

**Summary Report**  
**Limited Appraisal of**  
**Summit Pit Property**

**Location**

22801 SE 272<sup>nd</sup> Street  
Maple Valley, Washington

**Date of Report**

March 30, 2006

**Date of Valuation**

March 1, 2006

**Appraised by**

Bruce C. Allen, MAI, CRE  
Michael E. Murray, CCIM

March 30, 2006

Mr. Birney Mellor  
**King County Real Property**  
500A Administrative Building  
500 Fourth Avenue, Suite 500  
Seattle, Washington 98104

**RE: APPRAISAL OF THE SUMMIT PIT PROPERTY LOCATED AT 22801 SE  
272<sup>ND</sup> STREET IN MAPLE VALLEY, WASHINGTON (Our File #26027)**

Dear Mr. Mellor:

As requested, we have completed an appraisal of the Summit Pit property (Subject Property). The purpose of the appraisal is to arrive at an opinion of the value to King County as the current user of the subject property (Use Value). Our valuation considers the real estate assets only, which includes: land, improvements, gravel, timber, and the value of the real estate income from the existing clean fill and street waste programs.

Our value conclusion does not include personal property or the present value of any future operating expense savings related to the operational efficiencies of Summit Pit versus potential replacement sites. The King County Roads (Roads) department feels that the Summit Pit property is centrally located to serve southeast King County and it would be difficult, if not impossible, to find a replacement site that would not involve significant additional travel time for roads maintenance personnel. The Roads department has also indicated that it would be very difficult to find a property that could be permitted for all of the services that are currently permitted from Summit Pit. Other issues that have come up in our discussions are the cost of relocating operations, and the time delays related to obtaining new permits. While we agree that travel efficiencies, relocation, and similar operating expenses should be considered in assessing the impact of the loss of Summit Pit, we think that such an operating expense analysis is outside the scope of the real estate appraisal and should be prepared by the Roads department. We have recommended to Roads that they prepare a supplemental analysis to this appraisal report that arrives at the present value of these additional operating expenses which they have indicated could be between \$3,500,000 and \$5,500,000. We have also eliminated the value of the timber on the site from our value conclusion. We agree that the value of usable timber contributes to the use value of the property, but without a timber

cruise the timber cannot be valued. We recommend that Roads commission a timber cruise and provide that report as a addendum to this report.

The discussion that follows pertains to the value of the Summit Pit real estate assets only.

The Summit Pit property is 156.50 acres of land owned by King County and located east of 228<sup>th</sup> Avenue SE between SE Kent-Kangley Road (SE 272<sup>nd</sup> Street) and SE 280<sup>th</sup> Street in Section 34, Township 22 North, Range 6 East, W.M. in King County Washington. The property is currently zoned RA-5, a designation allowing one dwelling unit per five acres. A King County maintenance and operations facility is located on 13.68 acres in the northwest corner of the property; Elk Run Golf Course occupies 61.93 acres of the property, and the remaining 80.89 acres is an active gravel pit. A BPA power line with its 375-foot easement runs through the property. The current uses are legal, nonconforming uses.

In order to complete this appraisal we performed the following investigations and analysis:

- We reviewed reports provided by McLucas and Associates, Inc., Coffin & Associates, King County, and other professionals in order to provide an opinion of gravel resource value, clean fill program values, street waste program values, and timber resource value.
- We contracted with Lang Associates, Inc. a local subdivision consultant to estimate the number of potential residential building lots on the Phase I, II, and III portion of the Summit Pit property, or the 80.89-acre active mining pit portion of the property.
- We researched and analyzed industrial, commercial, and residential land sales in the subjects market in order to estimate the reversionary interest in the property at various points in time. The reversionary interest is the present value of the future sales proceeds resulting from the sale of the property after termination of mining and fill operations. We inspected the comparable sales included in this analysis.
- We reviewed and analyzed the documents provided by King County regarding the property, including: permits, leases, mining studies, maps, environmental studies, internal financial analysis, and the Summit Pit Borrow Evaluation Supplementary Geotechnical Investigation.
- We met with representatives of King County on several occasions to discuss the property.
- We inspected the subject property on two separate occasions with representatives of King County and some of the consultants involved in this appraisal.

Based on the foregoing investigations, assumptions and analysis, as more fully detailed in this report, the Use Value or value to King County of the subject property can be summarized as follows:

### Summary of Value Conclusions

Property Description	Size (ac.)	Value
Leased Fee Interest in Golf Course Land	61.93	\$5,350,000
Maintenance Base Land	13.68	\$3,600,000
† Land Reversion (Phase I, II, III)	80.89	\$3,885,000
† Maintenance Base Improvements		\$3,200,000
- 1), mit Aggregate Resource Value		\$22,861,000
Street Waste Program Value		\$5,104,000
- Clean Fill Program Program Value		\$18,000,000
<b>Total</b>	<b>156.50</b>	<b>\$62,000,000</b>

*The format of this report is a Summary Report – Limited Appraisal, which is intended to comply with Uniform Standards of Professional Appraisal Practice (USPAP) and is intended to conform to the appraisal standards of the entity requesting this appraisal. It presents only summary discussions of the data reasoning and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated within this report. The appraisers are not responsible for unauthorized use of this report. Furthermore, in accordance with a prior understanding between the client and the appraiser, this appraisal is limited to the analysis necessary to conclude the values contained within this report. As such, this is a Limited Appraisal process in that certain allowable departures from specific guidelines of the Uniform Standards of Professional Appraisal Practice were invoked.*

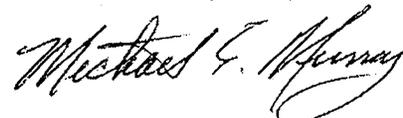
If you have further questions not answered in the accompanying report, please do not hesitate to call.

Sincerely,

**ALLEN BRACKETT SHEDD**



Bruce C. Allen, MAI, CRE



Michael E. Murray, CCIM

kr

## ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report was made after personal inspection of the property identified in this report. The conclusions in the report have been arrived at and are predicated upon the following conditions:

- (a) No responsibility is assumed for matters, which are legal in nature, nor is any opinion rendered on title of land appraised. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
- (b) Unless otherwise noted, the property has been appraised as though free and clear of all liens, encumbrances, encroachments, and trespasses.
- (c) All maps, areas, and other data furnished your appraiser have been assumed to be correct; however, no warranty is given for its accuracy. If any error or omissions are found to exist, the appraiser reserves the right to modify the conclusions. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- (d) It is assumed there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
- (e) It is assumed all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
- (f) The appraiser has no interest, present or contemplated, in the subject properties or parties involved.
- (g) Neither the employment to make the appraisal nor the compensation is contingent upon the amount of the valuation report.
- (h) To the best of the appraiser's knowledge and belief, all statements and information in this report are true and correct, and no important facts have been withheld or overlooked.
- (i) Possession of this report, a copy, or any part thereof, does not carry with it the right of publication, nor shall the report or any part thereof be conveyed to the public through advertising, public relations, news, sales, or other media valuation conclusions, identity of the appraiser, or firm, and any reference made to the Appraisal Institute or any professional designation.
- (j) There shall be no obligation required to give testimony or attendance in court by reason of this appraisal, with reference to the property in question, unless satisfactory arrangements are made in advance.
- (k) This appraisal has been made in accordance with rules of professional ethics of the Appraisal Institute.
- (l) No one other than the appraiser prepared the analysis, conclusions, and opinions concerning real estate that are set forth in the appraisal report.
- (m) Statements or conclusion offered by the appraiser are based solely upon visual examination of exposed areas of the property. Areas of the structure and/or property, which are not exposed to the naked eye, cannot be inspected; and no conclusions, representations, or statements offered by the appraiser are intended to relate to areas not exposed to view. No obligation is assumed to discover hidden defects.

- (n) Unless otherwise stated in this report, the existence of pollution and/or hazardous waste material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials or pollution may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- (o) Statements, representations, or conclusions offered by the appraiser do not constitute an express or implied warranty of any kind.
- (p) Neither appraiser nor Allen Brackett Shedd shall be liable for any direct, special, incidental, or consequential damages whatever, whether arising in tort, negligence, or contract, nor for any loss, claim, expense, or damage caused by or arising out of its inspection of a property and/or structure.
- (q) The *Americans with Disabilities Act* (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
- (r) With regard to prospective value opinions, future changes in market conditions necessitate an assumption that the appraiser cannot be held responsible for unforeseeable events that alter market conditions prior to the effective date of the appraisal or date of value.

# TABLE OF CONTENTS

	<u>Page</u>
Letter of Transmittal	
Assumptions and Limiting Conditions	
<b>Part I - Introduction</b>	
— Summary of Appraisal Problem.....	1
— Identification of the Subject Property .....	3
— Legal Description.....	3
— History and Ownership .....	4
— Date of Inspection/Valuation .....	4
— Purpose of the Appraisal.....	4
— Property Rights Appraised.....	4
— Intended Use/User.....	5
— Special Assumptions.....	5
— Hazardous Waste.....	5
— Site Area.....	5
— Personal Property.....	6
— Exposure Period.....	6
— Market Value .....	6
— Use Value .....	6
— Neighborhood Description.....	6
— Population & Demographics.....	7
— Education .....	7
— Housing .....	7
— Parks and Recreation Opportunities .....	8
— 5-Mile Ring Demographic Survey .....	8
<b>Part II - Factual Data</b>	
— Description of the Subject Property.....	9
— Site.....	9
— Utilities.....	9
— Soils.....	10
— Zoning.....	10
<b>Part III - Highest and Best Use</b>	
— As If Vacant.....	11
<b>Part IV - Analyses and Conclusions to Value</b>	
— Valuation.....	12
— Valuation of Summit Pit (Phase I, II, III).....	13
— Residential Land Sales Analysis (Land Reversion).....	15
— Current Land Value.....	16
— Reconciliation and Conclusion of Land Value as Residential Site.....	17
— Rate of Return Discussion.....	19
— Elk Run Golf Course Lease Area .....	19
— Lease Summary .....	19
— Valuation.....	20
— Lease and Land Reversion.....	20
— Golf Course Property Conclusion.....	21
— Road Maintenance Base Site Valuation.....	22
— Maintenance Base Assumptions.....	25

**Addenda**

- Summit Pit Borrow Evaluation
- Clean Fill Survey
- Maintenance Facility Replacement Cost Estimates
- Elk Run Golf Course Lease
- Coffin & Associates Report and McLucas & Associates Report Excerpts
- Lang Associates Residential Land Analysis
- Subject Photographs
- Summit Pit Activity List
- Alternative Street Waste Program Site Plans
- Demographic Data
- Qualifications of Appraisers



## PART I – INTRODUCTION

### — *Summary of Appraisal Problem*

The subject 156.50-acre property has an active aggregate mine and fill material disposition operation (80.89 acres) surrounded by the front nine of Elk Run Golf Course. The golf course contains 61.93 acres which is under lease through April 13, 2029. In the northwest corner of the property, King County operates a roads operations and maintenance facility on 13.68 acres, with some of this section being held for future maintenance base expansion.

The goal of this appraisal assignment is to estimate the Use Value of the property to King County rather than the market value of the property. Market value assumes a sale based on market conditions as of the date of valuation given a reasonable period of exposure to the market. Use value is a determination of the value to King County of the subject real estate for use as a Roads department maintenance facility; for its gravel and timber resources; and for continuation of the existing street waste and clean fill programs. Use value also considers the prior investments that the user has made in the property to support the existing operations and permitted uses. So value in use or use value is the value a specific property has for a specific use and the focus is on its contribution to the enterprise of which it is a part, without regard to the highest and best use or the monetary amount that might be realized from its sale.

In order to complete the appraisal assignment an interactive appraisal process was used which included input from the appraiser's (Bruce Allen, Mike Murray, and Greg Goodman), representatives of King County, and mining and residential subdivision consultants. The valuation model, a net present value model, was developed by Mike Murray who has had many years of experience in developing these valuation models as a CPA, real estate consultant, and appraiser. Bruce Allen, MAI, CRE and Greg Goodman, senior associate of Allen Brackett Shedd provided land value analysis and provided input regarding gravel resource values based on their prior experience in appraising gravel pits. Mining specialists McLucas and Associates, and Coffin and Associates, were relied on to develop aggregate mining plans and revenue forecasts, and King County provided the necessary input on the existing clean fill and hazardous street waste programs to

develop estimates of cost savings and potential revenue to King County related to the permitted fill operations.

In developing our opinion of Use Value the following Extraordinary Assumptions (an assumption that presumes uncertain information to be factual) were made:

- A rezone of the golf course portion of the property and the mining portion of the property, totaling 142.82 acres, to R-6, or residential allowing up to 6.0 dwelling units per acre; Residential development densities were assumed to be 4.5 dwelling units per acre for the 80.89 acre Phase I, II, and III portion of the property, and 5.0 dwelling units per acre for the golf course portion of the property.
- A rezone the 13.68-acre Roads operations and maintenance base site to RB (Regional Business).
- All permits and approvals are either in place or can be obtained to continue the current activities at Summit Pit, and at the levels of production forecast by King County and others. The activities include: gravel mining, fill operations, street waste operations, timber usage, fueling, and roads maintenance material storage.

Following is a summary explanation of the valuation premises we have used for this appraisal:

**Golf Course Land** - The front nine of the Elk Run golf course (61.93 acres) surrounds the existing Summit Pit mining and fill operations of King County. It provides the necessary buffer for these operations and will remain as long as the mining operation remains. We have utilized a useful life of 40 years for the mining operation based on the quantity of aggregate estimates and potential production levels of the mine. Therefore, the golf course will remain for 40 years, at which time, in our opinion, it will be redeveloped to single-family residential along with the rest of the King County Property. The value of this portion of the property is based on the present value of the market rent from golf course usage for 40 years plus the present value of the land reversion or, in other words, the net sales proceeds as residential subdivision land in 40 years. In arriving at present value we have utilized a discount rate that reflects the counties cost of capital as a municipal entity rather than market based private capital return requirements.

**Maintenance Base Land** - The maintenance base land (13.89) acres has the qualities of a commercial corner. It is well located in relationship to two major highways, and is just west of the existing four corners commercial district. In our opinion, as the area develops, the future use of the site would be for retail or for a combination of commercial uses serving the immediate neighborhood. As an industrial site, or its current use by King County, this corner also provides the exposure, access, and qualities of a good industrial site, and given its use by King County, we have valued it as an industrial site.

**Phases I, II, and III Land** - The mining and fill operations are located on what we have referred to as Phase I, II, and III land, or the remaining 80.89 acres of the Summit Pit property. In our opinion, at the end of the 40-year mining operation,

this area will be redeveloped to a single-family residential use. To arrive at the land reversion value, the future value of this area as single-family residential land is discounted to present value based on the counties cost of capital.

**Maintenance Base Improvements** – The maintenance base improvements and existing permits would not contribute value to any market based transaction for the property. However, they do have a value to King County, and this value is best estimated by looking at the cost of replacing the facility and permits based on stabilized levels of usage.

**Operating Cash Flows** (aggregate, timber, street waste, clean fill) – With the use of Summit Pit for aggregate resources, timber resources, and for clean fill and street waste dumping, King County saves the money that it would otherwise spend for these resources and services. Also, through cooperation with other public entities and with private parties, King County can earn fees from the sale of aggregate and from fill operations. Through a coordinated effort with our consultants and King County we have developed cash flow forecasts over the estimated 40-year useful life of the mining operation for these activities. Cash flows are discounted to present value based on the counties cost of capital.

The combination of these components of the Summit Pit value make up our value estimated which is discussed in more detail in this report.

### — *Identification of the Subject Property*

The Summit Pit property is 156.50 acres of land owned by King County and located east of 228<sup>th</sup> Avenue SE between SE Kent-Kangley Road (SE 272<sup>nd</sup> Street) and SE 280<sup>th</sup> Street in Section 34 Township 22 North, Range 6 East, W.M. in King County Washington. The property is currently zoned RA-5. A King County maintenance facility is located on 13.68 acres in the northwest corner of the property; the front nine of Elk Run Golf Course occupies 61.93 acres of the property and the remaining 80.89 acres is an active gravel pit. A BPA power line with its 375-foot easement runs through the property.

The facing page site plan shows the layout of the property. Most notable is the location of the front nine of Elk Run Golf Course which forms the perimeter of the subject property, with average depths of 300 feet.

### — *Legal Description*

A legal description is available directly from King County. The property can also be referred to as King County Assessor Tax Account No. 342206-9006.

— ***History and Ownership***

King County, a political subdivision of the State of Washington has owned the property for at three years.

Roughly 61.93 acres of the subject property is leased to Covington Golf Course, Inc. (Elk Run Golf Course) through April 13, 2029.

— ***Date of Inspection/Valuation***

The subject property was inspected on December 23, 2005, and subsequent dates. The effective date of this appraisal is March 1, 2006.

— ***Purpose of the Appraisal***

The purpose of this appraisal is to evaluate the subject property from the standpoint of its value to King County as part of on-going King County operations, considering the real estate's contribution to these operations, or in other words, the subject properties value in use<sup>1</sup> or use value.

— ***Property Rights Appraised***

This appraisal sets forth an opinion of value of the fee simple interest, and the leased fee interest in the 61.93 acres of the subject property encumbered by the Elk Run Golf Course ground lease. Fee simple interest is defined as:

Fee simple interest is defined as:<sup>2</sup>

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

Leased fee interest is defined as:<sup>3</sup>

*The property held in fee, with the right of use and occupancy conveyed by lease to others. A property consisting of the right to receive rentals over a period of time, plus the right of ultimate repossession at the termination of the lease.*

---

<sup>1</sup> Please see the *Definitions* section in the Addenda to this report.

<sup>2</sup> From *The Appraisal of Real Estate*, Twelfth Edition, 2001, Appraisal Institute, page 69.

<sup>3</sup> From *The Appraisal of Real Estate*, Twelfth Edition, 2001, Appraisal Institute, page 83.

The leased fee interest considers the possible reduction or enhancement in value created by existing leases that may be below or above market rates. If no leasehold exists (existing lease rates are economic), then leased fee value is identical to fee simple value.

— *Intended Use/User*

This appraisal report is intended to be used by representatives of King County for management decision making purposes only.

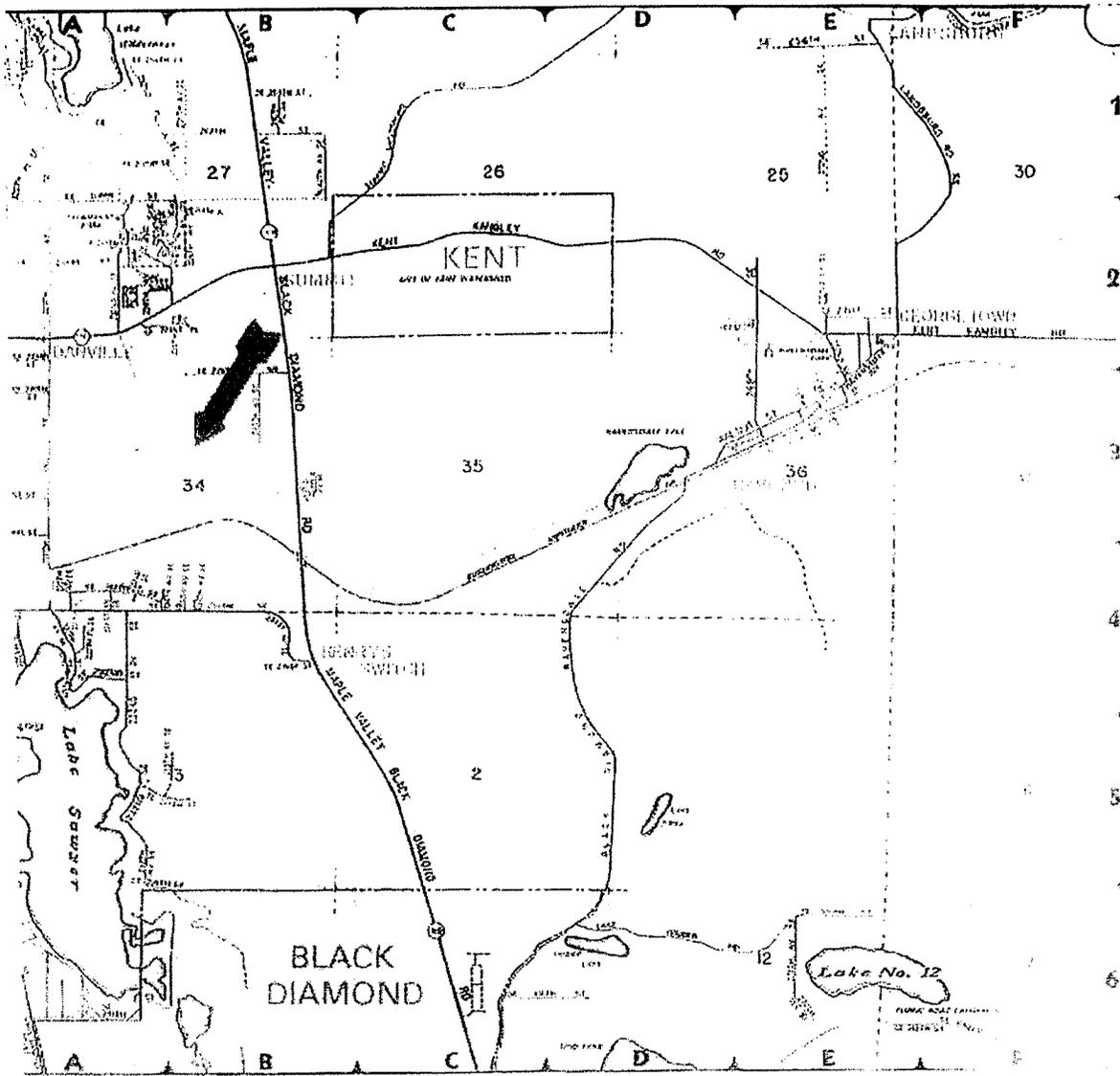
— *Special Assumptions*

— *Hazardous Waste*

From the standpoint of the properties future redevelopment as a residential subdivision, this appraisal assumes the absence of any and all hazardous waste on the subject property. In that context, if hazardous waste is found to be present on the subject property and impacts the future redevelopment of the property, we reserve the right to change the valuation contained in this report. Dealing with hazardous street waste is an on-going King County operation at Summit Pit and our valuation assumes that proper controls are in place to prevent damage to the land as a result of these operations.

— *Site Area*

Based on a review of the site plans provided by the client, the site contains 156.50 acres, with 80.89 acres located in areas designated as Phase I, II, and III of the property 61.93 acres encumbered by the golf course, and 13.68 for the existing maintenance facility and the future maintenance facility expansion area. We have seen a number of different versions of these area characteristics; however, given the nature of the appraisal assignment, variations in land area will not materially change our value conclusions.



# Neighborhood Map



Allen Brackett Shedd  
26027 Copyright ©2006

— *Personal Property*

There is no personal property included within the value conclusions contained herein.

— *Exposure Period*

— *Market Value*

A conclusion of market value assumes that the subject property has been exposed in the open market for a reasonable time prior to the date of value. In a “normal” or typical market, sales activity occurs at a consistent pace. Buyers and sellers are free to negotiate prices without undue pressure from any source. During times of prosperity and economic growth, sales occur frequently, and prices tend to rise. On the other hand, during transitional periods, especially when going from a rapidly growing economy to one of slower growth, sales activity tends to slow as the bid/ask spread grows. Frequently, sellers have significant time and money invested and will not sell, but instead, prefer to wait out the poor business cycle. The conditions of the markets involved in this appraisal are considered to be stabilized, and we would conclude that an exposure period from 9 to 14 months would have been necessary to have occurred at our value conclusion.

— *Use Value*

A conclusion of use value does not assume a sale, but rather considers the value of the real estate assets to a particular enterprise by assessing the benefits of ownership over an expected period of use. The benefits are measured in terms of cash equivalent values from the use, and from the sale of the property at the end of the assets useful life. Cash flows are valued based on the users cost of capital.

— *Neighborhood Description*

The property is located within the UGA of Maple Valley, Washington, roughly 2.5 south of the confluence of State Routes 18 and 169. Seattle is 25 miles to the northwest, and the nearest cities are Kent, Auburn, and Renton about 10 miles in westerly directions from the subject property. The community of Maple Valley has some commercial and industrial pockets although almost entirely rural single-family developments. These areas function largely as bedroom communities

for workers employed in the greater Puget Sound area economy. Maple Valley housing is relatively affordable in relationship to other more urban locations.

According to the City of Maple Valley publications the City of Maple Valley was incorporated August 31, 1997, and currently is 5.8 square miles, located east of Kent and Covington, and north of Black Diamond.

#### — *Population & Demographics*

Maple Valley has experienced a rapid population growth in the past several years. The current population is over 17,000 with a likely build-out population projected to be 24,500. Approximately 33% of Maple Valley's population is made up of youth under the age of 17. Approximately 75% of Maple Valley residents are college graduates. The median household income is \$74,781.

#### — *Education*

The City is served by the Tahoma School District, recognized for its excellence in educated children, excellent bus transportation, and aggressive pursuit of new opportunities for children. Test scores indicate that Tahoma students are among the state's top 10%, on average. The district has one full-service high school, one alternative high school, one junior high school, two middle schools, four elementary schools, and a parent-partnered school.

#### — *Housing*

There is a wide variety of housing available in Maple Valley, including single-family, condominiums, and apartments. The average price for a home sold in Maple Valley is around \$250,000 for existing homes, higher for new homes.

#### — *Parks and Recreation Opportunities*

The City of Maple Valley has two developed parks, Lake Wilderness Park and Take-A-Break Park. The City acquired Lake Wilderness Park from King county in January 2003. At 108 acres, Lake Wilderness Park is a large regional park with lots of prime shoreline, preserved forestland, and meandering pathways. Located within the park is Lake Wilderness Lodge and Executive Conference Center.

Adjacent to the park is the 40-acre Lake Wilderness Arboretum. Maple Valley also has three lakes, two golf courses, and several miles of trails, including the Lake Wilderness Trail that connects to the Cedar River Trail.

— *5-Mile Ring Demographic Survey*

Population within a 5-mile ring of the subject property is currently 59,149 people and is expected to grow to 62,656 by 2010 or roughly 6%. The population in 1990 was only 40,212, which indicates a 47% increase in population in the area since 1990. Average household income has increase from \$49,400 in 1990 to \$85,434 in 2005 reflecting a shift in income levels with the development of the area into bedroom communities serving the greater Puget Sound employment centers.

The rapidly increasing population of Maple Valley is due in part to its location at the confluence of two heavily traveled state roads, and the demand for affordable single-family residential housing in the region. Along with the increasing population, commercial development (primarily neighborhood retail and some office) is occurring along the Maple Valley Highway at Four Corners or the intersection of Highways 516 and 169.

Information regarding the region and neighborhood is widely available and a detail neighborhood description can be made available at the reader's request.

## PART II – FACTUAL DATA

### — *Description of the Subject Property*

#### — *Site*

As depicted on the facing page site plan, the overall property is nearly square in shape comprising most of the Northwest ¼ of Section 34, Township 22 North, Range 7 East, WM. The site slopes from its highest point near the southwest corner some 610 feet down to the north and east with the lowest elevations near the center of the aggregate pit at 550 feet.

Access to the site is through SE Kent-Kangley Road (SE 272<sup>nd</sup> Street) a King County designated collector arterial and SE 280<sup>th</sup> Street a neighborhood collector or local street.

Several Class 2 wetlands exist on the site and a 50-foot wetland buffer may be required in a development.

The site can be broken down into its three distinct areas:

Summit Pit (Phase I, II, III)	80.89	acres
Golf Course Lease Area	61.93	acres
Maintenance Facility Site	13.68	acres
Total	156.50	acres

#### — *Utilities*

Water service is provided by Covington Water District and is available by connecting to mains along SE 272<sup>nd</sup> Street, SE 280<sup>th</sup> Street, 228<sup>th</sup> Avenue SE, and at SE 276<sup>th</sup> Street.

Sewer service will be provided by Soos Creek Water and Sewer District and is available directly along SE 272<sup>nd</sup> Street, SE 280<sup>th</sup> Street, 228<sup>th</sup> Avenue SE, and SE 276<sup>th</sup> Street.

Underground power and telephone is available and is provided by Puget Power and Qwest, respectively.

Generally, all typical public utilities are available to the site.

— *Soils*

According to reports provided by King County the soils are a coarse textured glaciofluvial soil which has excellent drainage and load bearing characteristics. Most of the aggregate mines in the greater Puget Sound Region are located on this type of soil. Our appraisal is based on the assumption that the property does not have soil-related limitations. However, the fill portion of the mine will most likely have to be monitored to maintain a suitable condition for eventual redevelopment.

— *Zoning*

The site is zoned RA-5 or Rural Area allowing one dwelling unit per five acres. This is an island of zoning within the incorporated city limits of Maple Valley. Most of the abutting property is zoned R-6 or six dwelling units per acre.

This appraisal is based on the following rezoning assumptions:

- Rezone the golf course portion of the property and the mining portion of the property, totaling 142.82 acres, to R-6 or residential allowing 6 dwelling units per acre;
- Rezone the 13.68 acre Roads department operations and maintenance base to RB (Regional Business).

The mining and fill operation and maintenance base uses are legal nonconforming uses.

## PART III – HIGHEST AND BEST USE

Highest and best use is defined<sup>4</sup> 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.*

### — *As If Vacant*

*Use Value.* The highest value results from the continued use by King County based on the current and future uses discussed previously in this report. These uses include: utilizing the northwest corner of the property for a King County roads department maintenance base; continue mining and fill operations on the Phase I, II, and III property as forecast by the King County over a 40-year period; and continuation of the lease of the perimeter of the property to Covington Golf Course, Inc. as long as the mining operations continue.

*Market Value.* The highest and best use of the property would be to continue the mining and fill operations under a market based mining plan with the conversion of the entire property to single-family residential development after removal of gravel and other natural resources. This analysis is based on the assumption that approvals could be obtained, without extraordinary traffic concurrency costs and other costs, to rezone and redevelop the property as follows:

- Rezone the golf course portion of the property (61.93 acres), and the mining portion of the property (80.89 acres), to R-6 or residential allowing 6 dwelling units per acre.
- Rezone the 13.68-acre Roads Department operations and maintenance base site to RB (Regional Business). This portion of the property would be developed as commercial with neighborhood retail and related uses.

---

<sup>4</sup> From *The Appraisal of Real Estate*, Twelfth Edition, 2001, Appraisal Institute, page 305.

## PART IV – ANALYSES AND CONCLUSIONS TO VALUE

### — *Valuation*

Normally the valuation of income producing real estate includes three approaches to value, the Cost Approach, the Income Approach, and the Sales Comparison Approach. These three approaches are different in character, but related somewhat in the known facts they require. The final opinion of value is derived through a correlation process in which the appraiser weighs one approach against the other to determine the relative merits of each before coming to a conclusion of value. In this appraisal, the Income Approach was relied upon in developing an opinion of value for the mining and golf course portions of the property and the Cost Approach was used in arriving at an opinion of value for the maintenance base portion of the property. In developing an opinion of land value for use as the reversionary interest in the Income Approach, and in the maintenance facility Cost Approach, the Sales Comparison Approach was utilized.

Following is a brief description of the three basic approaches to value.

**The Cost Approach to Value** is the process of first estimating the value of the subject land, to which is added the replacement cost new of the structure, less depreciation and the cost of land improvements. The sum of the costs is the indication of value by the Cost Approach.

**The Income Approach to Value**, as applied to the subject property involves the use of a discounted cash flow analysis (DCF). The discounted cash flow involves a process of estimating future cash flows from ownership of the property over an assumed holding period and discounting these cash flows to present value based on a market rate of return or yield capitalization rate.

**The Sales Comparison Approach to Value** is utilized in this case to analyze residential, commercial, and industrial land sales. A search was conducted to find recent sales of similar properties within the market area. These sales are analyzed with respect to the subject. When a feature of a sale is inferior to the subject an upward adjustment is made to the comparable, and alternatively, when a feature is superior to the subject a downward adjustment is made to the comparable and so on until the appraiser can arrive at an opinion of value for the subject based on this comparable sales analysis.

— *Valuation of Summit Pit (Phase I, II, III)*

The area described as Phase I, II, and III includes land area encompassing 80.89 acres and contains an active gravel pit, on-going King County clean fill and street waste programs and timber resources that are used by King County as large woody debris for enhancement projects.

The valuation analysis that is most appropriate for this portion of the property is the Income Approach utilizing discounted cash flow analysis techniques. Cash flows or cost savings from the use and sale of mining and timber resources, and the cost savings to King County from utilization of the property for fill operations, as well as the proceeds from the eventual sale of the land, after the natural resources are exhausted, are discounted to present value based on a rate of return representative of King Counties cost of capital..

This section contains the discounted cash flow analysis worksheets that were developed in arriving at a conclusion of value for the Phase I, II, & III portions of the subject property. A summary of value conclusions are presented in the following table:

**Phase I,II,III Value Conclusions**

<b>Description</b>	<b>Size (ac.)</b>	<b>Value</b>
Land Reversion (Phase I, II, III)	80.89	\$3,884,000
Aggregate Resource Value		\$22,861,000
Street Waste Program Value		\$5,104,000
Clean Fill Program Value		\$18,000,000
<b>Total</b>	<b>80.89</b>	<b>\$49,849,000</b>

The following table contains a list of the basic assumptions used in arriving at these values, with explanations of the assumptions following the table.

## Discounted Cash Flow Analysis Assumptions

Description	Gravel	Clean Fill	Street Waste	Timber	Land Reversion
Economic life	40 years	40 years	40 years	16 years	year 40
Total production	15,500,000	3,200,000	400,000	-	N/A
- unit of measurement	tons	cubic yard	cubic yard	trees	Lots
Stabilized annual production	300,000	200,000	10,000	-	N/A
Production growth rate/year	3.282%	0.000%	0.000%	0.000%	N/A
Income per unit	\$3.00	\$5.00	\$25.00	\$0.00	N/A
Inflation/Growth Factor	3.300%	3.300%	3.300%	0.000%	4.00%

**Economic Life and Production Levels** – aggregate resources have a useful life that ends when all resources have been mined.

Based on research commissioned by King County, as presented in the Summit Pit Borrow Evaluation Supplementary Geotechnical Investigation dated March 6, 2006, the Summit mine contains sand and gravel resources totaling 9,136,000 cubic yards. A copy of this report is contained within the Addenda to this report. According to various investigations by King County and research conducted by McLucas and Associates, an “in bank” cubic yard at Summit Pit will convert at a rate of 1.70 to 1.82 tons per cubic yard. Using a conversion rate of 1.70 tons per yard, the mine contains sand and gravel resources totaling 15,500,000 tons (9,136,000 yards x 1.70 = 15,531,200 tons). King County has estimated that they have a need for roughly 200,000 tons of sand and gravel resources per year. King County uses these materials for improvement projects and maintenance activities. McLucas and Associates has estimated that a higher level of production would be sustainable by the market, and given these higher estimated production levels, we have made the assumption that King County would sell the excess gravel capacity to others and therefore the entire estimated inventory of gravel would be absorbed over the 40-year holding period; the 7,500,000 excess gravel would be sold primarily between years five and thirty of the holding period using the production levels estimated by McLucas and Associates.

**Timber Resources** – Summit Pit contains timber that King County can use as large woody debris for enhancement projects. Based on estimates provided by King County there is a total of 4,800 trees that could be utilized for such projects. King County has estimated that they will use an average of 300 trees year which

indicates that the timber resources will be used over a 16-year period. We have not valued the timber due to the need for a timber cruise. The value could be provided as a separate analysis and attached to this report.

Fill operations are currently being conducted at the site by King County. King County has estimated that they will take on 80,000 yards of clean fill increasing to levels of 200,000 yards and remaining at this level over the life of the mine, and 10,000 yards of street waste each year. If King County uses Summit Pit for dumping they will avoid dumping fees, and if they take on fill from other public agencies or from the private sector, they expect to earn market dumping fees.

**Income per unit** - the facing page table includes the comparables used in estimating an aggregate royalty rate for Summit Pit. This royalty rate is a market based rate and represents the amount of money King County saves when they use Summit Pit, or if the aggregate is sold, the amount of money that they would receive from a third party for the right to mine gravel. As indicated in the chart, the starting royalty rate for gravel is estimated at \$3.00 per ton with this amount increasing at an average annual rate of 3.30%. The rate is an "in-bank" rate and is intended to reflect the net cash flow to the property owner after all operating expenses and capital costs related to the mining operations have been absorbed. Included in capital costs is a reserve for reclamation.

King County also earns fees and has cost savings that relate to the use of Summit Pit for clean fill dumping, hazardous street waste dumping and timber resources. The production levels and cost savings estimates have been provided by King County and are based on current and expected future levels of activity.

— *Residential Land Sales Analysis (Land Reversion)*

As part of our discounted cash flow analysis, the value of the subject property at the end of the mining operation, or reversion value, must be calculated. This reversion value reflects the likely use of the property, once mining and reclamation work is completed, as a residential subdivision site. Therefore, the first step in estimating the reversion value is to form an opinion of the current land value for the property under such a use, which can then be escalated based on a market derived growth rate to arrive at a future value.

— *Current Land Value*

To arrive at a current land value for the subject, we have considered its potential to support a single-family residential subdivision. In this regard, we have considered an analysis and lot layout performed by Mr. De-En Lang of Lang Associates Inc. Based on his analysis, and under the assumption that absent its current use by King County, the property would be annexed into the city of Maple Valley and zoned R-6, the subject could support 360 single-family lots. As is exhibited on the lot layout, the proposed subdivision would make use of the area under the power lines, which cut across the property, for storm water detention facilities, and potentially a park that would include athletic fields. We note that this layout is conceptual in nature, but represents a good estimate and illustration of the subject's development potential as a residential subdivision site.

With the above factors in mind, we have researched the subject's surrounding area in order to find sales of similar subdivision sites. As such, the sales in the following chart were considered in our analysis and valuation:

**Raw Land Sales Summary**

Sale Identification	Sale Date	Sale Price	Size (ac)	Price/ ac	Units	Price/ Unit	Zoning	Density DU/Ac
1 <i>Hathaway Glen</i> NWC of 216th Avenue SE and SE 276th Street	09/2005	\$850,000	4.87	\$174,538			R6	
	09/2005	\$1,000,000	3.00	\$333,333			R6	
	Total Assemblage		\$1,850,000	7.87	\$235,070	46	\$40,217	
2 <i>Glacier Point</i> 236th Avenue SE at SE 288th Street	09/2005	\$900,000	6.66	\$135,135	29	\$31,034	R6	4.35
3 <i>Kentlake Highlands</i> SE 300th Street, W. of 219th Avenue SE	06/2005	\$1,900,000	10.38	\$183,044			R1	
	08/2004	\$1,515,000	11.10	\$136,486			R1	
	08/2004	\$2,074,500	22.71	\$91,347			R1	
	08/2004	\$3,200,000	25.79	\$124,079			R1	
Total Assemblage		\$8,689,500	69.98	\$124,171	237	\$36,665		3.39
4 <i>Greenbriar Crest</i> 23924 SE 288th Street	05/2005	\$1,600,000	14.71	\$108,770	50	\$32,000	R6	3.40
5 <i>Valley Crest</i> 23816 SE 276th Street	02/2005	\$856,000	5.00	\$171,200	29	\$29,517	R6	5.80
6 <i>Woodridge</i> 26254 Maple Valley Black Diamond Road	01/2005	\$5,765,000	21.68	\$265,913	168	\$34,315	R8	7.75
7 <i>Glacier Park</i> 23633 SE 276th Street	07/2004	\$950,000	4.95	\$191,919	29	\$32,759	R6	5.86
8 <i>The Meadows at Rock Creek</i> 22822 SE 272nd Street	08/2003	\$6,450,000	38.73	\$166,538	241	\$26,763	R6	6.22

— *Reconciliation and Conclusion of Land Value as Residential Site*

While numerous transactions for vacant residential land with subdivision potential have occurred in the subject area over the last several years, the eight sales summarized above are considered to be most pertinent due to their close proximity to the subject property, as well as the more recent sales dates for the vast majority of the transactions. With these factors in mind, the sales indicate a range on a price per acre basis from \$108,770 to \$265,913. In the case of vacant residential land with subdivision potential, an analysis on a price per lot basis typically provides the most meaningful unit of comparison. In this regard, the sales indicate a consistent range from \$26,763 to \$40,217 per lot.

In arriving at a value conclusion, there are very few adjustments to the sales that are required for comparison with the subject property. In other words, all but one of the sales, Sale 3, is within one mile of the subject property. Furthermore, the various sales have a similar range of topography as found on the subject with some consisting of essentially level sites, while others consist of rolling or slightly sloping sites. Lastly, the sales indicate that there is no significant premium or discount associated with size, as there is little, if any, measurable difference between the larger developments and smaller developments reviewed. In fact, the only adjustments of any significance that need to be considered are the upward adjustments to Sales 7 and 8 to account for their older transactions dates.

We have analyzed the sales in comparison to the subject property in order to arrive at an average per lot value. This average per lot value reflects the fact that a number of the potential lots on the subject property would be adjacent to the surrounding golf course. On the other hand, some of the lots would be in close proximity to the power transmission line corridor that cuts across the overall subject site in an east-west direction. The average price per lot conclusion also considers the Mount Rainier and territorial view potential enjoyed by some of the lots that would result from the subdivision of the subject property.

In arriving at an average per lot value, we have considered the fact that some of the lots on the subject property would have values similar to that indicated by Sales 2 and 4. More specifically, Sale 2 is located adjacent to a railroad right-of-way, while a significant portion of Sale 4 is encumbered by a major power transmission line right-of-way. As such, these properties are similar to and would indicate a value for

the potential lots on the subject property near the power transmission line right-of-way that cuts across the subject.

Conversely, a greater number of the proposed lots on the subject property would be located a sufficient distance from the power line right-of-way to reduce its potential impacts on their desirability. Also, a number of the subject lots would be adjacent to and potentially have frontage on the abutting Elk Run Golf course. Furthermore, the large concentration of lots that would likely be located on the southern portion of the site would be afforded potential Mount Rainier views to the south. As such, higher values for these various lots on the subject are supported by the sales that share similar characteristics, the majority of which set the upper end of the per lot value range.

With these factors in mind and considering the sales and their necessary adjustments, an average lot value conclusion for the subject property towards the upper end of the range at \$35,000 per lot is well supported. Once again, this value reflects an average for the various lots that could be developed on the subject property and reflects the likelihood of lower values attributed to those lots adjacent to the power line corridor and higher values for those lots adjacent to the golf course and/or with good territorial or Mount Rainier views.

Utilizing an average value conclusion at \$35,000 per lot and applying it to the subject's potential lots results in the following overall value calculation:

$$360 \text{ lots @ } \$35,000 \text{ per lot} = \$12,600,000$$

This value conclusion equates to \$155,806 per acre for the 80.89-acre site, which is consistent with and within the range indicated by the comparables. In this case it falls towards the lower end of the price per acre range which is considered to be appropriate when taking into account the relatively significant amount of area under the power line corridor. This results in a development that is below the maximum that would otherwise be allowed by the subject's assumed zoning designation.

As referenced previously in this report, the golf course is under lease through April 13, 2029, and the valuation analysis contained herein recognizes this encumbrance of 61.93 acres. However, if the golf course were available for redevelopment, we

would expect this area to yield an additional 310 building lots utilizing the average density per acre established by Lang Associates but adjusted upward somewhat. In these circumstances, we would not expect an overall reduction in lot values without the golf course. Therefore, excluding the 13.68-acre commercial corner of the subject property, the remaining acreage would generate a value of \$23,450,000, as follows:

$$670 \text{ lots @ } \$35,000 \text{ per lot} = \$23,450,000$$

— *Rate of Return Discussion*

King County is an existing user of the subject property and has a track record extending back over many years. The County also has a much lower cost of capital as a municipal entity than the small private equity participants that would be in the market for Summit Pit. Because of the lower cost of capital we have utilized a 7% rate of return assumption in discounting cash flows under the Use Value premise. The following table contrasts Use Value and Market Value discount rate assumptions:

**Discount Rate Comparison**

Description	Municipal Funding	Private Equity Funding
Base funding rate	4.50%	7.50%
Funding costs	0.50%	0.50%
Private equity (small investors)	0.00%	1.00%
Risk factors	2.00%	2.00%
Rate of Return	7.00%	11.00%

— *Elk Run Golf Course Lease Area*

— *Lease Summary*

The subject ground lease is summarized as follows:

Lease Dated            June 14, 2001  
 Lessee:                Covington Golf Course, Inc.  
 Lessor:                King County  
 Leased Premises:    The leased premises is a strip of raw land approximately 300 feet in width located on the perimeter of the County owned

Summit Pit. The ground lease indicates that the golf course premises contain 58 acres. According to King County, surveys they have commissioned show that the golf course property is 69.4 acres. Our consultant, Lang Associates, Inc. has the golf course containing 61.93 acres.

- Term: 35 years; commencing April 14, 1994 and ending April 13, 2029.
- Rent: For the term April 14, 1999 through April 13, 2001 rent was set at \$67,170 per year; then on April 14, 2001 through April 13, 2004 rent was to be adjusted to market of \$82,500 ( $\$825,000 \times 10\% = \$82,500$ ). The next scheduled rent adjustment is April 14, 2006, and then every three years thereafter through the end of the lease term.
- Expenses: Rent is nnn with Lessee paying leasehold excise taxes and other expenses.
- Rent Adjustments: Per the lease, rent was to be adjusted on April 14, 2003, April 14, 2006, and so on throughout the end of the term of the lease. The basis for the adjustment is the change in the fair market value of the leased premises. In arriving at fair market value, the lease indicates that the golf course land shall be valued based on uses such as a golf course or uses compatible with low density residential zoning and not on some potential future zoning that might allow shopping centers, high density apartments, offices or some other high intensity use, the potential value of which would render the golf course financially non-viable. At the inception of the lease, it was anticipated that a probable method of setting future rents would be a method based on a percentage of green fees from all sources ( including but not limited to 9- and 18-hole play, annual seniors, students, tournaments, and special events) against a specified minimum amount. It was understood that future market conditions and practices might indicate some other methodology.
- Other: The golf course is not to interfere with the mining operations of Summit Pit or take any action that would prevent the operation of the Summit Pit mining operations. See Section 5 of the Lease.
- Renewal Options: None

— *Valuation*

***Lease and Land Reversion***

The Elk Run golf course rental rate was last adjusted to \$67,170 per years as of January 14, 1999. This was a negotiated rental rate and it provided an 8% rate of return on the \$825,000 appraised land valuation. Due to economic and other considerations, the rent has not been raised since 1999. The next rent adjustment is due to be made as of April 14, 2006. The parties to the lease could agree to leave rent at the current level for the three years commencing April 14, 2006, or perhaps

**Elk Run Golf Course Lease (58 Acres)  
Valuation Worksheet**

Date of Value		3/1/2006		
Land Area		2,526,480	58 acres	
Land Value	4/14/1999	\$825,000		
Land Rent	4/14/1999	\$67,170		
Rate of Return	4/14/1999	8.14%	8.50% <i>Stabilized</i>	
Land value growth rate		4.00%	310 Lots @ ea.	\$35,000

Lease Year	Lease Start	Lease End	Land Value	Land Rent	Land Value Residential
1	4/14/2006	4/13/2007	\$1,085,644	\$92,280	\$10,850,000
2	4/14/2007	4/13/2008	\$1,129,069	\$92,280	\$11,284,000
3	4/14/2008	4/13/2009	\$1,174,232	\$92,280	\$11,735,360
4	4/14/2009	4/13/2010	\$1,221,202	\$103,802	\$12,204,774
5	4/14/2010	4/13/2011	\$1,270,050	\$103,802	\$12,692,965
6	4/14/2011	4/13/2012	\$1,320,852	\$103,802	\$13,200,684
7	4/14/2012	4/13/2013	\$1,373,686	\$116,763	\$13,728,711
8	4/14/2013	4/13/2014	\$1,428,633	\$116,763	\$14,277,860
9	4/14/2014	4/13/2015	\$1,485,778	\$116,763	\$14,848,974
10	4/14/2015	4/13/2016	\$1,545,210	\$131,343	\$15,442,933
11	4/14/2016	4/13/2017	\$1,607,018	\$131,343	\$16,060,650
12	4/14/2017	4/13/2018	\$1,671,299	\$131,343	\$16,703,077
13	4/14/2018	4/13/2019	\$1,738,151	\$147,743	\$17,371,200
14	4/14/2019	4/13/2020	\$1,807,677	\$147,743	\$18,066,048
15	4/14/2020	4/13/2021	\$1,879,984	\$147,743	\$18,788,689
16	4/14/2021	4/13/2022	\$1,955,183	\$166,191	\$19,540,237
17	4/14/2022	4/13/2023	\$2,033,390	\$166,191	\$20,321,847
18	4/14/2023	4/13/2024	\$2,114,726	\$166,191	\$21,134,720
19	4/14/2024	4/13/2025	\$2,199,315	\$186,942	\$21,980,109
20	4/14/2025	4/13/2026	\$2,287,288	\$186,942	\$22,859,314
21	4/14/2026	4/13/2027	\$2,378,779	\$186,942	\$23,773,686
22	4/14/2027	4/13/2028	\$2,473,930	\$210,284	\$24,724,634
23	4/14/2028	4/13/2029	\$2,572,887	\$210,284	\$25,713,619
24	4/14/2029	4/13/2030	\$2,675,803	\$210,284	\$26,742,164
25	4/14/2030	4/13/2031	\$2,782,835	\$236,541	\$27,811,850
26	4/14/2031	4/13/2032	\$2,894,148	\$236,541	\$28,924,324
27	4/14/2032	4/13/2033	\$3,009,914	\$236,541	\$30,081,297
28	4/14/2033	4/13/2034	\$3,130,311	\$266,076	\$31,284,549
29	4/14/2034	4/13/2035	\$3,255,523	\$266,076	\$32,535,931
30	4/14/2035	4/13/2036	\$3,385,744	\$266,076	\$33,837,368
31	4/14/2036	4/13/2037	\$3,521,174	\$299,300	\$35,190,863
32	4/14/2037	4/13/2038	\$3,662,021	\$299,300	\$36,598,498
33	4/14/2038	4/13/2039	\$3,808,502	\$299,300	\$38,062,437
34	4/14/2039	4/13/2040	\$3,960,842	\$336,672	\$39,584,935
35	4/14/2040	4/13/2041	\$4,119,276	\$336,672	\$41,168,332
36	4/14/2041	4/13/2042	\$4,284,047	\$336,672	\$42,815,066
37	4/14/2042	4/13/2043	\$4,455,409	\$378,710	\$44,527,668
38	4/14/2043	4/13/2044	\$4,633,625	\$378,710	\$46,308,775
39	4/14/2044	4/13/2045	\$4,818,970	\$378,710	\$48,161,126
40	4/14/2045	4/13/2046	\$5,011,729	\$425,997	\$50,087,571

Valuation Table					
Discount Rate	Golf Course Reversion	Ground Rent	Golf Course Value	Residential Reversion	Value Conclusion
6.00%	\$487,251	\$2,369,651	\$2,856,903	\$4,869,623	\$7,239,275
6.50%	\$403,648	\$2,180,566	\$2,584,215	\$4,034,091	\$6,214,657
<b>7.00%</b>	<b>\$334,685</b>	<b>\$2,012,993</b>	<b>\$2,347,679</b>	<b>\$3,344,867</b>	<b>\$5,350,000</b>
7.50%	\$277,747	\$1,864,071	\$2,141,817	\$2,775,821	\$4,639,891
8.00%	\$230,695	\$1,731,354	\$1,962,049	\$2,305,578	\$4,036,932
8.50%	\$191,778	\$1,612,752	\$1,804,530	\$1,916,640	\$3,529,391
9.00%	\$159,561	\$1,506,471	\$1,666,033	\$1,594,667	\$3,101,139
9.50%	\$132,869	\$1,410,972	\$1,543,841	\$1,327,899	\$2,738,872

they would agree to a CPI increase, or opt for a complete revaluation which is permitted by the Lease.

The Seattle-Tacoma-Bremerton CPI index from 1999 to 2006 has increased from 172.8 to 205.8 or a factor of 1.191 ( $205.8/172.8 = 1.191$ ). When this inflation factor is applied to the 1999 base rent of \$67,170, we arrive at a rent estimate of \$80,000 ( $\$67,170 \times 1.191 = \$79,999.47$ ). Utilizing the base land value in 1999 of \$825,000 and increasing it at an average annual rate of increase of 4%, a long term land value trend factor most often used in this market, we would arrive at a current land value of \$1,085,000 and using a market ground lease rate of 8.5%, we would conclude annual rental of \$92,280 per year.

In valuing the subject golf course lease and land reversion, we have elected to use an annual land value growth factor of 4% which is higher than the overall CPI rate of increase since 1999, but it is within the range of land value increases found in the market, between 4% and 10%. In estimating current market ground rent we have used a ground lease capitalization rate of 8.5%.

As referenced above, the lease indicates that ground rent is based on 58 acres, while King County surveys indicate that the size of the golf course property is 69.50 acres and maps indicate that the Golf Course contains 61.93 acres. For purposes of this appraisal, we have continued to use the 58 acres in forecasting ground rent over the remaining 40 years of the mining operation.

We have made the assumption that the golf course portion of the counties property would be converted to a single-family residential use at the end of the mining operation in 40 years. This assumption is based on the increasing demand for single-family housing and the oversupply of golf courses in the area. Elimination of the front nine of Elk Run would still leave the back nine which is sufficient to meet the existing and expected demands of the neighborhood.

#### — *Golf Course Property Conclusion*

The facing page valuation table presents a forecast of land values and ground rents over the 40 year mining operation and provides an estimate of the use value of this portion of the Summit Pit property using the income approach and discounted cash flow analysis techniques. Based on the assumption that land values will increase by

an average of 4% a year, we arrive at a value for the golf course property of \$5,350,000 utilizing the counties estimated cost of capital of 7%.

— **Road Maintenance Base Site Valuation**

The Road maintenance base is being valued as a special purpose facility and the Cost Approach is the appropriate method of valuation. The following table summarizes our estimate of the value to King County of the maintenance facility:

**Maintenance Facility Replacement Cost Summary**

Description	Employee Buildings	Equipment Buildings	Site Costs	Total
Area (sf)	800	4,000	108,900	4,800
Base cost per square foot	\$115.00	\$90.00	\$5.00	
Base cost new	\$92,000	\$360,000	\$544,500	\$996,500
Sales Tax 8.80%	\$8,096	\$31,680	\$47,916	\$87,692
Building & Site Improvements	\$100,096	\$391,680	\$592,416	\$1,084,192
Replacement cost/sf	\$125.12	\$90.00		\$225.87
Soft Costs				\$280,586
<b>Subtotal</b>				\$1,364,778
Add: Developers Margin			10.0%	\$136,478
<b>Subtotal - Building</b>				\$1,501,256
Hazardous waste bays, storm water, and other improvements				\$800,000
Fuel storage and related improvements				\$117,500
Permit costs				\$391,482
Other Improvements				\$1,308,982
Washington State Sales Tax		8.80%		\$115,190
				\$1,424,172
Subtotal				\$2,925,428
Subtotal				\$2,925,428
Contingency		10.00%		\$292,543
Improvement Cost Total				\$3,217,971
			<i>Rounded</i>	\$3,200,000
Add: land value	Acres 13.68	SF 595,847	Value/SF \$6.00	\$3,600,000
Indicated property value				\$6,800,000

The Roads department had estimated that the cost to replace the maintenance base improvements and permits was \$5,900,000. This is substantially higher than the \$3,200,000 we have estimated herein. Some of this difference can be explained by

our elimination of their allowances for demolition, and other similar costs that we assume would be paid by the land buyer and are incorporated in our land value. Other differences relate to the elimination of betterments to the existing facility and base cost estimates.

This improvement valuation is not a determination of the market value of the existing improvements. As stated earlier in this report, the maintenance base improvements would not contribute to the value of the site in a market value transactions. This improvement value estimate represents the value of the facility to King County, which under the use value premise, is best reflected by an estimate of replacement cost new.

In developing an opinion of land value the following industrial and commercial land sales were considered:

#### Industrial Land Sales

ID	Address	Sale Date	Sale Price	Size (ac.)	Price/ac.	Size (sf)	Price/sf	Zoning
1	2300 W. Valley Highway Auburn	08/19/02	\$950,000	3.00	\$316,667	130,680	\$7.27	M1
2	300 "D" Street Auburn	02/19/02	\$452,165	2.01	\$224,958	87,556	\$5.16	M2
3	5900 S. 190th Street Kent	01/05/01	\$1,200,000	4.99	\$240,481	217,364	\$5.52	M1
4	xxx W. Valley Highway Auburn	05/21/03	\$1,075,450	12.28	\$87,577	534,917	\$2.01	M1
5	xxx 50th Street NW Auburn	12/12/03	\$400,000	3.17	\$126,183	138,085	\$2.90	M1
6	3280 "A" Street SE Auburn	07/22/02	\$1,402,683	7.86	\$178,458	342,382	\$4.10	M2
7	4xx 2nd Street NW Auburn	11/12/02	\$300,000	1.40	\$214,286	60,984	\$4.92	M2
8	23237 SE Wax Road Maple Valley	Pending	\$995,000	3.00	\$331,667	130,680	\$7.61	O
9	26217 Maple Valley Highway Maple Valley	05/02/03	\$550,000	2.53	\$217,391	110,207	\$4.99	BP
10	26214 Maple Valley Highway Maple Valley	07/12/02	\$1,550,000	8.90	\$174,157	387,684	\$4.00	BP
11	72nd Avenue S./North of 44th Street NW Auburn	07/14/05	\$4,769,981	23.78	\$200,588	1,035,857	\$4.60	M1
12	SWC S. 192nd/State Route 167 Kent	06/29/04	\$2,068,158	7.91	\$261,362	344,693	\$6.00	M2
Sbj.	22801 SE 272nd Street Maple Valley		\$2,979,504	13.68	\$217,800	595,901	\$5.00	Cond.

### Commercial Land Sales

ID	Identification / Address	Sale Date	Sale Price	Size (ac.)	Price/ac.	Size (sf)	Price/sf	Zoning
<b><u>Larger Sites</u></b>								
1	Wal-Mart Covington	12/15/03	\$7,472,249	16.44	\$454,572	716,039	\$10.44	DC
2	Adagio Apartments & Retail Covington	07/10/01	\$4,800,000	16.00	\$300,000	696,960	\$6.89	DC
3	Future Kohl's Site Covington	02/26/04	\$1,609,000	4.68	\$343,803	203,861	\$7.89	CC
4	Staples Store Kent	12/03/01	\$2,775,000	6.36	\$436,321	277,042	\$10.02	GC
5	27245 172nd Avenue SE Covington	10/05/04	\$1,467,180	3.99	\$367,714	173,804	\$8.44	DC
6	Bowen-Scarff Ford Dealership Covington	04/30/03	\$1,003,500	2.54	\$395,079	110,642	\$9.07	DC
7	SEC of 'C' Street & 14th Street NW Auburn	01/05/01	\$5,300,000	13.00 *	\$407,692	566,280	\$9.36	CI
8	Home Depot Kent	12/01/98	\$4,500,000	11.02 *	\$408,348	480,031	\$9.37	CC
9	Maple Valley Safeway Maple Valley	08/21/98	\$5,300,000	24.44	\$216,858	1,064,606	\$4.98	CC
<b><u>Smaller Sites</u></b>								
10	xxx SE 275th Street Covington	03/01/05	\$250,000	0.72	\$347,222	31,363	\$7.97	DC
11	16200 SE 272nd Street Covington	Active	\$400,000	0.75 *	\$533,333	32,670	\$12.24	DC
12	17625 SE 272nd Street Covington	Active	\$1,250,000	1.22	\$1,027,358	53,000	\$23.58	DC
13	23723 Maple Valley-Black Diamond Road Maple Valley	06/08/01	\$912,000	1.31	\$696,183	57,064	\$15.98	GC
14	252xx Pacific Highway S. Kent	04/06/04	\$280,000	0.57	\$491,228	24,829	\$11.28	GC
15	15423 SE 272nd Street Kent	07/09/04	\$1,330,000	1.80	\$738,889	78,408	\$16.96	CC
16	27211 132nd Avenue SE Kent	05/29/02	\$1,455,000	1.98	\$733,737	86,379	\$16.84	CC
Sbj.	22801 SE 272nd Street Maple Valley		\$3,702,600	8.50	\$435,600	370,260	\$10.00	Cond.

— *Maintenance Base Assumptions*

The following comments and assumptions relate to the valuation of maintenance facility site as summarized in the chart at the beginning of this section:

- The land is valued as a large rural commercial/industrial site and the valuation at \$6.00 per square foot reflects a successful rezone to RB or regional business which supports integrated commercial uses serving regional market areas.
- The \$3,200,000 improvement value reflects an estimate of the cost to replace the permits and improvements that support all of the Roads department and other activities that occur on site. Please refer to the Addenda to this report for a detail of the improvement replacement costs and permit costs.

## CERTIFICATION OF VALUE

I, the undersigned, do hereby certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report and upon which the opinions herein are based 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 interest, either present or prospective 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 subject property, or to the parties involved.
- My engagement in this assignment was in no way contingent upon developing or reporting predetermined results, nor was it based on a requested minimum valuation, a specific value, or the approval of a loan.
- 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
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the subject property
- No one provided significant real property appraisal assistance to the person signing this certification, with the exception of the person(s) shown on additional certification(s), if enclosed.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute



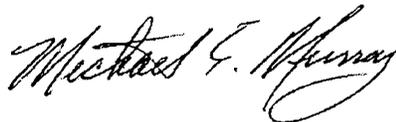
---

Bruce C. Allen, MAI, CRE  
State Cert. #27011-1100695

## CERTIFICATION OF VALUE

I, the undersigned, do hereby certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report and upon which the opinions herein are based 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 interest, either present or prospective 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 subject property, or to the parties involved.
- My engagement in this assignment was in no way contingent upon developing or reporting predetermined results, nor was it based on a requested minimum valuation, a specific value, or the approval of a loan.
- 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
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the subject property
- No one provided significant real property appraisal assistance to the person signing this certification, with the exception of the person(s) shown on additional certification(s), if enclosed.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



---

Michael E. Murray, CCIM

State Cert. #27011-110118

# Addenda

Market value is defined as:<sup>5</sup>

*The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- 1. buyer and seller are typically motivated;*
- 2. both parties are well-informed or well-advised and acting in what they consider their best interests;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Fee simple interest is defined as:<sup>6</sup>

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

---

<sup>5</sup> From *The Appraisal of Real Estate*, Twelfth Edition, 2001, Appraisal Institute, page 23.

<sup>6</sup> From *The Appraisal of Real Estate*, Twelfth Edition, 2001, Appraisal Institute, page 69.

# Summit Pit Borrow Evaluation

# Clean Fill Survey

*Allen Brackett Shedd*  
26027MM - Copyright © 2006

# Maintenance Facility Replacement Cost Estimates

*Allen Brackett Shedd*

26027MM - Copyright © 2006

KC052075

# Elk Run Golf Course Lease

*Allen Brackett Shedd*  
26027MM - Copyright © 2006

KC052076

**Coffin & Associates Report  
McLucas & Associates Report Excerpts**

# Land Associates Residential Land Analysis

*Allen Brackett Shedd*

26027MM - Copyright © 2006

KC052078

## Subject Photographs

# Summit Pit Activity List

# Alternative Street Waste Program Site Plans

# Demographic Data

# QUALIFICATIONS

## BRUCE C. ALLEN, MAI, CRE

### Experience

Engaged in the real estate field since 1962; obtained MAI and SRPA designations in 1972. Appraisal expertise covers the multitude of real estate properties and includes appraisals, market studies, consultation, project management, and arbitration functions. Obtained a designation of CRE (Counselor of Real Estate) in 1992. The Counselors of Real Estate, established in 1953, is an international group of high profile professionals including members of prominent real estate, financial, legal, and accounting firms, as well as leaders of government and academia who provide expert, objective advice on complex real property situations and land-related matters.

### Professional Organizations

Member of the Appraisal Institute (MAI); member of American Society of Real Estate Counselors (CRE); member of the International Right-of-Way Association; King County Board of Realtors; member of the Urban Land Institute; member of Lambda Alpha.

### Offices Held

Past President of Chapter 8 AIREA; past Vice-President of Chapter 8 AIREA; past President of local chapter of SREA; Past national Governor of SREA; Director of AIREA, Chapter 8; Chairman of various committees; Ethics Chairman, Professional Practice, and Admissions.

### Education

Whitman College and University of Washington – Majored in Real Estate.  
Numerous professional courses and seminars.

### Professional Experience and Affiliations

- 1982-Present: *Allen Brackett Shedd (formerly Bruce C. Allen & Associates, Inc.);* Owner - Bellevue
- 1968-1982: *Eastman & Allen Company;* Appraiser/Partner - Seattle
- 1965-1968: *Yates, Wood & MacDonald;* Commercial Brokerage/Mgmt./Appraising Seattle
- 1962-1965: *Appraisal Associates;* Office Mgr./Trainee/Appraiser - Seattle
- 1958-1961: Residential construction during college

### Real Estate Development

Project Manager, partner in developing a variety of projects including vacant land, commercial, and residential condominiums. Projects include *Laurel Park*, a 22-unit townhouse project in Seattle; an 8-unit townhouse project in Seattle; a 64-lot plat in Bellingham; a commercial office building in Seattle; and short plat acreage in Auburn.

**BRUCE C. ALLEN, MAI, CRE (cont.)**

**Representative Client List**

Appraisal and consultation includes the States of Washington, Oregon, Idaho, Alaska, California, and Colorado. Clientele varies, covering all sectors of private, corporate, and public areas. A sampling of clients follows:

**Corporations:**

CB Commercial	Kidder Mathews & Segner	Rabanco
Davis Industries	Koll Company	Sabey Corporation
Dev. Services of America	Microsoft Corporation	Trammell Crow Co.
Elcon Corporation	Nintendo of America	Vicwood Dev. Corp.
Gull Industries	O.R. Colan Associates	Weyerhaeuser R.E. Co.
Heartland	Port Blakely Tree Farms	Windermere Real Estate
Intracorp	Quadrant Corporation	

**Financial Institutions:**

Anchor Savings Bank	Equitable R.E. Invest.	Seafirst National Bank
Bancshares	First Mutual Bank	Security Capital
Bank of America	Frontier Bank	U.S. Bancorp
Cascade Savings Bank	InterWest Savings Bank	U.S. Bank of Washington
Commerce Bank of WA	Key Bank of Puget Sound	Valley Community Bank
Continental, Inc.	Seattle Mortgage	Washington Federal

**Governmental Agencies:**

**Federal**

FAA	Internal Revenue Service	U.S. Department of Navy
General Services Admin.	Revenue Canada	U.S. Army Corps of Eng.

**State of Washington**

Dept. Social Health & Welfare	State of WA Dept. Of Wildlife	Washington State Parks
RTA/Sound Transit	WA State Convention Center	
State Attorney General's Office	Washington State DOT	

**Airports**

Arlington Airport	Moses Lake Airport	Sea-Tac Int'l Airport
Bellingham Airport	Olympia Airport	Snohomish Co. Airport
Friday Harbor Airport	Renton Municipal Airport	Yakima Airport
King County Airport		

**School Districts**

Bainbridge Island	Highline	Renton
Bellevue	Mukilteo	Seattle
Edmonds	Lake Washington	Shoreline

**County**

Clallam	King	Mason	Skagit	Thurston
Grays Harbor	Kittitas	Pierce	Snohomish	Whatcom
Island	Kitsap	San Juan		

**BRUCE C. ALLEN, MAI, CRE (cont.)**

**City**

Arlington	Burien	Kent	North Bend	Seattle
Auburn	Des Moines	Kirkland	Olympia	Sequim
Bainbridge Island	Eatonville	Lk. Forest Park	Redmond	Stanwood
Bellevue	Edmonds	Lynnwood	Renton	Tukwila
Bellingham	Federal Way	Mercer Island	SeaTac	Tumwater
Bothell	Issaquah			

**Ports:**

Port of Bellingham	Port of Grays Harbor	Port of Shelton
Port of Everett	Port of Olympia	Port of Skagit County
Port of Everett	Port of Seattle	Port of South Whidbey

**Utilities:**

NE Lake WA Water & Sewer	Puget Western	Skyway Water & Sewer
Northshore Utility District	Samm. Plateau Water & Sewer	Woodinville Water Dist.
Puget Sound Energy		

**Engineers:**

Dames & Moore	Gardener Consultants	Kato & Warren
Entranco	Golder Associates	Parsons Brinkerhoff
ESM, Inc.	Inca Engineers	RH2 Engineers

**Litigation/Arbitration:**

Qualified as an expert witness in Federal and Superior Courts in the State of Washington. Cases include condemnation, partial takings, air rights, and specific performance.

Betts Patterson & Mines	Hillis Clark Martin & Peterson	Rodgers & Deutsch
Bogle & Gates	Karr Tuttle Campbell	Seattle City Attorney's Office
Buck & Gordon	King County Prosecutor's Ofc.	Short Cressman & Burgess
Demco Law Firms	Ordal Kerruish & Kaseberg	State Attorney General's Ofc.
Erickson & Barkshire	Perkins Coie	Tousley Brain
Foster Pepper Shefelman	Preston Gates & Ellis	Williams Kaster & Gibbs
Graham & Dunn	Port of Seattle	

**Other:**

King Co. Library System	Pierce County Public Works	Trust For Public Land
King Co. Office of Open Space	Snohomish Co. Public Works	

**State Certification Number - General:** 27011-1100695

**Expiration:** 05/16/07

(Revised 05/23/05)

## QUALIFICATIONS

### MICHAEL E. MURRAY, CCIM

#### Education

- June 1976 BA. Business Administration, accounting emphasis, with honors.  
Eastern Washington University, Cheney, WA
- June 1983 Graduate tax work for two years  
Golden Gate University, Seattle, WA
- January 1992 CCIM, Commercial and Investment Real Estate Institute, Chicago, IL  
Completed education and experience requirements and obtained CCIM designation.

#### Appraisal Experience

##### **Allen Brackett Shedd (formerly Bruce C. Allen & Associates, Inc.), Bellevue, Washington**

April 1999 to Present – Senior Associate Appraiser

**RCM Corporation** (Commercial real estate services firm), February 1987 – November 1997, Senior Associate and part owner. Specialized in corporate services, property management, and investment advisory/brokerage services.

**Murray & Associates**, March 1984 – January 1987, CPA specializing in real estate financial management services, including: lease administration, lease accounting, investment analysis and advisory services, property tax assessment analysis and appeals, and other valuation services.

**Bon Marché**, (Regional department store chain, Seattle, WA), July 1977 – February 1984, Tax and Tenancy Manager. Responsible for income taxes, excise taxes, property taxes, licenses, fixed asset accounting, and lease administration. Prepared the capital and operating expense budgets, and served as the Budget and Finance Director for the credit union. Shared in the responsibility of representing the company at various business association functions.

#### Selected Background Information

- *CPA, Washington State, since 1982*
- *CCIM, Certified Member of the Commercial & Investment Real Estate Institute, since 1992*
- *Licensed Real Estate Broker, Washington State, since 1990*

**State Certification Number – General:** 27011-1101118      **Expiration:** 12/04/06

(Revised 12/17/04)

Allen Brackett Shedd

KC052086

### Summit Pit - Royalty Rate Information

Transaction	Date	Royalty \$/Ton	Location	Source	Comments
Cadman	04/01/96	\$2.31	Cadman Pit	King County	Bid Process
Hos Brothers	04/01/96	\$2.14	Cadman Pit	King County	Bid Process
Monroe/Lakeside	10/01/01	\$3.00	North Kelsey	Coffin & Assoc.	Royalty Agreement
Snohomish/Cadman	10/01/01	\$3.00	North Kelsey	Coffin & Assoc.	Bid Process
Confidential	Pending	\$3.50	Confidential	Coffin & Assoc.	Pending agreement
Confidential	Pending	\$3.25	Confidential	Coffin & Assoc.	Pending agreement
Retail Residual Analysis	Current	\$1.09 - \$2.48	Various	McLucas & Assoc	Residual analysis
Independent Evaluation	06/01/04	\$2.50	Covington	King County	Appraisal
Independent Evaluation	06/01/04	\$2.50	Calhoun	King County	Appraisal

Estimates of royalty rates were obtained from Coffin & Associates, McLucas and Associates, and information that King County has on file.

**Coffin and Associates** has concluded that a royalty rate of \$3.00 per ton is the appropriate starting royalty rate for Summit Pit, and they believe that as demographics and logistics force aggregate producers further from demand, rates for "close in" deposits will increase at a rapid rate due to the increase in hauling costs. They believe that market forces will cause the aggregate rate to increase by \$1.00 per ton every 5-years. This is the equivalent of a 3.30% average annual increase over a 40-year holding period.

**McLucas and Associates** prepared two royalty rate estimates. The first took current retail gravel rates from local vendors and applied a 15% royalty factor to arrive at an estimate of \$1.09 per ton. The second analysis was a residual analysis whereby production costs, capital costs and other operating expenses were deducted from the average retail price to arrive at a margin, which they attribute \$1.57 per ton to an average royalty and \$.91 per ton to profit, indicating a margin of \$2.48 per ton. They used A CPI analysis to determine future price increases and concluded an average annual increase of 3.172%.

**Conclusion** - In our opinion, the price for aggregate would be based on the market factors that existed at the time of the transactions and the Coffin analysis more appropriately considers market conditions. Therefore, we have selected the \$3.00 per ton estimate for the appraisal.