building area is generally required for retail, one stall per 500 sf for office, and 0.75 spaces per bedroom for residential or lodging uses. Impervious surface coverage is allowed at 95% and there are special requirements for public open space and private outdoor space in the DN zone. These requirements vary by use and only apply to office, lodging, and residential uses (not for retail, civic, or cultural uses).

Site Summary and Functionality

Block EFG has a good location on the corner of SR-522 and SR-527 with two of Bothell's densest zoning designations. However, the functionality of the site is limited by the triangular shape, which would limit the actual usable area of the site or result in potentially more expensive development. This could be remedied, at least partially, with potential assemblage with parcels to the northeast. Overall, while the shape of the site is a limiting factor, the site is flat, at grade with the surrounding streets, has a desirable location and zoning, and would be functional if available for sale.

Block A

<u>Land Area</u>	38,856 sf, 0.89 acres
<u>Shape</u>	Irregular
<u>Site Dimensions and Frontage</u>	Situated along SR-522, just south of the NE 180 th St intersection
	West Edge: ± 380 ft on SR-522
	South Edge: ± 260 ft (two separate portions)
	East Edge: ± 300 ft (two separate portions)
	North Edge: ± 30 ft

- Access Single curb-cut from SR-522 along the west edge of the property. Right-in and right-out access only.
- Topography It is our understanding that Block A has some steep slope. We viewed this portion on our inspection and reviewed King County iMap system's sensitive areas map. It does appear that a small portion, about 40' in the southeast corner, has about a 10' + grade change. The image shows the small area of steep grade.
- Soil Conditions We have not been provided with a soils report. We understand a prior interested party has investigated the site and found that piles would be necessary to support construction of any improvements. This is a costly construction technique and will impact value. We have taken this into account in our valuation.
- Environmental Conditions We have not been provided with an environmental site assessment for the subject property. We have made the extraordinary assumption that there are no negative environmental factors that materially impact the value or utility of the property.
- Utilities All public utilities are available including electricity, gas, water, sewer, and telephone.
- Hydrology and Flood Hazard We have not been provided with a hydrologic report for the subject property. According to Q3 FEMA Mapping Technology, Block A is outside of the 500-year flood plain. Additionally, King County iMap mapping does not the subject to be situated in the 100-year flood plain. Overall, we have relied on King County mapping, showing the subjects to be outside of the 100-year flood, as this data appears more recent and updated (the FEMA map dates to 1999.)
- Zoning SR 522 Corridor
- "With their commercial access and visibility, corridor properties are envisioned to continue to provide opportunities for existing and future businesses along with sites for corridor-configured lodging, workplace, mixed-use and residential buildings. Building setbacks, visible signage, and surface parking will continue to be permitted, although surface parking directly in front of buildings will be restricted. However, more distinctive architecture that enhances the character of this important city corridor will be emphasized."*

As noted above. Auto-oriented retail, corner store retail, civic and cultural, office, lodging, and multifamily residential uses are permitted. The minimum height is 1 floor and the maximum height is 4 floors or 45'. Front yard setbacks are 15', side yard setbacks are 10', and rear yard setbacks are 10'. There are special requirements for public open space and private outdoor space in this zone; these requirements vary by use and only apply to office, lodging, and residential uses (not for retail, civic, or cultural uses). Parking stall requirements vary by use. Two parking stalls are required for every residential dwelling unit, plus one guest stall for every five units. Restaurants require one stall per 75 sf in dining areas and per 300 sf elsewhere. Business and personal service uses require one stall per 300 sf.

Most notably, the subject is also within the Special Riverfront Overlay. This specifies an impervious surface coverage limit of 70%. Also, a minimum of $\frac{1}{4}$ of the property width must be maintained as a view corridor, and must be maintained free of structures for the entire depth of the property toward the river. Surface parking is allowed in the view corridor. Ultimately, if the width of the subject is roughly 325', this appears to indicate that roughly 80' of the site must remain building-free. The square footage would depend on the location of the view corridor on the site. Based on our measurements using King County mapping systems, it does not appear that the subject is located in the Shoreline Master Program jurisdiction, or that area with 200' from the ordinary high-water mark of the Sammamish River.

Site Summary and Functionality

Block A's functionality is also limited by the irregular shape of this site, which would likely be a significant factor in development of the parcel. Additionally, there is some steep grade on the property which would also potentially increase the cost of development, and the right-in, right-out only access from SR-522 is not ideal. Still, the site has good frontage on SR-522 and is situated next to a city park on the other side, with potential territorial or river views. Overall, the site would be functional for development.

Highest and Best Use

"Highest & Best Use" is defined by the Appraisal Institute as:

The reasonably probable and legal use of vacant land or improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.

The concept of Highest and Best Use is based on the most profitable and valuable use that is both probable and appropriately supported. The Highest and Best Use must meet four criteria: it must be legally permissible, physically possible, financially feasible, and maximally productive.

Highest and Best Use As If Vacant and Unimproved

Legally Permissible

Please see the zoning discussion in the *Site Description* for additional information about the zoning requirements.

Both Surplus Blocks A and EFG allow a wide variety of commercial uses including retail, office, hotel, and multifamily residential. Highway-oriented retail uses are permitted on Block A. Block EFG has a split zoning, with roughly half of the site having a 6-story height limit and half having a 5-story height limit. Block A's height limit is 4 stories, and only 70% impervious surface coverage is allowed, and ¼ the width of the site must be preserved as a view corridor.

Physically Possible

Block EFG is relatively flat and at grade with SR-522, SR-527 and Main Street. One of the negative physical attributes of EFG is the irregular shape, which would constrain development on the site. As it exists today, the shape would likely render a portion of the site effectively unusable. The shape issue could potentially be remedied by assembling the property with the adjacent parcels to the north; however as a stand-alone site it is large enough to support a variety of uses.

Block A is also irregularly-shaped, and the shape of this site is a limiting factor that causes some loss of efficiency. The zoning also limits the impervious surface coverage to 70%, and a view corridor is required. In any case, due to the zoning regulations and shape, as well as a small area with steep slope, the developable area of Block A is limited. Block A also has right-in, right-out access from SR-522 only. Still, the site is large enough to support development consistent with the zoning.

Financially Feasible & Maximally Productive

Financial feasibility can be demonstrated by the development plans for neighboring sites and the success of other recent developments in similar situations. As discussed previously in the neighborhood description of this report, there is much activity in the subject' immediate vicinity, and several projects have been proposed or are under construction in downtown Bothell. Please see the Downtown Bothell Developments Map in the Neighborhood section of this report for further visualization.

In regard to Block A, the above-mentioned projects provide some indication of highest and best use, showing that apartment development is the predominant use being proposed and constructed in Bothell right now. This is a viable potential use for Block A, although the relatively smaller developable area and frontage on a busy highway may make it less desirable for multifamily use.

Maximal productivity is the use that would provide the greatest return, and this perception may vary somewhat for different owners or developers. Overall, judging from recent construction and plans for other developments in the area, the highest and best use for Block EFG is for possible assemblage with parcels to the north and redevelopment with multifamily residential uses with retail at ground level as required by code. While the highest and best use is to assemble, this is not necessarily required.

Multifamily use is also the most likely potential highest and best use for Block A, and there is evidence of multifamily projects being developed along highways in the area like SR-522. However, given the size of the site, the irregular shape, and zoning restrictions, as well as indications from other uses, highway-oriented retail or other commercial-only uses could also be a viable use for Block A.

Property Valuation

The subject properties are vacant parcels. The most appropriate valuation methodology is the Sale Comparison Approach which uses an analysis of sale transactions from comparable improved properties to derive units of comparison that are then used to indicate value. Indications of marketability, marketing times and typical purchaser profiles are also provided by this approach.

In the course of this appraisal we have researched sales of properties in the subject market with similar characteristics and highest and best use. Transactions of vacant land or redevelopment sites within the City of Bothell has been quite active over the last several years with the City's efforts towards revitalization with zoning changes and City supported developments including the Park at Bothell Landing, rerouting SR-522 and improving Bothell Way NE (SR-527).

After detecting a number of recent transactions, we limited our search criteria to include those most similar to each of the subject properties with regards to their specific characteristics.

We have summarized the properties chosen for direct comparison with each subject property within the *Sale Comparison Approach* exhibits in this section. An aerial view and map showing the locations of the comparable properties are included.

Block EFG

Subject Block EFG is a triangular shaped site at the northeast corner of the new, rerouted SR-522 and Bothell Way NE (SR-527), with frontage along Main St as well. The property has right-in, right-out access from SR-522, but does not have any other direct access. The City of Bothell is working to complete the new multi-way boulevard project which fronts the streets west edge, requiring additional frontage costs associated with the property in the amount of \$605,507.

The property was recently under contract to TRF Equities, who owns an adjacent property. The buyer negotiated a price with the City and went under contract for around \$1.43 million, or \$30 per sf of land area. The buyer planned to construct a mixed-use residential project to include 30,000 sf of commercial space, 12,000 sf to be leased to a drug store anchor tenant. In addition to the sale price, the buyer is responsible for frontage costs associated with the multi-way boulevard as noted previously.

Currently, the City is working to complete remediation caused from contamination from a neighboring property which has affected a number of properties in the downtown area. It is our understanding that the buyer has extended the PSA multiple times given the uncertainty of when the City will be able to obtain a letter of no further action. The purchase price was

Sale Comparison Map



Bothell Surplus Blocks Sale Comparison Summary - Block EFG

Name & Address	Zoning	Land Area (sf)	Sale Date	Analysis Price	\$/sf Land	Comments
1 Block 4.5.6 - Bothell Marriott Site 10016 183rd St Bothell, WA <i>Parcel No. 072605-9191</i>	DN/DC	39,821 sf 0.91 ac	Mar-17 <i>Add'l Costs</i>	\$1,650,000 \$950,000 \$2,600,000	\$41 \$24 \$65	Former Bothell city hall site sale to 360 Degree HotelGroup for construction of two Marriott brand hotels. Site is irregular, L-shape. Buyer plans two hotels totaling 176-184 rooms and 1st floor retail. Max building height restricted to 4 stories on south hotel, and 7 stories on west hotel. Buyer is responsible for off-site plaza and street costs to the tune of \$950,000, around \$24/sf of land area. "Public Infrastructure Cost"
2 Block N - Toll Brothers Townhome Site 9654 NE 182nd St Bothell, WA <i>Parcel No. 072605-9005</i>	DT	93,469 sf 2.15 ac	Feb-17 Feb-16	\$8,550,000 \$3,374,288	\$91 \$36	Seller was MainStreet Property Group which had acquired the site from the City of Bothell for \$3.4 million in 2016 and then went through entitlement process. Property has since been resold to Toll Brothers. MainStreet completed, in conjunction with Block O, a number of infrastructure items and did find additional contamination issues requiring additional cleanup. Exact numbers associated with the costs were not provided, but that the new sale price reflected appropriately those costs. New buyer developing 45 luxury townhomes.
3 Block O - MainStreet Property Group NE 185th St and 96th Ave NE Bothell, WA <i>Parcel No. 072605-9284</i>	DT	94,869 sf 2.18 ac	Feb-16	\$3,424,771	\$36	Block O purchased by MainStreet Property Group. Buyer planned to construct 52 townhomes. Site was vacant at the time of sale. Buyer noted that soil composition in the City of Bothell has been a major issue for a number of the sites that they have purchased, including this one.
4 Block P North - MainStreet Property Group North of NE 185th St Bothell, WA <i>Parcel No. 072605-9296</i>	DT	70,454 sf 1.62 ac	Aug-16	\$2,543,390	\$36	Purchased by MainStreet Property Group. Buyer noted that soil composition in the City of Bothell has been a major issue for a number of the sites that they have purchased, including this one.
Additional Indications						
Block EFG Failed PSA NE Corner of SR-522 & SR-527 Bothell, WA <i>Parcel No. 945720-0020</i>	DC/DN	48,057 sf 1.10 ac	Former PSA	\$1,428,870 \$605,507 \$2,034,377	\$30 \$13 \$42	Buyer planned to develop a mixed-use residential project with 30,000 sf of commercial space, including 12,000 sf to be leased to a drug store anchor tenant. At this time the City is working to complete remediation including contamination from a property. Purchaser responsible for additional costs associated with the construction of the multi-way boulevard, set to being this summer. Required costs are \$605,507, \$99,538 of which is beyond the amount generally required.
Subject						
Bothell Surplus Blocks EFG (NE Corner of SR-522 & SR-527) <i>Parcel No. 945720-0020</i> Bothell, WA		April 2017 <i>Effective Date of Appraisal</i>				Triangular site at the NE corner of the new SR-522 and SR-527.

negotiated a couple of years of years ago. It is our understanding that the City plans to renegotiate with the buyer upon completion of our appraisal.

Sale Comparisons and Adjustments

We have selected four properties for direct comparison with Block EFG. Please see the *Land Sale Comparison Summary - Block EFG* for details. The sale price per square foot provides a range of indications from \$36 per sf to \$91 per sf of land area.

We have adjusted the selected properties for a variety of factors. Specific adjustments are in the *Sale Comparison Adjustment Grid - Block EFG* exhibit located within this section.

The first set of adjustments considered was for Property Rights, Financing Terms, Conditions of Sale and any Expenditures After Sale. In addition to the purchase of Sale No. 1, the buyer was responsible for off-site plaza and street costs to the tune of \$950,000, an additional \$24 per sf of land area on top of the \$41 per sf sale price.

Market conditions adjustments were considered next. Since the end of the recession, the overall market has recovered and is experiencing solid economic indicators with decreasing vacancy rates, increasing rental rates and a swarm of new construction in the urban markets. CPPI indicated about a 30% increase from early 2014 to mid-2016, with comparable increases indicated in the CCRSI figures. As another point of reference, more specific to the subject's competitive market, rental rates for apartments have increased by about 50% over the last five years, an average of about 10% a year. In both cases the escalated values represent a combination of strong rental increases and declining capitalization rates. Please note that the prospects for rising interest rates are a mixed bag, with some upward pressure on capitalization rates (a downward value pressure). With the markets pausing near and immediately after the election to reflect, today the mood is back to cautious optimism. Synthesizing these factors and data we apply approximately a 10 percent per year upward adjustment to the sale indications, all of which have transacted within the last year or so.

Our next set of adjustment factors includes items such as overall locational characteristics, physical characteristics of the site including size-shape-utility, differences in zoning designations, completed permitting and planning, as well as any off-site costs outside of the normal associated with development sites.

Locationally, the subject has excellent frontage and exposure from its location along two regional corridors. On the other hand, it only has a single right-in, right-out access point and the higher traffic count is not as ideal for residential development. In general, the subject is superior in some ways to each of the comparable properties, but inferior in others. Therefore, the adjustments wash each other out.

Bothell Surplus Blocks
Sale Comparison Adjustment Grid - Block EFG

Property Name	Subject	Block 4,5,6 - Bothell Marriott Site	Block N - Toll Brothers Townhome Site	Block O - MainStreet Property Group	Block P North - MainStreet Property Group
Transaction Price		\$1,650,000	\$8,550,000	\$3,424,771	\$2,543,390
Property Rights		0%	0%	0%	0%
Financing Terms		0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%
Expenditures after Sale		\$950,000	\$0	\$0	\$0
Adjusted Price		\$2,600,000	\$8,550,000	\$3,424,771	\$2,543,390
Unit of Comparison (sf)	48,057 sf	39,821 sf	93,469 sf	94,869 sf	70,454 sf
Adjusted Unit Price		\$65	\$91	\$36	\$36
Date of Sale	April 1, 2017	Mar-17	Feb-17	Feb-16	Aug-16
Market Conditions Adjustment	(Appraisal Date)	similar	similar	inferior +	inferior
Locational Characteristics		similar	similar	similar	similar
Off-Site Costs		similar	similar	inferior ++	inferior ++
Site Size		similar	inferior +	inferior +	inferior
Topography, Shape & Utility		superior --	superior --	superior --	superior --
Permitting and Planning		similar	superior --	similar	similar
Zoning Desingation		similar	inferior ++	inferior ++	inferior ++
Net Adjustment		superior --	superior --	inferior ++	inferior ++

Prepared by McKee Appraisal
April 2017

In areas of new or re-development, property buyers may be responsible for off-site costs associated with improving the streets, sidewalks and curbing, landscaping, or other features in the city right of way. A developer who purchases a property is not going to complete a small portion of the work associated with their site, rather they will complete the large street or area. In return, buyers of surrounding properties are then responsible to reimburse the original contractor as 'late comers' fees. The buyer of Sale No. 3 and No. 4 were both responsible for reimbursement of these late comer fees. We note that the buyer of these sites was also the buyer of the other properties who originally completed the work along Pop Keeney Rd. The exact amount was not provided by the buyer and is unknown; and is not something recorded by the City. We have estimated an appropriate upward adjustment based on the frontage costs associated with the subject and other development sites within the City.

We then considered adjustments for size of the site. Smaller commercial properties typically transact at higher prices per square foot and vice versa large properties tend to transact at lower prices on a per square foot basis.

Next, we considered analyzed the effects of the subject's shape and utility. The subject is triangular in shape, with portions of the site less usable than others. All of the comparable properties are superior in that sense as they are generally rectangular in shape and fully usable.

Sale No. 2 was purchased in February 2016 by MainStreet Property Group. After completing a number of infrastructure items and entitlement process, the property sold as a fully developable site to Toll Brothers. In terms of planning and permitting, this site is considered superior to the subject which would still require much work prior to development.

Lastly, we adjusted for differences in zoning designation. The subject is split zoned between DC and DN one allowing 6 stories and a height limit of 65' and the other allowing 5 stories and 55' with minimal setbacks and 95-100% maximum lot coverage. Sale No. 1 shares the same split zoning requiring no adjustment. On the other hand, the three remaining sales are zoned DT, an inferior designation, which only allows for 3 stories, a height limit of 35', front-side-rear setbacks and a maximum lot coverage of 90%.

Sale Comparison Approach Conclusion

Prior to adjustments, the sale comparisons ranged from \$36 per sf of land area to \$91. The first two sales are considered superior to the subject, while Sale No. 3 and 4 are inferior.

After adjustments, we conclude to an appropriate price per square foot indication for the subject property of \$50 per sf, or \$2.4 million. This indication is for the site as ready for development considering the \$605,507 required for the multi-way boulevard project. This deducted from the conclusion provides an as is indication of around \$1.8 million, \$37 per sf of land area.

Block A

Subject Block A is an irregular shaped site situated toward the western limits of the City of Bothell between SR-522 and the Sammamish River.

This property, like Block EFG, was recently under contract as well with the most recent agreement expiring at the end of March 2016. The agreed sale price was \$1.075 million, or \$28 per sf of land. This was the second of two PSAs with the same potential buyer; the first expiring at the end of April 2016. The buyer, Windward Real Estate Services planned to construct 24 townhomes on site. The buyer completed number of due diligence items, discovering some issues with the site; the major issue was the soil composition that would require pile driving in order to construct a larger development project.

Sale Comparisons and Adjustments

We have selected four properties for direct comparison with Block A. Please see the *Land Sale Comparison Summary - Block A* for details. The sale price per square foot provides a range of indications from \$25 per sf to \$36 per sf of land area.

We have adjusted the selected properties for a variety of factors. Specific adjustments are in the *Sale Comparison Adjustment Grid - Block A* exhibit located within this section.

The first set of adjustments considered was for Property Rights, Financing Terms, Conditions of Sale and any Expenditures After Sale.

Again, market conditions have been applied as previously discussed. Though a couple of the sales chosen to support Block A are a bit older, we have applied appropriate adjustments accordingly.

Our next set of adjustment factors includes items such as overall locational characteristics, physical characteristics of the site including size-shape-utility, differences in zoning designations, completed permitting and planning, as well as any off-site costs outside of the normal associated with development sites.

Locationally, the subject has good frontage and exposure from its location along a regional corridor. On the other hand, it only has a single right-in, right-out access point and the higher traffic count is not as ideal for residential development. Sale No. 1 and 2 are located closer to the downtown Bothell area, have better access and overall are better suited for residential development. Sale No. 3 and 4, like the subject, are situated outside of the core area. Both, however, have better overall access characteristics and area slightly superior to the subject in that sense.

Bothell Surplus Blocks

Sale Comparison Summary - Block A

Name & Address	Zoning	Land Area (sf)	Sale Date	Analysis Price	\$/sf Land	Comments
Block O - MainStreet Property Group NE 185th St and 96th Ave NE Bothell, WA Parcel No. 072605-9284	DT	94,869 sf 2.18 ac	Feb-16	\$3,424,771	\$36	Block O purchased by MainStreet Property Group. Buyer planned to construct 52 townhomes. Site was vacant at the time of sale. Buyer noted that soil composition in the City of Bothell has been a major issue for a number of the sites that they have purchased, including this one.
Block P North - MainStreet Property Group North of NE 185th St Bothell, WA Parcel No. 072605-9296	DT	70,454 sf 1.62 ac	Aug-16	\$2,543,390	\$36	Purchased by MainStreet Property Group. Buyer noted that soil composition in the City of Bothell has been a major issue for a number of the sites that they have purchased, including this one.
Beardslee South Development 18721-18823 Beardslee Blvd Bothell, WA Parcel No. 052605-9055, -9060, -9081, -9095, -9060	GDC	16,178 sf 27,045 sf 12,242 sf 42,922 sf 97,787 sf	Feb-16 Feb-16 Dec-15 Dec-15	\$500,000 \$680,000 \$350,000 \$900,000 \$2,430,000	\$31 \$25 \$29 \$21 \$25	Multiple properties purchased by separate sellers. Buyer is developer who recently completed The Village at Beardslee Crossing just north of the properties. Though we were not able to confirm, we can assume that the plans will be to construct additional improvements along Beardslee Blvd.
UW Student Housing Site 10812 NE 185th St Bothell, WA Parcel No. 082605-9078, 082605-9300	GDC	74,000 sf 1.70 ac	Nov-14	\$1,950,000	\$26	Seller knew UW was interested in site and put site on market for \$2,750,000 for multiple years. Zoning allows for buildings of 4 stories but has considerable setbacks including 20' front/rear setback and setback for the 4th floor of 65' from the abutting residential zoning to the south.
Additional I Indications Block A Failed PSA SR-522 SE off NE 180th ST Bothell, WA Parcel No. 072605-9096	522	38,856 sf 0.89 ac	Mar-17 Failed PSA	\$1,075,000	\$28	Property was under contract until March 31, 2017. This was the second of two PSAs with the same potential buyer, the first expiring at the end of April 2016. They buyer, Windward Real Estate Services planned to construct 24 townhomes on site. The buyer completed number of due diligence items, discovering some issues with the site; the major issue was the soil composition that would require pile driving in order to construct a larger development project.
Subject Bothell Surplus Blocks A (SR-522 SE off NE 180th ST) Parcel No. 072605-9096 Bothell, WA	522	38,856 sf 0.89 ac	April 2017 Effective Date of Appraisal			Irregular shaped site between SR-522 and the Sammamish River in the Special Riverfront Overlay Area. Limited right-in, right-out access. We are aware of some soil composition that would require pile driving for any larger development.

We then considered adjustments for size of the site. Smaller commercial properties typically transact at higher prices per square foot and vice versa large properties tend to transact at lower prices on a per square foot basis.

Next, we analyzed the effects of the subject's shape and utility. The subject is irregularly shaped, with portions of the site less usable than others. All of the comparable properties are superior in that sense as they are generally rectangular in shape and fully usable.

Additionally, we have been made aware that there are some issues with the soil stability of the subject site requiring pilings for a majority of development opportunities for the site. Estimated costs of this could be anywhere from \$200,000 to \$270,000, based on piling costs at other sites in the range of \$5-7/sf. Downward adjustments were applied to each of the comparable properties for this factor.

Lastly, we adjusted for differences in zoning designation. The subject is zoned SR-522 and further restricted by the Special Riverfront Overlay Area reducing the maximum lot coverage from 90% to 70%, along with additional development restrictions and view corridor requirements. These restrictions on the property make it inferior to each of the comparable properties.

Sale Comparison Approach Conclusion

Prior to adjustments, the sale comparisons ranged from \$25 per sf of land area to \$36. The subject property generally benefits from its good location, but does have some serious negative factors including its odd shape, soil stability and restrictive zoning designation.

After adjustments, we conclude to an appropriate price per square foot indication for the subject property of \$20 per sf, or \$780,000.

Bothell Surplus Blocks
Sale Comparison Adjustment Grid - Block A

Property Name	Subject	Block O - MainStreet Property Group	Block P North - MainStreet Property Group	Beardslee South Development	UW Student Housing Site
Transaction Price		\$3,424,771	\$2,543,390	\$2,430,000	\$1,950,000
Property Rights		0%	0%	0%	0%
Financing Terms		0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%
Expenditures after Sale		\$0	\$0	\$0	\$0
Adjusted Price		\$3,424,771	\$2,543,390	\$2,430,000	\$1,950,000
Unit of Comparison (sf)	38,856 sf	94,869 sf	70,454 sf	97,787 sf	74,000 sf
Adjusted Unit Price		\$36	\$36	\$25	\$26
Date of Sale	April 1, 2017	Feb-16	Aug-16	Various (15'-16')	Nov-14
Market Conditions Adjustment	(Appraisal Date)	inferior +	inferior	inferior +	inferior ++
Locational Characteristics		superior --	superior --	superior	superior -
Site Size		inferior +	inferior	inferior +	inferior
Topography, Shape & Utility		superior -	superior -	superior	superior -
Soil Stability		superior --	superior --	superior --	superior --
Zoning Desingation		superior -	superior -	superior -	superior -
Net Adjustment		superior --	superior --	superior --	superior --