

APPRAISAL

of

**SAKAI
PROPERTY**

**(Southern Two Parcels)
1560 Madison Ave NE
Bainbridge Island , WA 98110**

as of

October 17, 2014
Effective Date of Value

Prepared for

Bainbridge Island Metropolitan Park District
c/o Ryan Vancil
Vancil Law Offices
266 Ericksen Avenue NE
Bainbridge Island, WA 98110

Prepared by

Anthony Gibbons, MAI, CRE

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October 27, 2014

Bainbridge Island Metropolitan Park District
c/o Ryan Vancil
Vancil Law Offices, PLLC
266 Ericksen Avenue NE
Bainbridge Island, WA 98110

RE: **Sakai Property**
1560 Madison Avenue North, Bainbridge Island, WA 98110
Kitsap County Assessor Nos: 232502-3-076-2001; 018-2002

Dear Mr. Vancil:

At your request, we have prepared an appraisal of the above-referenced property, which is described in the attached report. This analysis pertains to the prospective acquisition of the subject property by the Bainbridge Island Metropolitan Park District. The value conclusion is made subject to the limiting conditions and extraordinary assumptions described within the body of this report. The effective date of value is the date of latest inspection, October 17, 2014. The property may be acquired in Fee Simple Estate, but also a value subject to a life estate for Paul Dean Sakai has been requested. Hence two valuations are presented.

This appraisal has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), and also complies with the requirements of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA – “Yellow Book”) and RCO. It is presented in a narrative format and complies with the reporting requirements of USPAP, UASFLA and RCO.

As a result of our investigation and analysis, we have concluded with the following market value of the fee simple interest in the subject real estate, and then also subject to a life estate, as of the effective date of value, October 17, 2014, the latest date of inspection.

Sakai Property – 22.87 acres – 105-unit potential.....	\$6,000,000
Life Estate Reserved (Paul Dean Sakai, DOB 8/15/62, 4% factor).....	<u>\$110,000</u>
Value of Subject Property subject to Life Estate	\$5,890,000

Respectfully submitted,



Anthony Gibbons, MAI, CRE

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APPRAISER'S 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 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 appraisal has been prepared, in conformity with the Uniform Appraisal Standards for Federal Land Acquisitions
- ❖ The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's Uniform Standards for Professional Appraisal Practice, except to the extent that the Uniform Standards for Federal Land Acquisitions required invocations of USPAP's Jurisdictional Exception Rule, as described in Section D-1 of the Uniform Standards for Federal Land Acquisitions.
- ❖ I have made a personal inspection of the property that is the subject of this report.
- ❖ I have afforded the owner or a designated representative of the property that is the subject of this appraisal the opportunity to accompany me on the inspection of the property.
- ❖ Persons providing significant professional assistance to the persons signing this report are identified herein.
- ❖ The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- ❖ I have disregarded any increase in Market Value caused by the proposed public improvement or its likelihood prior to the date of valuation. I have disregarded any decrease in Market Value caused by the proposed public improvement or its likelihood prior to the date of valuation, except physical deterioration within the reasonable control of the owner;
- ❖ This appraisal has been made in conformity with the appropriate State and Federal laws and requirements, and complies with the contract between the agency and the appraiser;
- ❖ I previously appraised the entire Sakai Property, effective June 13, 2014, for the same client. I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.
- ❖ As of the date of this report, Anthony Gibbons has completed the requirements under the continuing education program of the Appraisal Institute.

RESTRICTION UPON DISCLOSURE & USE:

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 undersigned. 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.

The property has been appraised for its fair market value as though owned in fee simple, or as encumbered only by the existing easements as described in the title report, as well as subject to a proposed life estate as described. The opinion of value expressed below is the result of, and is subject to the data and conditions described in detail in this report of 68 pages.

I made a personal inspection of the property that is the subject of this report on June 13, 2014 and most lately on October 17, 2014. The Date of Value for the property that is the subject of this appraisal is October 17, 2014, the latest date of inspection. Per the MARKET VALUE definition herein, the value conclusion for the property that is the subject of this appraisal is on a cash basis and is:

Sakai Property – 22.87 acres – 105-unit potential.....	\$6,000,000
Life Estate Reserved (Paul Dean Sakai, DOB 8/15/62, 4% factor).....	\$110,000
Value of Subject Property subject to Life Estate	\$5,890,000

Name: Anthony Gibbons, MAI, CRE

Signature: 

WA Cert # 1100854

Date Signed: October 27, 2014

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Identity of the Property & Location

The subject of this appraisal is a portion of the Sakai property located at 1560 Madison Avenue North, on Bainbridge Island, WA. The subject consists of two adjacent parcels of vacant land totaling 22.87ac. The property is situated on the east side of Madison Avenue North, north of High School Road and south of NE Brooklyn Road, with frontage on Highway 305 to the east. It lies opposite of the entrance to Ordway Elementary School.

The property lies on the outskirts of the community of Winslow, Bainbridge Island's core commercial and high-density residential town center, and also home to the Washington State Ferry terminal, with 35-minute ferry service to downtown Seattle.

Description

The subject property consists of 22.87 acres of vacant land in two tax parcels. The tax parcel to the north is also under the same ownership, and potentially constitutes part of the larger parcel, but it is being considered for a private conditional use, and is not appraised here for the reasons noted in the Highest and Best Use Section of this report.

Notable features of the property appraised include the presence of a stream and significant wetlands on the eastern side of the two parcels, the close-in location of the property and its excellent access to major arterials and to the amenities and services provided in Winslow, as well as easy access to the ferry to Seattle. The property has extensive frontage on Madison Avenue N., and city water and sewer are available. Connection with the city sewer may require a pump station or easement through wetlands, this likely representative of a minor site penalty.

The property holds substantial development potential as it is an unusually large property for such a close-in location with R-8 (8-units per acre) zoning. It is unique in terms of its size and zoning within the Winslow market, and it is expected it would attract significant interest if made available for sale. A home and former farm building are located on the property, but do not materially contribute to the value of the site.

Highest and Best Use

The subject is primarily zoned for residential use, at a relatively high suburban density. The surrounding neighborhood, with Sakai Village to the north (separated by another parcel in Sakai ownership) and schools and a church across Madison Avenue to the west, represents a desirable area for residential development. Thus the most logical highest and best use of the subject is for development of the maximum allowable number of residences. The most effective way to achieve this, while accounting for the presence of critical areas, would be to employ a clustered lot design with open space, with the eastern portion of the two parcels serving as open-space set-aside, buffering the property from its highway exposure to the west. Under such a permitting option, interviews with city staff suggest that the property would be capable of development with 105 homes¹, probably in a combination of attached and detached product. Our conclusion of value is based on this prospective use.

¹ While a specific number could only be determined after going through the permit application process, Scott Speer, a planning permit specialist at the City of Bainbridge Island, estimates that a maximum of 105 units could be achieved on the property utilizing a cluster design.

Conditional institutional uses – churches, schools, senior centers and medical clinics – would also be attracted to this location, and would represent a logical use for the property with a specific user in mind, with achievable pricing likely competitive with residential development. Apparently the parcel to the north of the subject is being considered for sale to such a user, and thus is excluded from this appraisal.

Life Estate Issue

The owners have proposed a life estate for one of the seller’s family, Paul Dean Sakai, a single man with a date of birth of August 15, 1963; Mr. Sakai is then 52 years old as of the date of value. The proposal is to provide Mr. Sakai with a life estate on about 10,000sf of land surrounding the existing residence. The location of the residence is at the border of the wetland buffer, but is assumed to occupy usable land of the amount indicated. Access to the site is assumed, and will be maintained at no less than a gravel driveway (as presently provided), and the presumption (on a private market basis) is that the location of the home would be off a cul-de-sac at the far southeastern edge of the property, and not considered to be an interference beyond the land occupied at around 3-residential units. The highest and best use of the property is then unchanged, except with the loss of three units, and the need to incorporate access to the home into a future subdivision or plat.

The value of the life estate is computed at three units, times the present value factor of 63.36%, which represents a deduction from fee simple value of \$110,000 (about \$57,000 per unit x 3 units x 63.36%).

Purpose of Appraisal

The purpose of this appraisal is to establish the market value of the entire subject property, in fee simple estate. The property is being considered for acquisition by the Bainbridge Island Metropolitan District.

Final Value Opinion

Fee Simple Analysis							
Sakai Property Stats and Valuation	Gross Site Area		Usable Site Area		Estimated		Market Value
	Acres	sf	Acres	sf	Units	Units/ac	
Property Statistics	22.87ac	996,217sf	8.77ac	382,000sf	105 units	4.6du/ac	
Market Value	\$262,352/ac	\$6.02/sf	\$684,188/ac	\$15.71/sf	\$57,143/unit		\$6,000,000
Life Estate Deduction							
Date of Value:	17-Oct-14					<u>% of Value</u>	
Paul’s life alone (one person)	<u>@ DOV</u>						
Paul was born	15-Aug-62	52-yrs					
The life estate factor for a single person, 52-yrs old, as of the date of value:							
Interest at 4.0 Percent						=	63.36%
The indicated life estate then assuming market value	3 units			\$171,429	is		\$108,615
Rounded							\$110,000
Fee Simple Value Subject to Life Estate							
Property Statistics	22.62ac	985,118sf	8.51ac	370,901sf	102 units*	4.5du/ac	
Market Value	\$265,308/ac	\$6.09/sf	\$704,663/ac	\$16.18/sf	\$57,745/unit		\$5,890,000

Effective Date of Value

The effective date of value is October 17, 2014, the latest date of inspection. This appraisal was performed in May, June and October of 2014.

SUBJECT PHOTOGRAPHS



AERIAL PHOTOGRAPH & CAMERA ANGLES MAP

Photographs taken on June 13, 2014. Property re-inspected from the right-of-way but not photographed on October 17, 2104. All picture locations are approximate.



1. View north up Madison, along the subject western boundary



2. View east, along the subject south boundary from Madison



3. Interior view looking east along access driveway into property



4. Interior view of the subject from access driveway looking north



5. Home on the north side of the property



6. Old concrete farm building on subject in vicinity of home



7. Interior view of structure old concrete farm structure on subject in vicinity of home



8. Interior view of bomb shelter, located in the rear of the concrete structure



9. A variety of other structures, including some above ground fueling tanks, lie near the home



10. Lake on east side of property and associated wetlands.

INTRODUCTION

Legal Description

The subject property is a 22.87ac holding comprised of two adjacent tax parcels which can be identified by Kitsap County Assessor tax parcel numbers 232502-3-076-2001 (13.36ac) and 232502-3-018-2002 (9.51ac). The legal description of the subject tax parcels from Kitsap County Assessor data is presented below. Note that we are not surveyors, and have taken the legal at face value as an accurate description of the property appraised herein, as delineated on maps and charts.

23252E

N1/4 SW1/4 SW1/4 EX RDS EX TO HWY NO 21A PER VOL. 581 PAGE 562

23252E

RESULTANT LOT 3 OF BOUNDARY LINE ADJUSTMENT RECORDED UNDER AUDITOR'S FILE NO. 3061934, DESCRIBED FOR TAX PURPOSES ONLY AS FOLLOWS: THE SOUTH HALF OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 25 NORTH, RANGE 2 EAST, W.M.; EXCEPT ANY PORTION LYING WITHIN STATE ROUTE 305; ALSO EXCEPT MADISON AVENUE; >>TOGETHER WITH THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 23; EXCEPT ANY PORTION THEREOF LYING WITHIN STATE ROUTE 305; >>ALSO EXCEPT THAT PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 25 NORTH, RANGE 2 EAST, W.M., DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 23; THENCE S 88°50'51 E ALONG THE SOUTHERLY LIMITS OF SAID SECTION 23, A DISTANCE OF 659.41 FEET TO THE SOUTHWEST CORNER OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 23; THENCE N 01°14' 23 E ALONG THE WESTERLY LIMITS OF SAID SUBDIVISION, A DISTANCE OF 30.00 FEET TO THE NORTHERLY MARGIN OF HIGH SCHOOL ROAD N.E.; THENCE ALONG SAID NORTHERLY ROAD MARGIN, S 88°50'51 E, A DISTANCE OF 195.00 FEET; THENCE CONTINUING ALONG SAID NORTHERLY ROAD MARGIN N 87°05'23 E, A DISTANCE OF 50.66 FEET TO THE TRUE POINT OF BEGINNING; THENCE N14°20'26 E 80.31 FEET; THENCE N1°14'22 E 194.02 FEET; THENCE S88°45'38 E 94.98 FEET; THENCE S41°59'16 E 84.50 FEET; THENCE S52°40'31 E 53.46 FEET; THENCE S88°45'38 E 102.07 FEET TO A POINT ON THE WESTERLY MARGIN OF SR-305; THENCE S6°36'26 W ALONG SAID WESTERLY MARGIN OF SR-305 158.00 FEET TO SAID NORTHERLY MARGIN OF HIGH SCHOOL ROAD NE; THENCE S87°05'23 W ALONG SAID NORTHERLY MARGIN 302.34 FEET TO THE TRUE POINT OF BEGINNING. >>ALSO EXCEPT THAT PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 25 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 23; THENCE S 88°50'51 E ALONG THE SOUTHERLY LIMITS OF SAID SECTION 23, A DISTANCE OF 659.41 FEET TO THE SOUTHWEST CORNER OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 23; THENCE N 01°14' 23 E ALONG THE WESTERLY LIMITS OF SAID SUBDIVISION, A DISTANCE OF 30.00 FEET TO THE NORTHERLY MARGIN OF HIGH SCHOOL ROAD N.E. AND THE TRUE POINT OF BEGINNING; THENCE ALONG SAID NORTHERLY ROAD MARGIN, S 88°50'51 E, A DISTANCE OF 195.00 FEET; THENCE CONTINUING ALONG SAID NORTHERLY ROAD MARGIN N 87°05'23 E, A DISTANCE OF 50.66 FEET; THENCE N 14°20'26 E 80.31 FEET; THENCE N1°14'22 E 194.02 FEET; THENCE N1°14'38 E 255.61 FEET; THENCE N88°48'53 W 263.75 FEET; THENCE S1°14'23 W 531.56 FEET TO THE TRUE POINT OF BEGINNING.

General Assumptions and Limiting Conditions

This appraisal report has been prepared under the following general assumptions and limiting conditions, which may affect the opinions and conclusions stated in this report.

- We have been provided with a title commitment dated January 30, 2013, and it is assumed this accurately reflects the current title status of the subject property. Note that only the south two subject parcels are appraised.
- **RE•SOLVE** is unaware of any toxic contaminating materials either in the subject soils or within the subject premises. This appraisal assumes that the subject property is free and clear of all contamination. However, this assumption should not be misconstrued as a guarantee that such conditions do not exist. We note that the subject was previously farmed, and above ground fuel storage tanks and various drums and disused farm equipment was observed on the property.

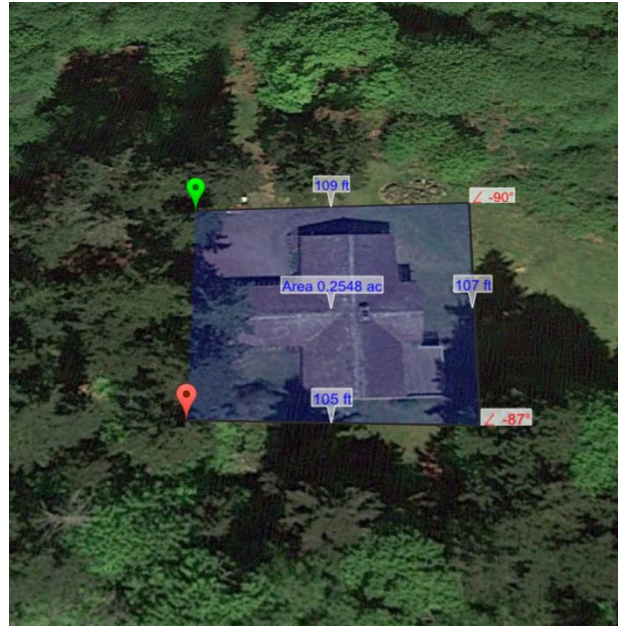
Extraordinary Assumptions and Hypothetical Conditions

There are no hypothetical conditions employed. Extraordinary assumptions include:

1. The subject is appraised without the benefit of any recent entitlement work. An appraisal of residential land is closely tied to the achievable lot density. Conversations with city permitting staff would suggest a development yield of 105 homes. As an extraordinary assumption our analysis assumes that such a lot yield would be confirmed through a typical buyer's due diligence as part of a standard sale contingency.
2. A number of structures were observed on the property, originally used as part of a berry farm operation, including a substantial concrete equipment shed, above ground fuel tanks, but also including an underground fall-out shelter, drums of drinking water, other barrels, etc. Our assumption is that removal of these structures does not constitute a significant site penalty. Our appraisal assumes no contamination.
3. It is noted that Phase I of Sakai Village, located one parcel north of the subject, was developed with a pump station. There is a possibility that some portion of the hypothetical 105 unit development on the subject property could be served by this station, which was constructed with some excess capacity, with the owner reporting a late-comer's charge of \$100,000, though the COBI Finance department has no record of this. (This would leave other units requiring additional service of some kind.) We assume that the cost of an additional pump station, if that option were pursued, would not exceed \$500,000. However, several factors combine to make a gravity sewer line to serve a potential 105 unit development the most likely, cost effective, and desirable option, and we present a calculation of the cost to cure for a gravity fed system for the entire development in the site data section of this report. We have assumed that this calculation (approximately \$300,000) would be confirmed with an engineering analysis, and also that the cost would be shared with the vacant Sakai property to the north, a client instruction. Note that we also assume that the detention tank noted by Melva Hill of Public Works on the gas station property through which the proposed gravity line would pass would not constitute an impediment to the placement of the gravity line within the easement area described in the site data section.
4. The life estate valuation for Paul Dean Sakai is based on IRS tables, with a 4% interest and DOB as provided by the property owner. There is no document at the current time that describes the

confines of the estate and I have assumed a scaled off area as noted inset, basically representing around a ¼-acre lot in the immediate vicinity of the home, with access movable as the need arises. Note that the location of the estate has not been qualified or addressed as part of the larger permitting of the property and obviously the presumption is that the land in question could be incorporated into a redevelopment of the entire property as a separate condominium, with later redevelopment intended as the case arose.

We have also assumed that the city would permit the estate and residence to endure, even if the location of the residence is within buffers established for the new development.



Scope of Appraisal

Appraisal Content

The scope of work performed in this appraisal is in compliance with the specific guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP). The subject has been valued through the direct sales comparison approach of vacant or low improvement contribution properties. The most likely highest and best use of the subject is subdivision development, which is also the case for the selected comparables. This approach to valuation is based upon sales data obtained from public records as well as private databases including the county assessor's database and the Northwest Multiple Listing Service. All sales comparisons have been inspected and verified with one or more parties to the transaction when possible.

The cost approach is not considered a reliable valuation methodology for vacant land, and is thus excluded. An income approach is also not applicable here, as properties of this type are not typically purchased as a passive investment opportunity. We have not employed a development approach, as we consider the comparable sales information sufficient for developing a market value conclusion for the property.

Report Type

This report meets the standard of an appraisal report presented in a summary format.

Purpose of Appraisal

The purpose of this appraisal is to establish the market value of the subject property as of the date of appraisal, which is the most recent date of inspection. According to UASFLA standards the term "market value" is defined as follows:

Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after

a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.

Property Rights Appraised

This is an appraisal of the fee simple interest in the property.

Intended User/Use of Appraisal

Intended users of this report are limited to the client, the Bainbridge Island Metropolitan Parks District. The intended use is to document the value of the property for acquisition and funding purposes.

Summary of Appraisal Problem

The subject property is comprised of two tax parcels totaling 22.87 acres. Salient characteristics of the site include the subject's potential to support an estimated 105 units (subject to final determination via the permitting process), and the fact that a stream surrounded by significant wetlands occupies a large portion of the eastern side of the two parcels. Slope issues also impact the development potential of the site.

Other important characteristics are the subject's potential for certain institutional uses under its R-8 zoning designation (which includes uses similar to those surrounding, such as a school, two churches, and the recent addition of a Memory Care Center and medical clinic), the close-in location, extensive frontage on Madison Avenue N, and its excellent access to local and regional transportation networks. Challenges include significant sensitive areas and Highway 305 frontage (minor noise impact), these two conditions essentially ensuring that all development will front and be concentrated along Madison Avenue.

It is notable that the subject is the largest remaining suburban-style (mid-density) housing parcel in the city limits of Bainbridge Island.

The search for sales comparisons is drawn entirely from the island; however we would note that we are regularly engaged to perform appraisals on land of similar density in other Puget Sound Communities, and draw upon that experience in developing a value conclusion for the subject. The sales used from Bainbridge stretch back a number of years, and include a prospective acquisition of the subject northern lot and lot to the north that failed to close, as well as sales of parcels close to the property. No parcel selected has the extent of wetlands contained on the subject, and this serves to underscore the importance of the prospective unit count, as that estimate accounts for the fact that such areas can contribute density, but are not directly developable.

Use/Sales History

The subject parcels have been under the ownership of the Sakai family for many decades, and according to the family, at least 100-years. The property was farmed for berries up to about 30-years ago, and today contains a residence and some former farm buildings. Today the property is regarded as development land.

The property is not presently being activity marketed, but due to the prominence of the parcel, the family has received unsolicited interest, and has informally retained a broker to allow for the entertainment of offers. The interest is from apparently commercial or institutional users that would utilize the conditional use aspects of the zone. Apparently that interest has encouraged the family to withhold the northernmost

of the three lots that they control here from consideration for purchase by the Parks Department, as only a portion of the site apparently is required for the use. No pricing was shared with the appraiser, as the family wishes to see the valuation performed independent of any offers actually received.

In 1999, the most northerly of the subject parcels and the parcel adjacent to that to the north, comprising about 15 acres, were put under contract by Doug Nelson, developer of Sakai Village Phase I. The contract was active during the development of Phase I, and the driveway entrance, and certain improvements such as a pump station and detention vaults were actually developed just over the lot line, onto that parcel adjacent to the north of the subject property. The contract lapsed, and there was a brief period of litigation over the value of entitlements and improvements to the Phase II land.

A site plan for Phase II, with 93 attached units, was approved by the city as part of that contract, but the plan was allowed to lapse in 2006. While the R-8 zoning has not changed since that time, the rules for computing density for sensitive areas has, and the allowable unit count today would be a little lower for that portion of the property. Today city permitting staff have indicated a potential yield of about 155-units for the entire property, and 105 for the two lots appraised here.

The value of improvements in place on Phase I to the subject (detention tanks that are apparently oversized, and the availability of a late-comers agreement for use of the pump station) is not precisely known, and would not be usable without engineering assistance. John Sakai has indicated that potentially a portion of the subject could be served with the sewer pump station, at a reported late-comers fee of \$100,000. This remains to be confirmed. Due to the passage of time, and the expiration of land use entitlements, it is our opinion, which is shared by the owners, that the potential value increment associated with Phase I is not likely to be significant.

NEIGHBORHOOD DATA



AREA MAP

NEIGHBORHOOD DATA

Introduction

Bainbridge Island's central location in Puget Sound affords many advantages to residents. Officially part of Kitsap County, the Island can be reached via a 35-minute ferry ride from downtown Seattle. This relatively easy commute has gained Bainbridge recognition as one of Seattle's most popular bedroom communities, and spurred development in the previous 10 years. Highway 305 runs from downtown Winslow to Agate Pass Bridge, providing efficient access for most Islanders.

The City of Bainbridge Island

The City of Bainbridge Island is home to 23,190 inhabitants, most of who commute off the island to find employment. The island's rolling geography encompasses 28 square miles, and with approximately 53 miles of shoreline, creates an idyllic residential setting in a much more rural atmosphere than is afforded in most Seattle neighborhoods. In addition the island's location in the central Puget Sound basin caters to expansive views of both the Olympic and Cascade mountain ranges.

Commercial activity is centered in Winslow, where day-to-day commercial services are available to Island residents. For more comprehensive needs, Poulsbo and Silverdale provide more extensive centers of commerce, and can be reached in a 12 mile (18 minute) and 21 mile (30 minute) drive across Agate Pass Bridge, respectively. Adding to the island's appeal are also its public schools, which are consistently rated in the top-ten in the state. At one time the city was rated in the top 10-best places to live in the country².

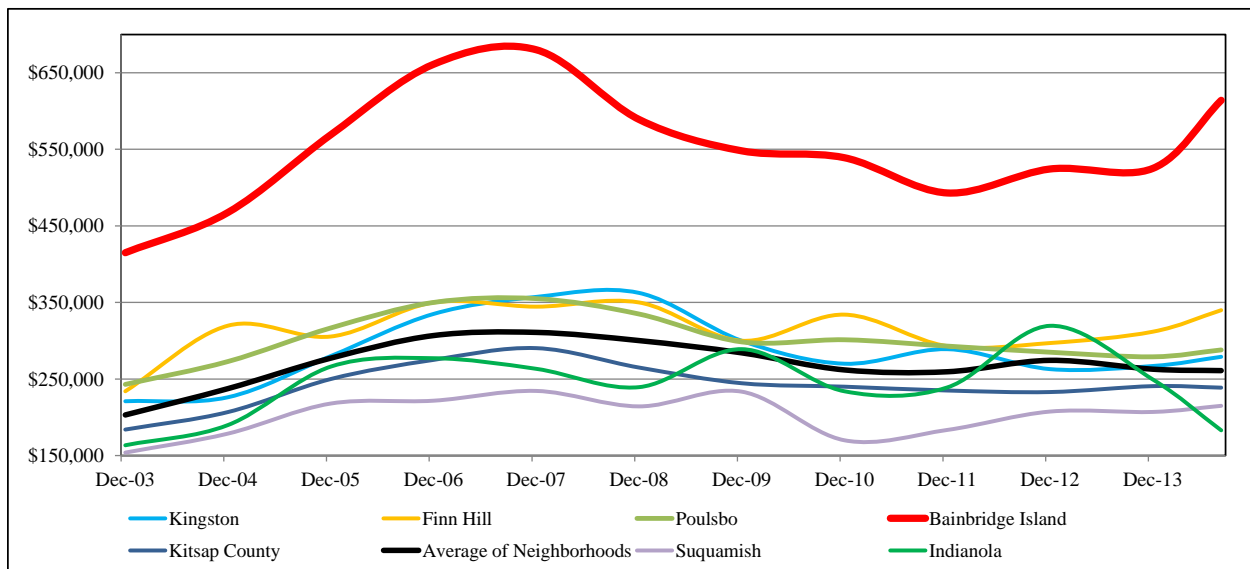
Single Family Residential Market

The subject's general market area is Bainbridge Island. Examination of surrounding communities on the Kitsap Peninsula is also of interest, including the cities of Poulsbo, Kingston, Suquamish, Indianola and Finn Hill. Recent increases in the cost of living, particularly in housing, have made Kitsap County an attractive alternative to the more densely populated counties nearby, such as King and Snohomish. Residential construction is expanding and commercial real estate is more affordable as well.

Like much of Puget Sound's single-family residential market, Kitsap County saw substantial gains in housing prices between 2002 and mid-2007. These gains are documented in the chart and graph shown on the following page.

² CNN/Money Best Places to Live Gallery 2005; Bainbridge Island was ranked #2.

Kitsap County Historical Residential Median Home Prices													ytd as of
Neighborhood/Area Code		Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Aug-14
Kingston 162	Price	\$221,000	\$226,250	\$280,000	\$335,000	\$357,250	\$362,500	\$299,950	\$270,000	\$289,000	\$262,950	\$267,000	\$279,000
	Units Sold	111	158	136	110	90	64	77	85	59	96	128	77
	% change		2%	24%	20%	7%	1%	-17%	-10%	7%	-9%	2%	4%
Finn Hill 165	Price	\$234,000	\$319,718	\$305,500	\$350,000	\$344,500	\$350,000	\$300,000	\$334,100	\$293,000	\$297,000	\$311,775	\$339,900
	Units Sold	195	157	184	134	88	75	76	90	78	104	139	93
	% change		37%	-4%	15%	-2%	2%	-14%	11%	-12%	1%	5%	9%
Poulsbo 166	Price	\$243,000	\$272,918	\$316,700	\$350,000	\$355,000	\$334,900	\$298,500	\$301,275	\$292,988	\$285,000	\$279,000	\$288,000
	Units Sold	229	306	282	204	231	209	195	170	162	195	211	169
	% change		12%	16%	11%	1%	-6%	-11%	1%	-3%	-3%	-2%	3%
Suquamish 167	Price	\$153,950	\$178,750	\$218,000	\$221,700	\$234,450	\$214,285	\$233,500	\$170,000	\$183,500	\$207,500	\$207,000	\$215,000
	Units Sold	76	90	106	111	66	49	47	57	37	44	62	43
	% change		16%	22%	2%	6%	-9%	9%	-27%	8%	13%	0%	4%
Indianola 168	Price	\$163,500	\$189,950	\$266,250	\$277,200	\$263,325	\$239,375	\$289,000	\$234,000	\$239,000	\$319,500	\$249,500	\$183,000
	Units Sold	80	61	62	42	43	30	26	41	27	31	41	23
	% change		16%	40%	4%	-5%	-9%	21%	-19%	2%	34%	-22%	-27%
Bainbridge Island 170	Price	\$414,950	\$467,607	\$569,000	\$661,000	\$680,000	\$589,000	\$548,000	\$539,000	\$493,000	\$524,300	\$525,000	\$614,000
	Units Sold	457	469	445	350	333	191	212	255	259	385	418	256
	% change		13%	22%	16%	3%	-13%	-7%	-2%	-9%	6%	0.1%	17%
Average of Neighborhoods 162, 165, 166, 167 & 168	Price	\$203,090	\$237,517	\$277,290	\$306,780	\$310,905	\$300,212	\$284,190	\$261,875	\$259,498	\$274,390	\$262,855	\$260,980
	Units Sold	248	273	262	200	186	135	140	150	140	195	224	149
	% change		17%	17%	11%	1%	-3%	-5%	-8%	-1%	6%	-4%	-1%
Kitsap County	Price	\$184,000	\$206,900	\$250,000	\$275,000	\$290,342	\$265,000	\$244,499	\$240,000	\$235,000	\$233,000	\$240,725	\$238,750
	Units Sold	4,313	4,615	4,521	3,961	3,246	2,437	2,599	2,473	2,347	2,692	3,340	2,358
	% change		12%	21%	10%	6%	-9%	-8%	-2%	-2%	-1%	3%	-1%



With extensive waterfront, and a close connection to Seattle, Bainbridge Island has housing prices that are generally double that of its Kitsap neighbors - \$614,000 compared to a Kitsap County average of \$238,750 for year to date 2014.

In terms of appreciation, the median house price on Bainbridge Island increased between 2003 to 2007, from \$414,950 to \$680,000, a 64% appreciation. During this same period other Kitsap County neighborhoods saw pricing gains of 75%, but on a lower price base. With the onset of the national housing crisis, prices fell throughout the region. From 2007 through 2011, recorded prices dropped roughly 27% on Bainbridge, with surrounding markets faring slightly better with a 16% decline. 2012 however marked the first year median prices increased (in some markets) since the onset of the recent recession. Bainbridge home sales increased 6% in value over the year, coupled with a 49% rise in sales volume.

The latest reporting from MLS covers the period through August 2014. The indicators here for some of the markets are slightly negative, however due to the limited amount of data included in a snapshot of a portion of the calendar year, it would be imprudent to assume any long-term recognizable downward trend. This is especially true in a neighborhood like Indianola, which has a low volume of sales and a very wide range of product; a few sales can skew the median. Bainbridge Island shows a sharp rise in median home prices for the year through August, with volume on track to exceed that of 2013.

Conclusion and Summary

The subject property is an attractive residential development property on Bainbridge Island, within close proximity to the city center, commercial services, and the Seattle ferry terminal. The adjacent property to the north has already been developed with single family townhomes, and development of the subject would be a good fit for the neighborhood.

The recent housing market and national economic crises cast a shadow over most of Puget Sound's real estate markets, with many homes, even in top-tier markets, suffering significant value decline. However it appears that the market is once again in an upward cycle, with some prices beginning to approach the peaks of earlier years. The subject has excellent attributes, and if reasonably priced, taking into account the fact that land tends to lag behind the single family market, it could expect to find a ready market.

SITE DATA



SITE MAP

SITE DATA

Present Use

The subject property was farmed for berries up to about 30-years ago, and today contains a residence and some former farm buildings. The property is though regarded as development land, and the improvements do not contribute materially to value.

Access & Location

The subject has extensive access from Madison Avenue N along its entire western boundary. Due to critical areas on the eastern portion of both subject parcels, housing units would be clustered in the western portion of the subject. Although the subject's eastern boundary runs along SR 305, no access is available from the east, and in any case access across the critical areas to the homesites would not be possible. Internal roads to the developed units would constitute a cost to the developer.

In terms of location, the subject is in Winslow, at the outer edge of what would be considered walking distance to the downtown core and to the ferry.

Land Area and Shape

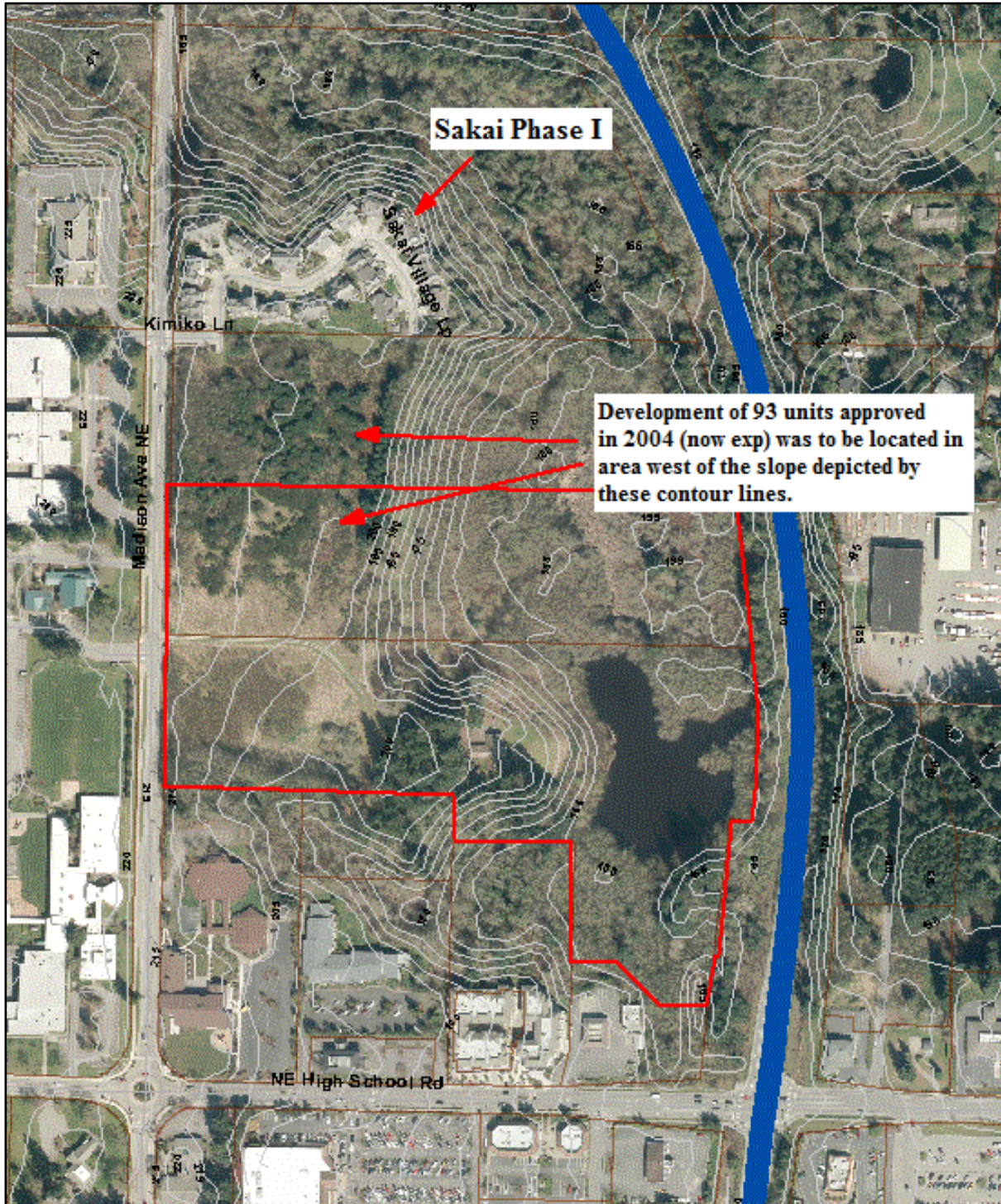
The subject consists of two tax parcels with a total acreage of 22.87ac.

- 232502-3-076-2001 is 13.36 acres.
- 232502-3-018-2002 is 9.51 acres

Total usable area for the subject property is less due to the presence of a stream and wetlands with associated buffers; Scott Speer of the City of Bainbridge Island planning department, after preliminary assessment of the subject property using COBI's GIS system, estimates that approximately 382,000sf or 8.77ac of the subject property is usable. Please note that in the absence of a wetland delineation, this computation which is an essential component of value, represents an extraordinary assumption of this report.

Topography

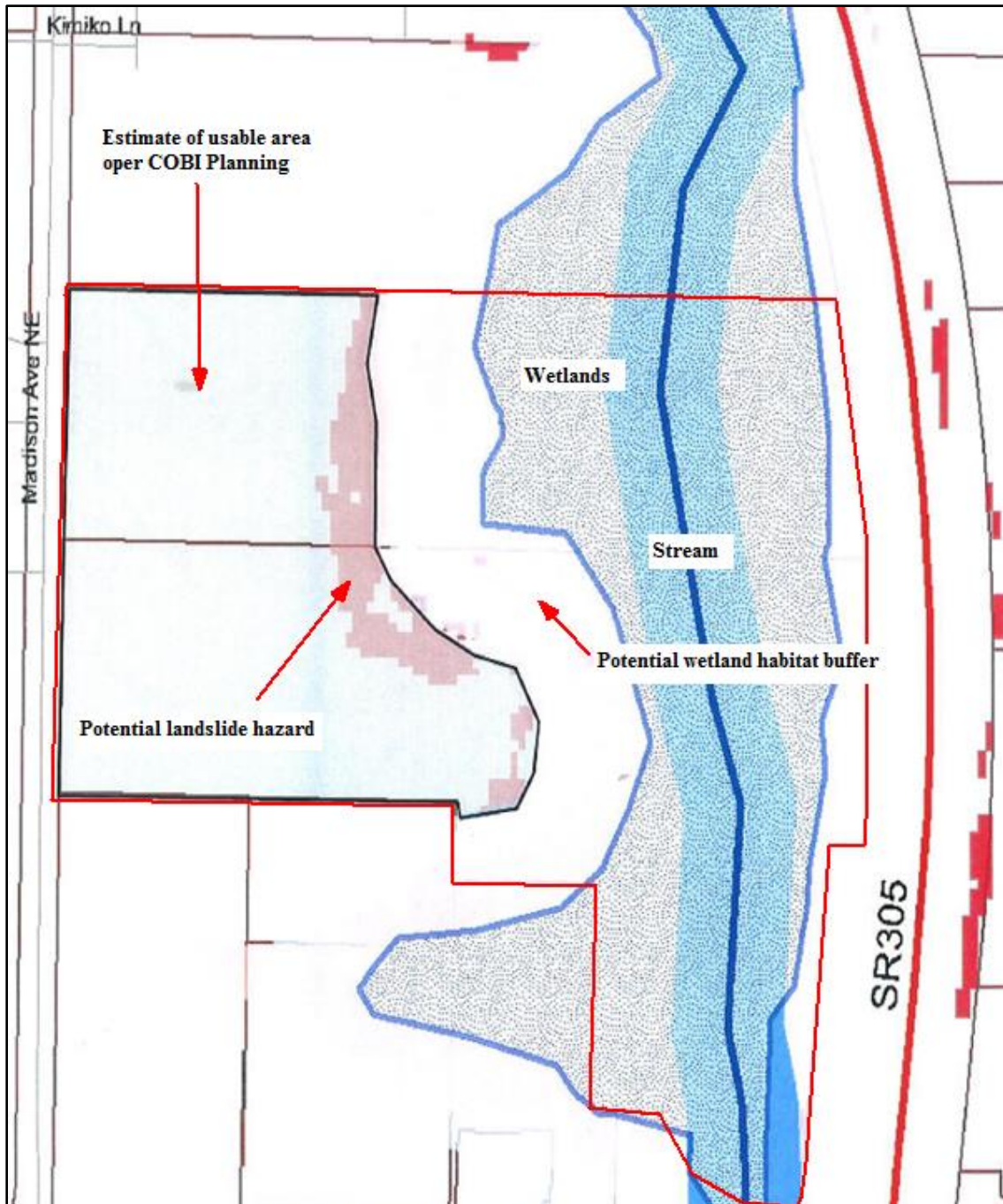
The subject property, like the property on which Sakai Phase I was developed, has a sloping area which lies west of the stream. It falls mostly within the area which constitutes wetlands and/or wetlands buffers. Development of Sakai Phase I, as well as the proposed development of Phase II which was to include the northern two of the two subject parcels and the parcel adjacent to the north of that which is also under Sakai ownership, was located on the western portion of the respective properties to take the slope and the critical areas into account (see subsequent copy of the historic development plan). This would also be the most likely scenario for any newly proposed development which includes any or all of the subject parcels.



Critical Areas

The subject is heavily impacted by a stream and wetlands with associated buffers on the eastern side of the two parcels, as well as by slope issues. The impacted areas are depicted in the exhibit below.

Usable area has been roughly estimated by Scott Speer of COBI at approximately 382,000sf, or 8.77ac. While both critical areas and usable areas contribute to final site density, the city has limitations on the effective density of development over the usable portions of the site, and thus the percentage distribution of usable to unusable land does impact final unit count.



Zoning

The subject property is zoned R-8 in the Bainbridge Island Municipal Code. *“The purpose of the R-8 zone is to provide for medium density residential areas in pleasant, uncongested surroundings allowing for maximum amenities for the occupants.” (BIMC)*

Uses permitted in the R-8 zone include: agriculture; single family and multi-family dwellings; passive recreation parks; and wireless communication facilities. Conditional uses include: group care facilities; education, governmental, and religious facilities; day care centers; cultural facilities; bed and breakfast establishments; park and ride lots; and veterinarian clinics.

The base density in the R-8 zone, i.e. a standard lot size, is 5,400sf. However the lot size permitted with a bonus density under 18.12.030A would be 3,630sf. Under the same section of the code, the maximum lot coverage could be increased from a base of 25% to 40% with bonus provisions. Maximum allowable building height in the R-8 zone is 40’.

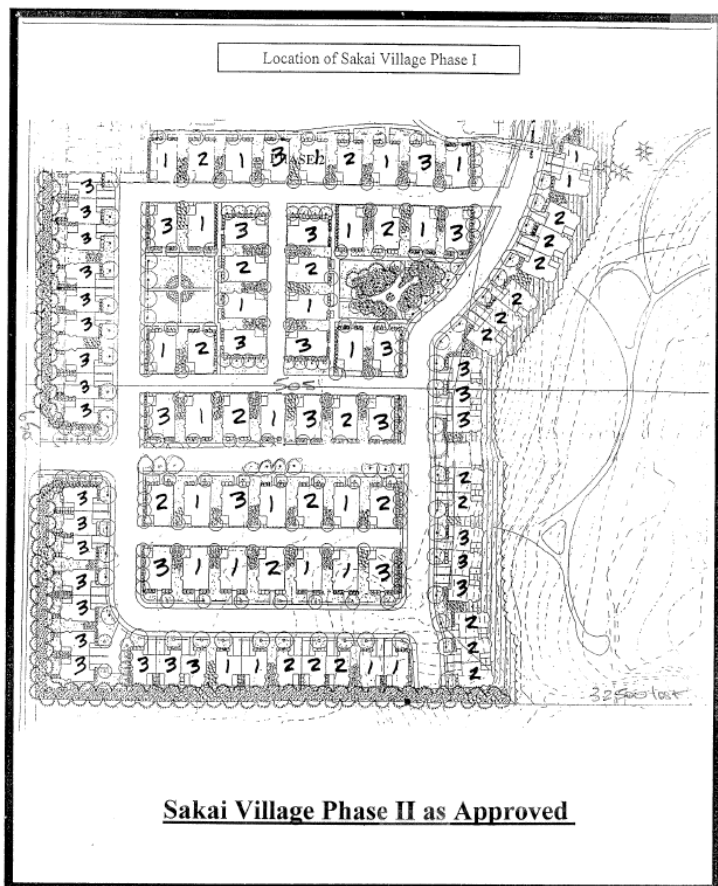
Conversations with city planning staff indicate a probable site capacity of around 105 homes. Our expectation is that the total would include a variety of product types, ranging from detached homes to attached town-homes, and potentially multi-family dwellings.

Previous Planning/Entitlements

The subject presently has no entitlements.

A site plan was submitted for review on June 28, 2000 for the two northern parcels of the larger Sakai property, the southern two parcels of which are the subject of this appraisal. The application obtained final approval on January 12, 2004 and was finalized on February 14, 2004 after the appeal period passed with only limited comment from the public. The site was approved for 93 multi-family dwelling units, configured as depicted right, and was described as Sakai Village Phase II (Phase I was constructed in property adjacent to the north). This approval expired in December 2006. The city records show that a request was made in 2007 to extend the approval, but it appears that no extension was granted.

Due to the date of the original application, now fourteen years ago, the city would probably require new wetland studies and any other necessary preliminary site studies if a new application were to be made.



Soils

We are not in possession of a soils survey for the subject. Properties bordering the subject would appear to have been developed without site penalty, and such is assumed to be the case here.

Vegetation

Vegetation is primarily a mixture of grasses, scotch broom, and young alder on the old berry farm, with some young conifers. The wetland areas and slopes have more mature trees of a typical northwest variety: maple, coniferous species and alder, with alternately heavy and light undergrowth. There is no material timber value in our opinion.

Views

The subject is not considered a view property. There are some internal territorial views to the low-lying parts of the property and wetland areas.

Minerals

To the best of our knowledge there are no commercially valuable mineral deposits at this site that would eclipse the value of the property for residential use.

Utilities

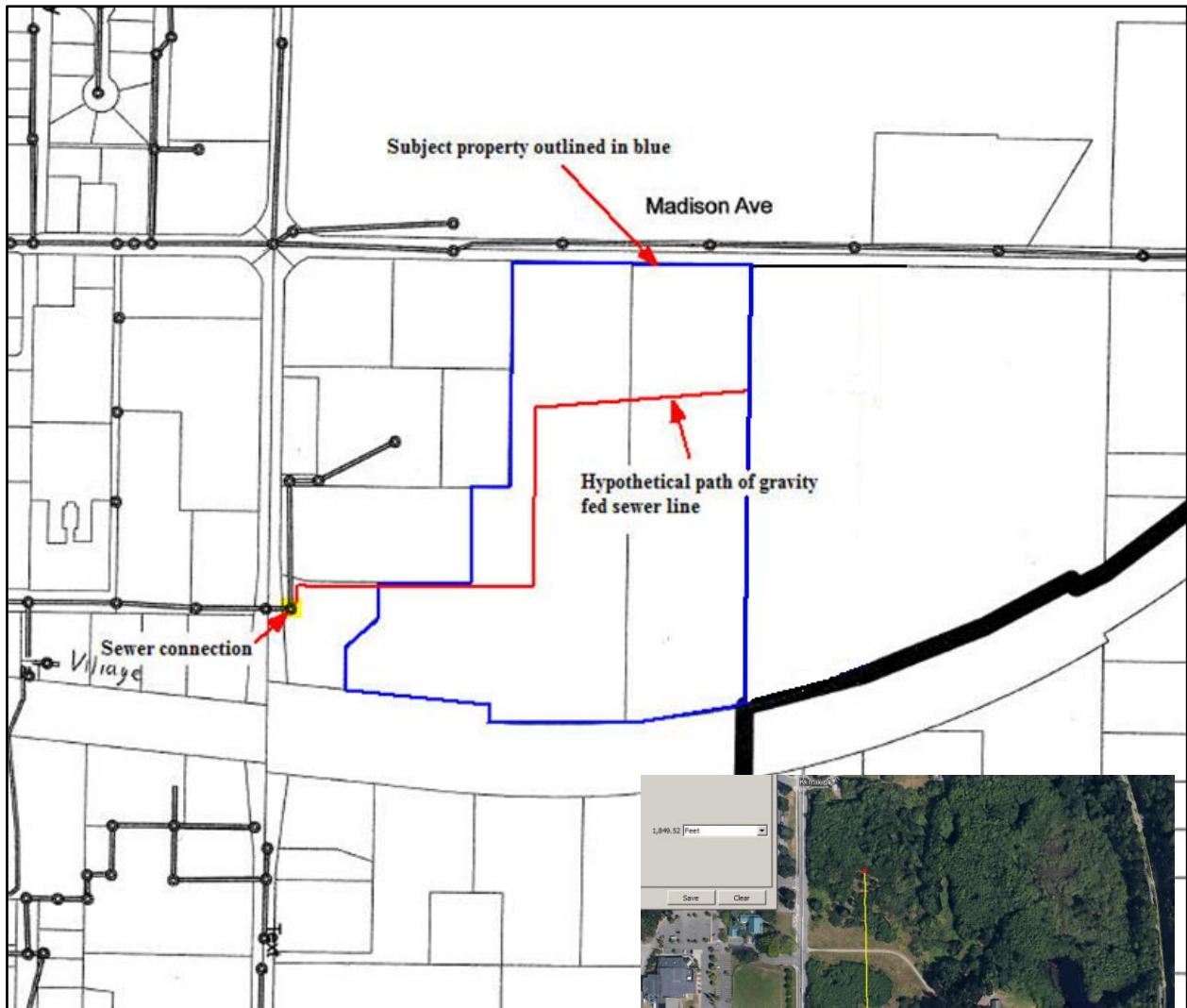
The subject is served by city water and sewer. Power is provided by overhead lines. Cable is available. There is no natural gas service on Bainbridge Island.

It is noted that Phase I of Sakai Village was developed with a pump station. However, several factors combine to make a gravity sewer line to serve a potential 105 unit development the most likely and desirable option for the subject parcels.

Communications with both the Public Works department and the Planning department have emphasized the city's general preference for gravity fed systems. Pump stations are expensive to install, require back-up generators and ongoing maintenance, and have some history of failure.

Although the potential gravity line would necessarily pass through a portion of the wetlands buffer and possibly a small area of wetlands, Josh Machen of COBI planning notes that this would be a one-time disturbance which could be addressed with a mitigation plan. After the area was trenched and the lines installed, the disturbed area would need to be re-vegetated and then monitored for seven years. However, the installed lines would last for decades and the wetlands/buffer area would continue undisturbed in a restored state. He believed the cost of such a mitigation plan could be between \$20,000 and \$30,000, and certainly no more than \$50,000 (referring to the three parcels in Sakai ownership). He named as an example a recent project by PSE that utilized a mitigation plan to gain permission to lay power lines through a wetlands buffer area.

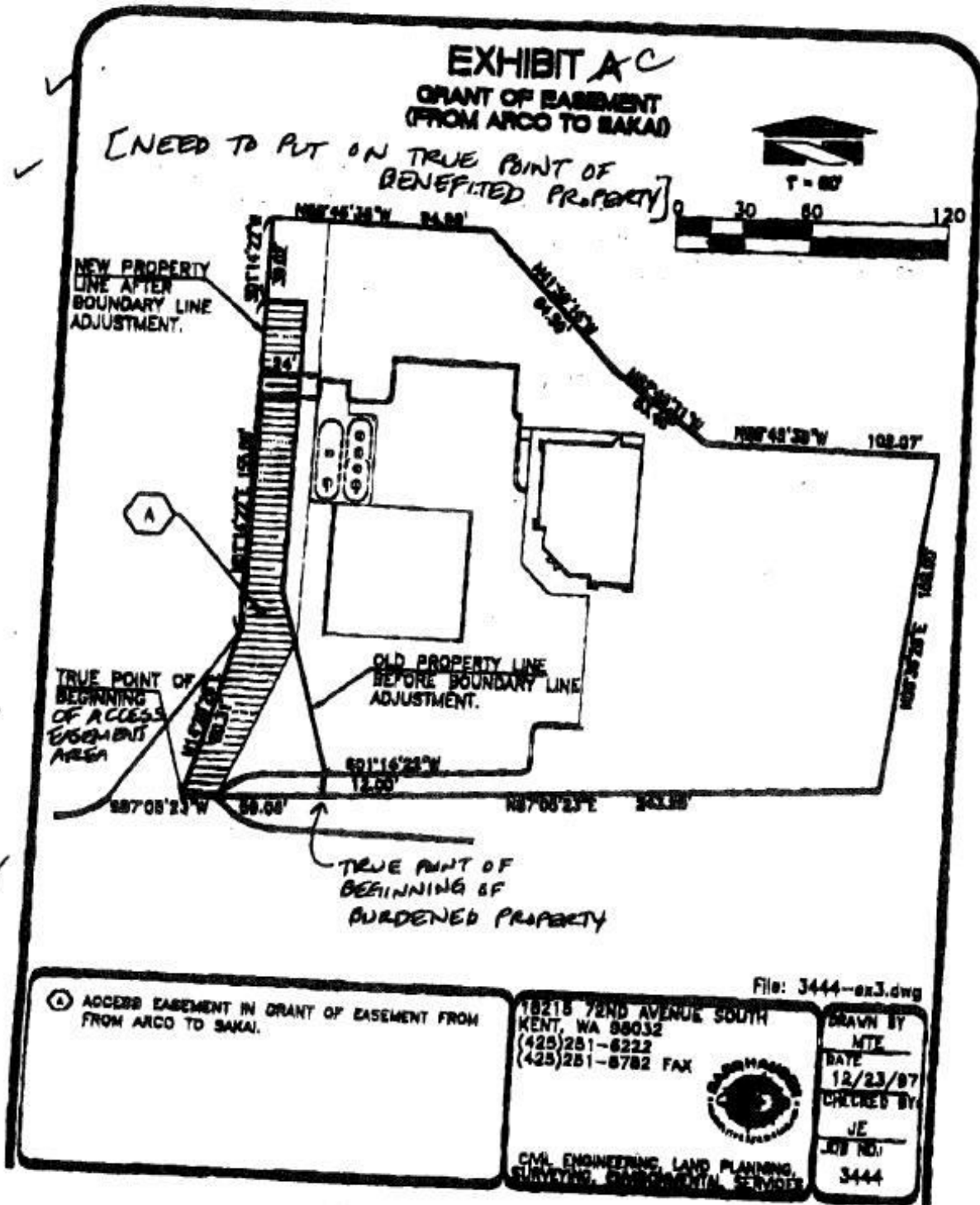
The likely hook-up location for the gravity sewer line is indicated on the map below; a hypothetical line indicating a possible path for the line is illustrated as well, followed by a rough estimate of its length derived from the Google maps measurement feature. Note that without comprehensive studies of the site, the optimal location (and therefore the length) of such a line cannot be determined; this was done solely in order to calculate a rough estimate of the cost of such an improvement.



The map to the right shows that the line would be approximately 1,850 linear feet when considering only the two parcels included in this appraisal report, and 2,100 overall if the northern-most Sakai lot would participate in the extension, a logical consideration and one requested by the client as an assignment condition. For assessment purposes, we have allowed for a total length at 10% higher than this calculation.

Note that the line traverses property adjoining the subject property to the south. This property was sold to Atlantic Richfield by the subject property owners, who obtained at the time of that sale (1997) an easement on the westerly portion of the property in order to access the sewer hook-up noted in the graphic above. We have been informed by the subject property owner, John Sakai, that at the time of sale the northern boundary line of the property impacted by the easement was expanded slightly to the north, and that his attorney failed to take this into account in describing the extent of the easement. Therefore a further easement would be required to allow the gravity sewer line to cross this small area between the southern boundary of the subject and the beginning of the existing easement a small distance into the

impacted property. We have allowed a cost of \$25,000 to obtain this easement in favor of the subject property. (Note that Melva Hill at the Public Works department indicated that the presence of a detention tank on the parcel in question; she speculated that this might impede the placement of a gravity line over the property. We are assuming that the easement takes this tank into account, or that the easement could be modified to accommodate the tank.)



① ACCESS EASEMENT IN GRANT OF EASEMENT FROM FROM ARCO TO SAKAI.

18218 72ND AVENUE SOUTH
 KENT, WA 98032
 (425)251-6222
 (425)251-6782 FAX



CML ENGINEERING, LAND PLANNING,
 SURVEYING, ENGINEERING, SERVICES

File: 3444-ex3.dwg
 DRAWN BY
 MTE
 DATE
 12/23/07
 CHECKED BY
 JE
 JOB NO.
 3444

The estimated costs for construction of a gravity fed sewer service for potential development of the larger Sakai property (consisting of three parcels) with an estimated yield of 155 units (or the presumed equivalent institutional or commercial use on the northern third lot that is not appraised here) is presented below. Thus this is a projected cost estimate for all three parcels.

Projected Sewer Cost			
Item	lf	\$/lf	Extension
Length of line	2,210lf	\$50.00/sf	\$110,500
Wetland Mitigation			\$50,000
Addtl. Easement			\$25,000
Soft Costs		30%	\$55,650
Entrepreneurial Incentive		25%	\$60,288
Total Estimate	\$1,945/unit		\$301,438
Note extraordinary assumption regarding this cost estimate; should be confirmed with an engineer.			

Per client instruction, we have been asked to assume that the northern lot would participate with the southern two lots appraised here, in the extension of sewer. We then calculate the cost of bringing sewer to the subject as a pro-rated portion of this total. At 105 units of the total 155 originally deemed feasible for the larger site, the cost to the subject would be a pro-rated \$204,200.

There is some possibility also that the subject and/or northern Sakai lot could hook-up to the existing pump station at Sakai I, with the owner reporting a late comer's charge of \$100,000, although at an uncertain unit count. Mr. Sakai was informed by Charles Krumheuer that the 93 units approved for Phase II in 2004 might cause capacity problems on the Madison Avenue sewer line, so we can assume then that it would be problematic to expect the Phase I lift station to handle the entire Sakai property or the 105 units proposed for the subject property. An additional lift station could cost as much as \$500,000. Given these issues as well as the city's stated preference for gravity fed systems, it seems more probable that a developer would choose a gravity fed system, and that the city would approve it if an acceptable mitigation plan were provided. Thus a "fix" for all three lots with a gravity system is deemed the most reasonable and logical action.

Hazards

We are not aware of any hazards or site contamination on the subject property.

Easements & Restrictions

No other restrictions were noted that materially impact the subject property.

Improvements

There is a 2,107sf home (with daylight basement of the same extent) at the south-eastern corner of the developable property, of 1966 vintage. This would be preserved as part of the life estate of Paul Dean Sakai, but only under that premise, and likely would be removed upon the passing of Mr. Sakai. The property lies at the edge of the wetland buffer, and is of a style and quality that would not likely be preserved under a fee simple premise. This is despite the sizable assessment in the tax data presented

below, the latter a remnant of consideration of the subject as an estate, verses much more valuable development land.

Assessed Value and Tax Burden

By statute, properties in the state of Washington are assessed at 100% of market value, but typically assessed values can understate or lag the market, or simply be off due to the inexact (mass-appraisal) nature of the assessment process.

Tax assessments for the 2014 tax year are presented below. The subject is significantly under-assessed. Judging by the amount accorded to the home on the property, the assessor appears to be treating the subject as a single-family estate, with little or no value assigned to the zoning or development potential. In part this may be a consequence of very few to none R-8 sales prior to the assessment date of January 1 of 2013. The new sale of the Harrison Clinic to the north of the subject, at \$13.30/sf gross, may change that opinion.

Account #	Land	Size	\$/sf	Building	Size	\$/sf	Total	Taxes
232502-								
-3-018	\$658,010	414,256sf	\$1.59/sf	\$0	0sf		\$658,010	\$7,756
-3-076	\$879,670	581,962sf	\$1.51/sf	\$289,750	4,214sf	\$68.76/sf	\$1,169,420	\$13,387
	\$1,537,680	996,217sf	\$1.54/sf	\$289,750	4,214sf	\$68.76/sf	\$1,827,430	\$21,143
Overall valuation per square foot of land:							\$1.83/sf	

HIGHEST & BEST USE

Introduction

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

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria the highest and best use must meet are: legal permissibility, physical possibility, financial feasibility and maximum profitability.”

Source: The Dictionary of Real Estate Appraisal, Third Edition, Copyright 1993, published by the Appraisal Institute.

Larger Parcel

The subject property consists of two contiguous tax parcels of vacant residential land. The subject property ownership also includes a parcel which lies adjacent to the subject to the north (232502-3-017), consisting of 8.98ac. There is obviously apparent contiguity of use, ownership and physical adjacency, and thus it is likely that the larger parcel comprises all three subject parcels.

The present appraisal however is limited to the southern two lots for a variety of reasons, which indicate that ultimate development of the entire property by a single user would be less likely than a sale of individual lots to different users in order to spread the supply of property across a wider real estate spectrum. The fact that partial sales would represent a more logical course of action has precedent, with the original development of Sakai Phase I placed on the most northern parcel of the original Sakai ownership of 4 lots. That first phase was independently sold and developed, although the design was at least intended to accommodate a second similar phase on the now northern most Sakai lot and the northern of the two subject lots. A shared driveway, and some significantly encroaching detention tanks and a pump station are remnants of that intention

That initial Phase I development is actually one reason that the northern portion might be considered in a separate treatment from the southern two lots, which have no such history of development. While plans were submitted for Phase II of Sakai which involved the northern of the two subject parcels, actual infrastructure improvements encroached only on the Sakai parcel which is adjacent north of the two subject parcels as noted above. The owners have not recently contemplated a continuation of the Sakai village concept, although it remains a logical one, while development of the southern two parcels is essentially a complete blank canvas, and also one that will see less interest (and potential interference) from the northern neighbor as pertains to the nature of the use.

A second reason that a single acquisition of the entire property might prove less likely in the current market is the size of the site, and either the absorption time required for all units, or the ultimate subdivision of the property to meet a variety of different uses, including conditional uses. The total value of the larger property would be around \$8,500,000 and would represent the largest purchase of residential land on Bainbridge to have occurred in recent memory, with 155 units representing a large population increase for Winslow. It is for this reason that the owners have entertained significant other interest from quasi-commercial or institutional uses that would use the conditional use portions of the zone. This interest has not been more formally described to the appraiser, but nevertheless would represent logical

uses for the property given the school and church immediately opposite. Also of course a revival of Sakai Village Phase II would be logical for this northerly lot, and less so for the balance of the property where a different market segment would be preferred in order to broaden the market appeal of residential units completed on the subject.

In conclusion, I am of the opinion that separate sale and development of the northerly Sakai parcel, which is a stand-alone legal lot, and also has some integration with the Sakai Phase I, represents a logical use for that property, and therefore potentially a separate use from the balance of the property. Therefore the southern two lots are appraised as their own larger parcel, even while acknowledging the close integration of the property. For valuation purposes, that integration has resulted in a client instruction to allow for a pro-ration of sewer extension costs between all three parcels. Aside from that integration of uses is left to the market and permitting requirements, which will require a sensitive integration of uses ranging from residential to commercial to institutional in nature in this generally broad zoning classification.

Highest & Best Use

The highest and best use analysis provides the foundation for a value conclusion by identifying the reasonably probable legal, physical and economic uses that would be contemplated on this property. The subject is improved, but the improvements do not contribute materially to value, and thus the highest and best use of the subject whether vacant, or as it is improved, is the same.

As Improved and Unimproved

Legally Possible: The subject is comprised of two tax parcels and 22.87 acres of land – only about 40% of which is developable. The R-8 zone is intended primarily for residential use, with nominal development allowance of 8-units per acre (5,400sf per unit). This allowance is permitted over critical areas and their buffers, but the maximum density permitted over developable land with the “bonus” from undevelopable property, is 12-units per acre (3,630sf per unit). Since the subject has a significant amount of sensitive area, this becomes the confining characteristic. Total potential site capacity of 22.87 acres/5,400sf = 184 units, is thus reduced to around 105 units over an estimated 382,000sf of usable land.

The list of legal uses includes foster homes and small group living facilities, while group care and community and educational facilities are all conditional uses – likely achievable but with additional constraints. Few commercial uses are permitted outside of medical and veterinary clinics, which are conditional uses. Examples of typical conditional uses in the neighborhood include a group home, medical clinic, elementary school, and two churches.

Physically Possible: The subject would appear to not be physically limited on its developable upland portions. Surrounding structures include churches and schools, as well as three-story residential structures. No physical limitations are therefore considered present.

All utilities would appear to be available, and no constraint is noted, with perhaps a minor site penalty associated with pump station costs (of hook-up to the existing Phase I station or the construction of an additional lift station) or mitigation for a gravity fed sewer line across wetlands and/or wetlands buffers.

Financially Feasible and Maximally Productive:

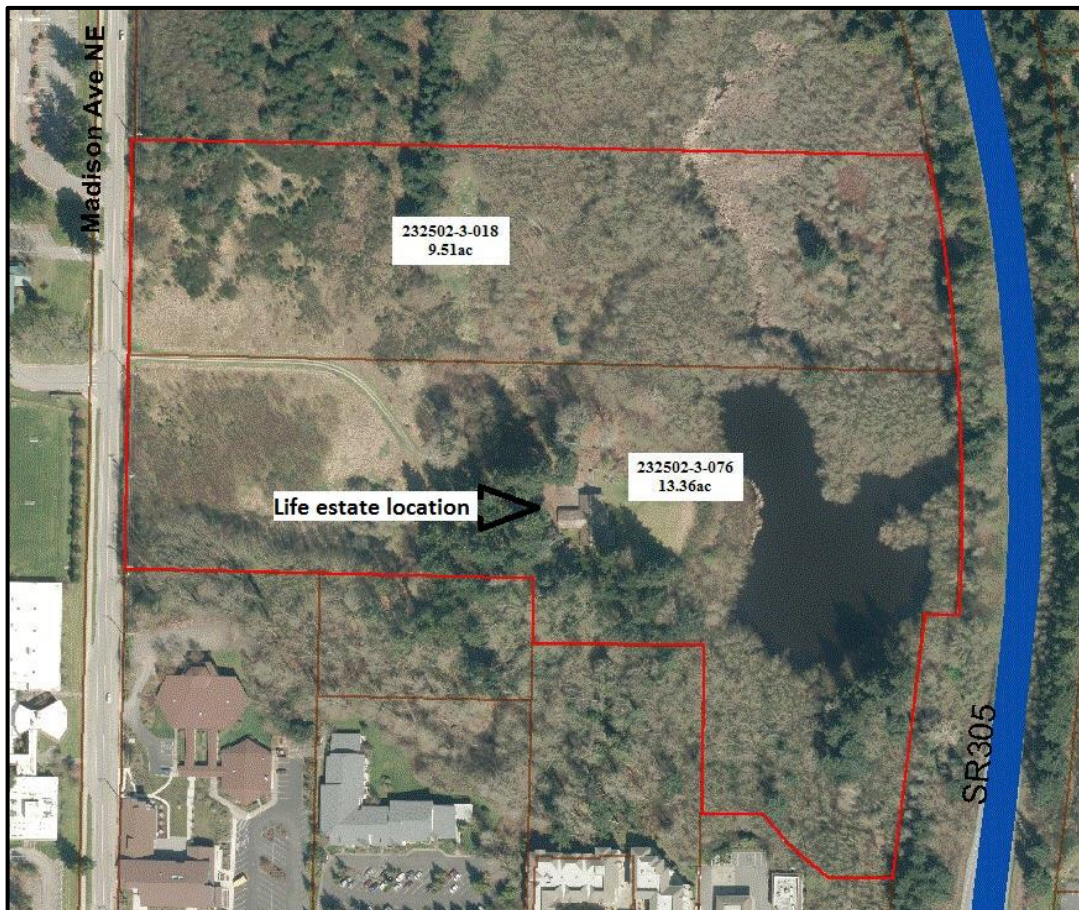
- Single-family and attached-home residential use of the property would likely constitute the maximally productive use of the property, with a potential development capacity of about 105-homes. This has proven to be a successful development concept in the case of Sakai Phase I, and other larger holdings on the island (Harbor Square and the Grow Community for example).

- This conclusion of Highest and Best Use should not rule out the potential for additional conditional uses, such as clinics, private or public schools, churches and the like. Such uses though require a specific sponsor and thus are not easily forecast. In our experience they would compete head-on with the residential developer, and pricing would need to be competitive with this type of use, and potentially even superior. Since the entirety of the property would not likely be developed under an institutional use, higher per square foot pricing might be achieved by a spun-off institutional parcel.

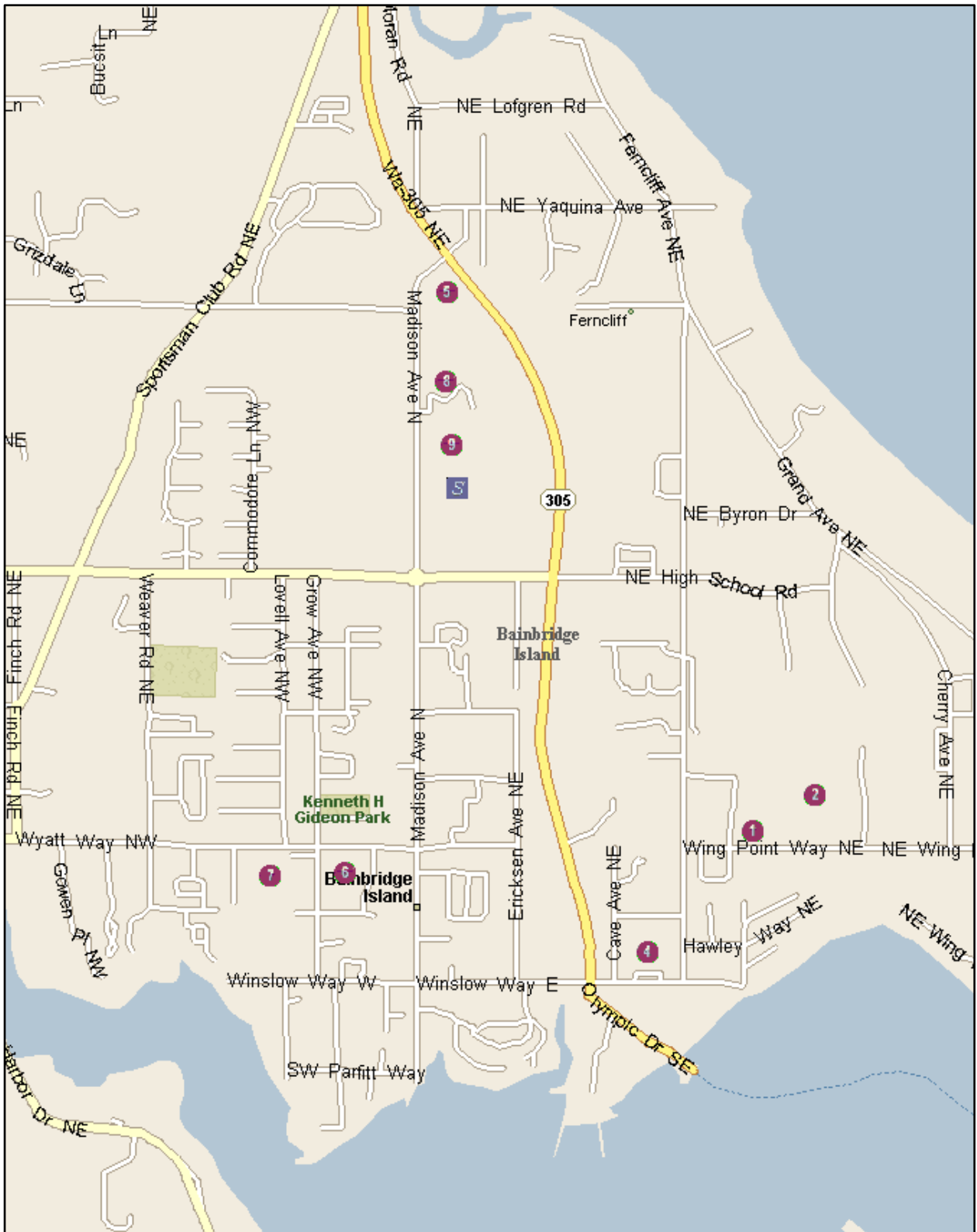
Therefore it is our opinion that the maximally productive and financially feasible use of the subject property is for residential development with 105-homes. Some institutional uses on a case-by-case basis with specific user sponsorship would also represent a reasonable and compatible use for portions of the subject, with adjoining residential development of a lower scale.

Life Estate Issue

The owners have proposed a life estate for one of the seller's family, Paul Dean Sakai, a single man with a date of birth of August 15, 1963; Mr. Sakai is then 52 years old as of the date of value. The proposal is to provide Mr. Sakai with a life estate on about 10,000sf of land surrounding the existing residence. The location of the residence is at the border of the wetland buffer, but is assumed to occupy usable land of the amount indicated. Access to the site is assumed, and will be maintained at no less than a gravel driveway (as presently provided), and the presumption (on a private market basis) is that the location of the home would be off a cul-de-sac at the far southeastern edge of the property, and not considered to be an interference beyond the land occupied at around 3-residential units. The highest and best use of the property is then unchanged, except with the loss of three units, and the need to incorporate access to the home into a future subdivision or plat.



SALES COMPARISON APPROACH



MAP OF SALES COMPARISONS

Residential Land Sales												
No.	Address/Location	Land Data			Utilities		Sales Data			Analysis		
		Acres SqFt	Zoning Density	Units	Water Power	Sewer	Sold Date	Price \$/sf, \$/unit	Adjusted Price CS Time / Conditions	\$/ac \$/sf	\$/unit	Comments
1	1120 Wing Point Wy NE Winslow	6.78ac 295,337sf	R-2.9 2.7du/ac	18 units	Street In-street	Sewer	Dec-12 \$2,88/sf	\$850,000 \$47,222/unit	1.21 1.10	\$166,265/ac \$3,82/sf	\$62,626/unit	Wing Point with Golf course frontage, but restricted site with wetlands. Estate sale.
2	Capstone @ Wing Point Winslow	3.80ac 165,528sf	R-2.9 2.9du/ac	11 units	Street In-street	Sewer	Feb-08 \$4,75/sf	\$786,335 \$71,485/unit	0.95 1.00	\$196,633/ac \$4,51/sf	\$67,928/unit	Narrow and long site with modest golf-course frontage. Most homes have no view.
3	Upper Village 4746 Lynnwood Center Rd	13.05ac 568,458sf	R-5 4.6du/ac	60 units	Street In-street	Sewer	Jan-06 \$6.51/sf	\$3,700,000 \$61,667/unit	0.96 1.00	\$272,507/ac \$6,26/sf	\$59,270/unit	Subsequently foreclosed and resold with partially complete project.
4	Harbor Square Winslow	4.55ac 198,198sf	FTD 39.6du/ac	180 units	Street In-street	Sewer	Mar-05 \$32.80/sf	\$6,500,000 \$36,111/unit	1.19 0.92	\$1,568,286/ac \$36,00/sf	\$39,643/unit	Also 20,000sf of retail space. Sale condition includes discount for plans and permits
5	Harrison Clinic Brooklyn, Madison, Hwy-305	3.02ac 131,551sf	R-8 8.1du/ac	24 units	Street In-street	Sewer	Aug-13 \$13.30/sf	\$1,750,000 \$71,835/unit	1.07 1.00	\$617,558/ac \$14,18/sf	\$76,557/unit	Commercial site with highway exposure, but little arterial exposure
6a	Grow Community Winslow	5.26ac 229,126sf	R-14		Street In-street	Sewer	Jul-07 \$26.19/sf	\$6,000,000	0.89 1.00	\$1,013,744/ac \$23,27/sf		Central core location, with mix of housing types; developed in 2013/14 and 2015.
6b	Grow Community Winslow	2.72ac 118,483sf	R-14		Street In-street	Sewer	Jul-08 \$45.58/sf	\$5,400,000	0.97 1.00	\$1,922,196/ac \$44,13/sf		
	<i>Total for assemblage</i>											
7	Lt 029 Wyatt Way 272502-4029-2003	4.51ac 196,456sf	R-4.3 4.2du/ac	19 units	Street In-street	Sewer	Jul-14 \$9.93/sf	\$1,950,000 \$102,632/unit	1.00 1.00	\$432,372/ac \$9,93/sf	\$102,632/unit	Vacant land on Wyatt with territorial view. Buyer, will obtain 19 units (standard density).
8	Historical Sales: Sakai Village Sakai Village Phase I North Winslow	15.05ac 655,578sf	R-8 3.3du/ac	50 units	Street In-street	Sewer; need pump station	Jul-99 \$2,29/sf	\$1,500,000 \$30,000/unit	1.83 0.67	\$121,801/ac \$2,80/sf	\$36,662/unit	Price reduced due to entitlements in place. Sale was \$1m, with \$500k to entitlement.
9	Sakai Village Phase II North Winslow	18.49ac 655,578sf	R-8 5.0du/ac	93 units	Street In-street	Sewer; pump station located	3/99 PSA \$3.13/sf	\$2,050,000 \$22,043/unit	1.75 1.00	\$194,058/ac \$5,47/sf	\$38,582/unit	Purchase and sale agreement allowed to lapse as transitioned into poor economy
Subject Property Sakai Property (Updated acquisition bids)		22.87ac 996,217sf	R-8 4.6du/ac	105 units	Street In-street	Sewer; pump station located	Indicated Value As of:					\$15,71/sf of usable land 12.0du/usable ac
										\$6,000,000 October 17, 2014	\$262,352/ac \$6,02/sf	\$57,143/unit

SALES COMPARISON APPROACH

Introduction

The search for comparable sales information has included a review of recent sales of close-in medium and high-density subdivision land surrounding or in Winslow. By necessity the search has included some properties with different zoning classifications than that possessed by the subject. Also in the list, although very dated and therefore not easily usable, are the original acquisition prices of Sakai Village Phase I, and an old purchase and sale agreement for Phase II, which includes a portion of the subject.

Market Conditions Adjustment

A market conditions adjustment is based on the Case-Schiller index (C-S Index) for Seattle. Normally we would try and use an index more focused on the community, but given the broad range in dates presented, the C-S Index provides for an easier application. Importantly, the updated figures are merely a guide, and the original sale price of each property should be considered in the economic context in which the sale was generated.

Sale Conditions Adjustment

Sales conditions adjustments have been applied in two cases where entitlements were sold with the property, the value of these based on sales confirmation at the time of the transaction. Also a 10% upward adjustment has been applied for one estate sale, as the nature of that type of seller is often less conducive to full pricing.

Other Adjustments

Other adjustments are considered for lot size, density, etc., on an essentially qualitative basis – however a quantitative adjustment grid is presented as a general test of reasonableness.

Comparable Data

Sales Comparable 1 - \$47,222/unit in Dec of 2012 – adjusted to \$62,626/unit: This is the sale of a portion of the Fox Estate, with the property actively marketed for over a year. The final pricing reflected somewhat of a discount off the asking price, a consequence of a tough economy at the sale date, coupled with the nature of an estate sale, usually as is, with allowance for few contingencies. Balancing these issues with the smaller size and lower density of the comparable suggests a higher price today for the subject than the \$47,222/unit indicator as of the sale date. The time adjusted indicator is \$62,626/unit, which is a better value indicator for the subject. With a conditions adjustment for an estate sale, the value indicator is higher, this appropriate for a smaller parcel.

Sales Comparable 2 - \$71,485/unit in February of 2008 – adjusted to \$67,928/unit: This site lies to the immediate east of the Fox Estate, and as a smaller parcel of land, selling in a higher market, the indicator sets an upper limit of value for the subject – the time adjusted price is a little lower at just under \$68,000 per unit. The property is narrow and deep, but free of wetland impacts, and with some nominal golf course frontage. Overall, it is a high indicator for the subject.

Sales Comparable 3 - \$61,667/unit in January 2006, adjusted to \$59,270/unit: This “Upper Village” property at Lynnwood Center carries a slightly inferior zoning to the subject (lower density), and the

single family plat has good views. The parcel sold in a superior market, and the adjusted price today is about 9% lower – the property subsequently went into foreclosure, and was purchased together with the balance of the unfinished Lynnwood Center for \$9,500,000 in what was clearly a distressed sale. As a component of pricing within that transaction, a current value of around \$3.5M (our adjusted sale price) is not unreasonable, particularly with adjustment for the sale condition. From the adjusted unit value of \$59,270/unit, further downward indicators are appropriate for size and view, but the location is not as desirable from an accessibility standpoint. Overall the adjusted price is probably a good balanced indicator, perhaps a little high. The property remains undeveloped, while the new ownership has concentrated on finishing the commercial component (with some multi-family housing).

Comparable 4 - \$36,111/unit in March of 2005, adjusted to \$39,643/unit: Harbor Square was one of Bainbridge Island's largest complexes, and also one of the most dense. Both factors require upward adjustments to provide for a subject value indicator. Also while the location is close-in, the proximity to the traffic of the ferry is not particularly desirable – there is close, and too-close, and this is the latter – on balance the adjustment for a strong central location is smaller than would otherwise be the case. The largest adjustment is for the high density, as this tends to push the unit indicator down. Overall a higher price per unit is expected for the subject.

Comparable 5 - \$71,835/unit in August of 2013, adjusted to \$76,557/unit: This is the purchase by Harrison of their clinic site behind the new Memory Center. The property achieved strong pricing for a location considered a little out-of-the-way for a commercial use. The price of \$13.30/sf, adjusted slightly for time to \$14.18/sf, is the most appropriate way to view the sale, as the unit pricing is just estimated from zoning. All indications call for a downward adjustment to the subject. The location is actually a little inferior, but the property takes advantage of its SR-305 frontage with good exposure, which would be a disadvantage for a residential use.

Comparable 6 – \$87,692/unit in July 2007 and July 2008, adjusted to \$81,236/unit: The Grow Community is Bainbridge Island's most recent residential community. Acquired at the peak of the residential market (resulting in a downward time adjustment), the project is about half constructed, and has been selling well. The owners put the single family homes on the market first, and they quickly sold out. They are now marketing attached product, which is under construction. The property has a much superior location to the subject, and with higher density, a downward adjustment is warranted.

Comparable 7 - \$102,632/unit went pending in July of 2014, no market adjustment: This comparable is the sale of 4.51ac in a close-in Winslow location with R-4.3 zoning for \$1,950,000 or \$102,632 per unit. According to the listing agent, the seller will receive (“as close as possible” to) the asking price but the buyer is waiting for permits to be issued before he closes. The agent noted that the buyer is planning to develop is 19 units on the property, which is the standard allowable density, with no application of bonus density. The buyer has paid a non-refundable deposit of \$250,000, as well as a \$50,000 fund to cover the cost of any interim liabilities incurred by the buyer as part of the permitting process. The project manager has reportedly spent \$100,000 on the necessary studies and reports. Given economies of scale, and density (which is essentially high density single family detached, and not attached housing), the subject per unit value should be lower.

Comparables 8 & 9 - Historic Activity at \$22,043 to \$30,000 per unit; adjusted to around \$36,000 to \$38,000 per unit: The historic information provided by the Phase I sale and the prospective Phase II sale is dated, and not heavily relied upon – the indicators appear low, this considered a consequence of the difficulty in time adjusting for 1999 transactions. Additionally the P&SA for Phase II became the subject of litigation, and thus is not really considered to represent a true meeting of the minds. The original purchase of Phase I is also a little cloudy, as the property was tied up for \$1,000,000, entitled, and then assigned an additional \$500,000 for a total sale price of \$1,500,000. The \$500,000 reflects entitlement

value and potentially the passage of time, although the market was fairly flat around that time period. In general the sales provide some interesting background, but are not regarded as good value indicators. The overall time adjustment is probably light, given the significant changes in the community, and the completion of a church opposite, a new private school to the south, and senior project and medical clinic to the north, in addition to the completion of the Phase I project itself.

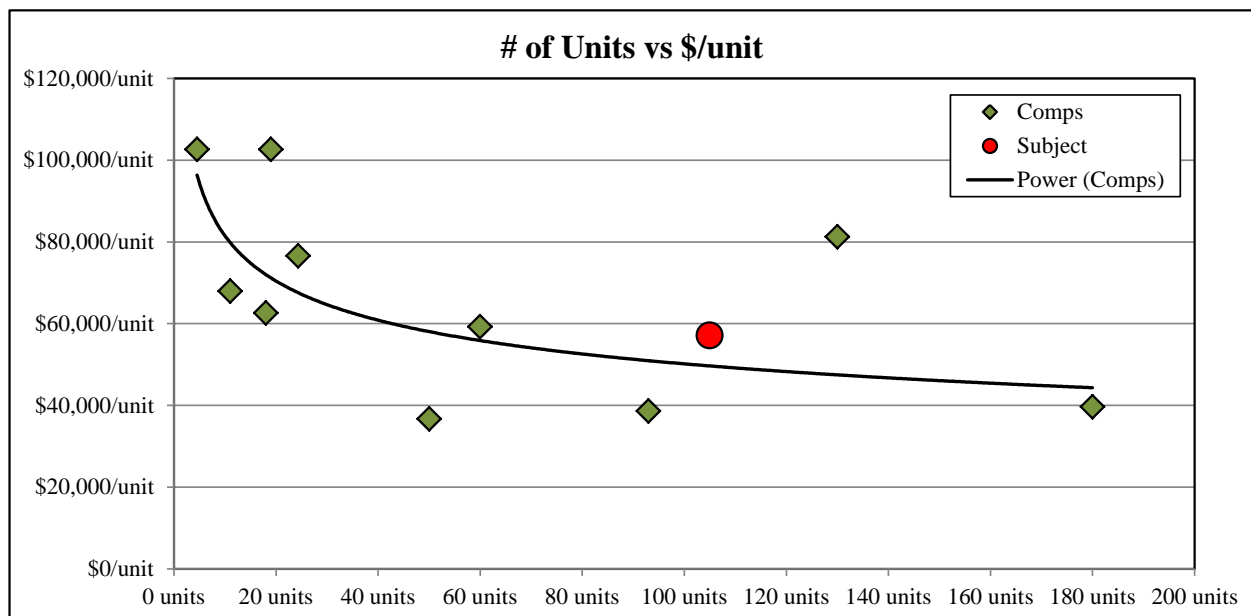
Analysis

The sales comparisons just described bracket the subject value. Generally speaking they are regarded as providing a central range in value of \$55,000 to \$60,000 per unit, with the subject reasonably pegged just above the center of that range. The uniqueness of the subject property is balanced with the slightly out-of-Winslow location, large size of the project, and issues associated with the sewer connection (which may reflect as much as a pro-rated \$200,000 penalty). Also while a relatively low density project overall, the clustering of the homes on the developed property provides for an effective density of 12-units per acre – this is essentially an attached-home density, similar to what is in place on Phase I. At this type of density, unit pricing is obviously more limited than for lower density single family development.

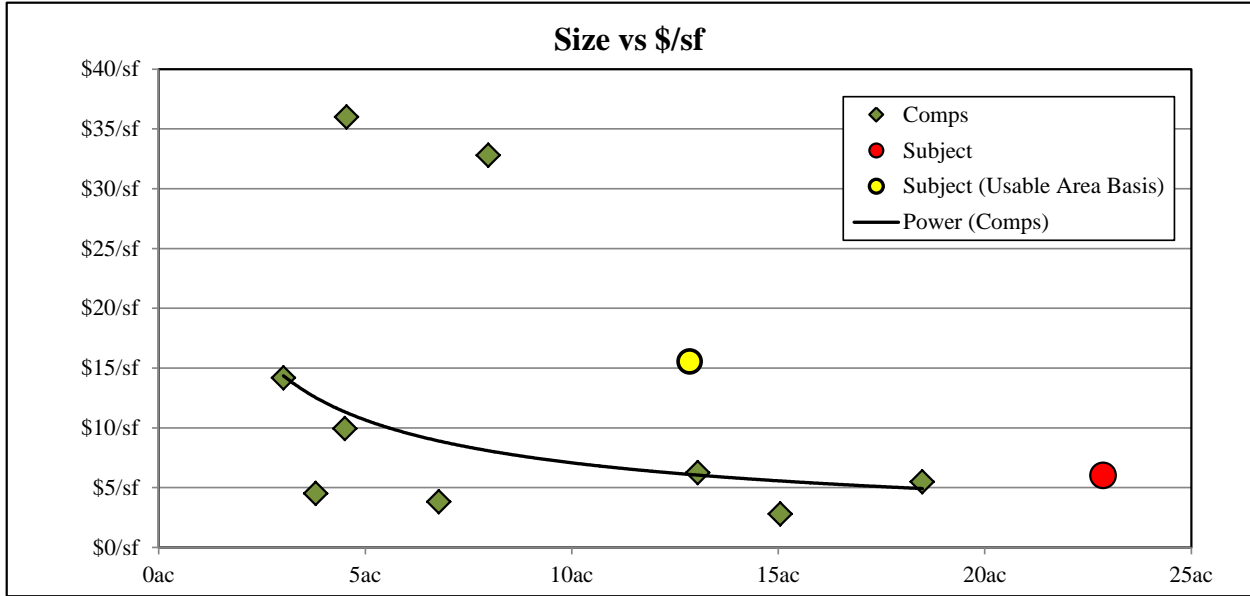
Based on the data presented, I have concluded with a rounded value indication of \$6,000,000 for the property, which is \$57,143/unit.

Issue of Project Size

In terms of the number of units and per unit value, concluded value at just over \$57,000 per unit is well bracketed by the data. This is revealed in chart form below. The subject is above the trend-line, but the influence of the Sakai “sales” is noted as pulling the trend line down.

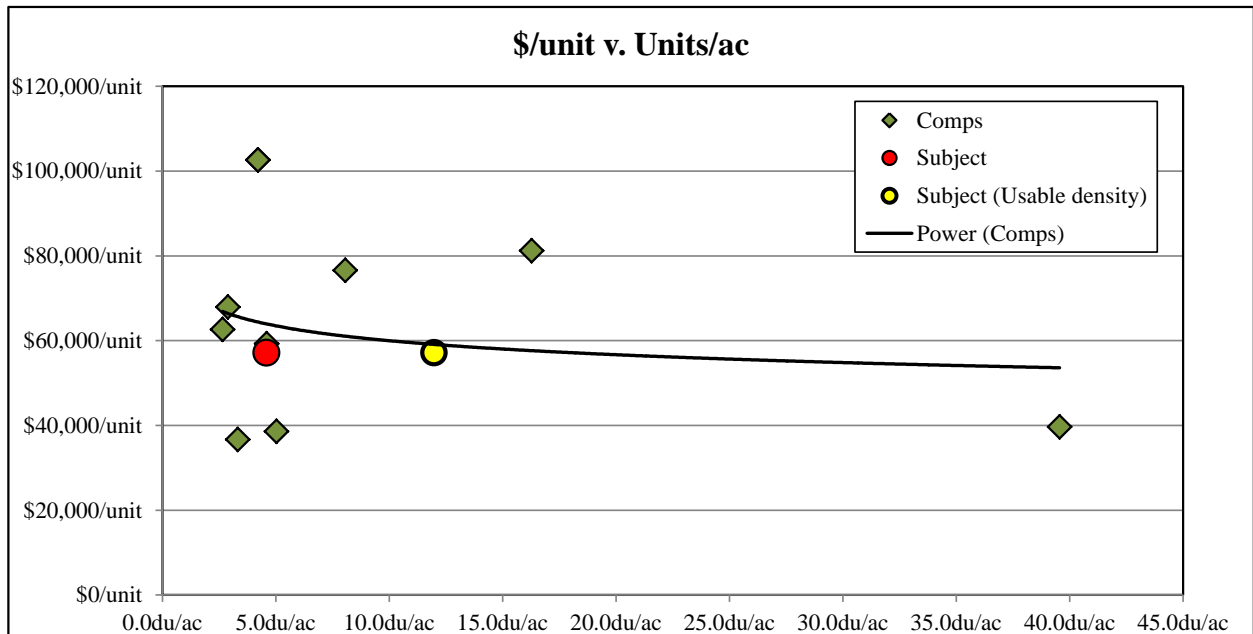


A similar trend is indicated in terms of parcel size, with the two markers (red and yellow) reflecting per sf indications on a gross and usable basis respectively.

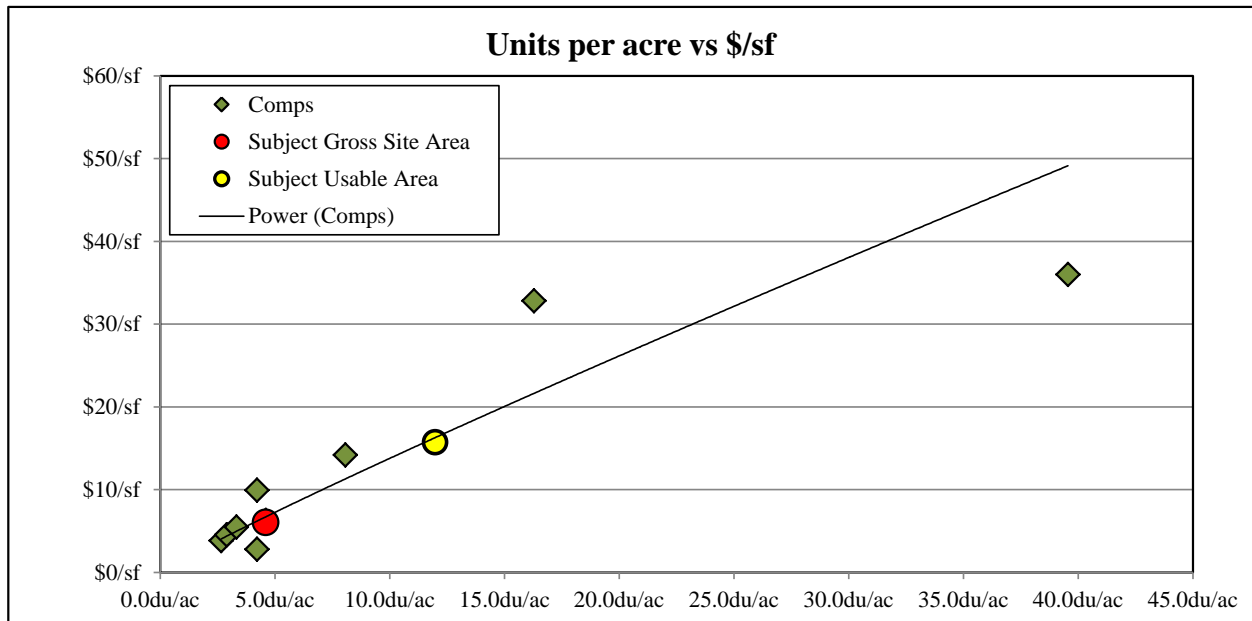


Issue of Density

All things being equal, a higher density project will have a lower price per unit. This relationship is graphed below, and is muddled by the fact that the higher density projects have a tendency to be better located. The subject bracketing is obvious though.



A better relationship is observed with price per square foot, with the higher density properties achieving a higher value on a per square foot basis, due to the greater unit yield. Here the subject is firmly on the trend-line.



Overall Test of Reasonableness

In an overall test of reasonableness, an attempt has been made to quantify the differences between the comparables, resulting in the following adjustment chart:

Sakai Property Adjustment Grid		Comparables									
Description	Subject	1	2	3	4	5	6	7	8	9	Average
Site Size	996,217sf	295,337sf	165,528sf	568,458sf	198,198sf	131,551sf	229,126sf	196,456sf	655,578sf	655,578sf	
Zoning	R-8	R-2.9	R-2.9	R-5	FTD	R-8	R-14	R-4.3	R-8	R-8	
Price/sf	\$6.02/sf	\$2.88/sf	\$4.51/sf	\$6.51/sf	\$32.80/sf	\$13.30/sf	\$26.19/sf	\$9.93/sf	\$2.29/sf	\$5.47/sf	\$12/sf
Price/unit	\$57,143/unit	\$47,222/unit	\$71,485/unit	\$61,667/unit	\$36,111/unit	\$71,835/unit	\$87,692/unit	\$102,632/unit	\$36,662/unit	\$22,043/unit	\$59,705/unit
Elements of Comparison		Per Unit	Per Unit	Per Unit	Per Unit	Per Unit	Per Unit	Per Unit	Per Unit	Per Unit	
1. Conditions of Sale Adjustment		Estate 1.10	Normal 1.00	Normal 1.00	Normal 1.00	Normal 1.00	Normal 1.00	Normal 1.00	Normal 1.00	Normal 1.00	
2. Market Conditions Sale Date		1.21	0.95	0.96	1.19	1.07	0.89	1.00	1.83	1.75	
5. Location Adjustment		Better 0.95	Better 0.95	Inferior 1.15	Better 0.95	Inferior 1.10	Better 0.75	Better 0.75	Same 1.00	Same 1.00	
6. Property Characteristics											
Size Adjustment		Superior 0.90	Superior 0.90	Superior 0.95	Inferior 1.05	Superior 0.90	Same 1.00	Superior 0.90	Superior 0.95	Similar 1.00	
Zoning & Sensitive Areas Adjustment		Similar 1.00	Superior 0.90	Superior 0.95	Inferior 1.50	Superior 0.90	Inferior 1.10	Superior 0.95	Similar 1.00	Similar 1.00	
Corner/Interior Adjustment		Similar 1.00	Similar 1.00	Similar 1.00	Similar 1.00	Similar 1.00	Similar 1.00	Similar 1.00	Similar 1.00	Similar 1.00	
Shape Adjustment		Inferior 1.05	Inferior 1.05	Similar 1.00	Similar 1.00	Similar 1.00	Superior 0.95	Similar 1.00	Similar 1.00	Similar 1.00	
Entitlements Adjustment		Similar 1.00	Similar 1.00	Similar 1.00	Superior 0.92	Similar 1.00	Similar 1.00	Similar 1.00	Superior 0.67	Similar 1.00	
Overall Comparison Adjustment		Inferior 1.19	Superior 0.77	Superior 1.00	Inferior 1.64	Superior 0.95	Superior 0.70	Superior 0.64	Inferior 1.16	Inferior 1.75	
\$/sf FAR	\$57,143/unit	\$56,223/unit	\$54,884/unit	\$61,515/unit	\$59,316/unit	\$68,212/unit	\$61,080/unit	\$65,813/unit	\$42,563/unit	\$38,582/unit	\$56,465/unit

The overall adjustments seem reasonable, and provide a general bracketing of \$55,000 to \$60,000, with outliers above and below this trend – the average of the adjusted data set is around \$56,500. The concluded value for the subject is thus, and should be, a little above this range, as the historic activity

related to the Sakai site is too dated to be weighted equally. Without comparables 8 and 9, the average would be somewhat higher per unit, at about \$61,000, and the subject should be less than this given the greater than average size and higher than average density of the subject.

To conclude, the subject property's value conclusion by the sales approach, the only approach to value utilized here, is **\$6,000,000**.

Sales Comparison Conclusion

Fee Simple Analysis							
Sakai Property Stats and Valuation	Gross Site Area		Usable Site Area		Estimated		Market Value
	Acres	sf	Acres	sf	Units	Units/ac	
Property Statistics	22.87ac	996,217sf	8.77ac	382,000sf	105 units	4.6du/ac	
Market Value	\$262,352/ac	\$6.02/sf	\$684,188/ac	\$15.71/sf	\$57,143/unit		\$6,000,000

Life Estate Issue

The owners have proposed a life estate for one of the seller's family, Paul Dean Sakai, a single man with a date of birth of August 15, 1963; Mr. Sakai is then 52 years old as of the date of value. The proposal is to provide Mr. Sakai with a life estate on about 10,000sf of land surrounding the existing residence.

The location of the residence is at the border of the wetland buffer, but is assumed to occupy usable land of the amount indicated – about three units. Access to the site is assumed, and will be maintained at no less than a gravel driveway (as presently provided), and the presumption (on a private market basis) is that the location of the home would be off a cul-de-sac at the far southeastern edge of the property, and not considered to be an interference beyond the land occupied at around 3-residential units. The highest and best use of the property is then unchanged, except with the loss of three units, and the need to incorporate access to the home into a future subdivision or plat.

The value of the life estate is computed at three units, times the present value factor of 63.36%, which represents a deduction from fee simple value of \$110,000 (about \$57,000 per unit x 3 units x 63.36%).

Life Estate Calculation						
Date of Value:	17-Oct-14				<u>% of Value</u>	
Paul's life alone (one person)			<u>@ DOV</u>			
Paul was born	15-Aug-62	52-yrs				
The life estate factor for a single person, 52-yrs old, as of the date of value:						
Interest at 4.0 Percent					=	63.36%
The indicated life estate then assuming market value	3 units	\$170,000	is			\$107,710
Rounded						\$110,000

The value of the property then subject to the life estate is the above fee simple value less this conclusion.

Final Value Opinion

Fee Simple Analysis							
Sakai Property Stats and Valuation	Gross Site Area		Usable Site Area		Estimated		Market Value
	Acres	sf	Acres	sf	Units	Units/ac	
Property Statistics	22.87ac	996,217sf	8.77ac	382,000sf	105 units	4.6du/ac	
Market Value	\$262,352/ac	\$6.02/sf	\$684,188/ac	\$15.71/sf	\$57,143/unit		\$6,000,000
Life Estate Deduction							
Date of Value:	17-Oct-14					<u>% of Value</u>	
Paul's life alone (one person)	<u>@ DOV</u>						
Paul was born	15-Aug-62		52-yrs				
The life estate factor for a single person, 52-yrs old, as of the date of value:							
Interest at 4.0 Percent						=	63.36%
The indicated life estate then assuming market value			3 units	\$171,429	is	\$108,615	
Rounded							\$110,000
Fee Simple Value Subject to Life Estate							
Property Statistics	22.62ac	985,118sf	8.51ac	370,901sf	102 units*	4.5du/ac	
Market Value	\$265,308/ac	\$6.09/sf	\$704,663/ac	\$16.18/sf	\$57,745/unit		\$5,890,000

Date of Value

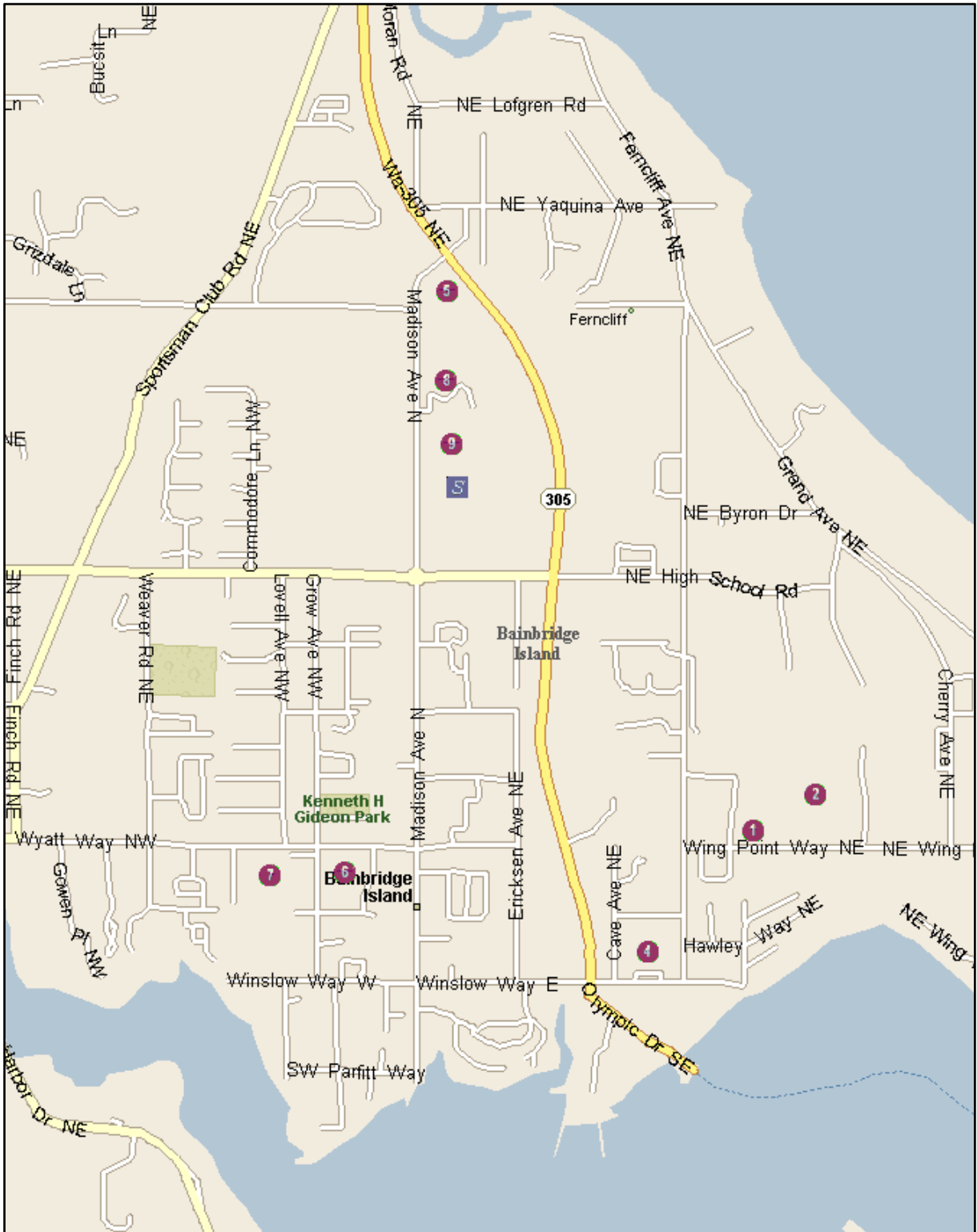
October 17, 2014, the date of latest inspection.

Exposure and Marketing Time

Per UASFLA standards, and a jurisdictional exception to USPAP, this market value estimate is not linked to a specific exposure or marketing time.

ADDENDUM

Market Sales Comparison Data



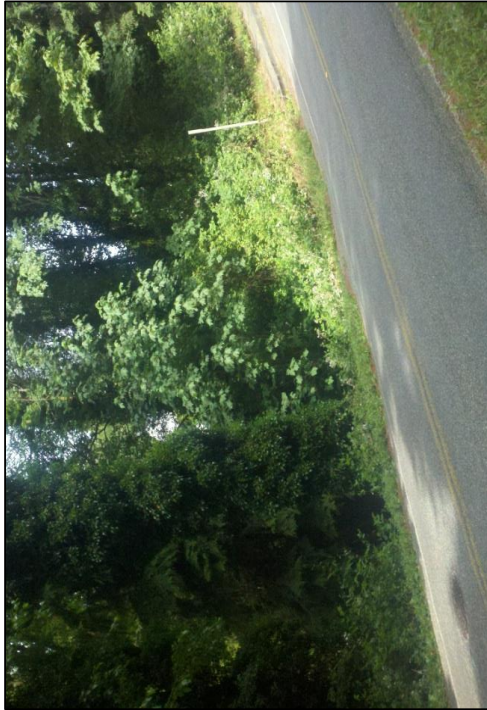
MARKET SALES COMPARISON MAP

Land Sales Comparable #1



- 1) **1120 Wing Point Way NE**
 - 2) a. Access: Paved
 b. Use at Sale: Vacant
 c. H & B Use: Single family residences
 d. Zoning: R-2.9
 e. Land Area: 6.780 acres
 f. Sale Date: 12/31/2012
 g. Price: \$850,000
 h. Instrument Type: Statutory Warranty Deed
 i. Terms: Cash
 j. Excise Tax #: 2012EX07361
 k. Seller: Fox
 l. Buyer: PVT Estates LLC
 m. Confirmed with: Mercury Michael, Bainbridge Homes (206) 780-6075
 MLS, KC Assessor Data
 - 3) **Tax Parcel Numbers**
 APN: 262502-102-3-2006
- ANALYSIS:**
- | | |
|----------------------------------|--------------------|
| Item | Contribution Value |
| <i>Land (total):</i> 6.780 acres | \$850,000 |
| <i>Buildings:</i> | |
| <i>Other:</i> | |
| Total Sale Price: | |
| | \$850,000 |
- 5) Comments:** Was listed with 7.115ac but before sale sfr homesite was removed via BLA. Water/sewer available, possible 18-19 homesites.
- Building condition: n/a
 Building vintage: n/a
 Basement sf: n/a

Land Sales Comparable #2



- 1) **Capstone @ Wing Point Way**
- 2) a. Access: Paved public road
 b. Use at Sale: Vacant
 c. H & B Use: Single family development
 d. Zoning: R-2,9
 e. Land Area: 3.8 acres
 f. Sale Date: 2/8/2008
 g. Price: \$786,335
 h. Instrument Type: Statutory Warranty Deed
 i. Terms: Cash
 j. Excise Tax #: 2008EX00728
 k. Seller: Wing Point Golf and Country Club
 l. Buyer: Capstone Bainbridge LLC
 m. Confirmed with: Kitsap Assessor Data

- 3) **Tax Parcel Numbers**
 APN: 262502-100-520-08

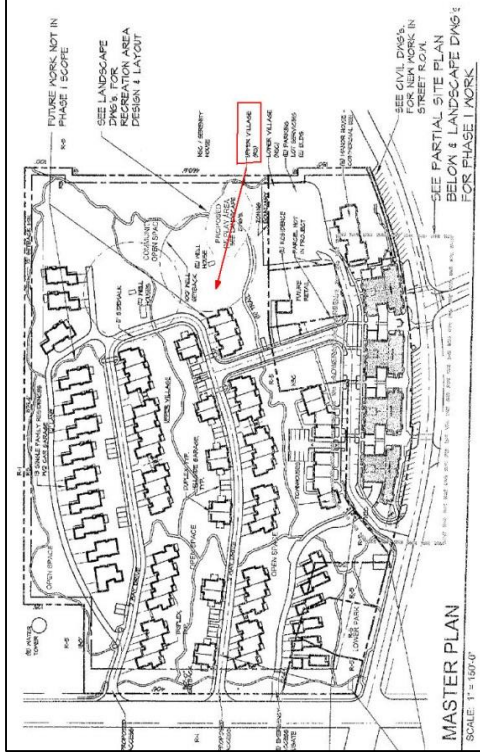
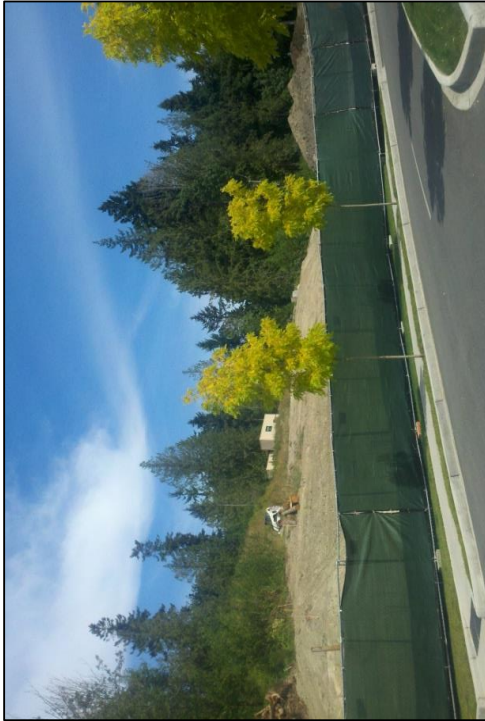
- 4) **ANALYSIS:**

Item	Contribution Value
<i>Land (total):</i> 3.8 acres	\$786,335
<i>Buildings:</i> n/a	
<i>Other:</i>	
Total Sale Price:	
	\$786,335

- 5) **Comments:** Long lot with narrow frontage on golf course. 65' setback from Hawley Creek would make some land unusable; graded, has utilities stubbed for 11 lots.

Building condition: n/a
 Building vintage: n/a
 Basement sf: n/a

Land Sales Comparable #3



Approx. outline of sale ac - within dotted lines indicating upper village.

- 1) **Pleasant Beach Upper Village**
- 2)
 - a. Access: Paved public road
 - b. Use at Sale: Vacant
 - c. H & B Use: Single family development
 - d. Zoning: R5
 - e. Land Area: 13.05 acres
 - f. Sale Date: 1/1/2006
 - g. Price: \$3,700,000
 - h. Instrument Type: Statutory Warranty Deed
 - i. Terms: Cash
 - j. Excise Tax #: 2006EX00425
 - k. Seller: Blossom
 - l. Buyer: Dave Nelson
 - m. Confirmed with: KC Assessor Data
- 3) **Tax Parcel Number**
APN: 042402-1-055-2004
- 4)

Item	<u>ANALYSIS:</u>	Contribution Value
<i>Land (total):</i>	13.05 acres	\$3,700,000
<i>Buildings:</i>		
<i>Other:</i>		
Total Sale Price:		\$3,700,000
- 5) **Comments:** Approved by city for 60 lots, or 4.1du/ac. For residential development near secondary commercial hub, some views. Sewer.

Building condition:	n/a
Building vintage:	n/a
Basement sf:	n/a

Land Sales Comparable #4

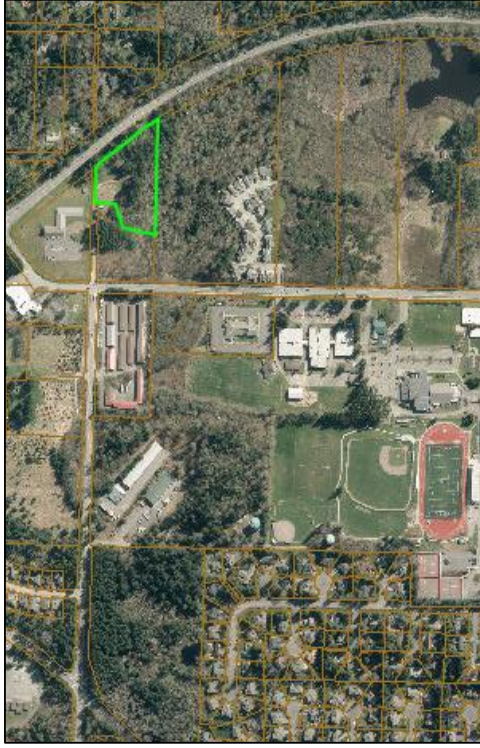


- 1) **Harbor Square**
- 2) a. Access: Paved
 b. Use at Sale: Vacant
 c. H & B Use: Multi-family mixed use project
 d. Zoning: Ferry Terminal District
 e. Land Area: 4.55 acres
 f. Sale Date: 3/6/2005
 g. Price: \$6,500,000
 h. Instrument Type: Statutory Warranty Deed
 i. Terms: Cash
 j. Excise Tax #: 2005EX04983
 k. Seller: Harbor Square Ltd Partnership
 l. Buyer: Opus Northwest LLC
 m. Confirmed with: KC Assessor

- 3) **Tax Parcel Number**
 APN: 262502-3-009-2000

- 4) **ANALYSIS:**
- | | |
|--------------------------------------|--------------------|
| Item | Contribution Value |
| <i>Land (total):</i> 4.55 acres | \$6,500,000 |
| <i>Buildings:</i> | |
| <i>Other:</i> | |
| Total Sale Price: \$6,500,000 | |
- 5) **Comments:** Large development on Winslow Way, 180 units, developed by Opus. Sold with entitlements, building permits. 20,000sf commercial space.
- Building condition: n/a
 Building vintage: n/a
 Basement sf: n/a

Land Sales Comparable #5



- 1) **Harrison Medical Center**
- 2) a. Access: Paved access
b. Use at Sale: Tear down sfr
c. H & B Use: Multi-family or institutional use
d. Zoning: R-8
e. Land Area: 3.02 acres
f. Sale Date: 8/16/2013
g. Price: \$1,750,000
h. Instrument Type: Statutory Warranty Deed
i. Terms: Cash
j. Excise Tax #: 2013EX05724
k. Seller: Wright Medical Bldg LLC
l. Buyer: Harrison Medical Center
m. Confirmed with: KC Assessor Data

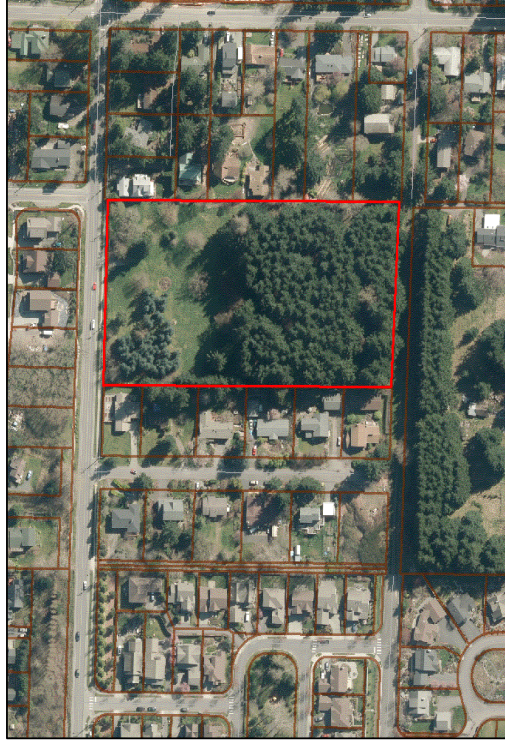
- 3) **Tax Parcel Numbers**
APN: 232502-3-083-2002

- 4) **ANALYSIS:**

Item	Contribution Value
<i>Land (total):</i> 3.02 acres	\$1,750,000
<i>Buildings:</i>	
<i>Other:</i>	
Total Sale Price: \$1,750,000	
- 5) **Comments:** Acreage close to subject with same zoning; buyer intended institutional use as with parcel to west (which is improved with memory care group home).

Building condition:	n/a
Building vintage:	n/a
Basement sf:	n/a

Land Sales Comparable #7



- 1) **Lot 029 Wyatt Way**
- 2) a. Access: Paved public road
- b. Use at Sale: Vacant
- c. H & B Use: Single and multi-family residential
- d. Zoning: R-4.3
- e. Land Area: 4.510 acres
- f. Sale Date: 7/1/2014 (price neg)
- g. Price: \$1,950,000
- h. Instrument Type: N/A
- i. Terms: N/A
- j. Excise Tax #s: N/A
- k. Seller: Nishimori
- l. Buyer: N/A
- m. Confirmed with: Teri Hewson, John L. Scott
(360) 779-6293
KC Assessor and Treasurer

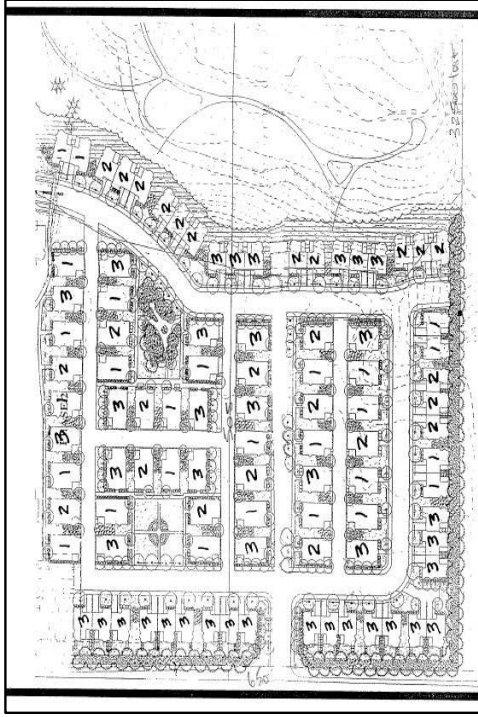
- 4) **ANALYSIS:**

Item	Contribution Value
<i>Land (total):</i> 4.510 acres	\$1,950,000
<i>Buildings:</i>	see report
<i>Other:</i>	\$1,950,000
Total Sale Price:	

 - 5) **Comments:** One of last close-in unimproved parcels avail for development; buyer plan 19 units, the allowable density w/o any bonus density. R-4.3 zoning.
 - Building condition: n/a
 - Building vintage: n/a
 - Basement sf: n/a

- 3) **Tax Parcel Numbers**
APN: 272502-402-9-2003

Land Sales Comparable #9



93 units approved for northern 2 of subject's 3 parcels (inactive)

- 1) **Sakai Village Phase I**
- 2)
 - a. Access: Paved public road
 - b. Use at Sale: Vacant
 - c. H & B Use: Single and multi-family residential
 - d. Zoning: R-8
 - e. Land Area: 18.49 acres
 - f. Sale Date: 3/99 PSA
 - g. Price: \$2,050,000
 - h. Instrument Type: n/a
 - i. Terms: n/a
 - j. Excise Tax #: n/a
 - k. Seller: n/a
 - l. Buyer: n/a
 - m. Confirmed with: Bill Carruthers
- 3) **Tax Parcel Numbers**
 APN: 232502-3-017-2003; 018-2002
- 4) **ANALYSIS:**

Item	Contribution Value
Land (total): 18.49 acres	\$2,050,000
Buildings:	
Other:	
Total Sale Price:	\$2,050,000
- 5) **Comments:** Approval for the plan for 93 units on the northern two of the 3 subject parcels lapsed in December 2006.

Building condition:	n/a
Building vintage:	n/a
Basement sf:	n/a

Notice of Property Owner Contact

Inspection Date June 13, 2014 and October 17, 2014
Person Contacted: John Sakai and Mary Ann Arnone, owner representatives

By Whom: Anthony Gibbons

How: Email

Response: John Sakai and Mary Ann Arnone accompanied the appraiser on an inspection of the property in June, with the inspection in October conducted alone.

Title Report

We have been provided with an ALTA Title Commitment report for title order No. 32132623 by Pacific Northwest Title dated May 9, 2012 for the subject parcels (Parcels I and II) and for the access easement which is referred to as Parcel III. We also received updated supplemental title reports for title order No. 32132623 for the subject tax parcels, performed by Pacific Northwest Title and dated August 3, 2013, October 3, 2013, and October 23, 2013. As per the stipulations of the Uniform Appraisal Standards for Federal Land Acquisitions, it is permissible to reference the title report rather than include it in the appraisal report.

Appraiser's Qualifications

RE•SOLVE

Real Estate Appraisal, Counseling & Mediation

ANTHONY GIBBONS, MAI, CRE

Mr. Gibbons graduated from King's College, University of London with a Bachelor Degree in Geography in July 1982. He graduated top of his Geography class, with a First Class Honors degree, and a diploma in Religion and Medical Ethics. At University, Mr. Gibbons was awarded the 1980 Barry Prize for top score in his class for Religion/Medical Ethics finals; the 1981 Leathes Prize for second highest score in Religion/Medical Ethics finals; the Stamford Geographical Prize in 1981 for the most promising geography student; and the Geoid Prize, also in 1981, by the *London School of Economics–King's College Joint School of Geography Association* for his work on behalf of the Association.

Mr. Gibbons entered private appraisal practice with the firm of Shorett & Riely in January of 1983 and formed the company of Wronsky Gibbons & Riely in December 1994. With his partners retiring in 1998 and 1999, in July of 1999 Mr. Gibbons formed **RE•SOLVE** – a company providing real estate appraisal, counseling, mediation and arbitration services.

Completed American Institute of Real Estate Appraisers Courses 1A-1, Real Estate Principles and 1A-2, Basic Valuation Procedures in May of 1983. Completed Courses 1B-A and 1B-B, Capitalization Theory & Techniques in June of 1984. Completed Course 2-1, Case Studies in Real Estate Valuation, and 2-2, Valuation Analysis and Report Writing in March of 1985. Completed Course 2-3, Standards of Professional Practice, in April of 1986. Received credit for Demonstration Appraisal Report in August of 1987, and a passing grade on the Comprehensive Examination in September of 1987. Awarded the MAI designation by the American Institute of Real Estate Appraisers (AIREA) on June 14, 1988, Member Number 7857.

Mr. Gibbons was elected President of the Seattle Chapter, in 1999, and served on the Chapter Board for eight years. He is past Chairman of the local chapter Education Committee, and currently a Regional Member for the Counseling and Ethics Administration Division of the Appraisal Institute. As of the date of this report, Mr. Gibbons has completed the requirements of the continuing education program of the Appraisal Institute, and is certified through 12/31/2017. He is licensed as a certified real estate appraiser, general classification, by the State of Washington, license no. 1100854.

Mr. Gibbons was invited to join The Counselors of Real Estate in December of 1997. Membership in the Counselors is by invitation based on an individual's reputation for knowledge, integrity, experience and judgment in rendering advice on real estate matters. The approximate 1,000 or so individuals holding the CRE designation have pledged to maintain the highest standards of professional conduct and service in the field of real estate counseling. Mr. Gibbons is past President of the Pacific Northwest Chapter of the Counselors of Real Estate.

Mr. Gibbons has participated as faculty in Washington State Bar Association and Law Seminars International seminar offerings. He is an instructor for the University of Washington's Certificate Program in Real Estate, and has taught in the lecture series for the years 2001 through 2009. Mr. Gibbons was also the lead instructor for the University of Washington's (Tacoma) Certificate Program in Real Estate for 2006 to 2009.

A partial list of clients follows:

Prudential Insurance Company
Teachers Insurance & Annuity Association
Equitable Real Estate
Citicorp
Key Bank
Bank of America
Washington Mutual Savings Bank
Wells Fargo Bank
First Bank of Alaska
Allied Shopping Centers, Northwest
Cadillac Fairview US Western Region
Sabey Corporation
Pope Resources
Urbis Partners
Seattle Marina, Inc.
Kennedy Associates
Bellevue Square Managers, Inc.
Ocean Crest Resort
The Boeing Company
Weyerhaeuser Company
Weyerhaeuser Venture Co.
Washington Transit Authority
Pfizer, Inc.
King County
Pierce County
Kitsap County
Snohomish County
Thurston County
Mason County
Lawyers Title
First American Title
Commonwealth Title
Pacific Northwest Title
Chicago Title
Fidelity Title (National Law Group)
United States Postal Service
Federal Deposit Insurance Corporation
Pine Street Development
Vulcan

Wright Runstad & Company
NANA Development Corporation
Swedish Hospital Medical Center
Group Health
Fred Hutchinson Cancer Research Center
Cairncross & Hempelmann
K&L Gates
Tousley Brain Stephens
Foster, Pepper & Shefelman
Witherspoon, Kelley, Davenport & Toole
Hornsby & Whisenand
Culp Guterson & Grader
Williams, Kastner & Gibbs
Riddell Williams Bullitt & Walkinshaw
Davis Wright Tremaine
Lane Powell Spears Lubersky
Perkins Coie
Miller Nash
Heller Ehrman
Rodgers Deutsch & Turner
University of Washington
Seattle Pacific University
Bainbridge Island School District
Mercer Island School District
Bellevue School District
City of Seattle
City of Kirkland
City of Bainbridge Island
City of Woodinville
Washington State Liquor Board
Washington State Department of Transportation
Washington State Dept of Natural Resources
Port of Seattle
Port of Grays Harbor
Port of Everett
Port of Olympia
Port of Allyn
Port of Shelton
Port of Edmonds

Court Experience:

King Co., Washington Superior Court
Snohomish Co., Washington Superior Court
Pierce Co., Washington Superior Court
Kitsap County Superior Court
Skagit County Superior Court
Federal Court
US Bankruptcy Court

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Real Estate Appraisal, Counseling & Mediation

October 27, 2014

EXPERT TESTIMONY

ANTHONY GIBBONS, MAI, CRE

Mr. Gibbons has provided testimony in the following cases (4+-year history). Those cases in **bold** involved actual court or arbitration testimony. *Italicized* entries went to the deposition stage.

<u>Date</u>	<u>Proceeding</u>	<u>Client</u>
2014	Key Development v. Port of Tacoma	Baetz Lamka Clark (for Key)
2014	Bellevue v. Galpin	Rodgers Deutsch & Turner (Galpin)
2013	Overlake Farm Partition Action	Socius Law Group
2012	James v. James	Gordon Wilcox (Carol James)
2012	<i>First Citizens v. Buchan</i>	Tousley Brain Stephens (Buchan)
2012	<i>Polygon v. Syre</i>	Hall Zanzig et al (Syre)
2012	<i>Pierce Co. v. Shepard of the Hill</i>	Pierce County
2012	<i>First Citizens v. Reed et al</i>	Dorsey & Whitney
2012	MRA v. MILP – sup court	Ryan Swanson
2012	<i>Capmark v. GM Pine Street Garage</i>	Crocker Law
2012	Fisher et al v. WSDOT – sup court	Schwabe Williamson (for Fisher)
2011	Berch v. Berkman - arbitration	Berkman
2011	<i>OPUD v. WA State DNR</i>	State AG's office
2011	<i>Banchero v. Banchero</i>	Scruggs & Mackin
2011	Zema v. Ehling – arbitration	Savitt, Bruce & Willey (for Ehling)
2011	WSDOT v. Cocusa – sup court	Cairncross & Hempelmann (for Cocusa)
2011	BPCLP v. BP Tower COA	Tousley Brain Stephens (for BPTCOA)
2010	Monteiff v. Herbrand – sup court	Groth Murphy (for Herbrand)
2010	<i>KCPHD#4 v. MHC LTRA</i>	Foster Pepper (for Hospital District)
2010	HTK adv. Ampco - arbitration	Hillis Clarke (for HTK)
2010	<i>Olson v. Hirji</i>	Marten Law (for Hirji)
2010	<i>Snohomish County v. Duane Smith</i>	Williams Kastner (for Smith)
2010	Hogan v. Borders – sup court	Vandeberg Johnson (Hogan)
2010	<i>Hogan v. Key Bank</i>	Vandeberg Johnson (Hogan)
2010	White v. First American - arbitration	Socius Law Group (First American)
2010	Seattle v. Eitel - hearing	Schwabe Williamson (Eitel)
2010	<i>ST v. Broadway Investments</i>	Williams & Williams (Broadway)
2010	<i>ST v. Bonney Watson</i>	Richard Bersin (Bonney Watson)
2009	Seattle v. Bon Stables - hearing	Gordon Durr (Bon Stables)
2009	MDA v. George Scott – sup court	Jameson Babbitt (Scott)
2009	<i>Trinity vs. Port of Tacoma</i>	Hall Baetz (for Trinity)
2009	<i>Seattle v. T&L Enterprises</i>	Williams Kastner (for T&L)
2009	<i>First American v. River Bend LLC</i>	Stoel Rives (for First American)
2009	<i>Snohomish County v. YG3</i>	Lane Powell (for YG3)
2009	Doherty v. Sissons - arbitration	Martin Ziontz (for Sissons)
2009	<i>WSDOT v. Suelo Marina</i>	State AG's office
2009	<i>WSDOT v. Clark</i>	State AG's office
2009	<i>Jefferson Square v. Seattle School District</i>	Kipling Law Group (for SSD)
2008	<i>Kitsap PUD v Orr</i>	Waldo (for Orr)
2008	<i>Struthers/Otrubova v. Seattle</i>	Savitt & Bruce (Seattle)
2008	<i>Frank v. Seattle</i>	Seattle
2008-10	Woodinville v. Hollywood Vineyards - sc	Hollywood Vineyards
2008	<i>Pierce Transit v Schuh</i>	K&L Gates (Pierce Co. Transit)
2008	<i>Miller Shingle v. MAP</i>	Brewe Layman (for MAP)
2007	Swinomish Tribe Rental Arbitration - arb	Graham & Dunn (for Tribe)

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Real Estate Appraisal, Counseling & Mediation

ARBITRATION AND MEDIATION SERVICES

ANTHONY GIBBONS, MAI, CRE

Mr. Gibbons has been involved in real estate appraisal and counseling in the Puget Sound area for 20 years. He became a member of the American Institute of Real Estate Appraisers (MAI) in 1988, and was invited to join the Counselors of Real Estate (CRE) in December of 1997. In the local chapter of the Appraisal Institute, serving most of western Washington, he served as education chairman for a number of years, and pioneered a series of special educational offerings and seminars for his chapter. As a result of this work, the Chapter awarded him a plaque for “*outstanding leadership and services given towards professional advancement*”. He has continued to work for the professional advancement of the Appraisal Institute in his capacities as a chapter board member, Secretary, Treasurer, and Vice-President. In 1999, he was elected to the office of President. In a regional capacity, he has served as an assistant regional chair, and regional member for the Review and Counseling Division of the Institute, and in 1997 was appointed to the post of Regional Member, Region 1, Ethics and Counseling Division.

With the recognition of his peers, Mr. Gibbons is often requested to perform real estate counseling services in connection with real property valuation disputes. This arbitration and mediation work has included the following work:

- Arbitrator for purchase option; north Seattle Industrial Land - *Jointly retained by both parties*
- Arbitrator for professional office space, Downtown Seattle - *Jointly retained by both parties*
- Arbitrator for anchor tenant in Downtown High-rise
- Arbitrator for Downtown Restaurant – market rental determination
- Arbitrator for Suburban Office Building, single tenant lease renewal.
- Arbitrator for Parking Rental Dispute for Downtown Garage - *Jointly retained by both parties*
- Arbitrator for hotel ground lease revaluation - *Jointly retained by both parties*
- Arbitrator for School District Lease – Shopping Center ground lease revaluation - *Jointly retained by both parties*
- 1,000 acre lease negotiation between the Boeing Company and the Tulalip Tribe
- Jointly retained third Mediator/Arbitrator for King County Airport/Boeing Rental dispute involving over 100 acres of airport property - *Jointly retained by both parties*
- Valuation testimony in front of an IRS Hearings Officer on behalf of a property owner
- Arbitrator for Seattle Packaging on purchase option
- Market and rental valuation arbitration on a specialized manufacturing building
- Value Resolution for the Navy and City of Seattle – *Jointly retained by both parties*
- Value resolution for DNR and the Shoreline Water District - *Jointly retained by both parties*
- Ground lease rental rate arbitration for a golf and country club - *Jointly retained by both parties*
- Value resolution for Department of Natural Resources (DNR) and City of Seattle - *Jointly retained by both parties*
- Arbitration between DNR and City of Seattle
- Value resolution for attorneys for First Interstate Bank and a trust - *Jointly retained by both parties*
- Value resolution for DNR and the Bainbridge Island Parks and Recreation District - *Jointly retained by both parties*
- Purchase option arbitration for a log yard depot in Port Townsend - *Jointly retained by both parties*
- Value resolution for US Fish and Wildlife and the Port of Grays Harbor - *Jointly retained by both parties*
- Rental rate resolution for King County and Manson Construction - *Jointly retained by both parties*
- Mediation assistance for Washington State versus a condemnee

- Mediation assistance for a professional mediator (former superior court judge) in a rental dispute - *Jointly retained by both parties*
- Mediation assistance for a condemnee with the Port of Seattle
- Mediation assistance for market rent dispute concerning over 300,000sf of office space
- Arbitrator for joint venture buyout on downtown office building
- Arbitration for market rental clause concerning 1.5 floors of downtown office space
- Expert for rental rate dispute for 5 floors of downtown office space
- Third Arbitrator for the Oxbow site in South Seattle - *Jointly retained by both parties*
- Arbitration expert for claim of damages in regard to a shopping center site.
- Mediation expert for 15-acre site proximate to Seattle CBD
- Market valuation of superfund site for property trustee and municipal buyer - *Jointly retained by both parties*
- Arbitrator for ground lease renewal rent for Seattle industrial site. *Jointly retained by both parties*
- Arbitrator for lease option buyout clause for auto sales service. *Jointly retained by both parties*
- Arbitrator for Jack-in-the-Box lease renewal.
- Mediator for rental rate adjustment for industrial waterfront property.
- Arbitrator for industrial site rental rate determination.
- Arbitrator for market rent adjustment on truck terminal with parking rights.
- Arbitrator for leasehold purchase option right in commercial shopping center. *Jointly retained by both parties*
- Arbitrator for market rent adjustment in professional suite, Seattle CBD. *Jointly retained by both parties.*
- Arbitrator for shopping center site, ground lease rental adjustment.
- Arbitrator for market rental adjustment for downtown office space. *Jointly retained by both parties.*
- Arbitrator for market rental adjustment for medical clinic space on First Hill. *Jointly retained by both parties.*
- Arbitrator for partnership dissolution on HUD apartment project, Seattle. *Third arbitrator, jointly retained.*
- Arbitrator for parking market rate determination, Seattle. *Sole arbitrator, jointly retained by both parties.*
- Appraiser for WSDOT and Property owner re condemnation valuation. *Jointly retained by both parties.*
- Arbitrator for downtown super-block rental dispute: ground rent determination.
- Arbitrator for downtown restaurant market rental adjustment. *Jointly retained by both parties.*
- Arbitrator for suburban restaurant market rental adjustment. *Jointly retained by both parties.*
- Arbitrator for partnership dissolution on HUD apartment project, Seattle. *Third arbitrator, jointly retained.*
- Arbitrator for branch bank ground lease, Redmond. *Third arbitrator, jointly retained.*
- Arbitrator for specialized industrial property, ground lease. *Third arbitrator, jointly retained.*
- Arbitrator for rent diminution clause for retail property.
- Arbitrator for ground rent determination, downtown tavern. *Appointed by court.*
- Arbitrator for three separate airport properties, ground leases. *Third arbitrator, jointly retained.*
- Arbitrator for branch bank ground lease, Kirkland. *Third arbitrator, jointly retained.*
- Expert for ground lease arbitration for downtown property.
- Arbitrator for ground rent renewal for supermarket.
- Arbitrator for ground rent renewal for cinema pad in shopping center
- Arbitrator for suburban restaurant Market Rent Adjustment. *Third arbitrator, jointly retained.*
- Arbitrator for commercial marine waterfront land. *Third arbitrator, jointly retained.*

In over half of the above cases cited, Mr. Gibbons was selected as the third or sole arbitrator, mediator or expert, hired jointly by both parties to help resolve the value or rental dispute.

RE•SOLVE

PUBLICATIONS, SEMINARS & EDUCATIONAL LECTURES

ANTHONY GIBBONS, MAI, CRE

Publications

Mr. Gibbons has authored the following publications:

- 2001 update to Chapter 50, "Real Estate Appraisal", of the Washington Real Property Desk book published by the Washington State Bar Association.
- Seattle Office Market Analysis, published by the Downtown Seattle Association, for the years:
 - 2004
 - 2005
 - 2006
 - 2007
 - 2008
 - 2009
 - 2010
- 2008 and prospective 2014 update to Chapter 50, "Real Estate Appraisal", of the Washington Real Property Desk book published by the Washington State Bar Association.

Seminars & Lectures

He is a frequent speaker for Law Seminars International, and has spoken in the following lecture series:

- Commercial Leases
- Real Estate Purchases and Sales
- Eminent Domain

Mr. Gibbons has participated as faculty in Washington State Bar Association Seminars:

- 2001 "Condemnations/Takings" Seminar
- 2006 Seminar on the "Arbitration of a Real Estate Case"

University Course Instructor

Mr. Gibbons is an instructor for the University of Washington's Certificate Program in Real Estate, and has taught in the lecture series for the years 2001 through 2013.

Mr. Gibbons was the lead instructor for the University of Washington's (Tacoma) Certificate Program in Real Estate 2006 to 2008.

Boards

Mr. Gibbons is on the Advisory Board and serves on the Executive Board of the University of Washington's Runstad Center for Real Estate Studies.