

R . F . D U N C A N & A S S O C I A T E S I N C .

A P P R A I S E R S & C O N S U L T A N T S I N R E A L E S T A T E

August 6, 2020

Mr. Nathan Daum
Economic Development Program Manager
City of Shoreline
17500 Midvale Avenue N.
Shoreline, WA 98133-4905

RE: Review of Appraisal Report Dated 6-5-20. Prepared by Mr. Paul Zemtseff and Mr. Donald K. Melton; Involving 4.50 acres of Tax Parcel No. 162604-9010 owned by Washington State DSHS; Located on the North Side of the 1700-2000 Block of NE 150th Street Near the Southeast Corner of the Larger Fircrest Campus Parcel Shoreline, Washington; Proposed Dog Park.

Dear Mr. Daum:

At the outset of this letter, I would like to state that over the past several years I have reviewed several appraisals authored by Mr. Zemtseff and Mr. Melton. Each appraiser is very experienced, and I hold each appraiser in high esteem. However, after reviewing the above referenced appraisal report, and discussing the property with yourself and Mr. Steve Szafran, Senior Planner, City of Shoreline, I believe there are some deficiencies in the analysis which have likely resulted in a valuation which is above market value for the subject property.

My main issues with the appraisal are summarized below:

1. Larger Parcel Analysis: The appraisal applies a Hypothetical Condition that the 4.50 acres proposed for the dog park have been legally segregated from the 75.38-acre parcel of which it is currently a part. In my opinion, the 4.50 acres proposed for the dog park should be valued as it contributes to the 75.38 acres, not as a legally segregated 4.50-acre parcel, which would have a much higher per unit value. Valuing the parcel as a stand-alone 4.50-acre site is inconsistent with contemporary "larger parcel" appraisal theory, which I believe has resulted in the selection of comparable sales which are not truly comparable with respect to size.
2. Lack of Master Plan Approval: The subject would be required to have a Master Plan Development Permit (MDP) prior to any development being approved. None of the comparables analyzed had such requirements. The appraisal misstated that there is an existing Master Plan in the process of revision. The City of Shoreline indicated they have never received a formal MDP application for the Fircrest Residential Habilitation Campus. It is my understanding that the MDP process takes 1-2 years to achieve.

3. Additional Mitigation Requirements: The City of Shoreline has indicated that a master plan that includes commercial use on the subject could also require significant and atypical mitigation requirements such as dedication of a significant amount of park lands, or other significant off-site mitigation measures which would increase the cost of a development project on the subject and decrease the value of the land.

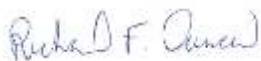
4. Comparable Sales Selection: The comparable sales range from \$10.61 to \$18.12 per SF and the appraisers concluded to a value of \$16.00/SF. The sales range in size from 1.00 to 7.23 acres in size which are significantly smaller than the 75.38-acre subject. All of the sales were privately owned at the time of sale and none of the comparable sales had an institutional type zoning like the subject. Mixed-use, commercial, and industrial zoning are mischaracterized in the report as "similar" to the Fircrest "campus" zoning designation. Four of the five sales were acquired for private commercial or light industrial type development, with one of the sales acquired for a future park by the City of Mill Creek.

5. Complexities of Developing the 4.50 Acre Portion of Subject: After researching this property with yourself and Mr. Szafran, it is apparent that the property being valued is not a typical privately owned commercial or light industrial property, available on the open market, due both to its location within the Fircrest Residential Habilitation Campus, and the complexities of the FCZ zoning, which I believe would negatively impact its value. Furthermore, the potentially large degree of public opposition to a future development within the Fircrest Campus would likely discourage many developers from contemplating a project on the parcel, which would potentially have a downward impact on its market value.

In summary, due to the issues raised within this letter, I cannot concur with the value conclusion reached within the appraisal under review which I believe exceeds the market value for the portion of the parcel proposed for the dog park.

Please contact me if you would like to discuss further.

Sincerely,



Richard F. Duncan, MAI
The Granger Company
RF Duncan and Associates, Inc.