

**ORIGINAL**

**Restricted Appraisal Reports**

Eight Properties Located Within the Boundaries  
of the City of Edgewood's Meridian Avenue  
Sewer Project LID Number 1  
(LID Map Nos. 2, 27, 31, 68, 71/79, 115, 128, 131/ 133/140)

**Location:**  
Edgewood, WA 98371

**Prepared for:**  
Mr. Zach Lell, City Attorney  
City of Edgewood  
2224 104<sup>th</sup> Avenue East  
Edgewood, WA 98372-1513

**Date of Valuation:**  
May 10, 2011

**Date of Report:**  
June 20, 2014  
Job No. 14-141

**Prepared by:**  
Robert J. Macaulay, MAI  
MACAULAY & ASSOCIATES, LTD.  
Everett, Washington

**Restricted Appraisal Reports**

June 20, 2014

Mr. Zach Lell, City Attorney  
City of Edgewood  
Edgewood, WA 98372-1513

Re: Eight properties located within the boundaries of the City of Edgewood's Meridian Avenue Sewer Project LID Number 1 (LID Map Nos. 2, 27, 31, 68, 71/79, 115, 128, 131/133/140). Job No. 14-141.

Dear Mr. Lell:

As requested, a personal inspection has been made of the above-referenced parcels (eleven tax parcels under eight ownerships), together with a study of current market data, for the purpose of providing estimates of the fee simple interest in each property both before and after (or "without and with") completion of the City of Edgewood infrastructure project known as the Meridian Avenue Sewer Project LID Number 1. The scope of this assignment is to provide further and/or modified support and documentation for the mass appraisal assignment completed earlier in connection with the LID (and consistent with the ruling of the Washington State Court of Appeals). Your attention is invited to the following reports for brief narrative descriptions, analyses and conclusions of value for each of the eight ownerships. The individual restricted appraisal reports are included herein as eight separate sections.

The date of valuation for this analysis and report is May 10, 2011, a date corresponding to the availability of the LID improvements. As part of a 2011 update of the City's development code, important changes in land use regulations allowing more intensive development occurred. While the names of several zoning categories governing the subject vicinity were unchanged, revisions to both the development code and the city's comprehensive plan were approved by the Edgewood City Council as of April 26, 2011 and became effective on May 9, 2011. Those revisions supported by the LID had a significant effect on the subject area. Not only was more intensive development now allowed (with sewer service), a number of uses permitted prior to the revisions could not be achieved without sewers. Because of the timing of these changes in land use regulations as they pertain to the project, this appraisal estimates retrospective market value of the subject properties as of the same date (May 10, 2011) both without and with the LID project assumed completed.

These are restricted appraisal reports intended solely for use by the City; the rationale for how the appraiser arrived at the opinions and conclusions set forth in the reports may not be understood properly without additional information in the appraiser's workfile. The reports are, however, intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics of the Appraisal Institute.

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As such, the sections present summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinions of value. Supporting documentation is retained in the appraiser's file. The depth of discussion contained in these reports is specific to the needs of the client and for the intended use stated herein. The appraiser is not responsible for unauthorized use of these reports. Although the valuation date is May 10, 2011, the reports comply with the 2014-2015 edition of USPAP.

In compliance with Statement 3 (SMT-3), which can be found on page U-74 of the 2014-2015 edition of USPAP, the value opinions contained herein apply to the May 10, 2011 retrospective effective date of value. Any comparable market data or other information on transactions or events occurring since that date is intended to help the reader understand market conditions as of this retrospective effective date. The date of the reports, as shown on this letter, indicates the perspective from which the appraiser is examining the market, whereas the effective date of the appraisals---May 10, 2011---establishes the context for the value opinions.

A significant factor considered in the valuation analysis is that, as stated above, the intensity of use allowed under prior zoning regulations could not in most instances be achieved without the LID improvements. Furthermore, it is reasonably probable that the 2011 zoning changes would not have been initiated without the sewer project.

The difference in estimated retrospective market value before and after completion of the LID improvements is each property's special benefit. With the zoning changes discussed above in place, special benefit to the subject parcels is attributable to the significant increases in potential development density which occurred as a result of the project. In addition, the improvements will provide the impetus for more intense commercial and multi-family residential development, making the subject area more competitive with surrounding municipalities. Despite the lingering effects of the nationwide economic recession, the vicinity remains desirable in the marketplace due to excellent access to transportation networks and major employment centers.

As of the May 2011 valuation date, the recession, which began in late 2007, was still having a profound and long-lasting effect on both commercial and residential real estate markets. Although market conditions in 2011 were weakened due to the recession, these factors are reflected in both the "without" and "with" valuations. Recognizing this, land value with the project as of the valuation date is enhanced due to the elimination of costs and risk associated with on-site septic systems, potential development density is increased since septic drainfield areas no longer need to be set aside, and there is significant improvement in the neighborhood's reputation and market appeal. Typically, special benefit to property is reflected in the underlying land value. As a result of a project like this, the market will pay a higher price for land; in this instance, probable increases in land value are primarily due to the aforementioned factors and most emphasis is placed on land values in these reports.

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The LID was initiated as a result of a citizen group of property owners with the presentation of a petition to the City of Edgewood. Numerous property owners contributed funds to initiate the formation process. Due to the poor soils in the Edgewood area and the currently widespread use of septic systems, development within the City has stagnated. The sanitary sewer LID increases potential economic activity within the City, spurring development along Meridian Avenue. The Washington State Department of Transportation (WSDOT) began construction of a \$50 million road-widening project along Meridian Avenue in the subject area in September 2011. Phase one, a 1.2- mile long section extending south from Milton Way/8<sup>th</sup> St E to 24<sup>th</sup> St E, is scheduled for completion in the summer of 2014. Phase two, continuation of the improvements south from 24<sup>th</sup> St E to 36<sup>th</sup> Street E, is scheduled to commence in 2027. The project, fully funded and done at no cost to the affected property owners, is not part of the LID. The market was aware of these proposed road improvements, both before and after completion of the sewer LID project.

At the time of closing of the initial final assessment roll for the LID, the City's estimated total project cost (100% financed by the LID) included costs for oversizing of the sewer lines that were installed. The cost figure utilized in the May 10, 2011 report prepared by Macaulay and Associates, Ltd. entitled, "Final Special Benefit/Proportionate Assessment Study—Meridian Avenue Sewer Project LID Number 1, City of Edgewood, Pierce County, WA" was \$21,238,268. That figure is reduced in this report following the discussion by the City after the Court of Appeals' ruling.

Referring to the June 17<sup>th</sup>, 2014 City of Edgewood Meridian Avenue Sewer LID No. 1 Evaluation of Oversizing Costs Report, prepared by BHC Consultants and Tetra Tech of Seattle, WA, the revised total LID cost is \$20,432,581.

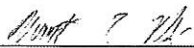
The total estimated special benefit to all affected parcels, including the eight subject properties discussed herein, was \$28,818,000. Dividing the total revised project cost by the total estimated special benefit yielded a cost/benefit ratio of 70.90%. This new cost/benefit ratio is applied to each of the eight appellant properties' special benefit to arrive at a revised recommended assessment amount.

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Based on the investigation and analyses described herein, I have formed the opinion that retrospective market value of the fee simple interest in each of the eight subject ownerships, both without and with the LID project (discussed herein and in the above-referenced document), as of May 10, 2011, is as shown in the summary chart below. Based on the revised cost/benefit ratio of 70.90%, recommended final assessment amounts are shown on the far right column.

<i>Map No.</i>	<i>Owner</i>	<i>Estimated Retrospective Market Value—without LID</i>	<i>Estimated Retrospective Market Value—with LID</i>	<i>Estimated Special Benefit</i>	<i>Recommended Final Assessment</i>
2	Edward and Enid Duncan	\$925,000	\$1,225,000	\$300,000	\$212,700
27	1999 Stokes Family LLC	\$755,000	\$1,290,000	\$535,000	\$379,315
31	Suelo Marina LLC	\$680,000	\$1,135,000	\$455,000	\$322,595
68	Ray and Eldean Rempel TTEE and Tina Rempel	\$1,400,000	\$2,515,000	\$1,115,000	\$790,535
71, 79	Darlene Masters & Patricia Schmidt	\$815,000	\$1,420,000	\$605,000	\$428,945
115	George J. and Arlyn J. Skarich	\$500,000	\$540,000	\$40,000	\$28,360
128	Aka The Brickhouse LLC	\$505,000	\$535,000	\$30,000	\$21,270
131, 133, 140	Docken Properties LP	\$1,800,000	\$2,085,000	\$285,000	\$202,065

Respectfully submitted,  
MACAULAY & ASSOCIATES, LTD.



Robert J. Macaulay, MAI  
WA State Certified - General Appraiser No. 1100517