

**Appraisal
of
Kellco Property**

*Appraisal of Real Property:
Vacant land*

Location:

1500 130th Avenue NE
Bellevue, Washington

Effective Date of Appraisal:

February 22, 2024

Prepared for:

Michael E. Murray, MAI, CCIM
City of Bellevue
Finance & Asset Management

Appraised by:

Bates McKee, MAI, CRE
Amy Grandstrom, MAI

McKee Appraisal
Real Estate | Consulting

600 1st Avenue, Suite 102-2074, Seattle, Washington 98104
(206) 343-8909 | www.msreal.com

Reference No. 44005



March 18, 2024

Michael E. Murray, MAI, CCIM
Sr. Real Property Agent
City of Bellevue
Finance & Asset Management
450 110th Ave NE
Bellevue, WA 98009

<i>Name:</i>	<i>Kellco Property</i>
<i>Description:</i>	<i>Vacant land adjacent to the Sound Transit 130th Station</i>
<i>Address:</i>	<i>1500 130th Avenue NE</i>
<i>Municipality:</i>	<i>Bellevue, Washington</i>
<i>King County Parcel No.:</i>	<i>282505-9058</i>
<i>McKee Appraisal Reference No.:</i>	<i>44005</i>

Dear Mr. Murray:

At your request, we have prepared the attached appraisal report for the subject property. The subject consists of a vacant parcel of land with commercial zoning located in the City of Bellevue. The subject is owned by the City of Bellevue and is located next to the BelRed Sound Transit light rail station. The property is 37,128 sf, zoned BR-RC1 and has additional FAR rights for 13,003 sf of land. There are permanent wall easements located along the northern property line and this appraisal also assumes that 13,003 sf along the northern and western boundary of the property has been dedicated and that the permanent easements described herein are in effect as of the date of this appraisal.

This is an appraisal of the Fair Market Value of the fee simple interest in the subject property. The definition of Fair Market Value used in this appraisal can be found in the Appraisal Description of the attached report.

This appraisal has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). It has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and is subject to the attached Certification, Assumptions & Limiting Conditions, as well as specific assumptions contained herein. This appraisal has also been prepared in conformity with the appraisal standards and scope of work required by the client.

Bates McKee, MAI, CRE and Amy Grandstrom, MAI of McKee Appraisal have personally inspected the subject property and have substantially participated in the analysis of this appraisal.

As a result of our investigation and analysis, our conclusion is:

<i>Description</i>	<i>Date of Value</i>	<i>Value</i>
Fair Market Value - Fee Simple Interest	February 22, 2024	\$11,700,000

The value estimate is commensurate with a reasonable exposure time of one year.

Respectfully submitted,



Bates McKee, MAI, CRE
WA Certified General Real Estate Appraiser (1100228)



Amy Grandstrom, MAI
WA Certified General Real Estate Appraiser (1101666)

Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- Amy Grandstrom and Bate McKee have made an inspection of the subject property.
- No one provided significant real property appraisal assistance to the person signing this certification
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Bates McKee, MAI and Amy Grandstrom, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.



Bates McKee, MAI, CRE
WA Certified General Real Estate Appraiser (1100228)



Amy Grandstrom, MAI
WA Certified General Real Estate Appraiser (1101666)

McKee Appraisal

Real Estate Services & Consulting, Inc.

Ordinary Assumptions and Limiting Conditions

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

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

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

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

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

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

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

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

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

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

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

Responsible ownership and competent management are assumed.

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

RESTRICTION UPON DISCLOSURE & USE:

This appraisal is intended for use only by the client and intended users specifically identified in the report, and may not be transmitted or communicated to any other party without the specific written permission of McKee Appraisal, Inc. Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the signatories. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

TABLE OF CONTENTS AND INDEX

Certification	i
General Assumptions and Limiting Conditions.....	ii
Restriction Upon Disclosure and Use	ii
Summary of Important Conclusions	1
Subject Photographs	3
Appraisal Description	7
Identity of Property	7
Legal Description	7
Easements and Other Restrictions.....	7
Purpose of Appraisal.....	8
Client and Intended Users	8
Intended Use of Appraisal.....	8
Property Interest Appraised.....	8
Unavailability of Information.....	8
Extraordinary Assumptions and Hypothetical Conditions.....	8
Scope of Work.....	9
Current Ownership.....	9
5-Year Sales History.....	9
Current Agreements of Sale, Options and Listings	9
Exposure Time.....	9
Effective Date of Appraisal.....	9
Date of Report.....	9
Neighborhood Description.....	10
Regional Overview	11
City of Bellevue	11
East Link Light Rail Project	11
Bel-Red / Spring District Neighborhood	12
Market Analysis	15
Apartment Market Analysis.....	24
Office Market Analysis.....	25
Site Description	28
Land Area.....	29
Shape.....	29
Access and Frontage.....	29
Soil Conditions	29
Hydrology and Flood Hazard.....	29
Topography	29
Environmental Conditions	29
Utilities	30

Current Easements/Dedications	30
Future Easement/Dedication.....	30
Current Zoning.....	30
Bel-Red Potential Rezone.....	32
Assessment & Taxes	33
Existing Improvements	33
Functionality/Conclusions.....	34
Highest and Best Use.....	36
Highest and Best Use As If Vacant and Unimproved	36
Legally Permissible.....	36
Physically Possible.....	37
Financially Feasible & Maximally Productive	37
Highest and Best Use As Currently Improved	37
Sale Comparison Approach.....	38
Search for Comparison Data	44
Sale Comparisons.....	44
Adjustments.....	47
ADDENDA	51
Land Sale Comparison Details	
Appraisers' Experience & Qualifications	

LIST OF MAPS AND FIGURES

Aerial Photograph.....	3
ROW Declaration	4
Subject Photographs	5
Neighborhood Map	10
East Bellevue - Apartment Development Summary	27
Site Map.....	28
Site Plan	35
Sale Comparison Photographs	38
Sale Comparison Map 1	40
Sale Comparison Map 2	41
Sale Comparison Map 3	42
Sale Comparison Summary	43
Sale Comparison Adjustment Grid	48

Summary of Important Conclusions

Name of Subject Property	Kellco Site
Address	1500 130 th Avenue NE Bellevue, WA 98005
King County Parcel No.	282505-9058
Property Description	Vacant development site located next to the BelRed Sound Transit East Link light rail transit station.
Detailed Description	<p>37,128 sf, plus FAR rights for an additional 13,003 sf of land that has been dedicated to the City of Bellevue.</p> <p>BR-RC-1 (Bel-Red Residential Commercial Node 1) zoning, City of Bellevue.</p> <p>There is a right-of-way dedication and permanent easements that have not yet been recorded. For the purposes of this appraisal, we have assumed that they are in effect. These will be described in more detail throughout the report.</p>
Highest and Best Use	Development with a multifamily project
Dates of Appraised Values	February 22, 2024
Preparation Date of Report	March 18, 2024
Property Interest Appraised	Fee Simple Estate.
Intended Use of Appraisal	To assist the City of Bellevue with establishing the fair market value of the subject real property for internal accounting and decision making purposes.
Appraisal Certification	Attached
Assumptions and Limitations	Attached
Valuation Premise	This appraisal estimates the “Fair Market Value” (the expected sale price) of the subject property, as if it sells or was sold on the date of appraised value.

Valuation Approaches	The Fair Market Value is estimated by using a single relevant approach to value: the " <i>Sale Comparison Approach</i> ", using an analysis of the sale prices of other comparable properties.
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Aerial Photograph

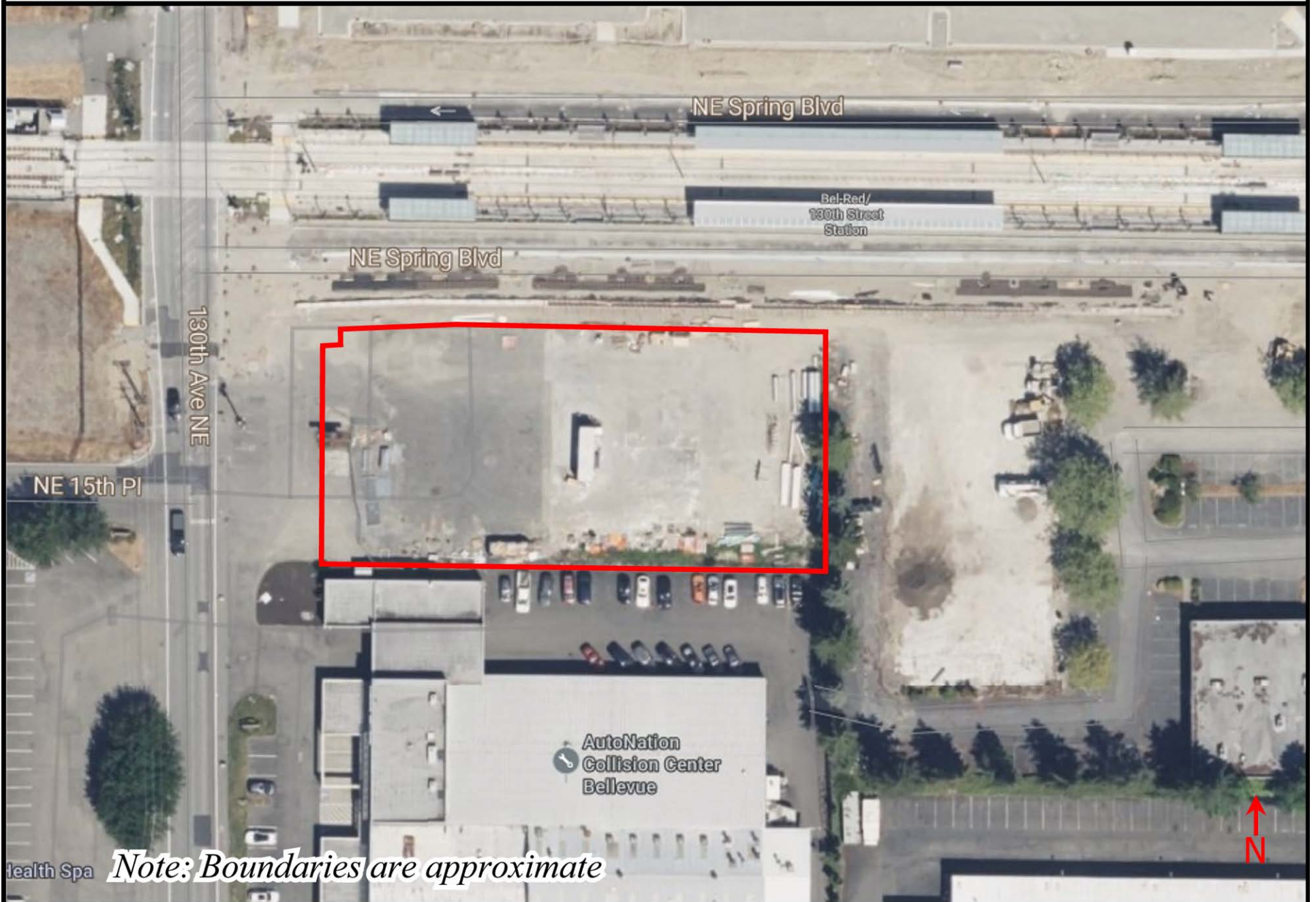
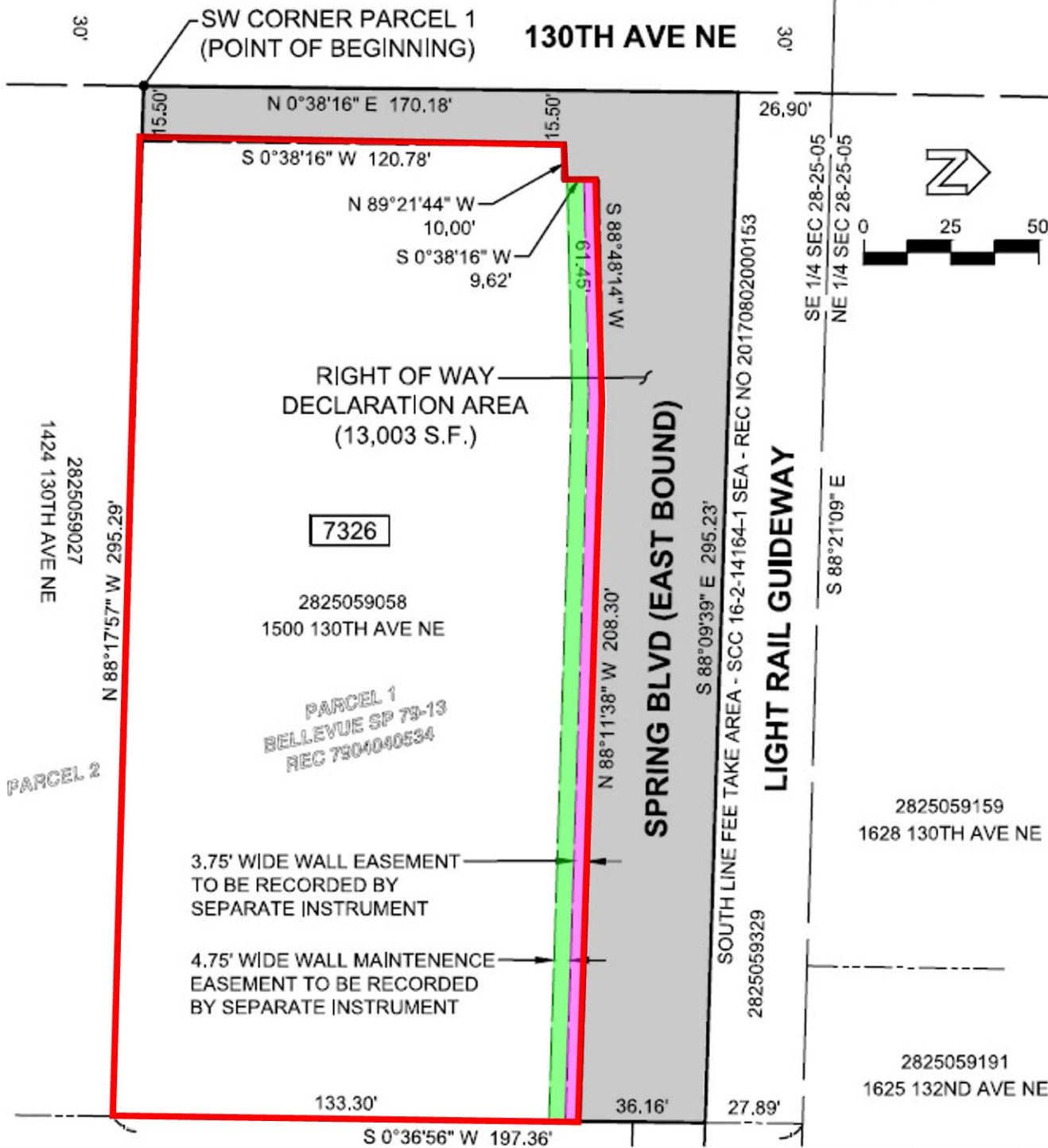


EXHIBIT B

N 0°38'16" E



DRAWING FILE: I:\Active Projects\13006 130th Ave NE\Legals\Exhibits\7326\7326-DED.dwg

RIGHT OF WAY DECLARATION EXHIBIT

PARCEL #7326 - TPN 2825059058

NE 1/4, SE 1/4 S28-T25N-R05E, W.M.

DATE: 11/30/23

DRAWN BY: DVOGT

PROJECT: 13006



Land Survey Division
Finance & Asset Management



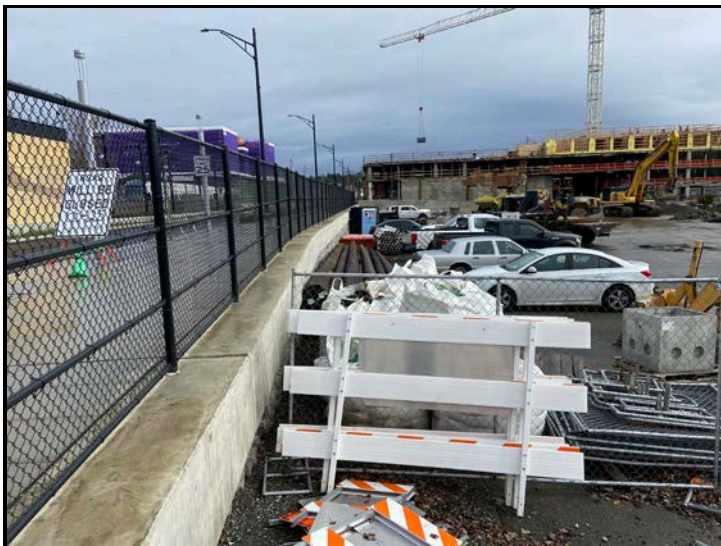
Subject Photographs



New intersection of 130th Ave NE and NE Spring Blvd. The subject is located at the southeast corner of the intersection, adjacent to the BelRed/130th Street Sound Transit Station.



View looking northeast from 130th Ave NE. The former buildings have been demolished with only the sign remaining.



View looking east along the north property line, with subject property to right. The property includes a wall easement and wall maintenance easement for the retaining wall that has been constructed. The sidewalk area north of the fence (in the left of the photo), is assumed to have been dedicated to the City of Bellevue. FAR rights for this area are retained.



View looking west along the northern sidewalk area and Spring Blvd area that is assumed to have been dedicated. FAR rights for this 36' strip of land are assumed to be maintained. The Sound Transit 130th Street station improvements are adjacent to the subject to the north.



Eastern boundary of the subject property. The 292-unit Bellevue Station apartments (Legacy) are under construction east of the subject. Our understanding is that a road and sidewalk will be required along this side of the property.



View along 130th Ave NE looking north. It is assumed that a 15.5' strip of land along this frontage has been dedicated for construction of 130th street and sidewalk improvements. FAR rights for this strip are maintained.

Appraisal Description

Identity of Property

The subject property consists of vacant, commercially zoned land that is located at 1500 130th Ave NE in Bellevue, WA 98005.

Legal Description

Please refer to the maps in this report for a description of the subject property boundaries. The subject consists of a single tax parcel known as King County Assessor Tax Parcel No. 282505-9058.

This is an appraisal of the fee simple (absolute) interest in the property, subject only to the existing and assumed easements, deed or title restrictions of record, and to the four powers of government in the United States (taxation, eminent domain, police power and escheat). To the extent that the property rights may be further divided into different interests by lease, financial encumbrance or otherwise, these separate interests are not appraised herein.

We were previously provided with a title report prepared by First American Title Insurance Company with an effective date of October 24, 2018. From the title report, we are aware of various typical utility easements. We have also appraised the property with several additional easements and dedications as discussed below.

Easements and Other Restrictions

There are several easements and a right-of-way dedication that have yet to be recorded. At the instruction of the client, we have assumed that these are currently in effect. The following property rights are assumed:

- The site area is 37,128 sf. The 13,003 sf street dedication along the northern and western property lines has occurred. FAR rights for this entire area are assumed to be retained.
- There is a 944 sf wall easement and a 1,349 sf wall maintenance easement. The wall has been constructed but it is our understanding and assumption that it may be possible for a developer to use this area as long as a sufficient retaining wall is incorporated. FAR rights are assumed to be retained.
- No temporary construction easements (TCEs) encumber the property at this time.
- At the time of redevelopment, 2,498 sf along the eastern boundary will require dedication for the construction of half of 131st Ave NE. An additional 1,467 sf will also be required for a sidewalk easement. No compensation or impact fee credits are assumed but FAR

rights are assumed to be maintained. The cost of constructing the street, sidewalk and landscaping will be the responsibility of the developer.

We assume that there will be no other easements or other restrictions which encumber the property to a degree that the value or utility would be impaired.

Purpose of Appraisal

The purpose of this appraisal is to estimate the Fair Market Value of the subject property. “Fair Market Value” is the amount in cash which a well-informed buyer, willing but not obliged to buy the property, would pay, and which a well-informed seller, willing but not obligated to sell it would accept, taking into consideration all uses to which the property is adapted and might in reason be applied. (Washington Pattern Instruction 150.08).

Client and Intended Users

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

Intended Use of Appraisal

The intended use of this appraisal is to assist the City of Bellevue with establishing the fair market value of the subject real property for internal accounting and decision making purposes.

Property Interest Appraised

This is an appraisal of the fee simple estate, representing the Fair Market Value of the property rights to an owner of the property without any lease encumbrance but subject to easements and conditions discussed throughout this report.

Unavailability of Information

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

Extraordinary Assumptions and Hypothetical Conditions

This appraisal is subject to the General Assumptions and Limiting Conditions found at the beginning of this report. In addition, the following extraordinary assumptions and hypothetical conditions may have affected the assignment results.

The market value estimate is contemporaneous, but the easements and dedications have not yet been recorded to our knowledge. As an extraordinary assumption, we assume that the subject’s property rights are as described herein.

Scope of Work

The scope of work associated with the appraisal assignment is consistent with the intention to produce appropriate and credible results, considering the requirements and intended use for the client and intended users.

In the course of this appraisal assignment, we have inspected the subject and viewed the surrounding neighborhood. We analyzed the local land and apartment markets. We researched and analyzed land sales of similar zoned and located commercial sites to provide indications of value for the subject. We estimated the current market value of the subject site.

Current Ownership

City of Bellevue

5-Year Sales History

The subject sold December 20, 2019, for \$10,000,000 under eminent domain procedures. The seller was Kellco LLC and the buyer was the City of Bellevue.

Current Agreements of Sale, Options and Listings

There are no current agreements of sale, options or listings to the best of our knowledge.

Exposure Time

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

It is our conclusion that a reasonable average exposure and marketing time for the subject property is one year, and the value conclusion presented in this report is consistent with that period.

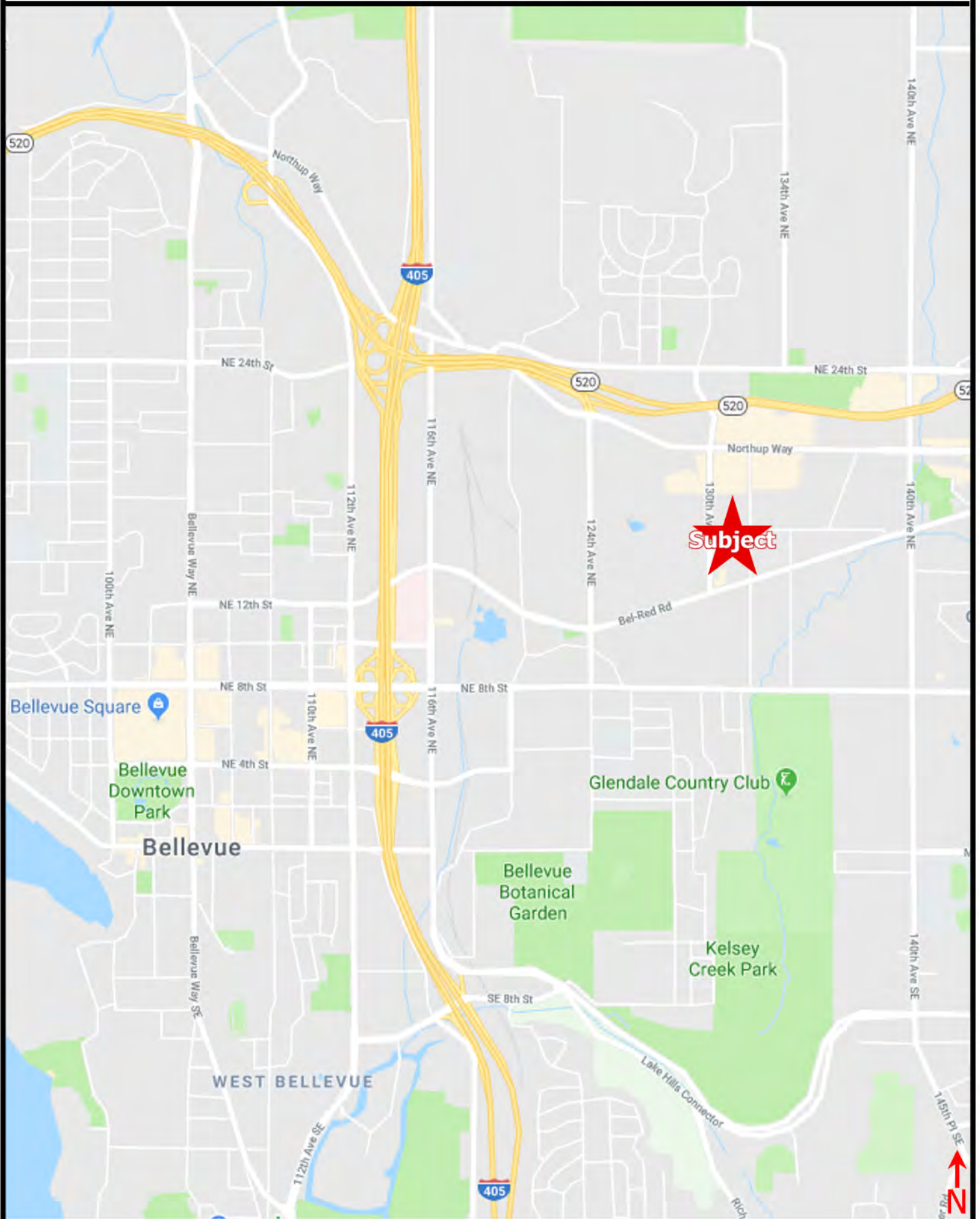
Effective Date of Appraisal

February 22, 2024

Date of Report

March 18, 2024

Neighborhood Map



Neighborhood Description

Regional Overview

The subject property is located within the Seattle Metropolitan area. Overall, it is part of the Greater Puget Sound Area, a five-county area, including King, Pierce, Snohomish, Kitsap and Thurston. The Seattle Metropolitan Area is the focus of economic activity in the Puget Sound area and is the largest metropolitan area in Washington State. The boundaries of this area are essentially City of Everett in the north, the Cascade Mountains in the east, the City of Tacoma in the south, and Puget Sound in the west. For a more detailed discussion and description of the area, please refer to the Seattle Metropolitan Area Description found in the Addenda of this report.

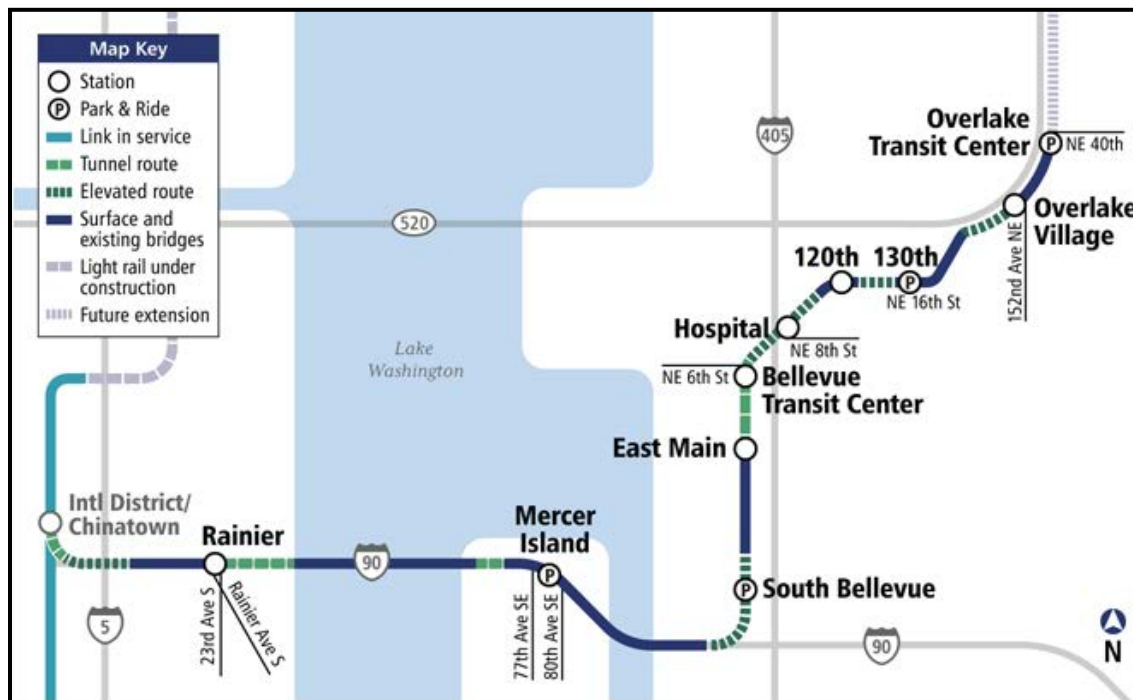
City of Bellevue

The subject is in the City of Bellevue, which is located about six miles east of Seattle and is the center of commerce and population for the overall Eastside area. The Eastside has a combined population of about 530,000 and is forecast to increase to over 700,000 in the next five years. The Bellevue/Eastside area is considered to be one of the most desirable residential and employment areas in the Seattle metropolitan area. It is relatively upscale and has witnessed substantial increases in both population and employment in the last 20 years. The Bellevue Central Business District (CBD) has been the traditional center of Eastside commercial development. The Bellevue CBD has had more potential for development of major commercial properties than many other close-in areas and has been the location of a considerable amount of construction and development in the past several years.

East Link Light Rail Project

The East Link Light Rail is a \$2.8 billion project that will connect the Eastside's biggest population and employment centers to downtown Seattle, SeaTac Airport, and the University of Washington. Ten stations will be constructed along the 14-mile stretch, including in Mercer Island, Bellevue, Bel-Red, and Overlake. The current map of the proposed East Link Route is shown below. The ultimate route runs from the International District/Chinatown Station in Seattle to downtown Redmond. With some delay on the construction of the west portion of Eastlink crossing Lake Washington, the Board decided to open the 8-station East Link segment between South Bellevue and the Redmond Technology station (Microsoft Campus) in Spring 2024, as a stand-alone segment. The remaining East Link stations including the connection with the rest of the existing system is expected in Spring 2025.

The BelRed/130th Avenue Station will be situated to the immediate north of the subject. The light rail will be an attractive feature of the neighborhood and will provide additional transit connectivity for residents, employees and visitors within.

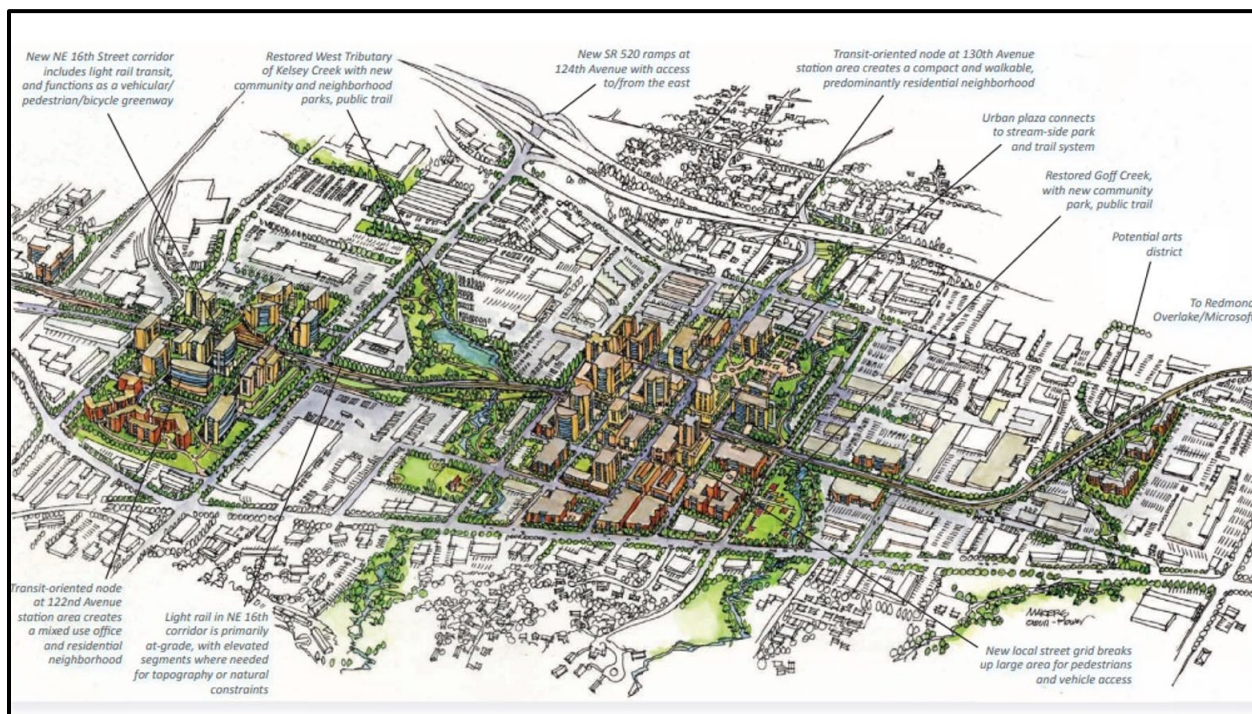


Bel-Red / Spring District Neighborhood

The larger Bel-Red Neighborhood is situated to the north/northeast between the sprawling Microsoft campus to the northeast east and The Spring District to the southwest. Bordered to the north by state route 520, to the south by Bel Red Road, to the west by Interstate 405 and east by NE 148th St, the Bel-Red neighborhood is a quickly redeveloping area, including retail, office. More specifically, the subject property is located at the transit-oriented node at 130th Avenue station. This area is intended to be a walkable predominantly residential neighborhood.

The Bel-Red Corridor neighborhood is an industrial, retail, and office neighborhood located just east of the Bellevue CBD, east of I-405 and south of SR-520. The neighborhood is within the urban growth boundary and strategically located between Downtown Bellevue and Microsoft Overlake. In an effort to rejuvenate this area, the City Council adopted a new set of zoning and development regulations for the Bel-Red Subarea on May 18, 2009. This code and zoning package includes a legislative rezone ordinance; a new section of the Land Use Code specific to Bel-Red (20.25D); amendments to general sections of the Land Use Code (BCC Title 20), the Sign Code (BCC 22.B10) and the Noise Control Code (BCC 9.18).

The Bel-Red Corridor Plan provides for the transformation of a 900-acre urban infill site into mixed use, transit-oriented development, while restoring ecological functions, and creating thousands of new jobs and housing units. Higher density, compact development will be the focus of new neighborhoods, organized around transit stations and connected by a high capacity transit line that spans the corridor. The picture below is a concept drawing of the Bel-Red area, as envisioned by the City.



The largest catalyst for change in the neighborhood has been the Spring District. The Spring District is a transit-oriented development and urban neighborhood that is under construction in a 36-acre area centered around the Spring District/120th station. Major office tenants include Meta and the Global Innovation Exchange, which houses the university of Washington's Master's in Tech Innovation. Upon planned completion in 2028, the Spring District will include 5.3 million sf of housing, office, and retail. It is currently improved with several large urban apartment projects, and several large office buildings.

BelRed/130th Station (formerly identified as the 130th Avenue Northeast Station) serves an area planned for transition into a dense, urban, largely residential community with an active retail street along 130th Avenue. The city is also hoping to restore the Goff Creek corridor and make it an art district focused on arts making, education and development.

The subject is positioned along 130th Aven NE, which is in the process of being redeveloped as part of the 130th Avenue NE Corridor project. The project will transform 130th Ave NE from Bel-Red Road to NE 20th Street. Features of the project include two vehicle travel lanes, protected bike lanes, sidewalks and landscaping, as well as turn lanes mid-block crossings and better lighting.

North of the subject intersection, the road will have a pedestrian-oriented retail focused design with on-street parking.

Many residential projects are recently completed or nearing completion around the 130th/Bel-Red node. This includes the Vicino Apartments (Holland/Nash) along Northrup with 402 units, the Big 1 Apartments at 130th and BelRed, which were completed in 2022, Vulcan's Odina Apartments with 7 stories, 250 units and 163 parking spaces and Legacy's Bellevue Station, located adjacent to the subject to the east. This project is 8-stories with 298 units, 9,600 sf retail and 303 parking spaces.

The subject benefits from good existing local and regional access characteristics. These access characteristics will be improved once the Sound Transit station at 130th Ave is in service, now scheduled for April 27, 2024. At that point the subject neighborhood will be a few stops from downtown Bellevue and Microsoft. When the I-90 portion of the rail system opens in 2025 the area will have direct access to Seattle and SeaTac airport. Multiple studies have shown that transit-connected apartments achieve higher rents than non-connected apartments.

Conclusion

The subject neighborhood is at a focal point of development activity in Bellevue. The catalysts for development include the Bel Red rezone (ongoing), the pending arrival of regional light rail, the development of the Spring District, and the recent development feasibility which has brought many multifamily residential projects to the subject's BelRed/130th Avenue neighborhood. To date more than 2,500 apartment units have been completed or are under construction, with more than 3,500 additional units planned or in planning. The transformation of the light commercial and automotive neighborhood to a mixed use neighborhood with mid-rise urban village hubs is notably transformative. The recent development of the Eastside as a world-class technology employment hub has created demand in general, and the walkable neighborhood situation combined with excellent local and regional access leaves the subject very well positioned within the Bel-Red neighborhood and the greater Bellevue area.

Market Analysis

Economic Conditions

The US economy saw a significant recovery in 2023, with the real GDP increasing at an annual rate of 4.9% in the third quarter. However, the outlook for 2024 is more cautious. Economic growth is expected to decelerate, with J.P. Morgan forecasting a below-trend 0.7% pace of expansion. The Conference Board forecast is fairly pessimistic about 2024, forecasting a short and shallow recession. In January 2024 the Conference Board released the following economic forecast for the US economy:

“We anticipate a tepid start to 2024. While the prospects for a soft landing have risen we continue to believe that volatility awaits the US economy in this year. We forecast two quarters of slightly negative GDP growth in Q2 and Q3 2024 that will be broadly felt across the economy. However, late 2024 and 2025 should usher in a period of lower volatility and greater predictability. Inflation and interest rates should normalize and GDP growth should converge to potential at just under 2 percent.

US consumer spending held up remarkably well in 2023 despite elevated inflation and higher interest rates. However, this trend is unlikely to hold, in our view. Real disposable personal income growth struggled to outpace real consumer spending for much of H2 2023, pandemic savings are dwindling, and household debt is rising (along with delinquencies). Additionally, the growth in ‘buy now, pay later’ plans may also weigh on future spending as bills come due. Thus, we forecast that overall consumer spending growth will slow in Q1 2024 and then contract in Q2 and Q3 2024. However, we do not expect labor market conditions to meaningfully deteriorate. As inflation and interest rates abate, consumption should expand once again in late 2024.

Following a pop in Q2 2023, business investment growth slowed materially in Q3 2023 as interest rate increases made financing activities more expensive. While we expect a slight increase in Q4 2023, in 2024 this trend should intensify as the Fed resists calls to cut rates until mid-year. Residential investment, which had been contracting since 2021, began to grow again in Q3 2023. Persistent demand for homes and a dearth of supply was the driver. However, looking ahead, we do not expect residential investment growth to meaningfully improve until interest rates begin to fall.

Government spending was a positive contributor to growth in 2023 due to federal non-defense spending associated with infrastructure investment legislation passed in 2021 and 2022. However, growth is likely to slow in 2024 and 2025 as infrastructure spend out stabilizes. Furthermore, political volatility surrounding fiscal policy, debt, and outlays could impact government spending over the next few years.

Labor market tightness has been remarkably persistent in 2023, but recent data show some moderation. While this should continue over the coming quarters, we do not expect labor markets to unravel (as was the case in previous recessions). The tightness largely reflects a shrinking labor force as Baby Boomers retire.

Indeed, this persistence should prevent overall economic growth from slipping too deeply into contractionary territory and facilitate a rebound next year.

On inflation, we expect to see steady progress over the coming quarters. Oil, and consequently energy prices, are falling. Meanwhile, price pressures emanating from dwellings and services continue to moderate. Notably, services demand should cool as consumer spending wanes. We expect year-over-year inflation readings to hit the Fed's 2 percent target in Q3 2024. This expectation will trigger rate cuts starting in Q2 2024. We anticipate 25 basis point cuts at every meeting until rates fall below 3 percent in Q3 2025.

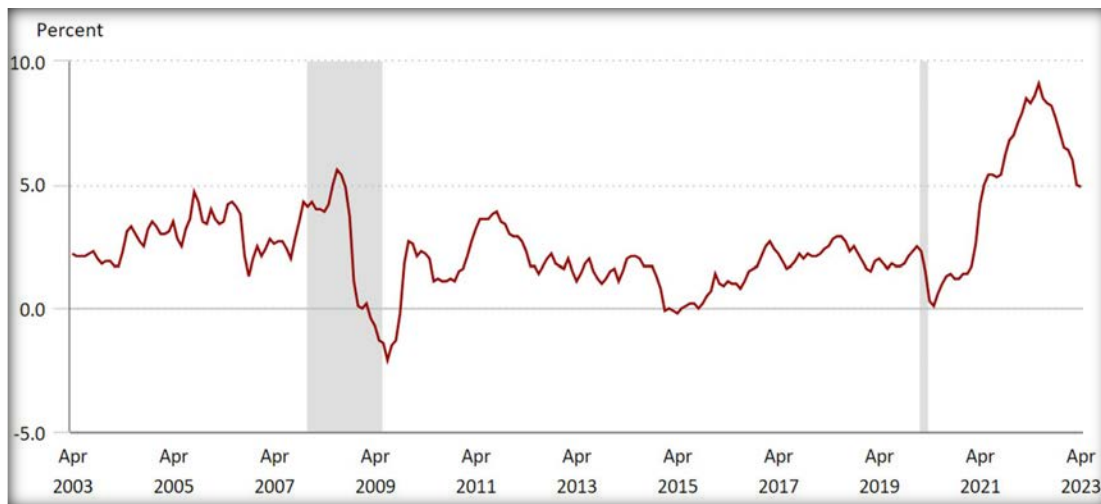
The Conference Board US Economic Outlook, 2022-2025 (Jan)

Percentage change, seasonally adjusted annual rates (except where noted)

Search in table

				2025				2021*	2022*	2023	2024	2025
	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q					
Real GDP	-0.7	-0.4	1.5	1.7	1.9	2.1	2.1	5.8	1.9	2.5	1.2	1.4
Real GDP (YoY)	1.8	0.5	0.3	0.5	1.2	1.8	1.9	5.8	1.9	2.5	1.2	1.4
Real disposable income	0.0	0.0	1.0	1.5	1.8	1.9	2.0	3.2	-6.0	4.2	1.0	1.3
Real consumer spending	-0.8	-1.0	1.0	1.5	1.8	1.9	1.9	8.4	2.5	2.2	0.9	1.1
Residential investment	1.0	1.0	2.0	2.5	3.5	4.0	4.0	10.7	-9.0	-10.8	1.1	2.6
Nonresidential investment	-1.2	-1.2	1.2	2.7	3.0	3.6	3.8	5.9	5.2	4.5	1.2	1.9
Inventory change (bln chn '17\$)	-20.0	-20.0	0.0	0.0	0.0	0.0	0.0	13.0	128.0	40.0	-8.0	0.0
Total gov't spending	2.4	2.2	2.1	2.1	2.0	1.8	1.7	-0.3	-0.9	4.0	3.1	2.1
Exports	1.0	1.0	2.0	2.5	3.0	3.0	3.0	6.3	7.0	2.4	1.4	2.3
Imports	0.0	0.5	2.5	3.0	3.5	3.5	3.5	14.5	8.6	-1.7	0.6	2.6
Unemployment rate (%)	3.9	4.1	4.3	4.2	4.0	3.9	3.9	5.4	3.6	3.6	4.0	4.0
Labor Force Participation Rate (%)	62.5	62.4	62.2	62.1	62.0	62.1	62.1	61.7	62.2	62.6	62.4	62.1
PCE Inflation (%Y/Y)	2.3	2.0	2.0	2.0	2.0	2.0	2.0	4.2	6.5	3.7	2.2	2.0
Core PCE Inflation (%Y/Y)	2.3	2.1	2.0	2.0	2.0	2.0	2.0	3.6	5.2	4.1	2.2	2.0
Fed Funds (% Midpoint, Period End)	5.125	4.625	4.125	3.625	3.125	2.875	2.875	0.125	4.375	5.375	4.125	2.875

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



In summary, uncertainty is present today and likely to remain in the near future. While society has adapted significantly to the many changes brought about by the Covid era, near term economic prospects are neutral. Consumer confidence recently increased and the general attitude is perhaps mid-term optimism as we navigate the many disruptive issues at hand.

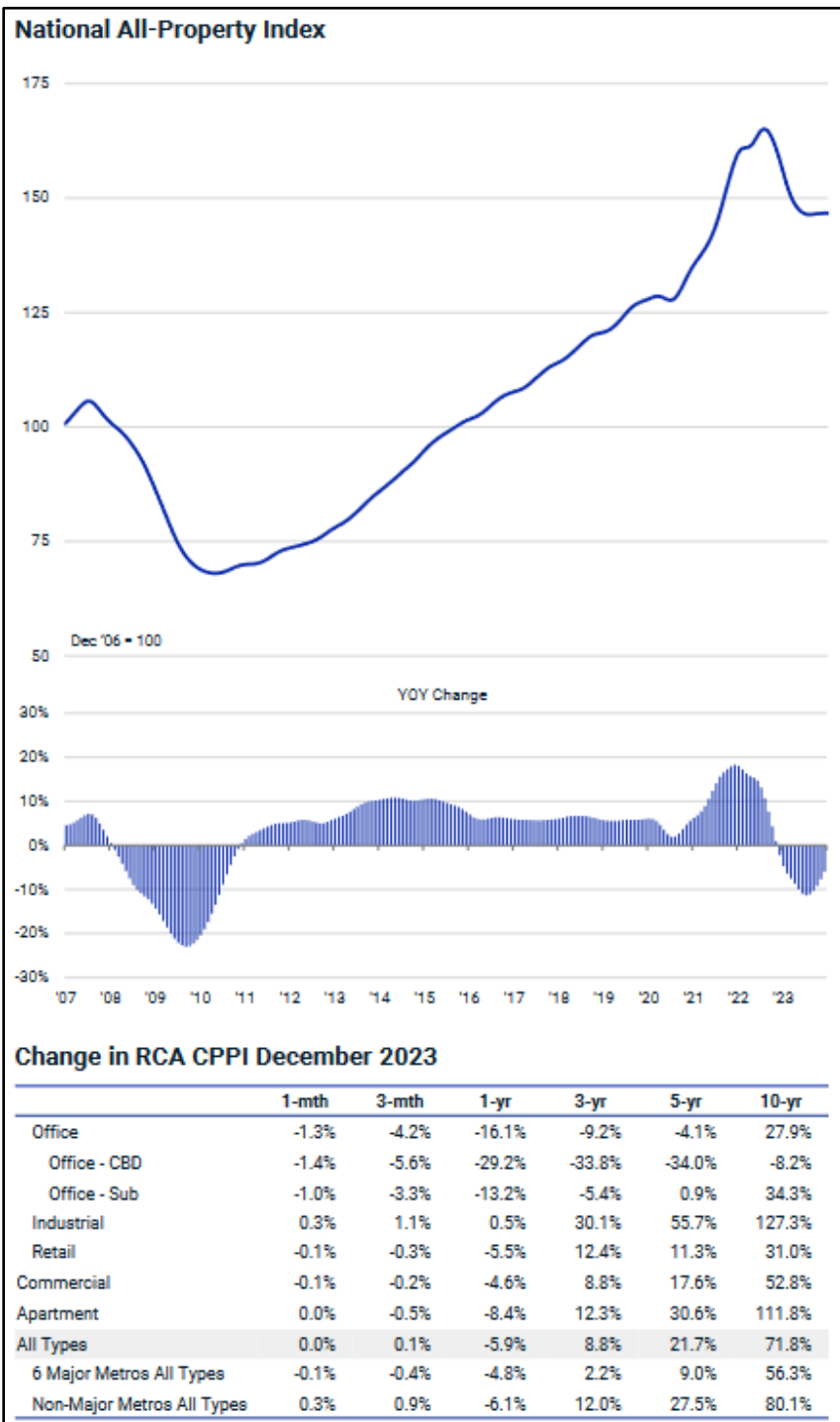
National Market - Value Trends and Sectors

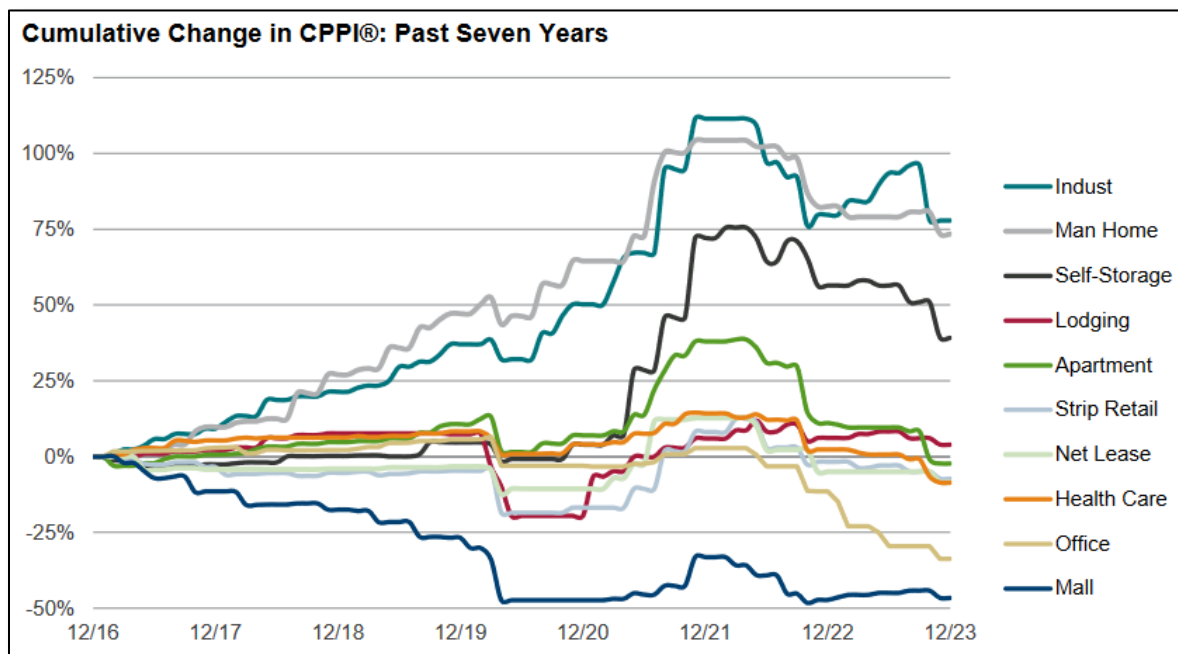
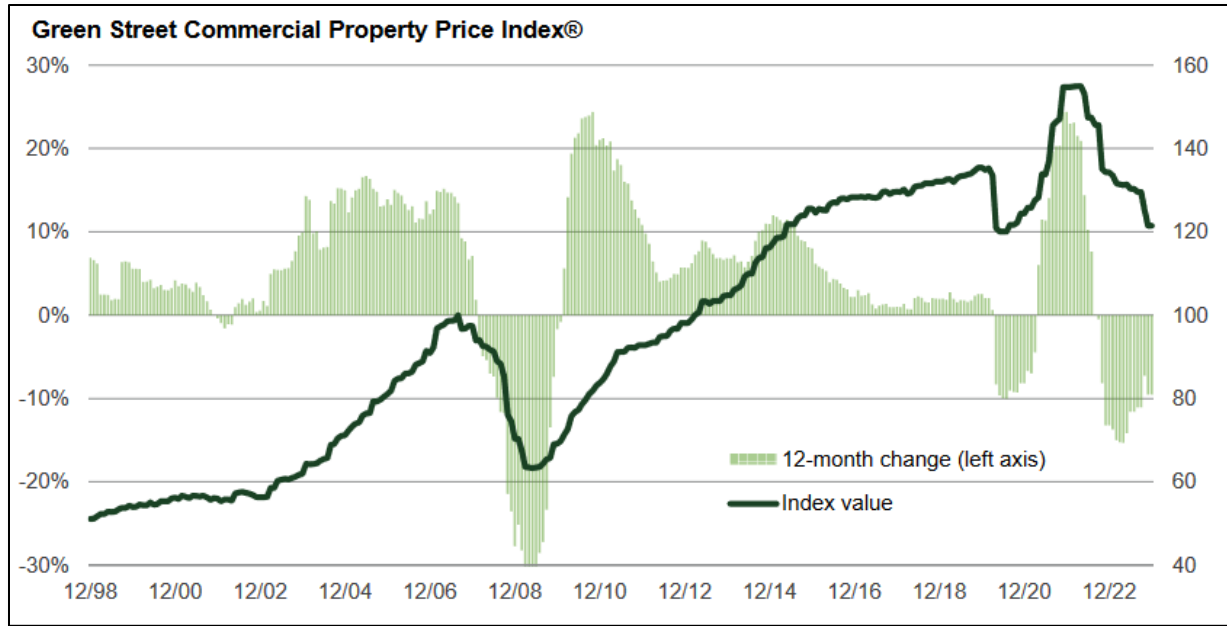
For a broad understanding of the current conditions in the commercial real estate markets, we have consulted several nationally published price indices. First, the Commercial Property Price Index (CPPI) produced by Real Capital Analytics (RCA), reflecting results through November 2023.

This equally-weighted index reflects repeat sales of the same property in which the initial transaction price was \$2.5 million or more. Overall, year over year gains have continued to slide and the index is in negative territory.

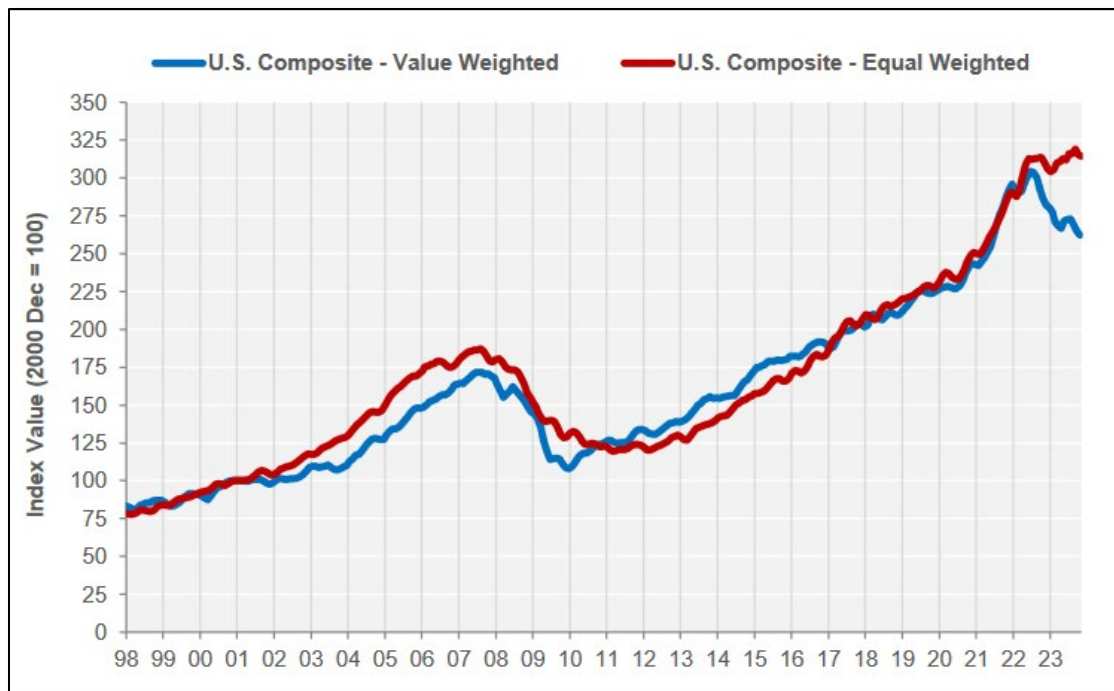
Most asset classes declined during the last 12 month cycle, led by CBD Office -33%. Industrial properties increased slightly YOY. Over the last 3 and 5 year periods all properties show net increases, except Office properties. In general the brief loss in the immediate post-covid period of 2020 saw significant increases in 2021 and the first part of 2022, followed by equally sharp declines from mid-2022 to mid-2023. Most property sectors saw stabilization of values starting in mid-2023.

Another national index, the Green Street CPPI, has REIT data (institutional properties), is value weighted, and is appraisal-based. The Price Index is “a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted”. The overall index reported no change in December 2023 and 22% from the March 2022 peak. The following tables show the overall index for commercial properties, and the sector-specific changes for the last 7 years. All sectors in this report showed no change for the month of December.





A third index is the CoStar Commercial Repeat-Sale Indices (CCRSI), based on repeat sale pairs. The value-weighted U.S. Composite Index, which is more heavily influenced by high-value trades common in core markets. This index ticked down 1.1% over the prior month, and is down 8.3% year-over-year as of November 2023. The equal-weighted Composite Index, which encompasses a broad range of markets and asset classes, gained 1.3% year over year, perhaps indicating overall stabilization of some property situations and sectors.



In summary, recent values have declined fairly significantly, while overall near-term prospects for commercial real estate value is now stabilizing to neutral. With many assets collateralized with term debt arrangements, lenders and investors are very cautious and the near-term availability of capital is low. When capital is available it is at much higher interest rates than typical over the last 10 years, and leveraged returns in particular are under pressure.

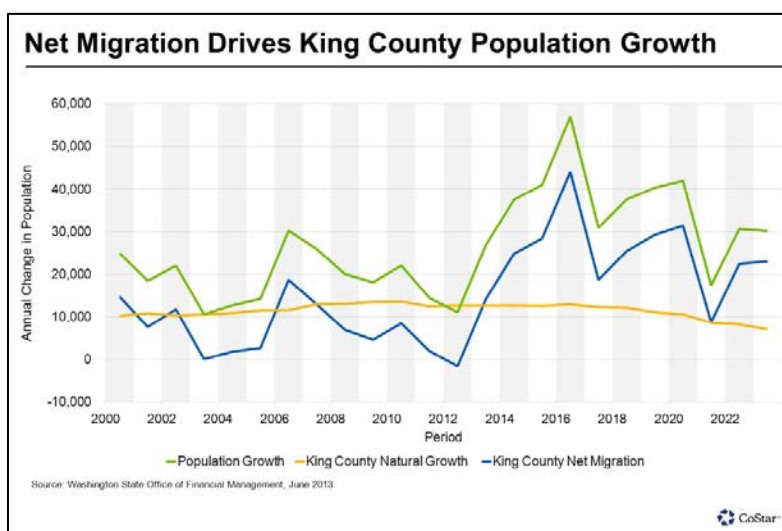
The immediate prospects appear poor for supply compared to demand and for pricing in some sectors, particularly in office, with a significant recent divergence between bid and asking prices, and little price discovery as uncertain pricing and prospects weigh on both equity and debt investors. As in the Great Recession few want to sell for bargain pricing, and strong investors are content to ride out the storm, perhaps having learned that commercial real estate in particular has a limited downside risk relative to many other asset classes, a defensive but rational reaction. However, the rollover of debt will be a problem as lenders have little interest today, and debt coverage ratios will dominate over loan to value ratios. For now, the regulatory stance is moderate, and time will tell if the length of the real estate recession will exceed the patience of owners and lenders.

Seattle Area Economy and Employment Market

The Seattle and Western Washington economies have mostly paralleled the national trends. The Seattle area had remained a relatively bright spot nationally, due to the relative stability and good employment outlook because of its establishment as a world center for software development, as the foundation and headquarter location for two of the three most valuable US corporations (Microsoft and Amazon). These companies directly employ about 100,000 workers in the

metropolitan area, at high average wages of about \$150,000. Furthermore, the employment talent that has flooded the area in the last 10 years creates demand from other market competitors, creating a center of innovation and a nexus of employment growth. These employers notably include Meta and Google, in addition to a wide range of local, national, and international companies ranging from startup to industry leaders. The corporate growth and high wages create some problems including occupant and tenant displacement, homelessness, and high housing prices. Overall, the region provides a positive economic and real estate situation compared to most markets, and the Seattle area remains at the relative forefront of investment demand and value maintenance.

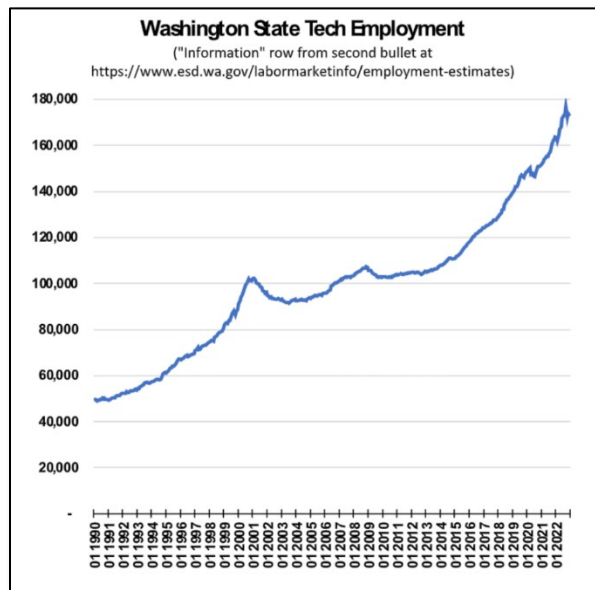
According to a 2022 Brookings Institution report Seattle is one of 8 superstar metropolitan technology hubs in the US, with 159,000 tech workers in 2019, and a cumulative average growth rate of +7.6%/year over the period 2015-2019. These superstar hubs are responsible for the majority of the US tech industry employment growth. According to the Axios-Generation Lab Next Cities Index, which tracks U.S. work and culture trends through geographic preferences, Seattle is America’s most desired post-graduation destination for college students. On the other hand, the Brookings report also identifies the recent trend of decentralization as lowering the net growth rate significantly during 2021, concluding; *“the pandemic years have raised the promise of tech decentralization through remote work and new siting decisions. However, the continued dominance of tech’s long-standing hubs ensures that the “rise of the rest” won’t happen easily”*. The prospects for the Seattle area for continued tech focus and employment growth (accompanied by high wages and prices) appears to be relatively high today. In general Seattle and King County continue to support population and job growth, with Seattle last year accounting for 16,700 or more than half of the population increase in King County in 2022:



The recent announcements of layoffs and employment freezes by the giant technology companies has been a significant change for the Seattle area. Seattle area firms have reported approximately 5,400 in-state layoffs to the state Employment Security Department have announced plans to lay

off 31,000 employees total. However, it is unclear how many of these employees will be centered in the Seattle area and Washington State, and to many this appears to be more like a hiring freeze and realignment and less like a change to negative growth. The layoff plans are small relative to the hiring binge these companies have been on in the Seattle area. The statewide labor market statistics tell the bigger story.

In the last 5 years tech employment in Washington State grew by about 50% from 120,000 to a peak of 180,000 in mid-2022, a growth of 60,000 workers or about 12,000/year, with the majority in the Seattle area which includes about 115,000 tech workers or 64% of the State total in just Amazon and Microsoft. The recent decline to date across all companies has totaled perhaps 10,000 workers, and the 4,298 planned by the four largest amounts to likely 5%-7% of their local tech workers, equivalent to about a year of average hiring over the last 5 years.

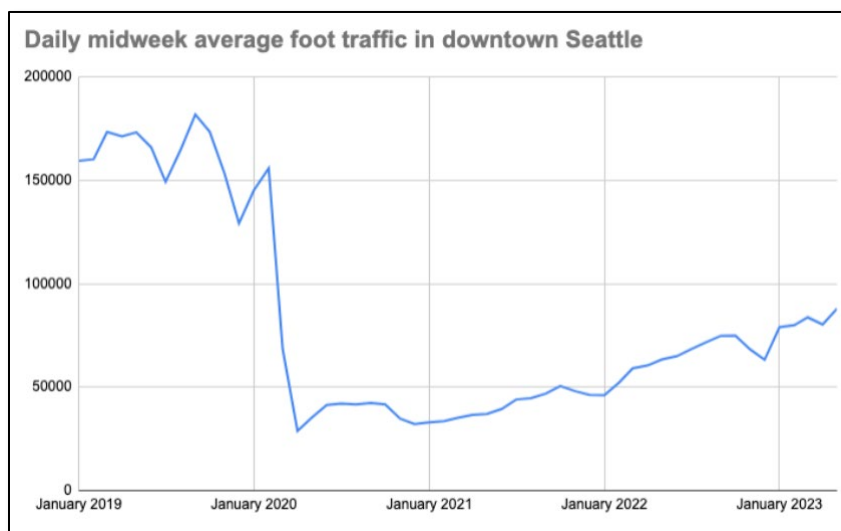


Nevertheless, the climate has changed, and the visible impact of the Seattle area office markets (including Bellevue, Redmond and Kirkland) is particularly notable. Seattle area office building usage has been quite low, consistent with national trends as Covid and the work from home employment situation impacted many of the strongest and largest tenants in the market, including tech companies who are well-equipped to work from home.

In mid-2022 Amazon announced pausing or halting finished construction of 5 office towers in downtown Bellevue totaling over 3 million sf. In 2023 to date Amazon has non-renewed about 800,000 sf in 4 buildings in Seattle, essentially moving employees to Bellevue with about 11,000 employees in Bellevue as of November 2023 according to Amazon. Microsoft meanwhile has been moving employees from leased spaces to their newly-completed campus expansion in Redmond with new and renovated buildings totaling a net addition of 1.3 million sf. The

company has announced 1.75 million sf of non-renewed space in the Bellevue CBD as of late-2023, in addition to about 1.1 million sf in other Eastside offices (Sammamish and Advanta); Meta announced that they will sublease part of the Arbor Blocks and all of Block 6 at the Spring District (not yet open) totaling 515,000 sf. Google passed on an option for a 3rd office campus in Kirkland in January 2023, representing a loss of the planned construction of the campus of about 1 million sf. These decisions speak to a longer-term intention to rein in growth and perhaps wages for at least some of the Seattle area business units in the near term, and along with structural market changes from work-from-home impacting many other companies appear likely to foretell at least several years more of diminished office occupancy and activation in the area office market. Altogether technology employers have announced vacancy of about 4 million square feet of new space on the market this year between lease expirations and new sublease availability.

Estimates for Seattle area office usage in mid-2023, relative to pre-pandemic levels three years ago range are at about 50%, among the lowest in the nation. However, Amazon mandated a return to the office requirement of at least 3 days per week on May 1, and July figures indicate Seattle foot traffic was up 9.5% since the announcement, and up 38.7% from a year ago, with enthusiasm growing that the positive trends may persist.



In summary, while Covid impacts and concerns have finally faded, structural changes to the commercial real estate markets continue to increase the uncertainty and volatility of this investment class. Retail is generally back, travel and visitation is coming back, housing is in short supply with apartment rents and values faring pretty well, and regional growth and other forces have local industrial facilities in high demand and short supply. Inflation, recession and office markets are significant current concerns, and pricing of most real estate is uncertain and concerning.

Apartment Market Analysis

We have first analyzed the local apartment market to better understand supply and demand characteristics for this type of site in the area. We have reviewed the Apartment Market report, prepared by CoStar in January 2024. This report has a detailed and current snapshot of supply, demand, rent, vacancy, and pricing for the regional market.

We have analyzed CoStar data for the larger Bellevue multi-family market. CoStar reports a vacancy rate of 4.9% and year-over-year rent growth of 3.3%. Vacancy is down about 50 basis points from Q1 2023. Demand has been driven by the boom in tech workers, but also families (seeking top rates schools for children) and empty nesters downsizing from high priced homes in the area. The average home price in Bellevue is about \$1,300,000, flat growth over the past year. A typical mortgage for a single-family house would be nearly twice the average rent compared to a Class A apartment. This has kept occupancy stable and prevented many households from purchasing the couple years in the prior low interest rate environment.

We have also analyzed data from the Yardi Matrix apartment information service, which tracks individual properties within the Puget Sound region monthly (projects 50 units and larger). The East Bellevue submarket had a 3.3% vacancy rate as of Q1 2024. The average asking rental rate growth was 3.1% year-over-year.

Next, supply and demand trends have been analyzed based on data for under construction and proposed apartments within this market. Please see the *East Bellevue – Apartment Development Summary* exhibit on the following page for a summary of the under construction and proposed apartments.

Only 5 apartment projects have been completed from 2017 to 2023 in the East Bellevue market (1,460 units). There are 1,111 units under construction as of Q1 2024 in five market rate buildings. There are about 3,600 units in 13 projects proposed in the submarket. Not all of these will be built, and many have been put on hold indefinitely due to recession fears and high construction costs. Construction costs in Seattle rose at the fastest rate in the nation, increasing 7.8% between October 2022 and October 2023 according to a report released by Rider Levett Bucknall. The national average jumped 5.9%. This will continue to impact future projects. Nevertheless, there are two apartment projects nearing completion in the subject's immediate vicinity. This includes Legacy's 288-unit project immediately east of the subject and Vulcan's 249-unit Summerhill (now known as "Odina") project.

Bellevue is now directly competitive with Seattle for both employers and apartment users. Many employees are choosing to reverse commute – living in downtown Bellevue and commuting to Amazon's campus in Seattle. The company now employs about 40,000 employees in Seattle. Trans-Lake Washington light rail service is scheduled to begin in 2025, and the Puget Sound region already is seeing more balanced economic expansion on both sides of the lake.

Office Market Analysis

Asking rents are down 1.1% over the past year and vacancy increased 3.8% to 10.1% overall, according to the January 2024 CoStar Bellevue CBD Office market report. Construction has boomed the past three years due to Amazon.com's presence, although the availability rate is up to 29% (as low as 4.8% five years ago). Much of that is Microsoft space, which pulled out of leased space in favor of owner-occupied space at their Redmond campus.

Recent new leasing includes a 132,000 sf lease by TikTok, leasing six floors in downtown Bellevue's Lincoln Square North tower (floors 23 through 28). This would bring TikTok's total office footprint in Bellevue to more than 242,000 sf.

There is currently about 2.6 million under construction in downtown Bellevue and 3.1 million sf on the greater Eastside. Including recent deliveries and under construction space, projected new area is equivalent of 39% of existing office inventory. Much of this is related to Amazon.com's expansion, but some of this supply may be delayed as Amazon reassess its needs.

The Bellevue City Council is looking to extend an agreement with Wright Runstad on a 36-acre mixed use development to 2037, 10 years later than initially planned. 8 parcels (of the 27) remain yet to be developed in the Spring District.

The Artise, Kirkland Urban South and the Spring District's Block 13 are all projected for delivery in the first quarter of 2024, totaling over 1 million square feet of new space on the Eastside. The buildings are the only fully pre-leased major developments on the Eastside expected to be finished this year. Block 13 in the Spring District will house Meta Platforms once it opens. Including this property, parent company Facebook will have over 1.4 million square feet of leased space in the Spring District. However, it plans to sublease about 330,000 sf.

Another Bellevue tower to be delivered in Q1 2024 is The Eight, a 540,000-square-foot office building developed by Skanska. Although there are no tenants, Pokemon Co. may be eying up to 56% of the tower.

There have been several Life Science projects planned (including the Alexandria site as discussed in the Sale Comparison Summary). Additionally, Shorenstein is planning to convert about 20% of the 2601 Elliott Ave 340,000 sf to Life Science (from traditional office). In a press release, Shorenstein noted in December 2023 "Life-science tenants are much more prevalent in the current marketplace, and ultimately provides the best chance at re-populating the building" in regard to the recently purchased 2601 Elliott Ave. While the number of overall potential tenants is diminished compared to traditional office/tech users, that segment appears to be strong.

Overall, the office market appears to be potentially oversupplied for a number of years. While this could change if company work habits or mandates change (transitioning to less remote work

and more in-office operations), recent events post-Covid have irrevocably changed the office market. With vacancy high and rising, and with construction costs and land costs remaining high, the feasibility for new speculative office development is questionable at best, and in the office market owners are taking a long-term perspective and mostly planning to weather the storm if possible. The life science sector was recently quite strong and represents some opportunity for commercial development, as the region continues to rise as a center for life science businesses.

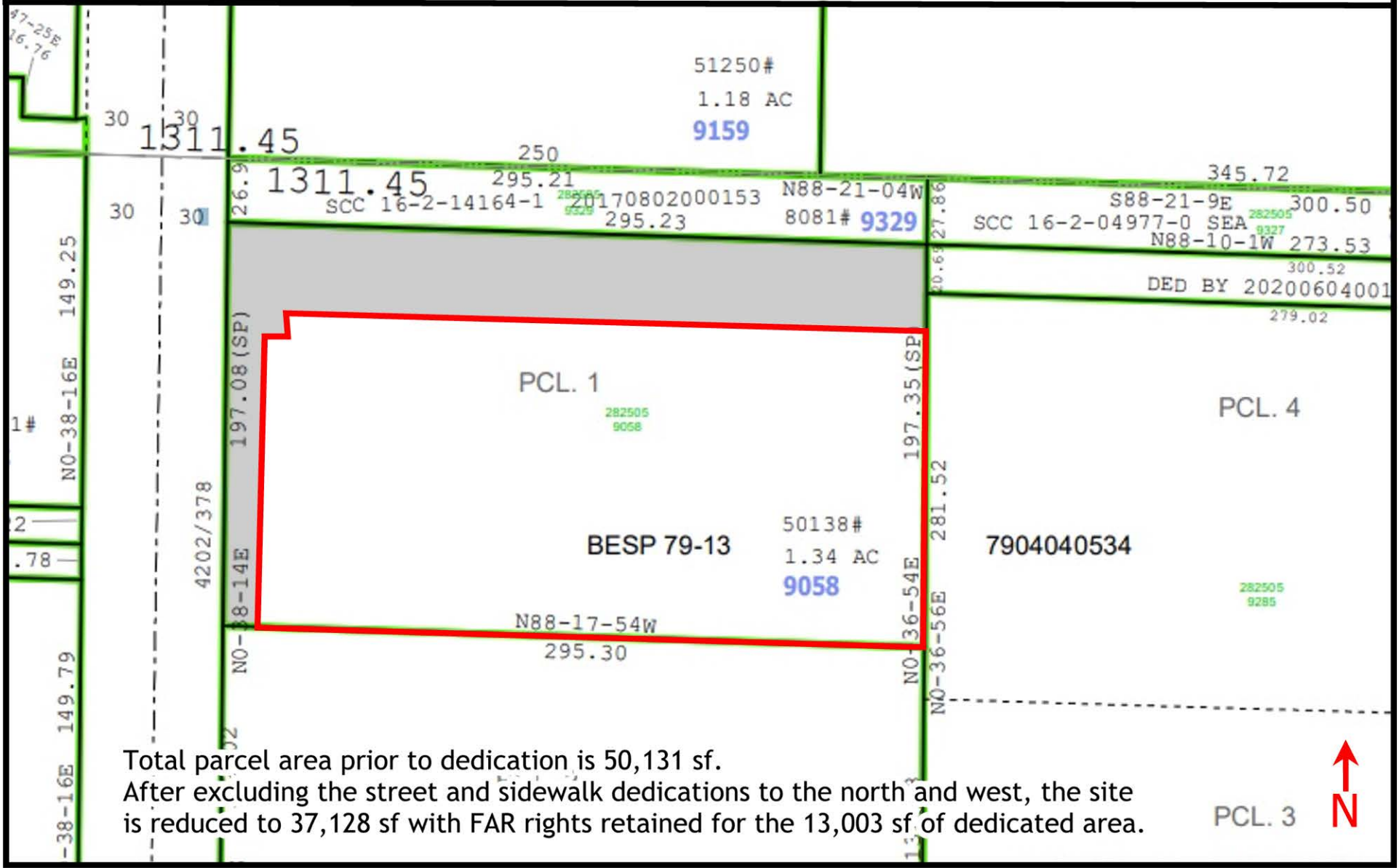
Bellevue is a particularly interesting situation, with a number of buildings under development or completed which are leased by Amazon. Amazon has stated an intention to have 25,000 employees in Bellevue, and has achieved about 11,000 to date. This may take some time, although the trend of moving employees or groups from Seattle to Bellevue provides ongoing immediate potential and impetus. However, it will likely be some time until Amazon needs more buildings as they will likely gradually absorb their existing and under construction inventory. At the same time Microsoft is vacating City Center and Lincoln square as they consolidate their operations to the main campus after a major expansion. This was not a surprise, but the immediate task at hand in the CBD is to absorb available and under construction space. Overall, the growth to date has been impressive and the future prospects appear reasonable for the close-in markets, but uncertain in the more suburban markets, including notably the I-90 market. There is little expectation of near term speculative development in the straight office sector, and overall this market has significant uncertainty for the foreseeable future.

Former Kellco Site
East Bellevue - Apartment Development Summary

Source: McKee Appraisal, Yardi Matrix (50+ Unit Projects)

Units	Stories	Completion	Property Name	Street No.	Street
<u>Apartment Completions: 1/2017-2023</u>					
309	5	8/2017	Sparc	1201	121st PL NE
279	8	3/2019	Arras	12282	NE 12th Lane
50	3	5/2019	CityScape II	558	121st PL NE
618	7	5/2019	Hyde Square-partially aff.	2030	155th PL NE
<u>204</u>	6	9/2020	AMLI Spring	1375	121st Ave NE
<i>Total:</i>	1,460				
<u>Apartments - Under Construction</u>					
95	<i>Affordable only</i>		Eastgate	13638	SE Eastgate Way
92	<i>Affordable only</i>		Eastgate	13620	SE Eastgate Way
<u>360</u>	<i>Affordable only</i>		Eastgate-Polaris	13300	SE Eastgate Way
547					
172	7		Big 1	13000	Bel-Red Road
288	8		Copal	1525	132nd Ave NE
249	8		Ondina-Vulcan	1600	132nd Ave NE
<u>402</u>	9		Vicino-Holland	12863	Northup Way
1,111					
<i>Total:</i>	1,658				
<u>Market Rate Apartments - Proposed</u>					
274			Alexandria	1445	120th Ave NE
132			Pine Forest	1215	120th Ave NE
496			OMFE (market rate)	N of 1601	120th Ave NE
355			Henbart Apts	1700	132nd Ave NE
88			88 Degrees	1733	127th Ave NE
201			Amity Court	14400	Bel-Red Rd.
408			Bel-Red 130	1422	130th Ave NE
238			Holland Chambers	1831	130th Ave NE
93			SpringVue	12727	Northup Way
397			Summerhill Highland Park	14125	NE 20th St
390			Alexan Eastgate	3002	139th Ave SE
300			Eastgate-Cascade Yard	3380	146th Place SE
<u>224</u>			Crossroads	15600	NE 8th Street
<i>Total:</i>	3,596				

Site Map



Total parcel area prior to dedication is 50,131 sf.
 After excluding the street and sidewalk dedications to the north and west, the site is reduced to 37,128 sf with FAR rights retained for the 13,003 sf of dedicated area.

Site Description

Please refer to the “Site Map” located at the beginning of this section, for a visualization of the boundaries of the subject property. The “Site Plan” within this section also provides an approximate illustration of the current easements and future road/sidewalk dedications at the subject property.

Land Area

The subject tax parcel has a site area of 50,138 sf, which is consistent with the surveyed area of 50,131 sf. However, this includes 13,003 sf of area to be dedicated along Spring Blvd to the north and 130th Avenue to the west. The Floor Area Ratio (FAR) rights associated with this dedicated land are maintained. We have assumed that this portion has been dedicated for the purposes of this appraisal.

The subject land area is: **37,128 sf.**

Shape

The subject site is rectangular.

Access and Frontage

There is approximately 130’ of frontage along 130th Ave NE (after the northern strip is dedicated). It also has 280’ on Sound Transit’s right-of-way to the north (Spring Boulevard). The subject is accessible directly from 130th Ave NE. At the time of redevelopment, the subject will be required to construct half of 131st Ave NE along its eastern frontage, as discussed in more detail below.

Soil Conditions

We have not been provided with a soils report. We assume that the soils are adequate to support any future development. Nearby properties have been developed.

Hydrology and Flood Hazard

The subject is located on FEMA Flood Map Panel 53033C0656 G in Area X, with a limited flood hazard.

Topography

Generally at grade with 130th Ave NE. The subject site is essentially level, with a slight downward slope to the south. It is below grade of Spring Street to the north and the parcel to the east and there are low retaining walls along these frontages.

Environmental Conditions

We have not been provided with environmental reports and specifically assume that there are no environmental conditions that encumber the subject site or would impact the value.

Utilities Public utilities are available to the site including water, sewer, storm sewer, natural gas and electricity.

Current Easements/Dedications

The easements and dedications have not been recorded but we have assumed that they are in place at the time of appraisal. This includes a 36' dedication along Spring Blvd to the north for street, sidewalk and utility improvements and a 15.5' dedication along 130th Ave NE to the west for sidewalk/utility improvements. The City will improve these areas with sidewalks at no cost to the owner. It is our understanding and assumption that the entire 13,003 sf that is dedicated can be included in the site area for the purposes of density calculations. We note the sidewalk along Spring Street has already been constructed but the 130th Ave NE sidewalk improvements have not.

A roughly 3.5' wide wall easement runs along the north boundary of the property. This area will accommodate a relatively short wall between the subject property and the sidewalk. The wall is necessary given the slight sloping at the north end of the site. It will be approximately 6' tall and has been constructed. However, it is our understanding and assumption that the wall may be removed in the future if a property owner wanted to redevelop within this area. Parallel to the wall easement will be a roughly 4' wide wall maintenance easement, which will allow the City or its contractors onto the subject site to inspect, maintain, and repair the wall. If the wall were removed, this easement, along with the wall easement, would be terminated.

Future Easement/Dedication

It is our understanding that a 20' strip of land along the subject's east side will need to be dedicated to the City for a future right-of-way, when the property is redeveloped (to be known as 131st Ave NE). We understand this dedication will not be eligible for impact fee credits, although the land area may be used for calculation of development density on the site. An additional 11' along the east side of the site will need to be dedicated for a sidewalk easement at the time of redevelopment. Construction of these improvements will be at the cost of the owner/developer.

Current Zoning

The subject is zoned Bel-Red Residential/Commercial Node 1 (BR-RC-1), a high-density district within the Bel-Red Subarea overlay that took effect after a 2009 rezone of the neighborhood. This designation, and specifically the higher zoning density allowing much larger building development, was established specifically around "nodes", or areas immediately surrounding the planned light rail stations.

The purpose of the BR-RC-1 district is “to provide an area for a mix of housing, retail, office and service uses within the core of a nodal area, with an emphasis on housing. The district is limited in extent in order to provide the level of intensity appropriate for areas in close proximity to the highest levels of transit service within the BelRed area.”

Permitted land uses include residential, such as multi-family structures, hotels and motels, senior housing, nursing homes and assisted living facilities. Most retail and service uses are also permitted, as well as office, medical office, and research and development uses. No manufacturing uses are permitted.

The following development standards apply in the BR-RC-1 zone:

Minimum front setback:	0' except where building height exceeds 45' and the building is located within 15' of the front property line, the building shall incorporate a 15' stepback in that façade at a height no more than 40' above average finished grade of that façade.
Minimum rear setback:	0' unless building height exceeds 80' then floors above 40' have rear setback of 25'. A minimum of 50' separation for buildings on the same site over 40' for buildings that exceed 80'.
Minimum side setback:	0' unless building height exceeds 80' then floors above 40' have side setback of 25'. A minimum of 50' separation for buildings on the same site over 40' for buildings that exceed 80'.
Maximum Impervious Surface/ Lot Coverage:	75% Impervious surface includes any structure of other non-vegetated surface affixed to the ground including pedestrian facilities constructed of solid surfaces including pavement. Therefore, the sidewalk easement would likely be considered largely an impervious surface.
Maximum building height:	150'
Base FAR:	1.0
Maximum FAR:	4.0

Max SF per floor above 40':	Non-residential buildings: 28,000 sf
	Residential Buildings not exceeding 80': 28,000 sf
	Residential Towers exceeding 80': 12,000 sf between 40' and 80'; 9,000 sf above 80'

Max heights and FARs can only be achieved through amenity bonuses. Amenity bonuses can be attained through the use of affordable housing, park dedications, park improvements, trail dedications and easements, stream restoration, or transfer of development rights.

Minimum and maximum parking requirements in the BR-RC-1 zone vary depending on the nature of the use. Examples include:

<u>Type of Use</u>	<u>Minimum</u>	<u>Maximum</u>
General/Professional Office	2.0/1,000 sf	3.5/1,000 sf
Medical/Dental Office	3.5/1,000 sf	4.5/1,000 sf
Residential	0.75/unit	2.0/unit
Restaurant/Bar	5.0/1,000 sf	15.0/1,000 sf
Retail/Personal Service in Mixed Use	2.0/1,000 sf	3.5/1,000 sf
Senior Housing: Congregate Care	0.25/living unit	1.0/living unit

Inside nodes, no parking is required for retail and restaurant and/or bar uses under 2,000 sf when the use is: directly adjacent to a public on-street parking supply of at least 20 spaces within 500 feet, or within 1,000 feet of a public parking garage, or within 500 feet of a light rail or bus rapid transit station.

Bel-Red Potential Rezone

The City of Bellevue is currently reviewing the BelRed Subarea Plan and land use code to determine if they are achieving the BelRed Vision. The outcome of this review will be a Comprehensive Plan Amendment (CPA) to the BelRed Subarea Plan that reflects new information, strengthens implementation strategies, increases capacity to meet new citywide housing and job targets, and provides clear guidance to facilitate implementation including a Land Use Code Amendment, capital investments, partnerships, and development review. This process is scheduled for completion in 2024 after public meetings, and could result in rezoning or other changes that may impact the capacity or development of the subject. In general, the intent appears to be to increase development capacity in selective locations (upzone), and to emphasize residential and retail in station node areas.

Although specific land use code amendments have not been drafted, it is our understanding that the preferred alternative in the EIS analysis would allow for a 250' height at the subject site. Average achieved FARs are anticipated at 5.2 with a maximum FAR of 6.0 (the base FAR would remain at 1.0). It is anticipated that the policy changes will be adopted by September 2024 or the end of the year at the latest with land use code amendments occurring in 2025.

Most developers today are electing to develop wood frame apartments over concrete podium and parking levels. This type of construction is apparently the most financially feasible in terms of cost/benefit maximization. As demonstrated by the actual achieved densities, other developments in the vicinity of the 130th Station are achieving actual FARs with this type of construction that are generally more than 3, but less than the 4 allowed under the current zoning. In examining many similar Eastside developments, this is the typical density achieved on similar sites.

The implication is that the allowance for even greater height and density under a rezone may not result in a change to preferred development and achievable density. The specific nuances of site geometry and conditions, soil conditions to support more underground parking, and incentives/costs for achieving additional density beyond base FAR are all factors that would be considered. With the advent of mass timber construction (which may extend the feasible construction height of buildings beyond about 7 stories and still meet fire codes, without the use of steel construction) is a positive factor that could increase achieved density, but this has not yet been widely deployed.

In summary the rezone may be fairly substantial, and could only be a positive value factor, and we have considered this in our analysis and reconciliation of value. A buyer today would see a feasible path under current zoning with traditional development, and the speculative rezone with additional height and density allowance is a positive factor but may not be of significant additional value today, with residential multifamily development as the prominent driver of demand in this market today. Office development is not feasible today, but would more likely take advantage of and recognize greater value in the new zoning, or perhaps the zoning in the future will be a larger factor for multifamily as the market evolves. Depending on the specifics of the rezone when enacted we nevertheless see some positive impact to land value as a result of the rezone prospect.

Assessment & Taxes

King County does not provide assessment data for public properties. Parcel No. 282505-9058 is currently owned by the City of Bellevue and is therefore tax exempt.

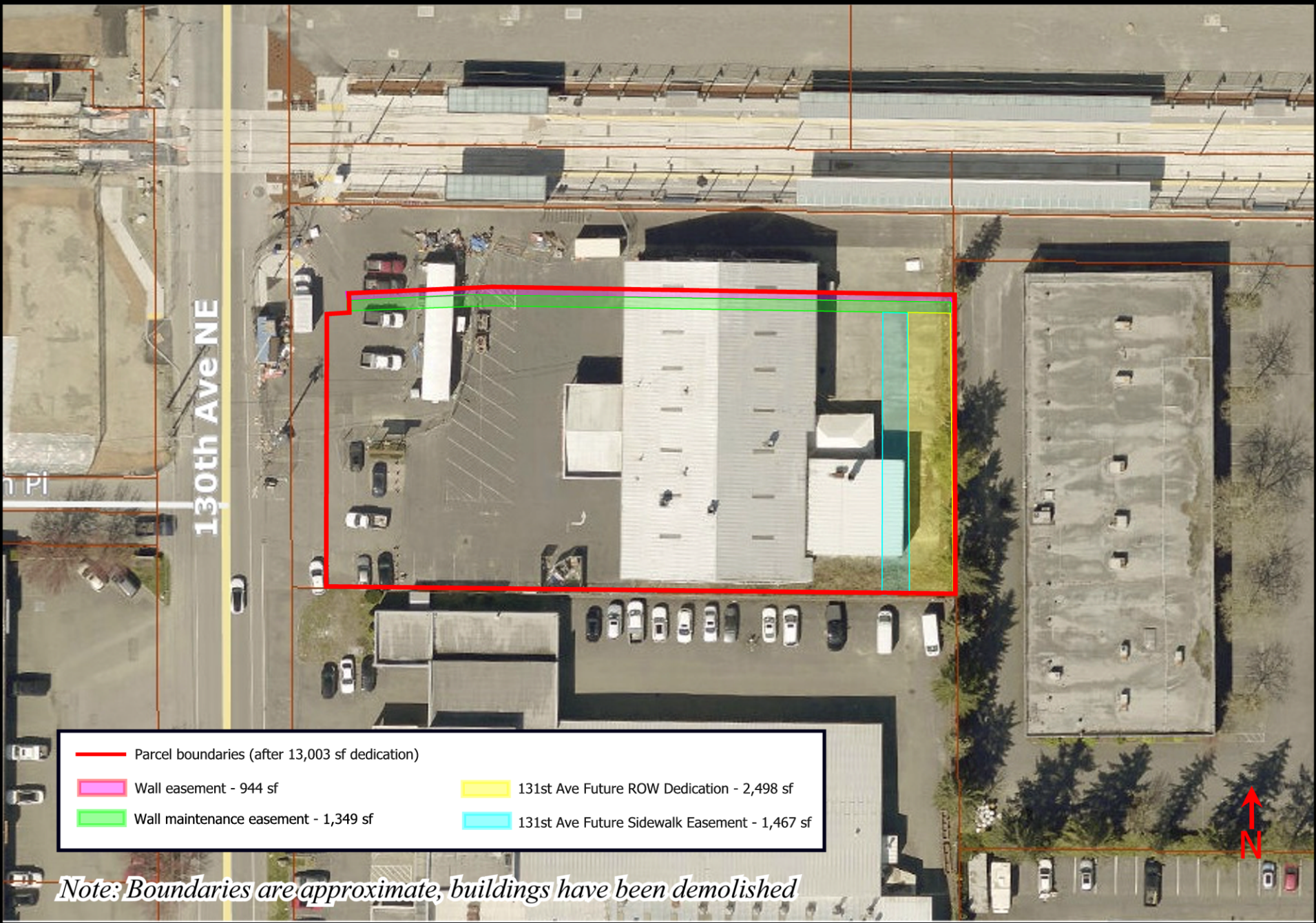
Existing Improvements

The subject improvements have been demolished other than a sign.

Functionality/Conclusions

Overall, the subject site is of sufficient size and shape to support highest and best use development. There are easements and dedication requirements at the subject that reduce the buildable area but FAR rights are retained for these areas and the property is still adequately configured for development. The prospect of a rezone often chills the purchase market prior to enactment, as sellers await better value once more certainty is received, while buyers are reluctant to pay for speculative enhancement. In this context and considering the relatively near-term schedule for the rezone a seller may rationally hold the property for some time prior to marketing, rather than sell the property today with positive but speculative prospects of a future rezone.

Site Plan



Note: Boundaries are approximate, buildings have been demolished

Highest and Best Use

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

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

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

Highest and Best Use As If Vacant and Unimproved

Legally Permissible

The subject is zoned BR-RC-1. Please see the zoning discussions in a previous section. A variety of commercial and residential uses are permitted, including multifamily housing, lodging, senior housing, office, general retail, restaurants, professional services, and medical offices/clinics. The maximum building height is 150' although residential floorplates are allowed at 28,000 sf for buildings less than 80'; for towers over 80', floorplates are limited to 12,000 sf between 40' and 80' and 9,000 sf above 80'. The maximum FAR allowed is 4.0. Setbacks for buildings between 45' and 80' include a 15' stepback in that façade at a height no more than 40' above average finished grade of that façade.

There are also easements and other restrictions that impact the subject site. This includes a 3.5' wall easement and 4' wall maintenance easement along the northern property line. At the time of redevelopment, a 20' strip along the eastern boundary will require dedication for the creation of 131st Ave NE and an 11' sidewalk/utility easement will also be located along this frontage. FAR development rights are maintained in these areas, adding an additional 35% development capacity to the site, though the ability to utilize all of this additional development capacity depends on a variety of factors.

Outside of the easement areas, the subject's developable footprint is about 249' x 127' if the wall easement area can't be terminated, or 30,870 sf. It is possible that the subject could come close to maximizing the 4.0 FAR with a 7-story residential building though it would likely fall shy of the maximum when accounting for residential unit configurations that would dictate a building width of less than 100' wide.

We note that there is also the likelihood that the subject could be rezoned to allow higher building heights and FAR allowances though this is speculative at this time.

Physically Possible

The subject site is 37,128 sf with the buildable area smaller, as described above. The shape of the site is generally rectangular and the subject is physically able to accommodate the uses allowed by the zoning. There is some topography, but this is not considered an impediment to development.

Financially Feasible & Maximally Productive

The BelRed neighborhood has long been established as an industrial and auto district, though the long-term vision is for transformation into a denser mixed use district. Along the major arterials, such as Bel-Red Road and Northup Way, uses are primarily retail and lower density in nature, but the evolution of the neighborhood to mixed use densification (driven by residential development, mostly apartment but also owned housing) is well underway with about a dozen major projects planned, under construction or already built near future light rail stations.

In the context of highest and best use as if vacant and unimproved, the most probable use of this site as if vacant would be future development of mixed-use multifamily use. The subject is located adjacent to the Copal Apartments (Legacy) that is nearing construction completion and is in close proximity to the Ondina Apartments (Vulcan), also nearing completion. With the East Link starter line between Bellevue and Redmond opening in April, these are positive neighborhood trends and the subject would be an attractive site for multifamily use. However, financial feasibility is less certain at this time given interest rates and construction costs. Affordable housing development, with different financial economics and funding sources, appears to be feasible today.

Considering the economic environment, and in the context of potential upzoning, some property owners may wait for completion of the rezone process in the hopes of greater development potential and higher land value. Nevertheless, the highest and best use at the subject is not currently for high-rise residential construction and it is not clear that this upzone would add significant value to the subject at this time.

Highest and Best Use As Currently Improved

The subject property is a vacant site, and the highest and best use of the property is for redevelopment in the relatively near future, possibly after greater clarification on the rezoning currently under consideration.

Sale Comparison Approach



Sale Comparison #1

Legacy Bel-Red
1525 132nd Ave NE
Bellevue, WA



Sale Comparison #2

Holland 130th Street Property
1831 130th Ave NE
Bellevue, WA



Sale Comparison #3

**Vulcan 130th Station
Property**
1600 132nd Ave NE
Bellevue, WA



Sale Comparison #4

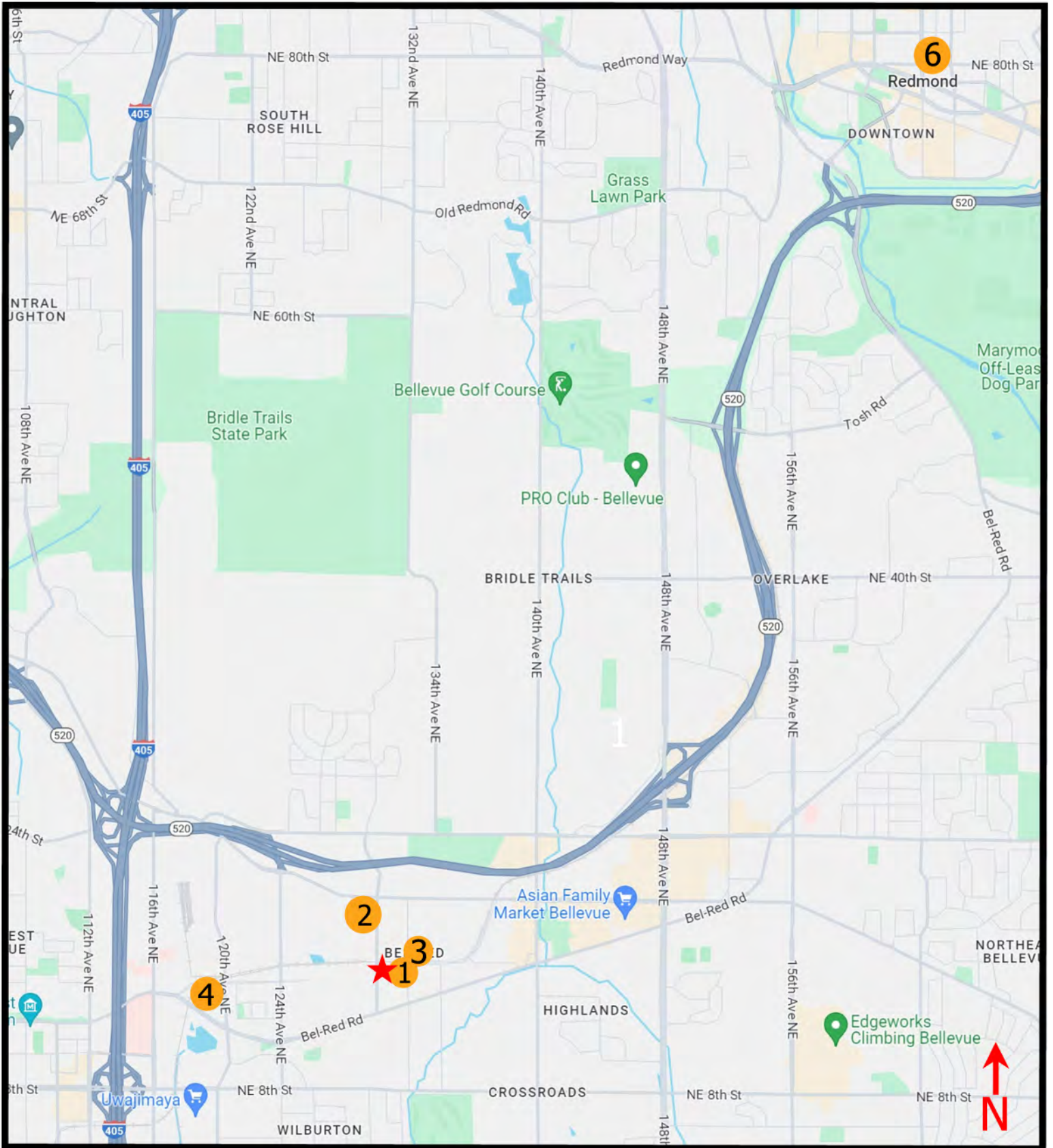
Alexandria Sites
1445 120th Ave
Bellevue, WA



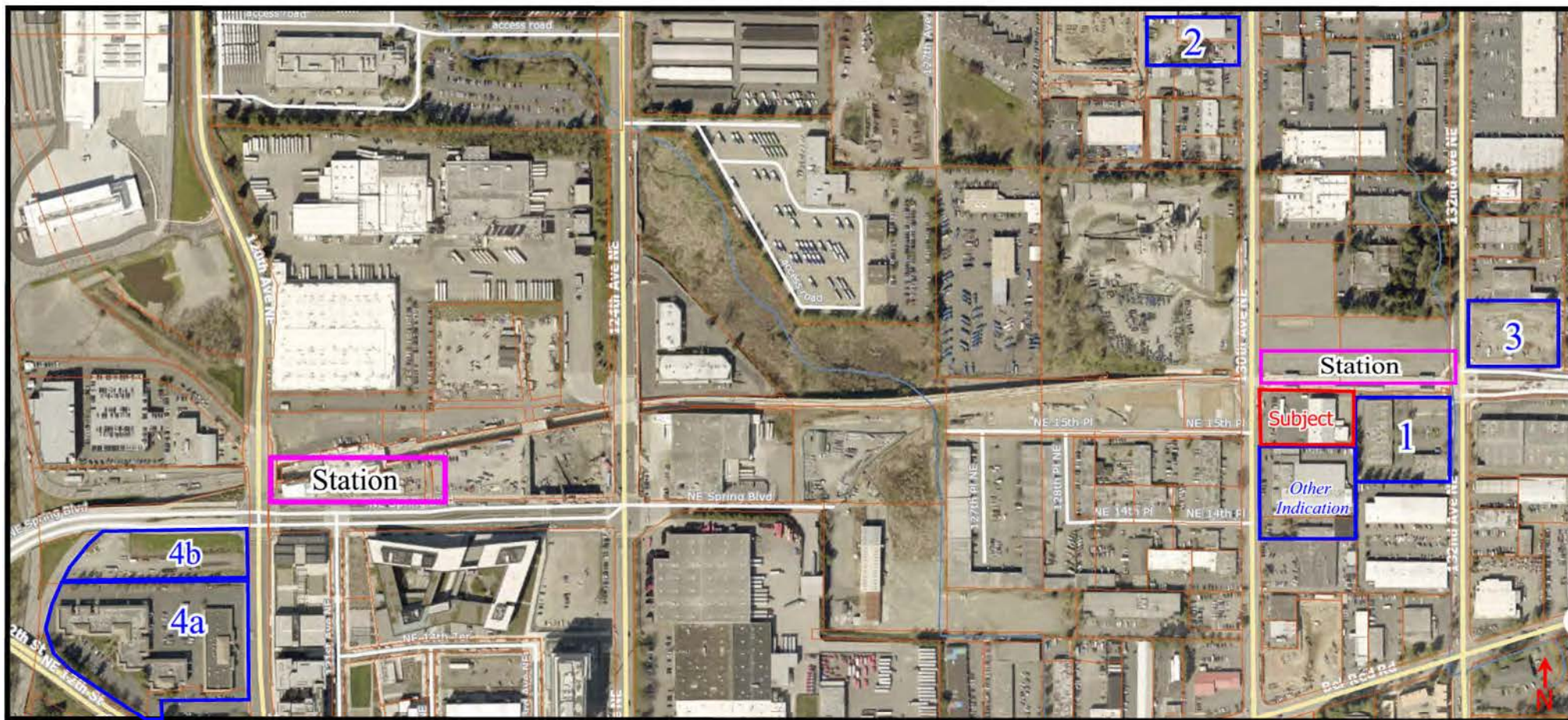
Sale Comparison #5

**Ponsky Redmond
Assemblage Property**
16221-16310 NE 80th Street
Redmond, WA

Land Sale Comparison Map 1



Land Sale Comparison Map 2



Land Sale Comparison Map 3



Kellco Site
Land Sale Comparison Summary

#	Name/Location	Zoning	Land Area	FAR	Sale Date	Analysis Price	\$/SF Land	\$/Unit	\$/SF FAR	Comments
1	Legacy Bel-Red/130th Station 1525 132nd Ave NE Bellevue, WA APN: 282505-9285	BR-RC-1	78,616 sf	3.3 Achieved	Mar-22	\$18,200,000	\$232	\$63,194	\$70	Planned for an 8-story, 288 residential unit development (Copal Apartments), with 8,615 sf of retail. Structured parking planned for 303 cars. Adjacent to future Bel-Red/130th Station. Construction began 12/2022, completion est. 5/2025. Planned for 20% affordable units.
2	Holland 130th Station Property 1831 130th Ave NE Bellevue, WA APN: 282505-9185	BR-RC-2	44,792 sf	4.0 Max	Dec-21	\$12,950,000	\$289	\$57,813	\$72	Purchased by Holland, planning 224 market rate units in a 7-story building. Located about two blocks north of future 130th Ave light rail station. Buyer will need to improve the half street along 129th including street and sidewalk.
3	Vulcan 130th Station Property 1600 132nd Ave NE Bellevue, WA APN: 272505-9198	BR-RC-2	61,412 sf <i>see notes</i>	3.2 Achieved	Jul-21	\$21,650,000 incl. planning	\$353	\$86,948	\$109	Entitled site for 249 multi-family units. Next to Bel-Red/130th Station. Previously sold in 2020, unplanned for \$200/sf. Property was vacant with paving at time of sale. FAR is calculated on site area before 133rd dedication which reduces site area to 56,916 sf.
4a	Alexandria/Pine Forest Property 1445 120th Ave Bellevue, WA APN: 067005-0020, -0030	BR-OR-2	226,707 sf		Dec-21	\$77,500,000	\$342			Sale of portion of Twelfth Place Business Park, located just north of Lake Bellevue. Located along NE 12th St & 120th Ave NE (adj. to future light rail station). Site improved with a 2 building, ~100,000 sf office park that will be demolished. Seller (Pine Forest) had started plans on a master planned 10 acre, 6 building redevelopment (4 residential and 2 office). Pine Forest will keep south parcel (1.3 acres). Alexandria closed on 5.2 acre middle portion and planning to acquire 3.4 acre north portion (now that Sound Transit is done with construction staging). Alexandria planning 3 life science buildings and a 274 unit apartment building (overall 75% office).
4b	Alexandria - North Parcel Portion of 109910-0005	BR-OR-2	77,000 sf		pending	\$30,000,000	\$390			
			303,287 sf	3.3 Achieved		\$107,500,000	\$354		\$108	
5	Ponsky Redmond Assem. Prop. 16221-16310 NE 80th Street Redmond, WA APN: 022505-9029 APN: 022505-9037 APN: 022505-9073 APN: 022505-9076,-9064 APN: 022505-9030	TSQ	25,655 sf 17,110 sf 3,982 sf 8,937 sf 55,684 sf 40,425 sf		Jun-23 May-23 Oct-22 Nov-22 Mar-21	\$10,000,000 \$5,000,000 \$1,700,000 \$3,050,000 \$19,750,000 \$10,200,000	\$390 \$292 \$427 \$341 \$355 \$252	\$72,878 \$37,500		Phase 1 (2021 transaction date) planned for 217 units and Phase II planned for 272 units. 489 total planned units. Purchase of six parcels (five transactions). Corner site. Three blocks north of future Redmond light rail station.
	Both Properties:		96,109 sf	4.5		\$29,950,000	\$312	\$61,247	\$69	
<u>Subject</u>										
	Kellco Site 1500 130th Ave NE Bellevue, WA	BR-RC-1	37,128 + FAR Rights <i>See Notes</i>	4.0 Max	Feb-24	\$11,700,000	\$315		\$79	Rectangular site at the intersection of Spring St and 130th Avenue NE. Next to BelRed East Link Station. Additional FAR rights for 13,003 sf of land. There is a wall easement along the northern property line and a requirement to build the half street along its eastern frontage at the time of redevelopment.

Sale Comparison Approach

We have utilized the Sale Comparison Approach to value the subject. The Sale Comparison Approach uses sales of comparable properties to derive units of comparison that are then used to indicate value for the subject. We have used sales of similar properties as our comparisons. Please refer to the “Sale Comparison Summary,” in this section which outlines the details of the sale comparisons.

Search for Comparison Data

We focused our search on sales of sites primarily located in close-in Eastside urban areas with midrise zoning and development, near transit-oriented locations. There have been a number of sales of sites in this area over the past few years. In analyzing the sale comparisons, we have used the price/sf indication with \$/FAR considered, as well.

Regarding adjustments, we first considered property rights, financing terms, conditions of sale, and expenditures after sale. We have also taken into account changing market conditions since the date of each sale and adjusted accordingly. As further adjustments to the indication of each sale, we have considered location, frontage/corner orientation, physical characteristics, zoning, plans and permits, and site development costs as adjustment factors. In addition, we have explicitly adjusted for the additional development rights the subject has, which allows additional FAR for the 13,003 sf of dedicated site area. We will discuss adjustments to each sale in the coming paragraphs.

Sale Comparisons

Land Sale Comparison No. 1 is the March 2022 sale of a 78,616 sf site located adjacent to the BelRed/130th Station. The property sold for \$18.2 million or \$232/sf, \$76/FAR or \$63,194/unit. This is a corner site located adjacent to the subject to the east and across the street from the 130th Street future light rail station. The site is currently under construction with an 8-story, 288 multi-family project (with 20% affordable units), structured parking and a small commercial area. The property is zoned BR-RC-1, like the subject, and they are able to achieve an FAR of about 3.3.

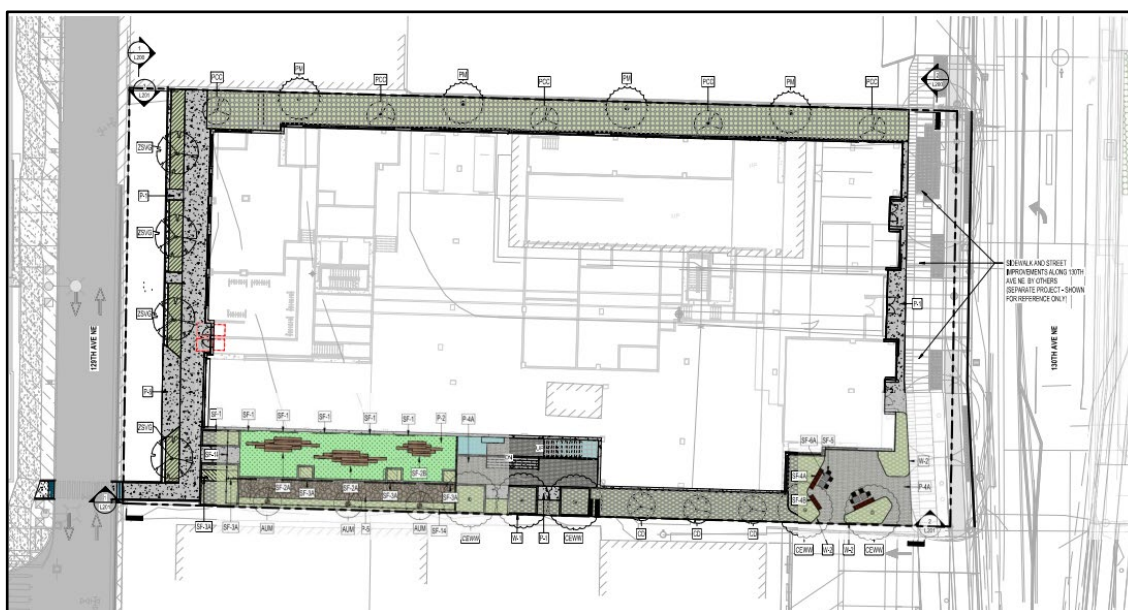


The buyer is Legacy Partners, a multifamily developer. They reportedly approached the seller directly about a sale. The City had also proposed an acquisition of this site for the Spring Blvd

project, including a fee take and permanent easements. The buyer was reportedly aware of this, and our understanding is that the seller retained the compensation for these takings. Therefore, the sale is analyzed based on the usable “after” area of 78,616 sf, net of the City’s fee acquisition for Spring Boulevard. Improvements to 132nd Ave NE will be provided as part of the buyer’s project, including a new public sidewalk and bicycle lane. New public right-of-ways will also be constructed in the form of half-street road improvements with public sidewalks along the entire west side of the site (131st Ave NE) and the entire south side of the site (South Street).

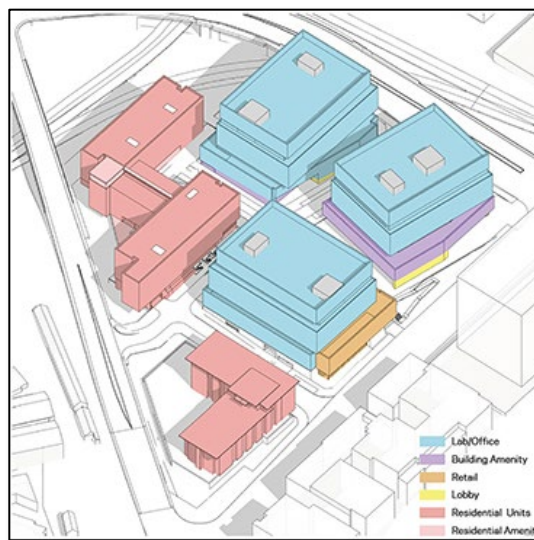
The sale had a long closing time, having been under contract since December 2017. Our understanding is that extension deposits were made between the contract date and closing, and were applied to the total sale price.

Land Sale Comparison No. 2 is the December 2021 sale of a 44,792 sf mid-block site located about two blocks north of the 130th Street Station. It sold for \$12.9 million or \$289/sf, \$71/FAR or \$54,412/unit. The zoning has similar development requirements as the subject but is limited to 125’ height instead of 150’. The property was improved with a small industrial building at sale with a month-to-month tenant. The property was openly marketed with multiple offers. The buyer (Holland) planned a 7-story, 238-unit apartment building after purchase. The property is also located on 130th and the City will be completing these street improvements along this frontage. The buyer’s proposal plans to improve the half street section of 129th Avenue adjacent to the site including the roadway, landscaping and sidewalk. The southwest portion of the site is classified as a critical area for steep slope based on the pitch of the slope and size but is not a significant development impediment.



Land Sale Comparison No. 3 is the July 2021 sale of a 61,412 sf site purchased by Vulcan in the Bel-Red neighborhood. The site sold for \$352/sf, \$80/sf FAR or (\$86,948/unit) and was fully entitled for a 249-unit, 8-story apartment building. The property is a rectangular shaped lot located across the street from the future 130th Street light rail station. The property was openly marketed. The zoning is similar to the subject's and the buyer achieved a 3.2 FAR. The property was vacant with paving at time of sale. The buyer was able to use the 61,412 sf for FAR calculations; however, the buyer was required to dedicate land for the 133rd Ave dedication which reduces site area to 56,916 sf. We have analyzed this sale using the 61,412 sf, which is after Spring St dedications but before the 133rd Ave dedication. It is our understanding that while the City wanted the proposed buyer to daylight a creek under the property, the seller had a letter from the City stating that they could not be forced to daylight the creek. Therefore, the City backed off on their request. Plans do indicate that the building is set back from the piped creek, however. The property previously sold unplanned in May 2020 for 12,300,000 or \$200/sf of land.

Land Sale Comparison No. 4 is the assemblage of properties just north of Lake Bellevue, corner site, fronting NE 12th Street (approx. two blocks from the future light rail station). Alexandria (buyer) is planning approximately 1 million square feet (3.3 FAR) within 3 life science buildings and a 274-unit multi-family apartment building. The first purchase (226,707 sf) closed in December 2021 at \$342/sf of land area, and the second purchase (north parcel, vacant land owned by the City of Bellevue) is pending at a price of \$390/sf, with a combined average sale price of \$354/sf. The combined price is \$107.5 million or \$108/FAR at a 3.3 planned FAR (including both commercial and residential components). The land area is approximately 300,000 sf and the south parcel is currently improved with the Twelfth Place Business Park (the existing 100,000 sf office park will be demolished). This project has about 75% office/life science. A depiction of the larger block plan is noted above (including the retained Pine View parcel):



Land Sale Comparison No. 5 is the assemblage of a 96,109 sf corner site in Redmond. The total price was \$29.95 million, equivalent to \$312/sf, \$69/FAR or \$61,247/unit. The zoning has generally similar development requirements as the subject, but with a maximum of 8-stories (compared to 150' max at the subject). The sale included the purchase of six parcels in five separate transactions (with five different sellers). One property closed March 2021 (42% of total area), and the remaining sales between May 2022 and June 2023. The buyer is planning 489 total units in two phases.

Adjustments

Market Conditions: The commercial development planned sale (Sales 4) is adjusted downward 10% for office market softening since the transaction/contract dates. Office markets are under pressure at this time as earlier discussed, with an uncertain near-term outcome, and demand for current construction and commercial land is down. The multi-family planned sales are adjusted downward 5% for market conditions. The market rate apartment pad would be in more demand considering the walkable locations with proximity to light rail and underlying demand factors and population growth. No adjustment has been made for Sale 1 due to the contract being negotiated over four years prior to close. While a long contract period and future close date was anticipated, the market nevertheless appreciated prior to the recent decline and we have not adjusted downward for market conditions relative to Sale 1.

Location/Frontage: The subject is located adjacent and below grade from the light rail station. While close proximity to the light rail is desirable, some additional setback from the station is beneficial for residential construction, from both a noise and privacy standpoint. Sales 1 and 3 are similarly positioned but we have adjusted Sales 2 and 4 down slightly for location. Sale 5 is located further from light rail and we have not adjusted for location relative to this property.

Corner Orientation: Corner parcels are typically superior to midblock parcels, providing more light and air, as well as the potential for better visibility and access. Sales 1, 3 and 4 are similar corner sites and no adjustment is applied. Sale 2 is positioned mid-block and has been adjusted up. Sale 5 has frontage on three streets with proportionately more street frontage and we have adjusted downward relative to this comparison.

Physical Characteristics: This adjustment takes into account physical characteristics, including size, shape, topography and any geotechnical/environmental concerns. Most of the comparisons are similar, having functional sizes and shapes for construction. While the smaller sites can more effectively maximize FAR, there are economies of scale and design flexibility in larger sites that are also attractive and we haven't explicitly adjusted for size. Nevertheless, the additional infrastructure costs and planning for the larger sites will be addressed separately.

The subject has a low retaining wall along the northern and western boundary but this is not a significant impediment to development and the comparisons also have similar situations. Overall, the comparisons are considered physically similar.

Zoning: The zoning at the comparisons is considered similar. The subject's BR-RC-1 zoning allows for more height; however, the maximum allowed FAR is the same and it is not the highest and best use to build to up to the 150'. Therefore, no adjustment has been made for zoning.

Plans and Permits: Sale 3 is adjusted downward for the fully approved plans/permitting in place at time of sale. Planning contributes to value of a property by saving a buyer time and money, and mitigating risk relative to uncertain plan approval. The value of entitlement is a variable

Kellco Site
Land Sale Comparison Adjustments

Sale Number Name/Address	Subject Kellco Site	1 Legacy Bel- Red/130th Station	2 Holland 130th Station Property	3 Vulcan 130th Station Property	4 Alexandria /Pine Forest Property	5 Ponsky Redmond Assem. Prop.
Transaction Price		\$18,200,000	\$12,950,000	\$21,650,000	\$107,500,000	\$29,950,000
<i>Property Rights</i>		0%	0%	0%	0%	0%
<i>Financing Terms</i>		0%	0%	0%	0%	0%
<i>Conditions of Sale</i>		0%	0%	0%	0%	0%
<i>Expenditures after Sale</i>		\$0	\$0	\$0	\$0	\$0
Adjusted Price		\$18,200,000	\$12,950,000	\$21,650,000	\$107,500,000	\$29,950,000
Site Area	37,128	78,616	44,792	61,426	303,287	96,109
FAR	4.0	3.1	4.1	4.4	3.3	4.5
Adj. Unit of Comparison (\$/SF)		\$232	\$289	\$352	\$354	\$312
Date of Sale	Feb-24	Mar-22	Dec-21	Jul-21	12/2021 & 2022 pending	2021-2023
Market Conditions Adjustment		0%	(5%)	(5%)	(10%)	(5%)
Subtotal Unit Price		\$232	\$275	\$335	\$319	\$296
<i>Location</i>		0%	(5%)	0%	(10%)	0%
<i>Corner Orientation</i>		0%	5%	0%	0%	(10%)
<i>Physical Characteristics</i>		0%	0%	0%	0%	0%
<i>Zoning</i>		0%	0%	0%	0%	0%
<i>Planning/ Permitting</i>		0%	0%	(20%)	0%	0%
<i>Site Development Costs/Easements</i>		5%	0%	0%	5%	0%
<i>Additional FAR Rights</i>		20%	20%	20%	20%	20%
Total Other Adjustments		25%	20%	0%	15%	10%
Indicated Unit Value for Subject		\$289	\$330	\$335	\$367	\$326

amount that can be based on several factors. The components include the direct expenditure needed for planning and legal costs (actual expended costs), a return on capital (or the saving of debt cost) for holding the asset during the entitlement phase, and the mitigation of risk when successful (earning an entrepreneurial profit).

Site Development Costs: Site development costs take into account the requirements for infrastructure and road/sidewalk construction either along the edge of the parcel or internally. The subject has half roadway/sidewalk construction along the east edge of the parcel, reducing the buildable site area (although still retaining FAR rights) and incurring additional costs. The 130th Ave frontage will be constructed by the city although there is still coordination that needs to happen. Sale 2 is similar, though it includes the sidewalk area along 130th as an easement. It will also be built with a single building located along 130th Ave (with the city responsible for road/sidewalk costs) and a requirement to build a half road/sidewalk along its western edge. Sale 1 is also similar although it requires an additional road/sidewalk built along its southern frontage and would not benefit from the 130th Ave project. An upward adjustment is made relative to this comparison. Sale 3 is generally considered similar in terms of dedications and obligations relative to the site size. Sale 4 is a large site with multibuilding development, and the phasing and internal infrastructure costs indicate an upward adjustment relative to the subject. Sale 5 is considered similar.

Additional FAR Rights: The final adjustment takes into account the additional development rights that the subject has. The 13,003 sf area that will be dedicated can't be built on but the FAR rights associated with this portion are retained. Under the current zoning, this provides for an additional 1.0 Base FAR (13,003 potential building square feet) up to a maximum of 4.0 FAR (52,012 potential building square feet). Given the site geometries and ideal floorplate widths of apartment projects, combined with the current zoning parameters, it is unlikely that all of the additional FAR rights could be fully utilized. Nevertheless, it is possible that a project could use a substantial portion of the additional FAR rights and would at least benefit from having a larger base FAR, in effect minimizing the amount of incentive/affordable housing provisions that are necessary. The additional FAR rights represent a 35% increase over what the site would otherwise be able to achieve. However, development within these areas are prohibited, even as landscaped area, and the value from these rights are less than fee value, particularly since they may not be fully utilized. This is nevertheless a valuable additional right and all of the comparisons have been adjusted upward for this factor.

Value Conclusion

Prior to adjustments, the sales indicated a range of \$232/sf to \$354/sf and \$69/sf to \$109/sf FAR. After adjustments, the range is narrowed to \$289/sf to \$367/sf. The most compelling indications are the first three sales, which are the most similar to the subject in terms of location and physical attributes. Sale 1 represents the low end of the range at \$289/sf and is highly relevant given that it is adjacent to the subject, bordering the 130th Ave Station to the south. The extended contract

time somewhat reduces the reliability of this indication however. Sale 2, at \$330/sf is also highly relevant given its physical characteristics and has been given weight in reconciliation. Sale 3 indicates \$335/sf and is also relevant. Sales 4 and 5 are less similar physically and are located further away; nevertheless, they include more recent transactions, providing additional support for the value conclusion. In the end, we have placed the most weight on the first three sales and have concluded to a value of \$315/sf of land area or \$58/maximum FAR (including the additional FAR rights).

In summary, it is our conclusion that the value of the site is **\$11,700,000**.

ADDENDA

Land Sale Comparison Details
Appraisers' Experience & Qualifications

LAND SALE COMPARISON DETAILS

Sale Comparison Details

Kellco Site

Commercial-1

Sale Property

Property Name Legacy Bel-Red/130th Station Property
Address 1525 132nd Ave NE
Municipality Bellevue, WA
County King
Property Description Planned for an 8-story, 288 residential unit development (Copal Apartments), with 8,615 sf of retail. Structured parking planned for 303 cars. Adjacent to future Bel-Red/130th Station. Construction began 12/2022, completion est. 5/2025. Planned for 20% affordable units.

Land Data

Parcel Numbers 2825059285
Land Area 78,616 sf
Zoning BR-RC-1
Use Code Vacant Commercial Land
Status at Sale Vacant industrial
Highest & Best Use redevelopment

Building Data

Building and Site Building to be demolished after sale. Next to future light rail station. Corner site.
Functionality & Parking

Transaction Data

Sale Date February 28, 2022
Sale Price \$18,200,000
Seller DMC Assets LLC
Buyer REEP-LP Bellevue Station JV LLC
Confirmed with Seller-Linda Carson, online press release, county assessor
Transaction Comments Market transaction. \$76/FAR

Analysis

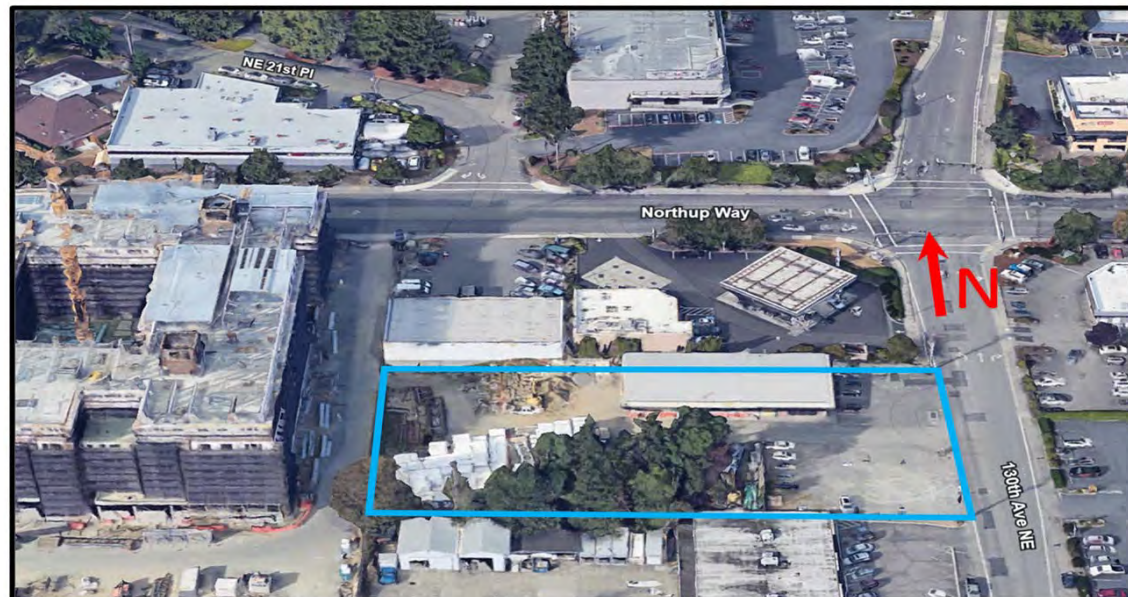
Price /sf Land \$232

Comp ID c2401171123



Sale Comparison Details

Kellco Site	
Commercial-2	
Sale Property	
Property Name	Holland 130th Station Property
Address	1831 130th Ave NE
Municipality	Bellevue, WA
County	King
Property Description	Purchased by Holland, planning 238 market rate units in a 7-story building. Located about two blocks north of future 130th Ave light rail station.
Land Data	
Parcel Numbers	2825059185
Land Area	44,792 sf
Zoning	BR-RC-2
Use Code	Vacant Commercial Land
Status at Sale	Improved with small industrial building (5,200 sf, built in 1969). Tenant was on a month-to-month basis.
Highest & Best Use	Mixed Use redevelopment
Building Data	
Building and Site Functionality & Parking	Mid-block site about two blocks north of future light rail station.
Transaction Data	
Sale Date	December 27, 2021
Sale Price	\$12,950,000
Seller	Chambers Family Living Trust
Buyer	NASH Holland Chambers B
Confirmed with	Buyer broker, Chris Reid, Colliers
Transaction Comments	Openly marketed at undisclosed price. \$71/FAR
Analysis	
Price /sf Land	\$289
Comp ID c2401171141	



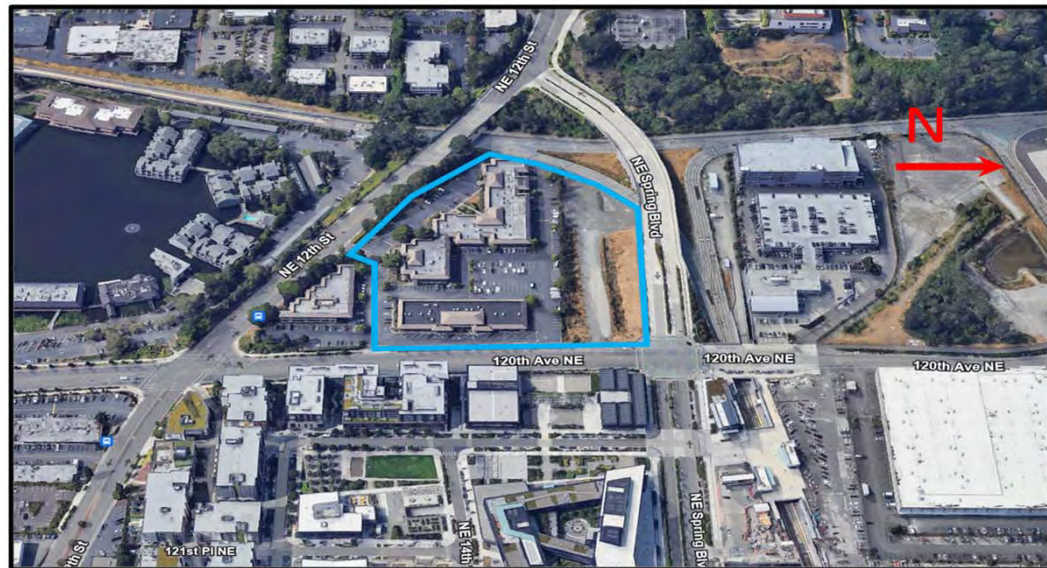
Sale Comparison Details

Kellco Site	
Commercial-3	
Sale Property	
Property Name	Vulcan 130th Station Property
Address	1600 132nd Ave NE
Municipality	Bellevue, WA
County	King
Property Description	Entitled site for 249 multi-family units. Next to Bel-Red/130th Station. Previously sold in 2020, unplanned for \$47/sf FAR. Propety was vacant with paving at time of sale.
Land Data	
Parcel Numbers	2725059188
Land Area	61,426 sf
Zoning	BR-RC-2
Use Code	Vacant Commercial Land
Status at Sale	Vacant, paved site
Highest & Best Use	Mixed-use development
Building Data	
Building and Site	Corner site next to future light rail station
Functionality & Parking	
Transaction Data	
Sale Date	July 23, 2021
Sale Price	\$21,650,000
Seller	SHAC NW Bel-Red Apartments LLC
Buyer	Bellevue Investors VIII LLC
Confirmed with	Dylan Simon, Kidder Mathews, broker; Lori Mason Curran, Vulcan
Transaction Comments	Price included plans/permits for apartment building. Market sale.
Analysis	
Price /sf Land	\$352
Comp ID c2401171138	



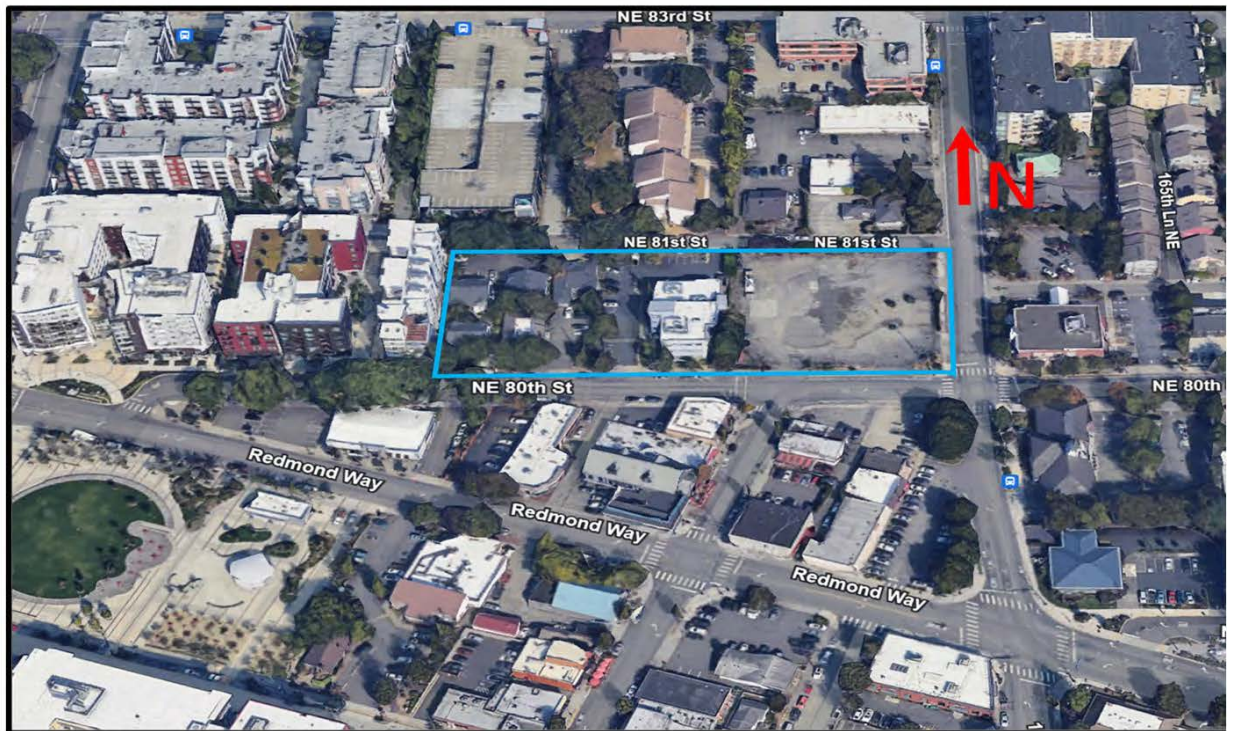
Sale Comparison Details

Kellco Site	
Commercial-4	
Sale Property	
Property Name	Alexandria Sites
Address	1445 120th Ave
Municipality	Bellevue, WA
County	King
Property Description	Sale of portion of Twelfth Place Business Park, located just north of Lake Bellevue. Located along NE 12th St & 120th Ave NE (across from future light rail station). Site improved with a 2 building, ~100,000 sf office park that will be demolished. Seller (Pine Forest) had started plans on a master planned 10 acre, 6 building redevelopment (4 residential and 2 office). Pine Forest will keep south parcel (1.3 acres). Alexandria closed on 5.2 acre middle portion and planning to acquire 3.4 acre north portion (now that Sound Transit is done with construction staging). Alexandria planning 3 life science buildings and a 274 unit apartment building (overall 75% office).
Land Data	
Parcel Numbers	067000020, 0670050030, ptn 109910005
Land Area	303,287 sf
Zoning	BR-OR-2
Use Code	Vacant Commercial Land
Status at Sale	Partially occupied office business park
Highest & Best Use	Redevelopment with Life Science office and residential
Building Data	
Building and Site	Improvements will be demolished
Functionality & Parking	
Transaction Data	
Sale Date	December 15, 2021
Sale Price	\$107,500,000
Seller	Pine Forest Business Park LLC (south parcels) and City of Bellevue (north parcel)
Buyer	ARE-Seattle No. 47 LLC
Confirmed with	Buyer, Pine Forest Business Park rep. Published online sources, assessor data, Bellevue City Planning
Transaction Comments	market transaction. \$108/ FAR. 12/15/2021 (south parcels) and pending mid-2023 (north parcel)
Analysis	
Price /sf Land	\$354
Comp ID c2309061048	



Sale Comparison Details

Kellco Site	
Commercial-5	
Sale Property	
Property Name	Ponsky Redmond Assemblage Property
Address	16221-16310 NE 80th Street
Municipality	Bellevue, WA
County	King
Property Description	Assemblage purchase of six parcels in five separate transactions (five sellers), between 2021 and 2023. Buyer planning 489 total multi-family units.
Land Data	
Parcel Numbers	0225059029,0225059037, 0225059073, 0225059076,0225059064
Land Area	96,109 sf
Zoning	TSQ
Use Code	Vacant Commercial Land
Status at Sale	Improved with a 14,022 sf, 2-story office building and four smaller office buildings totaling 14,000 sf.
Highest & Best Use	Mixed use development
Building Data	
Building and Site Functionality & Parking	Assemblage of larger block site. Located about 3.5 blocks from future Redmond light rail station.
Transaction Data	
Sale Date	November 8, 2022
Sale Price	\$29,950,000
Seller	Williams/Redmond LLC (June 2023 sale), Vinson (October 2022 sale), Anderson Building (11/2022 sale), Pac West 5 LLC (May 2023 sale), Harbor Olympic Land 6067 LLC
Buyer	16310 80th Owner LLC, 16267 81st Owner LLC, 16250 80th Owner LLC, 16221 81st Owner LLC, 8009 164th Owner LLC (all related to Ponsky)
Confirmed with	Buyer broker, Peter Wright, CBRE, June 2023 sales. Press releases, king assessor, for additional transactions
Transaction Comments	Five individual purchases for a larger block assemblage. All deals considered to be at market value.
Analysis	
Price /sf Land	\$312
<i>Comp ID c2401171145</i>	



APPRAISERS' EXPERIENCE & QUALIFICATIONS

McKEE APPRAISAL

REAL ESTATE SERVICES & CONSULTING, INC.

600 1st Avenue, Suite 102-2074, Seattle, Washington 98104

Telephone (206) 343-8909

EXPERIENCE & QUALIFICATIONS

BATES MCKEE, MAI, CRE, AI-GRS

Mr. McKee co-founded the firm McKee Appraisal in 1990. McKee Appraisal specializes in the economic analysis of real estate, employing valuation professionals and providing critical analysis and information to corporate, government and private clients nationwide.

Mr. McKee graduated from the Massachusetts Institute of Technology (MIT) where he received a Bachelor of Science Degree in Earth & Planetary Sciences, with a Minor in Writing. He also completed the O-Degree program in Geology at Edinburgh University, Scotland, in 1978.

Mr. McKee received the MAI (Member of Appraisal Institute) designation in 1988, after employment with the Seattle firm of Shorett & Riely in 1984. Mr. McKee is a Certified General Real Estate Appraiser, and adheres to the standards and ethics of the Appraisal Institute. Mr. McKee is past Chair of the Seattle Chapter Education Committee, and was elected as Regional Director for the Appraisal Institute in 2005. Mr. McKee was awarded the Counselors of Real Estate (CRE) designation in 2008 and the Appraisal Institute - General Review Specialist (AI-GRS) designation in 2016. He served as the Chair of the Pacific Northwest Chapter of the Counselors of Real Estate from 2011 to 2013.

In his appraisal experience, Mr. McKee has appraised and analyzed a wide variety of commercial property types, and provided critical consultation and litigation services to a diversified range of clients. In addition to managing operations and education at McKee Appraisal, he frequently represents both property owners and governmental agencies in appraisal and litigation. Project appraisal work includes acquisition for all segments of Sound Transit Link light rail, the Alaskan Way Viaduct replacement project, the Yellowstone retail stores, Interstate 90, Interstate 5 and the Seattle Waterfront project. He has particular expertise in institutional portfolio valuation, leased fee and leasehold financial valuation, consulting, mediation and dispute resolution, and the valuation of tunnels and easements. He is a frequent educational speaker and lecturer for attorneys, appraisers and real estate consultants.

Mr. McKee was previously employed as a geologist with Roger Lowe Associates, Bellevue, Washington. His work included site evaluation of geologic and hydrologic conditions and hazards, economic feasibility analysis, and construction inspection. Mr. McKee was employed as a physical oceanographer with the research company SAIC. Mr. McKee was an independent investment manager and analyst. He authored Optival, a computer program for analyzing and valuing stock options, and was also employed as an investment software developer with Expert Systems, Inc., Redmond, Washington.

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EXPERIENCE & QUALIFICATIONS

AMY GRANDSTROM, MAI

Ms. Grandstrom graduated Cum Laude from the University of Washington with a major in English and a minor in Environmental Studies. She joined the firm of McKee Appraisal in December of 2001. Previous work experience includes fitness instruction, legal research, graphic design and web construction.

Ms. Grandstrom has appraised a wide range of property types, including preparation of comprehensive narrative appraisals for vacant land, proposed properties, and existing improvements. Valuation has encompassed fee simple, leased fee and leasehold estates. Property types appraised have included office buildings, retail, biotechnology, industrial, condominium and apartment properties. Ms. Grandstrom has extensive experience with both full and partial acquisition appraisals, for public agency acquisition. She has worked extensively on the Alaskan Way Viaduct and Seawall Replacement Project and the Seattle Waterfront LID Benefit Study. She was the Project Manager for the Mercer Corridor acquisitions for the City of Seattle.

Appraisal coursework includes USPAP, Business Practice and Ethics, Report Writing, Highest and Best Use & Market Analysis, Advanced Sale Comparison and Cost Approaches, Advanced Applications and Advanced Income Capitalization from the Appraisal Institute. In addition to her appraisal practice, she also supports computer network and software integration. Ms. Grandstrom is a Certified General Real Estate Appraiser (Washington State Certificate No. 1101666) and has completed the requirements of the continuing education program of the Appraisal Institute. She received her MAI (Member of Appraisal Institute) designation in 2010. Ms. Grandstrom is a lifelong resident of the Seattle area.