

**Appraisal
of
Bellevue Surplus Site
L-shaped Property North of 130th Station**

*Appraisal of Real Property:
Vacant land*

Location:

1700 130th Avenue NE
Bellevue, Washington

Effective Date of Appraisal:

July 12, 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

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Reference No. 44047



July 25, 2024

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

Name: Bellevue Surplus Property
Description: 3 parcels of vacant land north of the Sound Transit 130th Station
Address: 1700 130th Avenue NE
Municipality: Bellevue, Washington
King County Parcel Nos.: 282505-9040, 282505-9159 & 282505-9191
McKee Appraisal No.: 44047

Dear Mr. Murray:

At your request, we have prepared the attached appraisal report for the subject property. The subject consists of three parcels of land currently improved with a paved surface parking lot.. The subject is owned by the City of Bellevue (COB) and is located next to the BelRed Sound Transit light rail station. The property is assumed to be 131,572 sf after dedications for Sound Transit Right-of-way (ROW), City of Bellevue ROW, and a COB sidewalk and utility easement. The property is zoned BR-RC1 and has additional FAR rights for this 44,401 sf of land. Future right-of-way dedications will be required at the time of redevelopment for the creation of 131st Ave NE, NE 17th Street, as well as setbacks and potential mitigation from Goff Creek.

The property is appraised under the hypothetical condition that there are no transit-oriented development requirements, including the obligation to build permanent and interim parking facilities for Sound Transit or to construct affordable housing.

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.

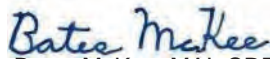
Bates McKee, MAI, CRE and Amy Grandstrom, MAI of McKee Appraisal have personally inspected the subject property and have substantially participated in the analysis of this appraisal.

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

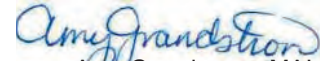
<i>Description</i>	<i>Date of Value</i>	<i>Value</i>
Fair Market Value - Fee Simple Interest	July 12, 2024	\$36,200,000

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.

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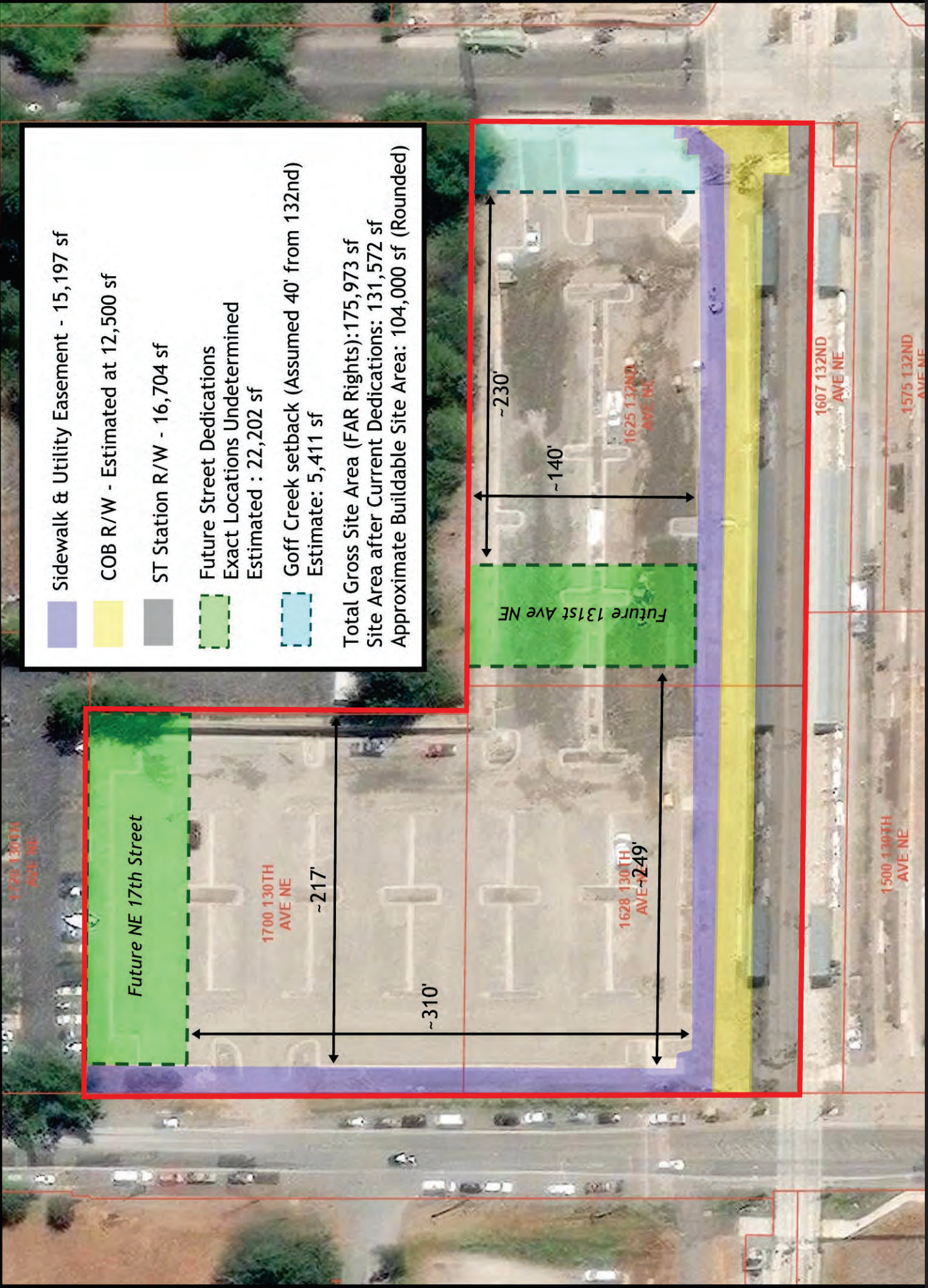
Summary of Important Conclusions

Name of Subject Property	Bellevue Surplus Property
Address	1700 130 th Avenue NE Bellevue, WA 98005
King County Parcel No.	282505-9040, 282505-9159 & 282505-9191
Property Description	L-shaped site improved with surface parking lot, located next to the 130 th Street Sound Transit East Link light rail transit station.
Detailed Description	<p>The property is assumed to be 131,572 sf after fee dedications for Sound Transit Right-of-way (ROW), City of Bellevue (COB) ROW, and a COB sidewalk and utility easement. The property is zoned BR-RC1 and has additional FAR rights for this 44,401 sf of land. Future right-of-way dedications will be required at the time of redevelopment for the creation of 131st Ave NE, NE 17th Street, as well as setbacks and potential mitigation from Goff Creek.</p> <p>The property is appraised under the hypothetical condition that there are no transit-oriented development requirements, including the obligation to build permanent and interim parking facilities for Sound Transit or to construct affordable housing.</p>
Highest and Best Use	Development with a multifamily project
Dates of Appraised Values	July 12, 2024
Preparation Date of Report	July 25, 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.

Site Plan

-  Sidewalk & Utility Easement - 15,197 sf
 -  COB R/W - Estimated at 12,500 sf
 -  ST Station R/W - 16,704 sf
 -  Future Street Dedications
Exact Locations Undetermined
Estimated : 22,202 sf
 -  Goff Creek setback (Assumed 40' from 132nd)
Estimate: 5,411 sf
- Total Gross Site Area (FAR Rights): 175,973 sf
 Site Area after Current Dedications: 131,572 sf
 Approximate Buildable Site Area: 104,000 sf (Rounded)



Subject Photographs



Intersection of 130th Ave NE and NE Spring Blvd. The subject is located at the northeast corner of the intersection, north of the BelRed/130th Street Sound Transit Station.



View of the subject looking north from Spring Street.



View looking east towards APN 282505-9191, the eastern section of the L-shaped property. Redevelopment will require the construction/ dedication of 131st Street near the western boundary of this parcel.



View looking west from the corner of 132nd Street and Spring Street.



Bike rack area located along 132nd Street, along the subject's eastern boundary.



View looking west from the corner of Goff Creek near the northeast corner of the subject.



View over the eastern parcel from near the elbow of the L-shaped property. The newly opened Odina apartments are visible in the distance (across 132nd St) and the under construction Copal Apartments are visible, as well (across Spring Street).



Retaining wall located along the northernmost parcel's eastern boundary (APN: 2825059040).

Appraisal Description

Identity of Property

The subject property consists of commercially zoned land that is located at 1700 130th Avenue NE in Bellevue, WA 98005. The property includes three parcels that form an L-shape and are located north of the 130th Street Sound Transit Light Rail Station, spanning between 130th Avenue and 132nd Avenue.

Legal Description

Please refer to the maps in this report for a description of the subject property boundaries. The subject consists of three tax parcels known as King County Assessor Tax Parcel Nos. 282505-9040, 282505-9159 & 282505-9191.

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 have also appraised the property with several additional easements and dedications as discussed below.

Easements and Other Restrictions

Please refer to the site plan for a general depiction of the various easements and dedications and to the property description section of this report for further details. The following property rights are assumed.

- Sound Transit Right-of-Way Area is based on recorded document #20201201000515. It is assumed that this area was acquired in fee but FAR rights are retained.
- City of Bellevue Right-of-Way Area: This is the area labeled "Future COB R/W" on the sidewalk and utility easement map (#20200626000596) and is located between the sidewalk easement and ST R/W. No recorded document was found for this area; it is estimated by the appraiser to contain 12,500 sf and is assumed to be in effect as of the date of the appraisal. It is also assumed that this area is dedicated in fee with FAR rights retained.
- COB Sidewalk & Utility Easement is based on recorded document #20200626000596. Assume FAR rights are retained and that sidewalk improvements are constructed at the cost of the city.

- Future Street Dedications are estimated and assume a 40' street width plus 22' sidewalk width, no compensation or impact fee credits but FAR rights retained. The cost of constructing the street, sidewalk and landscaping will be the responsibility of the developer.
- Alignment for 131st Ave is based roughly on alignment to the south and consistent with property lines to the north.
- Alignment for 17th St is placed at the northern boundary line, fully on subject. There is the potential that this street could have an alternative alignment, either with less dedication required or it could fall further south on the subject property, creating a narrow isolated strip of land to the north of the future ROW. If this assumption is found to be false, it could result in an impact to the valuation of the subject property.
- COB Drainage Easement along 132nd is not included in buildable area calculations. This is from 1971 and can't be accessed electronically. We assume this would not impact development.
- Goff Creek: It is assumed that there will be a 40' setback requirement from the eastern property line due to Goff Creek. It is assumed that the creek will not require daylighting or additional mitigation measures. We have not been provided with details on creek alignment or environmental restrictions and additional studies may be necessary to better understand the Goff Creek impact.
- Assume no additional easements along 132nd Ave or other street frontages.
- As a hypothetical condition and at the client's instruction, we assume that there is no obligation to build with mixed use TOD improvements (mixed use transit oriented development including a mix of market and affordable housing). We also assume no obligation to maintain/incorporate Transit Access Improvements, including the requirement for 300 parking stalls and offsite interim parking during redevelopment. This is a hypothetical condition.

We have not been provided with a title report for the subject property, so we have no verified specific title understanding. We assume the subject is clear of any financial encumbrances such as mortgages and liens. Non-financial encumbrances may include easements, encroachments, restrictive covenants or leases. Other than as identified in this report we assume that there are no easements or other title issues which encumber the property to a degree that the value conclusion would be impacted.

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 have not been provided with a title report, a right-of-way declaration exhibit or other surveys. We have not been provided with details for the COB right-of-way dedication, or for the future street dedications. We have not been provided with details or mapping for Goff Creek. We are not experts in any of these areas and rely on the technical reports of qualified personnel when available. Please refer to the extraordinary assumptions 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 extraordinary assumptions and hypothetical conditions may have affected the assignment results. As an extraordinary assumption, we assume that the subject's property rights are as described herein. Please refer to the Easement and Other Restrictions above regarding property rights assumptions, as well as those contained throughout this report.

As a hypothetical condition and at the client's instruction, we assume that there is no obligation to build with mixed use TOD improvements or to maintain/incorporate Transit Access Improvements, including the requirement for 300 parking stalls and offsite interim parking during redevelopment. The subject is encumbered with these restrictions, so this is a hypothetical condition.

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 was transferred from the Central Puget Sound Regional Transit Authority to the City of Bellevue for \$0 on December 2, 2020 through a Bargain and Sale Deed. The property was sold with a reserved easement and covenant for the property that included a perpetual Transit Access Improvements Easement and a covenant to be developed with a TOD improvements including a mix of market and affordable housing. As stated previously, the subject is appraised under the hypothetical condition that these obligations are not present.

Current Agreements of Sale, Options and Listings

There are no current agreements of sale, options or listings to the best of our knowledge; however, it is our understanding that a request for proposals may be solicited in the near future. We are also aware of offers made for the subject over the last couple of years, which will be detailed in the sale comparison section of this report.

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.

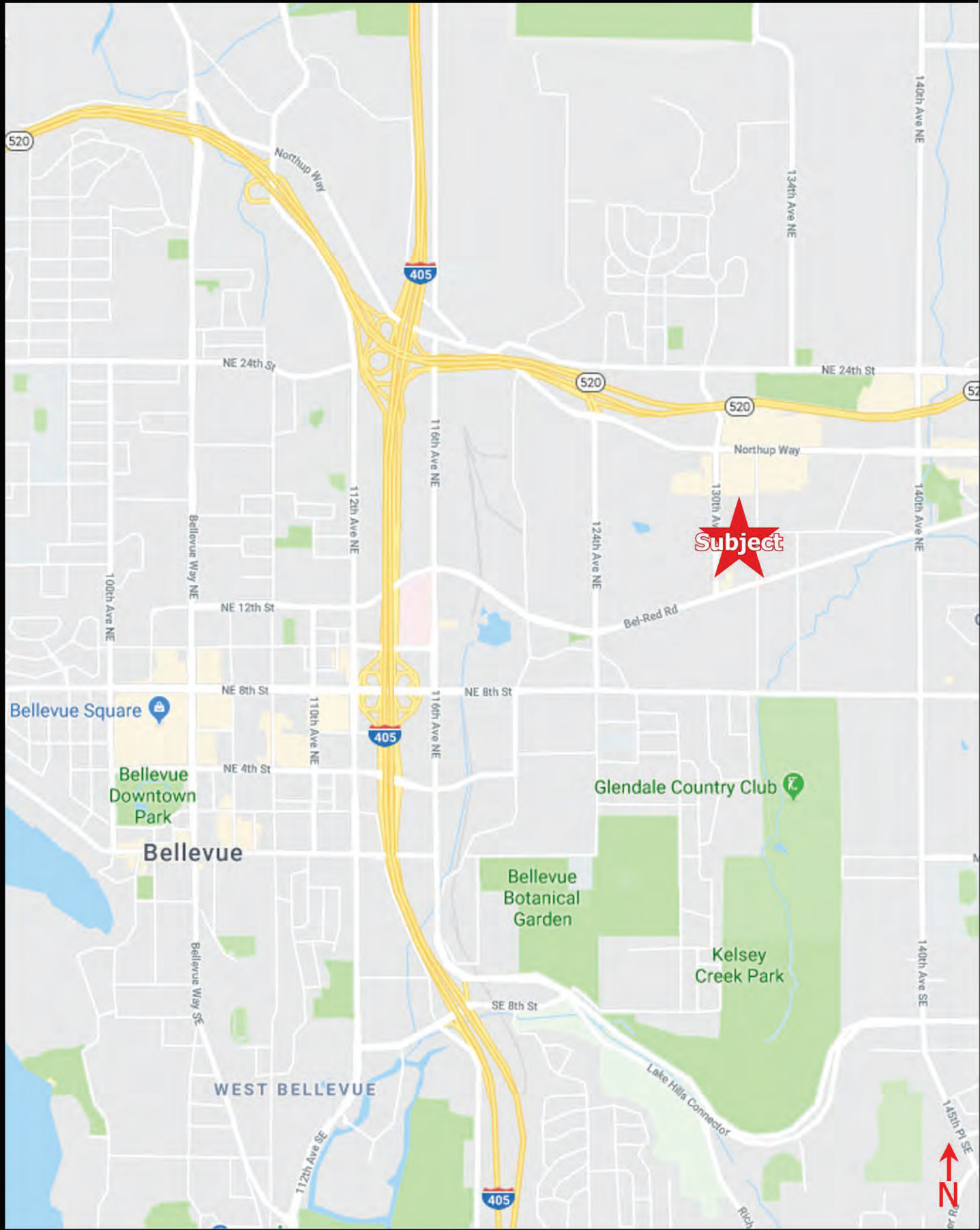
Effective Date of Appraisal

July 12, 2024

Date of Report

July 25, 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.

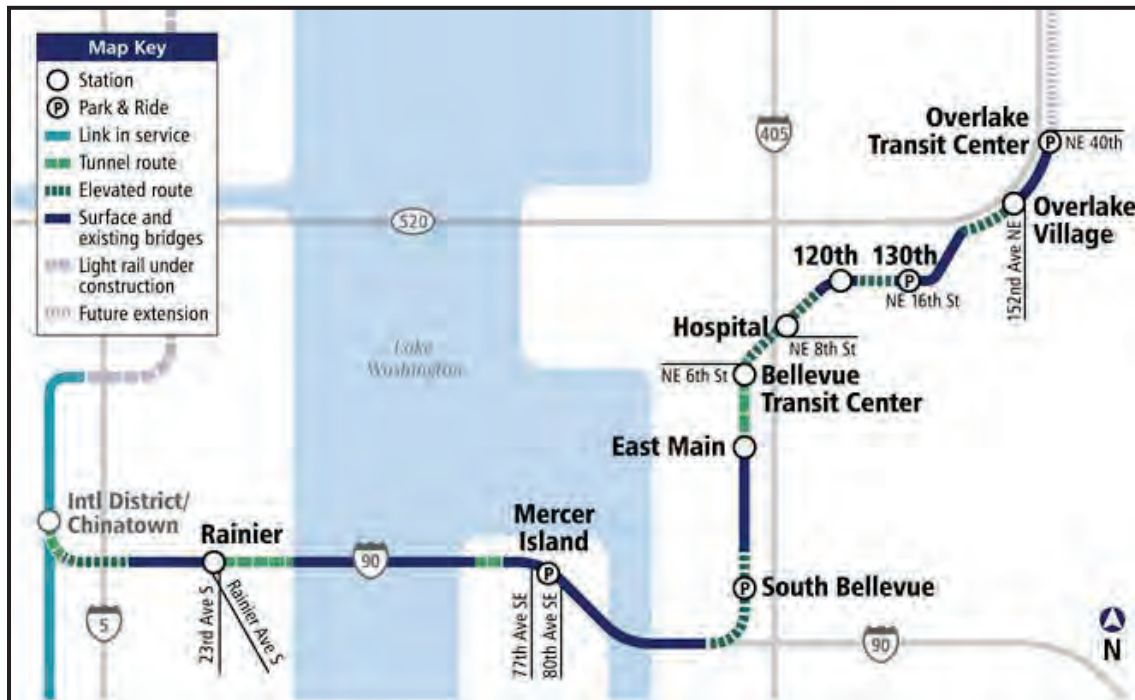
City of Bellevue

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 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 south of the subject. The light rail will be a positive feature of the neighborhood and will provide additional transit connectivity for residents, employees and visitors within.

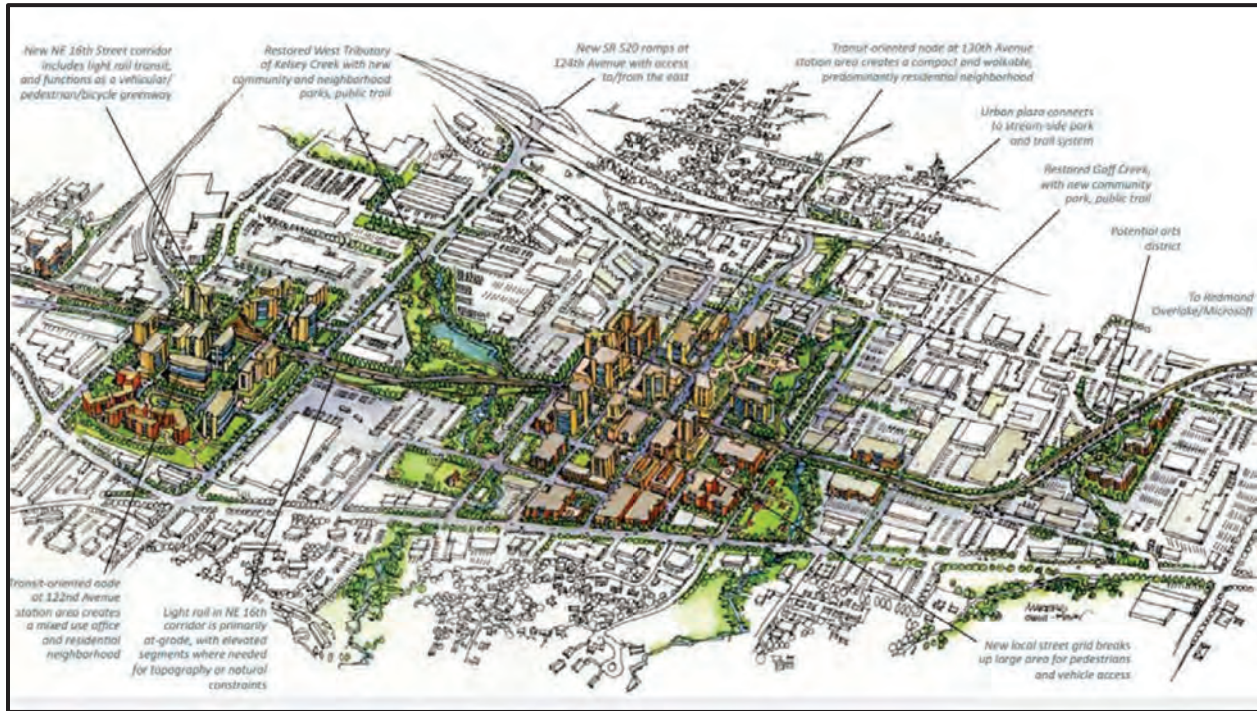


Bel-Red / Spring District Neighborhood

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 and multifamily uses. 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 between 130th Ave NE and 132nd Ave 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, across the street to the south. 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. With the opening of the Sound Transit station at 130th Avenue, the subject neighborhood is 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

Please refer to the Seattle area *Economic Conditions and Real Estate Markets* analysis and discussion attached in the Addenda. This report has a detailed and current snapshot of supply, demand, rent, vacancy, and pricing for the regional and national market. The following additional market analysis covers the segments most impactful to the valuation of the subject land.

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 June 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 3.9% and year-over-year rent growth of 7.7%. Vacancy is one of the lowest in the Seattle region and is below the average vacancy that Bellevue has seen over the last decade of 5.7%, which allowed rent to grow significantly over the last year. The report has no new market rate apartments completed over the last year, noting that 1,300 units are on the way, including projects in the subject's immediate area, such as Holland's Vicino project with 400 units, Vulcan's Odina with 249 units and Legacy's Copal Apartments with 288 units. 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 \$1,600,000. 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, even 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 3.8% vacancy rate as of May 2024. The average asking rental rate was reported at \$2,295/month in May 2024 with a growth of 2.3% year-over-year.

Next, supply and demand trends have been analyzed based on data for under construction and proposed apartments within this market. In Bellevue, seven apartment projects have been completed since 2022 with a total of 1,335 units. There are 1,300 units under construction as of June 2024 in five market rate buildings. Nearly all of these units are located in the subject's immediate vicinity (East Bellevue, near 130th Avenue). There are about 5,500 units in 18 projects proposed in the East Bellevue submarket. Not all of these will be built, and many have been put on hold indefinitely due to interest rates and high construction costs. Construction costs in Seattle rose the second fastest rate in the nation, increasing 7.1% year over year in the Q1 2024, 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. Holland's 400-unit Vicino building and the 172-unit Big 1 Apartments are also nearing completion.

Office and Life Science Market Analysis

Asking rents are down 2.3% over the past year and vacancy sits at 10.1% overall, according to the June 2024 CoStar Bellevue CBD Office market report. Construction has boomed the past three years due to Amazon's presence, although the availability rate is up to 27.3% (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. With about 3.3 million square feet of space added over the last three years, it also has the highest absorption with more than 2 million sf absorbed during that time. Amazon has occupied most of this space (in the newly built 555 Tower and West Main), now employing 11,000 employees with plans to grow to 25,000 eventually.

Other significant leasing includes Pokemon's expansion to 374,000 sf of space at Skanska's new The Eight Tower. Tik Tok also recently expanded adding 45,000 sf to its lease. Most of the space available in the Bellevue CBD is high quality and asking rents are the highest in the region at \$54/sf full service. With the high availability, it is forecast that decreasing rents and high concessions are likely in the near-term future.

2.6 million square feet of space recently completely construction. This includes Vulcan's 555 Tower and West Main and Schnitzer West's The Artise. Projects still under construction include Skanska's The Eight with 40,000 sf (mostly preleased by Pokémon) and Amazon's Bellevue 600 Project (Phase 1), which will add another million square feet of inventory. No construction projects have broken ground since 2022 and the current projects should be completed by mid-2025.

In the Suburban Bellevue submarket the vacancy rate is 13.8% with asking rent growth of negative 1.2%. The availability rate is lower at 9.8%. Over the last year, there have been 550,000 sf of new inventory with 183,000 sf of absorption. 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. Meta decided not to move into space at Block 6; however, there is a pending sublease by Snowflake to lease about 329,000 sf of space.

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.

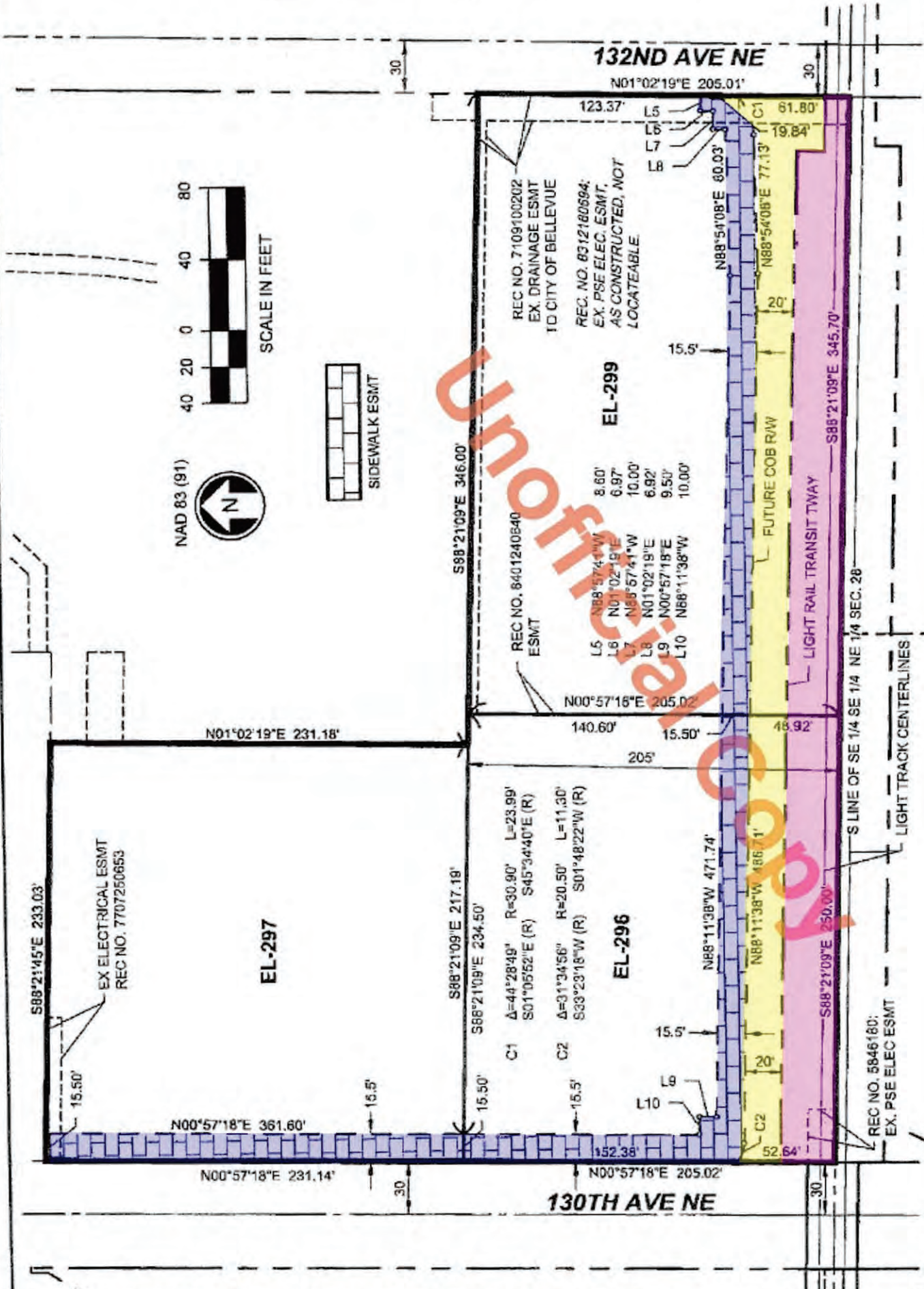
There have been several Life Science projects planned (including the Alexandria site as discussed in the Sale Comparison Summary). According to the Cushman and Wakefield Life Sciences 4th Quarter 2023 Report, there is approximately 9 million square feet of life science space in the Puget Sound region. The overall vacancy is 10.9% with a 9.4% direct vacancy rate. The February 2024 Life Sciences Update reported a slightly higher vacancy rate of 11.4%. There are over 150 companies headquartered in the Puget Sound region. Average asking rents rose significantly during the pandemic and since 2021, over 1.3 million square feet of new lab development and office-to-lab conversions have been added to the market. The increasing supply and softening demand has caused some projects to be put on hold including Alexandria's 701 Dexter and BioMed's T6 Innovation Center. Although Bellevue is not a life science hub like the South Lake Union and Bothell submarkets, this use is still a potential long-term use given the land availability and light rail connectivity.

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; however, this sector has also seen a significant amount of new supply and the subject location is not within a life science hub.

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. 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.

Site Map

SE 1/4 NE 1/4 SEC 28, T 25 N, R 5 E, W.M.



EX ELECTRICAL ESMT
REC NO. 7707250653

EL-297

REC NO. 7109100202
EX. DRAINAGE ESMT
TO CITY OF BELLEVUE

REC NO. 8312180594
EX. PSE ELEC. ESMT,
AS CONSTRUCTED, NOT
LOCATEABLE.

EL-299

REC NO. 8401240540
ESMT

- L5 N88°57'41"W 8.60'
- L6 N01°02'19"E 6.97'
- L7 N88°57'41"W 10.00'
- L8 N01°02'19"E 6.92'
- L9 N00°57'18"E 9.50'
- L10 N88°11'38"W 10.00'

S88°21'45"E 233.03'

N01°02'19"E 231.18'

S88°21'09"E 346.00'

132ND AVE NE

N01°02'19"E 205.01'

123.37'

L5

L6

L7

L8

61.80'

C1

19.84'

N88°54'08"E 80.03'

N88°54'08"E 77.13'

20'

15.5'

FUTURE COB RW

LIGHT RAIL TRANSIT TWAY

S88°21'09"E 345.70'

S88°21'09"E 217.19'

140.60'

N00°57'18"E 205.02'

15.50'

48.92'

EL-296

C1 Δ=44°28'49" R=30.90' L=23.99'
S01°05'52"E (R) S45°34'40"E (R)

C2 Δ=31°34'56" R=20.50' L=11.30'
S33°23'18"W (R) S01°48'22"W (R)

N88°11'38"W 471.74'

N88°11'38"W 486.71'

15.5'

20'

L6

L10

15.50'

N00°57'18"E 361.60'

15.5'

15.50'

152.38'

52.64'

N00°57'18"E 231.14'

130TH AVE NE

N00°57'18"E 205.02'

REC NO. 5846180;
EX. PSE ELEC ESMT

S LINE OF SE 1/4 SE 1/4 NE 1/4 SEC. 28

LIGHT TRACK CENTERLINES

Property 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 includes three tax parcels with a gross area of 175,973 sf prior to dedications. Based on a review of recorded documents, Sound Transit (ST) has retained 16,704 sf along the Spring Street frontage, conveying to the City of Bellevue (COB) a site with a total area of 159,269 sf. We have also assumed that a roughly 20’ strip north of the ST area will be dedicated in fee, and we have estimated this area at 12,500 sf. The site area after the current fee dedications is 146,769 sf.

There is an additional 15,197 sf sidewalk and utility easement that has been recorded. **After these dedications, the site area is 131,572 sf** and we have used this as the unit of comparison in the following analysis. Our understanding is that Floor area ratio (FAR) rights are maintained for these areas.

There are also required future street dedications and the potential for a setback from Goff Creek that will be discussed in more detail below. After these additional dedications, **the buildable area is reduced to approximately 104,000 sf**, retaining the FAR rights for an additional 55,269 sf.

Shape

The subject site L-shaped.

Access and Frontage

580’ along Spring Street (after sidewalk easement area but prior to future street dedication)






140’ along 132nd (after current dedications)

372’ (after current dedications, prior to future street dedication)

After street dedications, the subject will also have additional street frontages along the future 131st Avenue and future 17th Street.

The subject is accessible directly from 130th Ave NE and from 132nd Avenue NE.

Site Plan

-  Sidewalk & Utility Easement - 15,197 sf
-  COB R/W - Estimated at 12,500 sf
-  ST Station R/W - 16,704 sf
-  Future Street Dedications
Exact Locations Undetermined
Estimated : 22,202 sf
-  Goff Creek setback (Assumed 40' from 132nd)
Estimate: 5,411 sf

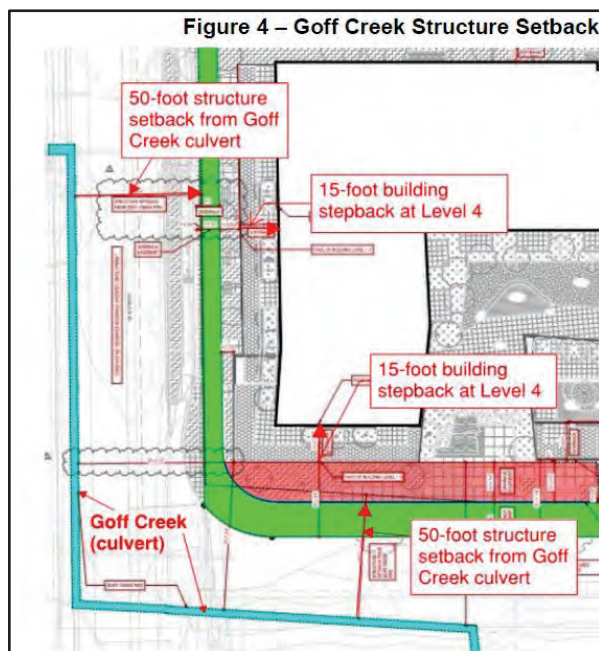
Total Gross Site Area (FAR Rights): 175,973 sf
 Site Area after Current Dedications: 131,572 sf
 Approximate Buildable Site Area: 104,000 sf (Rounded)



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	At grade with surrounding streets. The subject site is essentially level, with a slight upward slope to the north. It is below the grade of the adjacent parcel 2825059243 and there is a retaining wall along portions of the subject bordering this parcel.
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.

Goff Creek

Goff Creek is a Type F fish-bearing stream with a required 50' setback from the culvert. We have not been provided with current stream mapping and have estimated a setback based on plans for the property built across 132nd Avenue NE (shown in the image to the right). Plans show Goff Creek running between the properties in a culvert beneath 132nd Avenue NE. The adjacent property was required to have a 50' setback from the culvert, which appears to just reach the property line. Given a street width of 60', we have estimated a setback of 40' from the eastern edge of the subject property. We also note that there is an open channel portion of Goff Creek near the northeast corner of the site. The appraisal does not assume any additional setback beyond the 40' from 132nd, but it is possible that additional setbacks in the corner or along the northern parcel boundary could be warranted. It is also possible that a future project



could require daylighting of the creek, though this appraisal assumes only the 40' setback, as an extraordinary assumption.

Current Easements/Dedications

Sound Transit (ST) has retained 16,704 sf in fee along the Spring Street frontage. We have also assumed that a roughly 20' strip north of the ST area will be dedicated in fee, and we have estimated this area at 12,500 sf. This portion has not been recorded to our knowledge and it is assumed that this dedication has been acquired at the time of appraisal with an area similar to what is assumed.

There is an additional sidewalk and utility easement that has been recorded. It includes a total of 15,197 sf, and consists of a 15.5' strip of land running along the southern and western property boundaries. The southern portion has already been improved with sidewalk improvements and the portion along 130th Ave NE will be improved with sidewalks at no cost to the owner.

It is our understanding and assumption that the entire 44,401 sf that is dedicated can be included in the site area for the purposes of density calculations. Furthermore, the future dedications that will likely be required will also retain FAR density rights as discussed below.

Future Easement/Dedication

At the time of redevelopment, two streets will likely require future dedication on the subject property. It is assumed that the future 131st Ave NE will run north-south through the southern portion of the subject, consistent with the alignment of the road to the south. The future NE 17th Street is more ambiguous given the lack of existence of this road near the subject. Some planning documents suggest that there is the potential for this road to bisect the northern portion of the subject, leaving a fragment to the north; conversely, the road could be oriented further north, requiring less dedication on the subject parcel. For the purposes of this appraisal, and consistent with client instruction, NE 17th Street is assumed to be located along the subject's northern parcel edge, fully on the subject. The exact locations of these streets have not yet been determined and the actual location and dimensions could potentially have an impact on value.

It is assumed that the road width will be 40' with 22' of additional sidewalk easement area. 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. Construction of these improvements will be at the cost of the owner/developer.

The following table summarizes our understanding and assumption of the site areas at the subject.

Description	Area (sf)	Source & Notes
Gross Site Area (area used for FAR calcs):	175,973	12/15/17 Sound Transit Survey
Area Acquired in Fee for ST Right-of Way	(16,704)	Maps & legal descriptions within recorded docs
Estimated COB Right-of-Way (assumed fee)	(12,500)	Area Estimated based on Sidewalk Easement Map (4/17/20); (Recording doc not found)
Subtotal - After COB & ST Fee Dedications	146,769	
COB Sidewalk & Utility Easement	(15,197)	Recorded Easement (20200626000596); 15.5' along Spring & 130th frontages
Site Area Used for Analysis (after ST & COB Current Dedications)	131,572	+ additional 44,401 sf FAR Rights
<u>Future Dedications/Setbacks</u>		
131st Ave NE - Future Dedication	(8,717)	Assumed 62' width for ROW & Sidewalk; Location TBD - see map for assumption
NE 17th St - Future Dedication	(13,485)	Assumed 62' width for ROW & Sidewalk; Location TBD - see map for assumption
Subtotal	109,370	Area after current dedications & future street dedications
Less Potential Goff Creek Setback	(5,411)	Assumed 40' setback along 132nd Ave NE, subject to verification
	103,958	Area after all assumed existing and future dedications and setbacks
Estimated Buildable Area (Rounded):	104,000	+ additional 72,000 sf FAR Rights

In summary the gross site area is reduced by current and future dedications and easements. Our understanding and assumption is that the former unencumbered land area that is encumbered and dedicated will retain its FAR/density calculations under the zoning, so that by the time the property is ready to develop the building rights will include about 104,000 sf of unencumbered site area, plus about 72,000 sf of FAR-eligible calculation former area. Together the 176,000 sf of eligible density would result in an effective FAR of about 1.7 (relative to the 104,000 sf unencumbered development area). At a maximum incentive area of 4.0 FAR the maximum development under current zoning is about 704,000 sf, and effective maximum FAR of about 6.8 relative to the unencumbered land area. See the following additional description of current zoning.

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. 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 Nos. 282505-9040, 282505-9159 and 282505-9191 are currently owned by the City of Bellevue and are therefore tax exempt.

Existing Improvements

The subject is improved with a paved surface parking lot with landscaping and lighting.

Functionality/Conclusions

Overall, the subject site is of sufficient size and shape to support highest and best use development. The large site size, as well as the future street dedications suggest that a multi-phase multi-building development would be likely. 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.

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 the 15.5' sidewalk and utility easement, which has been recorded and is well-defined. There is also the obligation to dedicate land and construct two streets that we have assumed will be 40' in width plus 22' in width for sidewalks on both sides of the streets. The exact location of these streets are to be determined; please refer to the site plans for the appraisal assumptions. Additionally, Goff Creek runs in close proximity to the subject site. This appraisal assumes a 40' setback from 132nd Ave NE in order to address this but further investigation and environmental approvals would be required to determine whether this setback is appropriate and sufficient. The street location/design and Goff Creek environmental obligations have an impact on building placement and overall achievable development envelope. Based on these assumptions, the buildable site area is estimated at 104,000 sf, with a roughly 32,000 sf portion located east of the future 131st Ave and a roughly 72,000 sf portion located on the west side.

FAR rights will be maintained for these areas, as well as the areas that we have assumed to be dedicated in fee (~44,400 sf). Total additional FAR rights are significant (4.0 Max FAR x 72,000 sf = 288,000 sf potential additional building area, in addition to the unencumbered 104,000 sf with max FAR of 416,000, so a total potential of 704,000 sf). However, the ability to utilize all of this

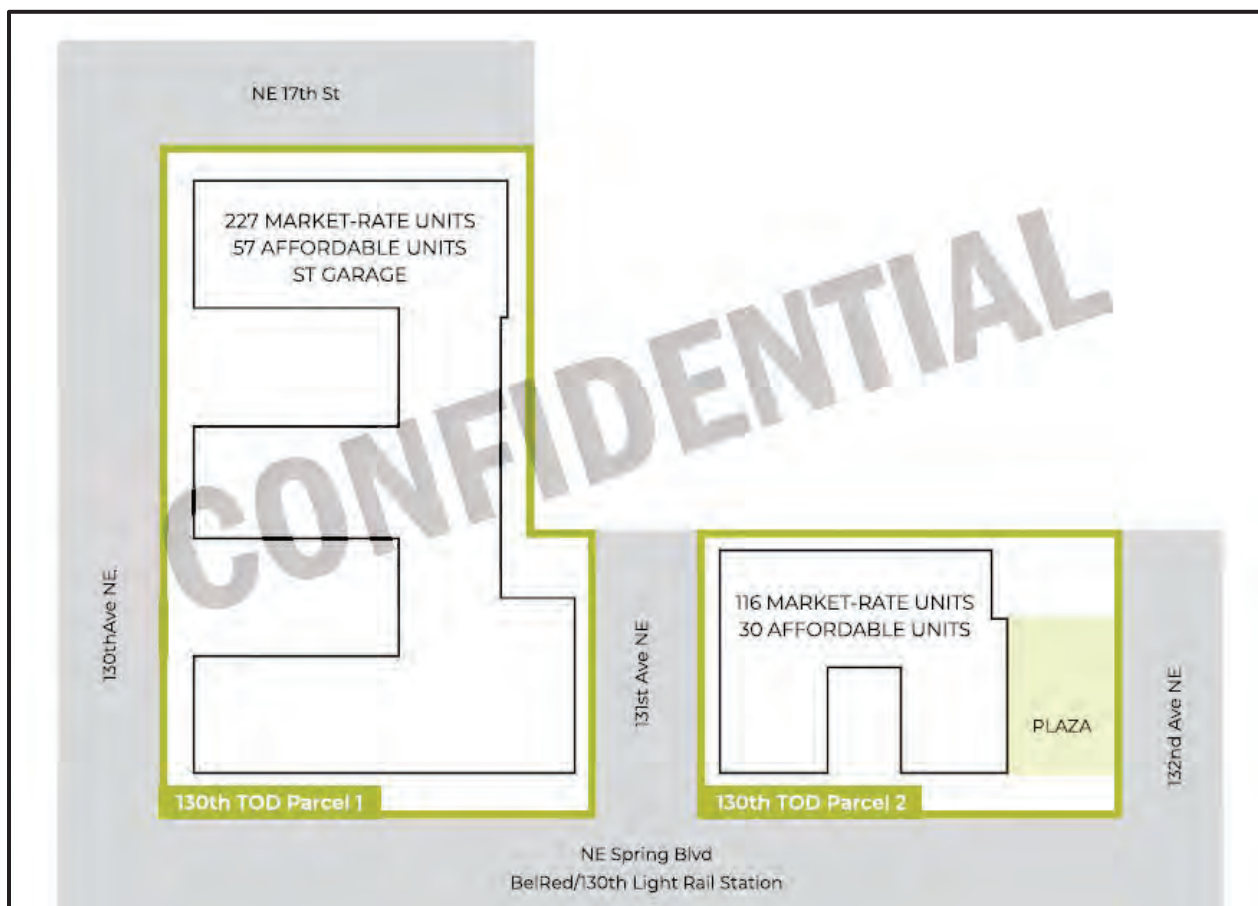
additional development capacity depends on a variety of factors and given the dimensions of the developable area (which are too wide for optimal residential construction), it is likely that maximum FAR wouldn't be achieved.

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 131,572 sf (after assumed fee and easement dedications), with the buildable area smaller, as described above. The site is L-shaped, though after future street dedication, the property will be divided into two generally rectangular sites. The subject is physically able to accommodate the uses allowed by the zoning.

Below is a site plan provided by Vulcan in their offer for the subject property. This represents a potential layout for multifamily project where they are able to achieve 430 units on the subject property.



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 Northrup 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 near the Copal Apartments (Legacy) that is nearing construction completion and is in close proximity to the Ondina Apartments (Vulcan), also nearing completion. It is also near the completed Vicino Apartments (Holland/Nash) along Northrup. With the East Link starter line between Bellevue and Redmond recently opened, 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 an essentially 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 #2a

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



Sale Comparison #2b (Parcel configuration after street dedications)

**Holland/Nash - Vicuna
Apartments**
12863 Northrup Way
Bellevue, WA



Sale Comparison #3

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



Sale Comparison #4

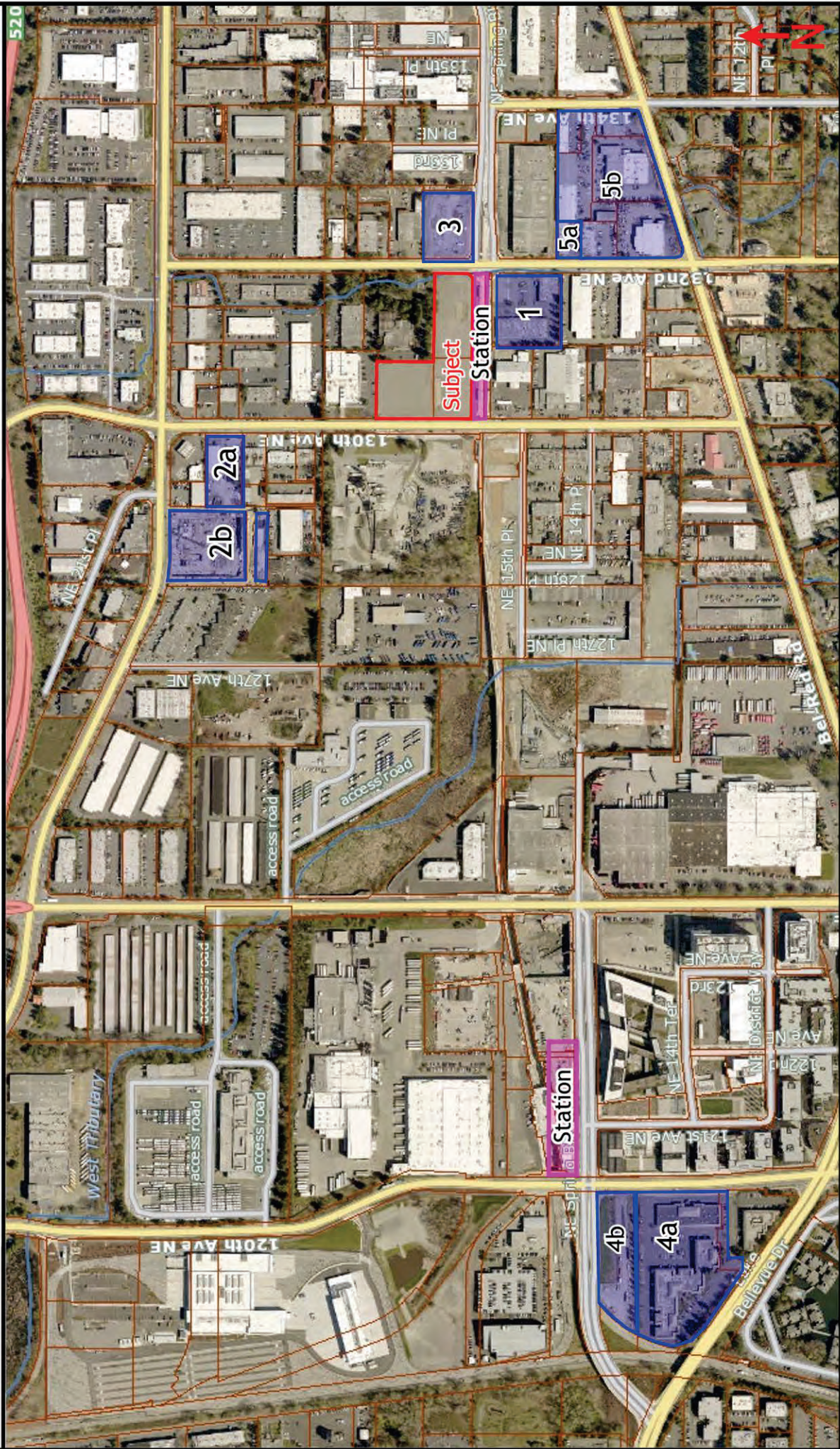
Alexandria Sites
1445 120th Ave
Bellevue, WA



Sale Comparison #5a

Bel-Red Assemblage
1414 132nd Ave NE
Bellevue, WA

Land Sale Comparison Map



Bellevue Surplus Property - L-shaped site north of 130th Street Station Land Sale Comparison Summary

#	Name/Location	Zoning	Gross Land Area/ Net Area	Proposed or Actual Building SF	FAR	# of Units Planned/ sf per unit	Sale Date	Analysis Price	\$/SF Gross Land	\$/SF Net Land	\$/Unit	\$/SF FAR	Comments
1	Legacy Bel-Red/130th Station 1525 132nd Ave NE Bellevue, WA APN: 282505-9285	BR-RC-1	78,218 sf 65,217 sf <i>(after road dedications)</i>	241,771 sf	3.1 Achieved 3.7	288 839 sf	Mar-22	\$18,200,000	\$233	\$279	\$63,194	\$75	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.
2a	Nash-Holland 130th Property 1831 130th Ave NE Bellevue, WA APN: 282505-9185	BR-RC-2	44,792 sf 37,892 sf <i>(estimated after dedications)</i>	179,168 sf	4.0 Max	224 800 sf	Dec-21	\$12,950,000	\$289	\$342	\$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.
2b	Nash-Holland Northrup Property 12863 Northrup Way Bellevue, WA APN: 2825059012	BR-RC-2 & BR-RC-1	149,840 sf Gross Area 101,309 sf <i>(After dedications, see notes)</i>	364,372 sf Achieved gross res	2.4 Achieved	402 906 sf	Dec-19	\$33,000,000 incl. planning	\$220	\$326	\$82,090 868 sf	\$91	Purchase of a former self-storage property approx. 0.5 miles from future 130th St. station. Site planned by seller for a 9-story apartment building with about 402 units. Also 377 parking stalls and 10k of retail space. Has 330' of frontage on Northrup Way and access drive from 130th Ave NE. Majority of site zoned RC-2. Site improved with 51,260 sf of masonry self-storage buildings. Net area includes approx. 13,000 sf isolated area due to road dedication.
Combined Assemblage:									\$236	\$330		\$85	
3	Vulcan 130th Station Property 1600 132nd Ave NE Bellevue, WA APN: 272505-9198	BR-RC-2	61,412 sf <i>see notes</i>	198,799 sf	3.2 Achieved	249 798 sf	Jul-21	\$21,650,000 incl. planning	\$353	\$380	\$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	N/A	N/A	\$108	Sale of portion of Twelfth Place Business Park, adj. to light rail station. Improved with 100,000 sf office park to be demolished. Seller (Pine Forest) had started 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). ARE planning 3 life science buildings and a 274 unit apartment building.
Combined Assemblage:									\$354	N/A	N/A	\$108	
4b	Alexandria - North Parcel Portion of 109910-0005	BR-OR-2	77,000 sf			pending		\$30,000,000	\$390	N/A	N/A	\$70	June 2024 sale of mid-block site improved with auto 5,000sf auto repair shop. Buyer owns surrounding parcels and nearly the entire block (-9 acres). Sept-20 sale is assemblage of multiple parcels (from different sellers), improved with about 98,000 sf of warehouse/retail/office space in 9 buildings. South portion of site zoned CR (w/ max 2 FAR) and remainder is RC-2. Buyer's early master planning is for development with 10 buildings and 2 million sf of multifamily and office/lab improvements.
Combined Assemblage:									\$200	N/A	N/A	\$70	
Bel-Red Assemblage									\$333	N/A	N/A	\$83	
5a	1414 132nd Ave NE Bellevue, WA	BR-RC-2	15,000 sf		4.0		Jun-24	\$5,000,000	\$333	N/A	N/A	\$83	June 2024 sale of mid-block site improved with auto 5,000sf auto repair shop. Buyer owns surrounding parcels and nearly the entire block (-9 acres). Sept-20 sale is assemblage of multiple parcels (from different sellers), improved with about 98,000 sf of warehouse/retail/office space in 9 buildings. South portion of site zoned CR (w/ max 2 FAR) and remainder is RC-2. Buyer's early master planning is for development with 10 buildings and 2 million sf of multifamily and office/lab improvements.
5b	13310 Bel-Red Rd. Bellevue, WA	BR-RC-2 & CR	242,273 sf		2.8 Max		Sep-20	\$46,350,000	\$191	N/A	N/A	\$68	June 2024 sale of mid-block site improved with auto 5,000sf auto repair shop. Buyer owns surrounding parcels and nearly the entire block (-9 acres). Sept-20 sale is assemblage of multiple parcels (from different sellers), improved with about 98,000 sf of warehouse/retail/office space in 9 buildings. South portion of site zoned CR (w/ max 2 FAR) and remainder is RC-2. Buyer's early master planning is for development with 10 buildings and 2 million sf of multifamily and office/lab improvements.
Combined Assemblage:									\$200	N/A	N/A	\$70	
Subject													
Bellevue Surplus Property 1700 130th Ave NE Bellevue, WA		BR-RC-1	131,572 <i>See Notes</i>		4.0 Max		July 2024 Appraisal	\$36,200,000	\$275	\$348			L-shaped site, north of BelRed East Link Station. Site area excludes R/W dedications; additional 44,401sf FAR rights. Future street dedications will be needed; Goff Creek culvert located along 132nd.

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, with a focus on larger sites. There have been a number of sales of sites in this area over the past few years though sales activity has slowed recently.

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, and additional FAR rights as adjustment factors.

Unit of Comparison & Adjustments

In analyzing the sale comparisons, we have used the price/sf indication with \$/FAR and \$/potential unit considered, as well. The unit of comparison used is the site area after the current fee and easement dedications. These include the Sound Transit fee acquisition and City of Bellevue sidewalk and utility easement that have been recorded, as well as an assumed additional acquisition by the City of Bellevue for right-of-way purposes. Please see the Property Description for a visualization and further details. These areas can't be built on and would not add to permeable surface calculations but the floor area ratio development rights (FAR) have been retained for these areas (~44,400 sf). This is a positive factor and we have adjusted for this relative to the comparisons.

The subject area of 131,572 sf has been adjusted relative to the comparisons. This area is before any additional deductions for future road dedications and Goff Creek setbacks/mitigation considerations, which will be considered in the adjustments.

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 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 3.1 based on the gross site area before road dedications.



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). After road dedications, the site area is 65,217 sf.

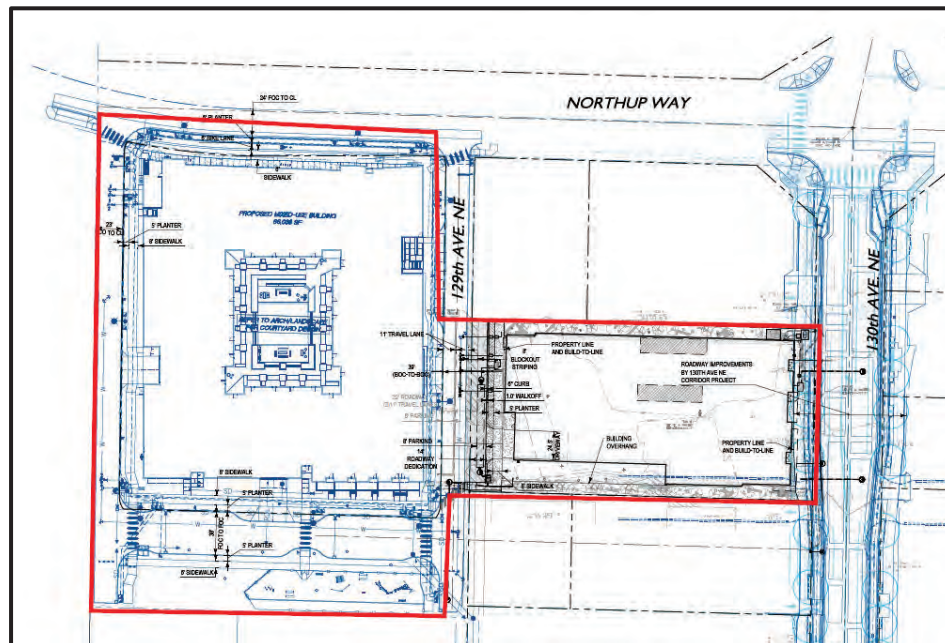
The sale had a long closing time, having been under contract since December 2017. Our understanding is that extension deposits were made between the contract date and closing, and were applied to the total sale price.

Land Sale Comparison No. 2 includes two purchases by Nash-Holland for two multifamily projects that required a master plan. The most recent sale 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.

The earlier purchase is the December 2019 sale of a 149,840-sf site located along Northrup Way. The property was improved with a self-storage facility and located about 0.4 miles from the 130th Street station (planned at the time of sale). The seller previously planned 9-story apartment building with 402 units. The property has frontage on Northrup Way and at the time of sale, had an access drive from 130th Ave NE, as shown on the adjacent aerial. As part of the project, known as the Vicuna Apartments, three streets were created. The southernmost street that was dedicated, was not along the property line and appears to have isolated about 13,000 sf of land.

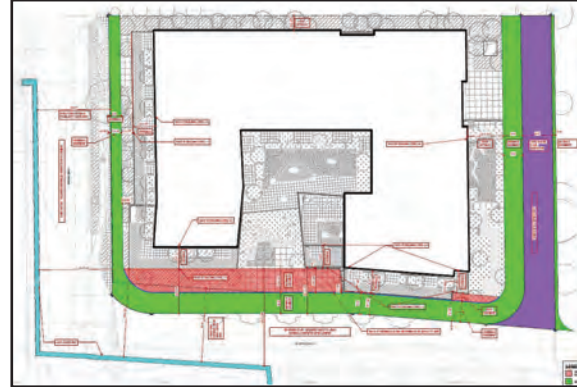


The two sites, as joined under a master plan, are represented below.

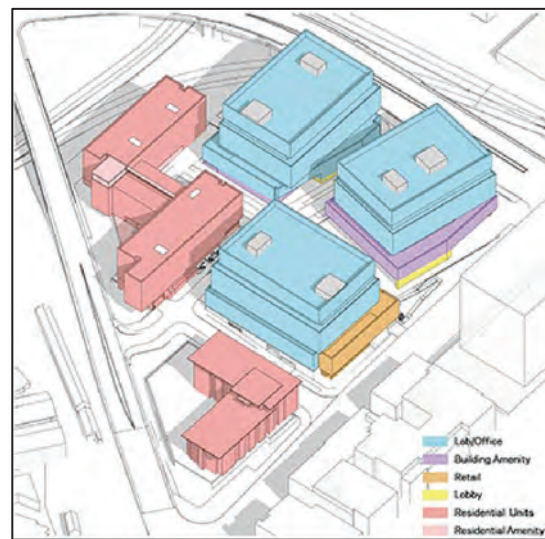


Land Sale Comparison No. 3 is the July 2021 sale of a 61,412 sf site purchased by Vulcan in the Bel-Red neighborhood. The site sold for \$352/sf, \$80/sf FAR or (\$86,948/unit) and was fully entitled for a 249-unit, 8-story apartment building. The property is a rectangular shaped lot located across the 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 (comparable to the subject's unit of comparison). 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 show a required set back from the piped creek but it does not appear to have impacted the building placement. 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 includes the recent purchase of a 15,000 sf site along 132nd Ave NE, to add to the buyer's assemblage of the nearly complete 9 acre mega-block. In addition, we have included the September 2020 assemblage of a 2.8-acre multi-parcel site (from different sellers). The buyer is BRS 132 LLC, a local investor group that includes Wright family, Columbia Pacific and Ray Spencer. The 15,000 sf mid-block site sold in June 2024 for \$5,000,000, which is equivalent

to \$333/sf of land. This site is zoned BR-RC-2 with a maximum FAR of 4.0. It is improved with a 5,000 sf auto repair garage built in 1967.

The September 2020 sale totaled \$46,350,000. The property included about 98,000 sf of improvements in 9 buildings, with varying lease terms (1-5 years). The property went under contract in February 2020, prior to being exposed on the open market. The buyer had purchased the 2.5-acre property to the north for approximately \$100/sf of land in 2015 (tennis academy). They had also purchased a 15,625 sf site in February 2019 for \$2,525,000 is equivalent to \$162/sf of land area.



Only early design guidance has occurred at this property and we note the above rendering shown in February 2023 does not incorporate the most recently acquired site. It was reported that initial planning is for six apartment buildings with 932 units, four lab, office and life science buildings with 288,330 sf, some retail and 1,364 below grade parking stalls. Total building area would be around 2 million square feet though the proposal has not entered design review and is preliminary.

Subject Offers

As an additional indication, we have considered the offers from Vulcan for the subject property. Our understanding is that Vulcan approached the City of Bellevue with an unsolicited offer in December 2021. The property is encumbered with an obligation to build a 300 stall parking garage at the time of redevelopment, as well as provide interim offsite parking during construction. There is also the obligation for affordable housing. Neither of these encumbrances are reflected in this appraisal but the offers still provide some additional insight. We reviewed excerpts from a proposal dated March 2022 that included the entire subject property and also included the Kelly property located south of the station. The proposal essentially removes the low income housing component from the subject property and places it on the Kelly Property, which would be constructed and financed by a LIH developer and not Vulcan.

The purchase price was set at \$42,000,000, reduced by the cost to construct the Sound Transit garage (estimated at \$36,000,000) and the cost of temporary parking (\$6,000,000). If the costs exceed the purchase price, the City would be obligated to pay Vulcan at closing the excess amount. The purchase price assumes that the subject will support a residential net rentable area of 312,000 sf, and has proposed a total of 430 units, which would include some workforce housing but not low income housing. Vulcan's plan incorporates development of the future road

dedications and area/setbacks for Goff Creek. This offer represents an indication of **\$319/sf** of land area, or **\$97,674/unit**.

We were also provided with an additional term sheet dated 8/24/23 that was for the “West Parcel” only (which we assume reflects the portion of the subject west of the future 131st Ave NE road dedication). The low income obligation would not be developed (and is reserved for the East Parcel) but the parking garage would. The value for the West Parcel was set at \$21,300,000 and the City and Vulcan would share in the garage cost with the City required to provide a contribution of \$21,200,000 towards the permanent facility. Any cost savings and/or overages would be shared between the parties. The temporary parking would be the City’s responsibility. At an implied 86,000 sf, this offer indicates less at **\$248/sf of land** or **\$75,000/unit** based on their plan of 284 units. Vulcan would construct half of the 131st Avenue NE future road dedication.

As construction and financing costs increased between the time of the initial offer and today, Vulcan’s offer was effectively lowered with the City’s financial obligations increasing. Our understanding is that Vulcan is still interested in the property, but the parties have not come to agreement and the City is planning to solicit Requests for Proposal.

Adjustments

Conditions of Sale: Sale 5a requires a downward adjustment for assemblage motivations. Assemblage is a typical buyer motivation; however, the small parcel is located in the center of the larger assemblage and it is likely that the assemblage motivation of the buyer put some upward pressure on the price they were willing to pay to complete the full block assemblage. Somewhat mitigating this is that the small size of the site for stand-alone development combined with the surrounding common ownership, which may have limited the pool of potential buyers. In the end, we have adjusted down for atypical assemblage motivation.

Market Conditions: Although investor surveys and other market reports show prices have declined for most property types, there is little if any evidence of decline of similar land, as sellers of similar properties are not inclined to discount prices for the limited supply of viable sites (especially for larger assembled sites). Still, the feasibility of new construction is challenging due to high construction costs and interest rates, as well as significant new supply, and demand has cooled since the 2022 peak. The Vulcan offers for the subject property from March 2022 to August 2023 show a 22% decline in terms of price per gross sf of land. Conversely, Sale 5a as the most recent sale comparison in June 2024 at \$333/sf of land is at (or above) peak transaction levels. This transaction was part of a larger assemblage motivation and we have not put substantial weight on this evidence; similarly, the Vulcan lowered offers are not representative of what a seller would be willing to accept and the truth may fall somewhere in between. Our observation over several long-term economic cycles relative to well-located land is that in cooler economic times transaction level diminishes, with prices remaining level near prior peak values which set

market benchmarks. Nevertheless, considering a widened bid-ask spread we premise at least some decline in resolved market pricing for development land today, even in the absence of strong transaction evidence.

The commercial development planned sale (Sale 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 that transacted in 2021 and 2022 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.

Accordingly, the combined assemblage indications, 2a & 2b and 5a and 5b include older sales that closed in 2019 and 2020; there was substantial market appreciation since this time, particularly with the light rail station completed and the redevelopment and improvements in the neighborhood that are making this location more desirable. Therefore, relative to these combined assemblage purchases, we have adjusted upwards for market conditions. Finally, no adjustment is needed relative to the June 2024 sale.

Location/Frontage: The subject is located adjacent to the light rail station. The close proximity to the light rail is desirable, although some additional setback from the station is beneficial for residential construction, from both a noise and privacy standpoint. The closer proximity of the subject compared to the sales 2 and 5 are offset by this and we note all of the sales are located on busy arterials. Sales 4 is located closer to the Bellevue CBD and we have adjusted down for location.

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, 2a & 2b, 3, 4 and 5a & 5b are similar corner sites and no adjustment is applied. Sales 2a and 5a are positioned mid-block and have been adjusted up.

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 presence of Goff Creek is a development restraint, both in terms of setbacks, as well as additional planning/permitting costs, and the potential that daylighting could be required. The setback area could be used in the calculation of permeable area requirements, which is not insignificant at 25%; still, this is a negative attribute compared to most of the comparisons. The exception is Sale 5, which appears to have Goff Creek running directly underneath the site. This would likely have a significant impact on building placement and would require setback on both sides of the stream. We note that it appears the stream is near the corner of Sale 5a, and is therefore considered similar to the subject.

Zoning: The zoning at most of 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 for all of the sales except 5a & 5b. Here, the south portion of site is zoned BR-CR, which has a maximum FAR of 2.0, with the remainder zoned RC-2. The CR zoning also has a lower height limit of 70', which would have an impact on achievable highest and best use FARs. The combined FAR max is 2.9 and while achievable FARs at the subject could fall around this, the lower FAR combined with the lower height limit, would result in less building capacity compared to the subject, warranting an upward adjustment.

Plans and Permits: Sale 3 and Sale 2b included planning and permitting. Sale 3 included fully approved plans/permitting in place at time of sale. Planning contributes to the 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 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 the obligation for roadway/sidewalk construction, which we have assumed to fall at the north end of the parcel (in the full width) and then through the south portion of the parcel (full width), still retaining FAR rights but incurring additional costs and losing developable site area. In the subject's case, this accounts for about 17% of the site area. (The Goff Creek setback has been adjusted for in the physical characteristics adjustment.) Please note that we have assumed the road placement will not result in an isolated portion of land at the north part of the site. The 130th Ave frontage will be constructed by the city although there is still coordination that needs to happen.

Bellevue Surplus Property - L-shaped site north of 130th Street Station

Land Sale Comparison Adjustments

Sale Number	Subject	1	2a	2a + 2b	3	4a + 4b	5a	5a + 5b
Name/Address	Bellevue Surplus Property	Legacy Bel-Red/130th Station	Holland 130th Station Property	Holland Assemblage	Vulcan 130th Station Property	Alexandria /Pine Forest Property	June 2024 Assemblage Parcel	Bel-Red & 130th Street Assemblage
Transaction Price		\$18,200,000	\$12,950,000	\$45,950,000	\$21,650,000	\$107,500,000	\$5,000,000	\$51,350,000
Property Rights		0%	0%	0%	0%	0%	0%	0%
Financing Terms		0%	0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	-10%	0%
Expenditures after Sale		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Price		\$18,200,000	\$12,950,000	\$45,950,000	\$21,650,000	\$107,500,000	\$4,500,000	\$51,350,000
Site Area	131,572	78,616	44,792	194,632	61,426	303,287	15,000	257,273
FAR	4.0	3.1	4.1	3.6	4.4	3.3	4.0	2.9
Adj. Unit of Comparison (\$/SF)		\$232	\$289	\$236	\$352	\$354	\$300	\$200
Date of Sale	July 2024 Appraisal	Mar-22	Dec-21	12/2019 & 12/2021	Jul-21	12/2021 & 2022 pending	Jun-24	9/2020 & 6/2024
Market Conditions Adjustment		0%	(5%)	15%	(5%)	(10%)	0%	15%
Subtotal Unit Price		\$232	\$275	\$271	\$335	\$319	\$300	\$230
Location		0%	0%	0%	0%	(10%)	0%	0%
Corner Orientation		0%	5%	0%	0%	0%	5%	0%
Physical Characteristics		(5%)	(5%)	(5%)	(5%)	(5%)	0%	5%
Zoning		0%	0%	0%	0%	0%	0%	20%
Planning/ Permitting		0%	0%	(15%)	(20%)	0%	0%	0%
Site Development Costs/Streets		0%	(5%)	10%	(5%)	0%	(10%)	0%
Additional FAR Rights		5%	5%	5%	5%	5%	5%	5%
Total Other Adjustments		0%	0%	(5%)	(25%)	(10%)	0%	30%
Indicated Unit Value for Subject		\$232	\$275	\$258	\$251	\$287	\$300	\$298

We have considered the site development costs and loss of buildable area at the comparisons and have adjusted accordingly. Sales 1, 4 and 5 are considered similar, Sale 2a, 3 and 5a have relatively less required dedications/costs and have been adjusted down. Sale 2a & 2b has been adjusted up to account for the greater required street dedications, as well as the isolated strip of land that resulted from the construction of a road.

Additional FAR Rights: The final adjustment takes into account the additional development rights that the subject has for the land area not included in the unit of comparison. The 44,401 sf area that has been and/or 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 (44,401 potential building square feet) up to a maximum of 4.0 FAR (177,604 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 the additional FAR rights would be utilized. Nevertheless, it is still possible that a project could use some of the additional FAR rights and it 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 34% increase over what the site would otherwise be able to achieve. However, development within these areas is prohibited, even as landscaped area, and the value from these rights are less than fee value, particularly since they may not be fully utilized. In this case, given the significant additional street dedications and Goff Creek mitigation, as well as the site dimensions, it is unlikely that the additional FAR rights would be used. Therefore, the value contribution from these rights is primarily as an offset to incentive/affordable housing fees that occur over base FAR. All of the comparisons have been adjusted upward for this factor.

Value Conclusion

Prior to adjustments, the sales indicated a range of \$200/sf to \$354/sf and \$70/sf to \$109/sf FAR. After adjustments, the range is narrowed to \$232/sf to \$300/sf. All of the comparisons are relevant, are located in close proximity and share many similar physical attributes. Sale 1 represents the low end of the range at \$232/sf and is relevant given its location, size and road dedications. The extended contract time somewhat reduces the reliability of this indication however. Sale 2 is relevant given that combined it forms an L-shape; however, the prior sale is quite dated and was planned and the more recent sale is less physically similar to the subject. Sale 3 is across the street from the subject and is relevant. Sale 4 is located further from the subject and includes a transaction that has not yet closed, somewhat reducing the reliability of this indication. Sale 5 includes the most recent transaction though the assemblage motivation and small size make it less relevant. The offers for the subject property have also been considered though not given substantial weight since the first offer has been rescinded and both parties have not been able to negotiate a purchase agreement.

In the end, we have placed the weight on all of the sales and have concluded to a value of **\$275/sf of land area** based on the land area of 131,572 sf. This could also be thought of as \$206/sf of gross

area (including the ST & COB dedications), \$348/sf of net area (after subtracting road dedications and creek setback), \$86/FAR if a 3.2 FAR is achieved. (Based on maximum FAR and including the additional FAR rights, this value is equal to \$51/Maximum FAR.) The number of achievable units is also speculative but based on Vulcan's plan of 430 units, this indicates a unit value of \$84,145/unit.

In summary, it is our conclusion that the value of the site is **\$36,200,000**.

ADDENDA

Economic Conditions and Real Estate Market Appraisers' Experience & Qualifications

ECONOMIC CONDITIONS AND REAL ESTATE MARKET

Economic Conditions and Real Estate Markets

National 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, before moderating to 3.4% in the 4th Quarter, and 1.3% in the 1st Quarter of 2024. The outlook for 2024-2025 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 June 2024 the Conference Board released the following economic forecast for the US economy:

“The US economy started 2024 on a softer note than anticipated as elevated inflation and interest rates continued to weigh on the economy. While we do not forecast a recession in 2024, we do expect consumer spending growth to cool further and for overall GDP growth to slow to under 1% over the Q2 to Q3 2024 period. Thereafter, inflation should gradually normalize to the Fed’s 2-percent target in 2025 as quarterly annualized GDP growth rises toward its potential of near 2%. Interest rates should fall starting in late 2024 but may stabilize at levels exceeding the pre-pandemic average.

US consumer spending held up remarkably well in 2023 despite numerous headwinds. However, this trend has begun to wane. Real consumer spending growth is in retreat and consumer’s expectations about the future suggest a downturn is likely. Gains in real disposable personal income growth are softening, pandemic savings have been exhausted, and household debt is increasing rapidly. Consumers are spending more of their income to service debt, and auto loan and credit card delinquencies are rising quickly. Thus, we forecast that overall consumer spending growth will continue to slow in Q2 and Q3 2024 as households struggle to find a new equilibrium between income, debt, savings, and spending. While we anticipate labor market conditions to soften over this period, we do not expect them to deteriorate.

Business investment growth slowed in Q1 2024 as high interest rates increasingly weighed on financing activities. This trend should intensify over the course of this year as the Fed patiently awaits additional progress on inflation. Residential investment, as the Fed patiently awaits additional progress on inflation. Residential investment, a bright spot in the economy due to a housing supply and demand mismatch, has been performing better. However, looking ahead, as consumers grapple with their finances and builders continue to face high interest rates this trend is likely to slow.

Government spending was a positive contributor to economic growth in 2023 due to federal non-defense spending associated with infrastructure investment legislation passed in 2021 and 2022. This tailwind has not yet abated and spending on these programs will continue to

support GDP growth. However, political volatility surrounding fiscal policy, debt, and outlays could impact government spending over the next few years.

Labor market tightness remains fairly persistent. This trend is underpinned by the retirement of the Baby Boomer generation and the reluctance of businesses to lay off workers. While we do anticipate some softening in the labor market as the economy slows, we do not expect it to unravel.

On inflation, much progress was made over the course of 2023 but improvements stalled in Q1 2024. Increases in energy prices and rising costs in select services industries, like insurance, were key factors. Fortunately, April and May inflation data revealed a resumption in the slowing trend seen last year. While shelter price inflation has cooled, additional progress will be needed to achieve the Fed's 2% inflation target. We expect this to occur, slowly, and forecast that inflation will slow to 2% in Q2 2025. We continue to forecast that the Fed will implement two 25 basis point rate cuts toward the end of this year. .

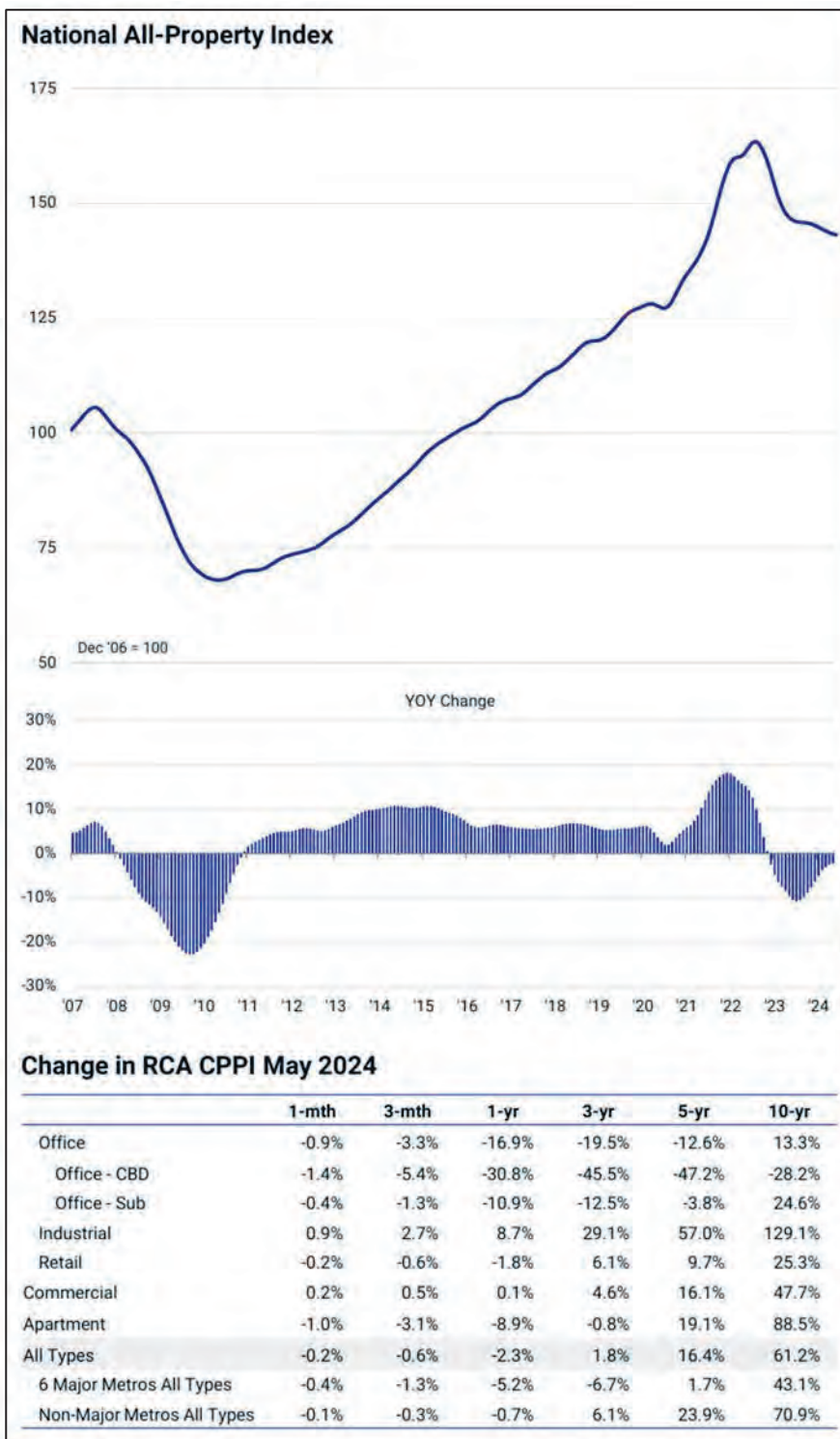
The Conference Board US Economic Outlook, 2023-2025															
q/q percentage change, seasonally adjusted annual rates (except where noted), updated as of 13 June 2024															
	2023				2024				2025				2023*	2024	2025
	I Q*	II Q*	III Q*	IV Q*	I Q*	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q			
Real GDP	2.2	2.1	4.9	3.4	1.3	0.8	0.6	1.2	1.7	1.9	2.0	2.1	2.5	2.0	1.5
Real GDP (YoY)	1.7	2.4	2.9	3.1	2.9	2.6	1.5	1.0	1.1	1.3	1.7	1.9	2.5	2.0	1.5
Real disposable income	10.8	3.3	0.5	0.9	1.9	0.7	0.5	1.0	1.5	1.8	1.9	2.0	4.1	1.2	1.4
Real consumer spending	3.8	0.8	3.1	3.3	2.0	1.2	0.5	0.9	1.5	1.7	1.8	1.9	2.2	1.9	1.3
Residential investment	-5.3	-2.2	6.7	2.8	15.4	4.0	1.0	2.0	2.5	3.5	4.0	4.0	-10.6	5.9	2.8
Nonresidential investment	5.7	7.4	1.5	3.8	3.3	2.0	1.2	2.1	2.7	3.0	3.7	3.8	4.5	2.8	2.6
Inventory change (bln chn '17\$)	27.0	15.0	78.0	55.0	28.0	5.0	5.0	5.0	0.0	0.0	0.0	0.0	44.0	11.0	0.0
Total gov't spending	4.8	3.3	5.8	4.6	1.3	2.0	2.2	2.4	2.4	2.4	2.3	2.3	4.1	2.9	2.3
Exports	6.8	-9.3	5.4	5.0	1.2	0.7	0.5	2.0	2.5	3.0	3.0	3.0	2.6	1.6	2.2
Imports	1.3	-7.6	4.2	2.2	7.6	3.0	2.5	2.5	3.0	3.5	4.0	4.0	-1.7	3.3	3.1
Unemployment rate (%)	3.5	3.6	3.7	3.7	3.8	3.9	4.1	4.2	4.1	4.0	3.9	3.9	3.6	4.0	4.0
Labor Force Participation Rate (%)	62.5	62.6	62.7	62.7	62.6	62.6	62.5	62.4	62.3	62.3	62.3	62.4	62.6	62.5	62.3
PCE Inflation (%Y/Y)	5.0	3.9	3.3	2.8	2.5	2.6	2.3	2.2	2.1	2.0	2.0	2.0	3.7	2.4	2.0
Core PCE Inflation (%Y/Y)	4.8	4.6	3.8	3.2	2.8	2.6	2.5	2.4	2.2	2.0	2.0	2.0	4.1	2.6	2.0
Fed Funds (% Midpoint, Period End)	4.875	5.125	5.375	5.375	5.375	5.375	5.375	4.875	4.375	3.875	3.625	3.375	5.375	4.875	3.375

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 Real Estate Market - Value Trends and Sectors

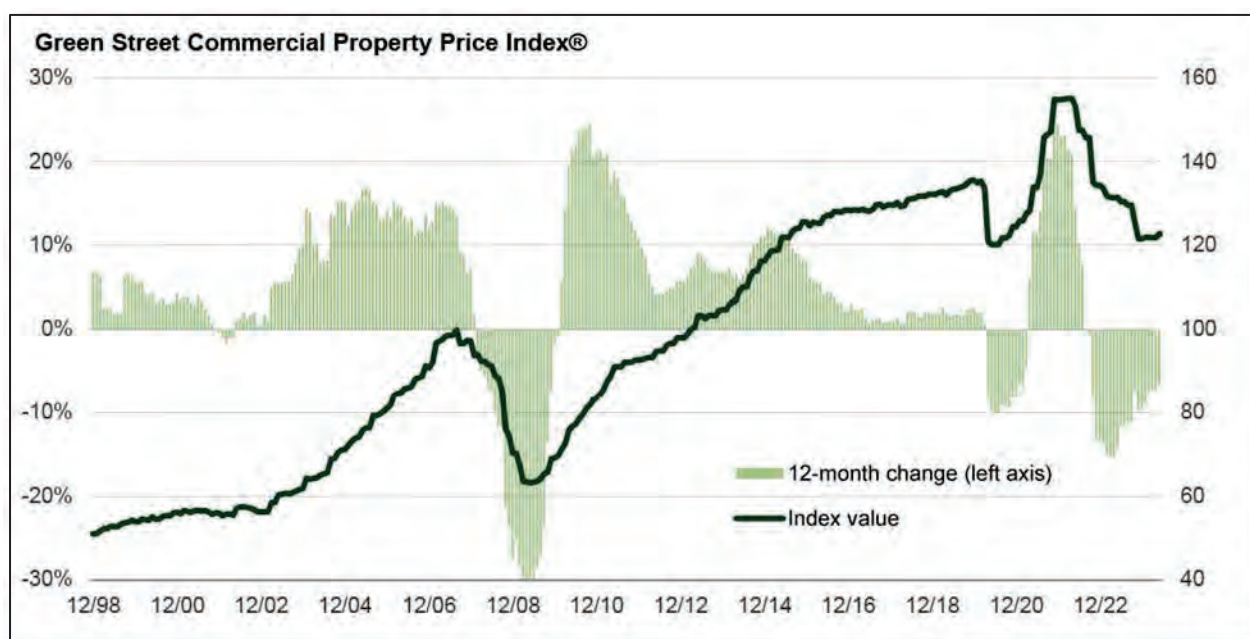
For a broad understanding of the current conditions in the commercial real estate markets, we have consulted several nationally published price indices. First, the Commercial Property Price Index (CPPI) produced by Real Capital Analytics (RCA), reflecting results through May 2024.

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.

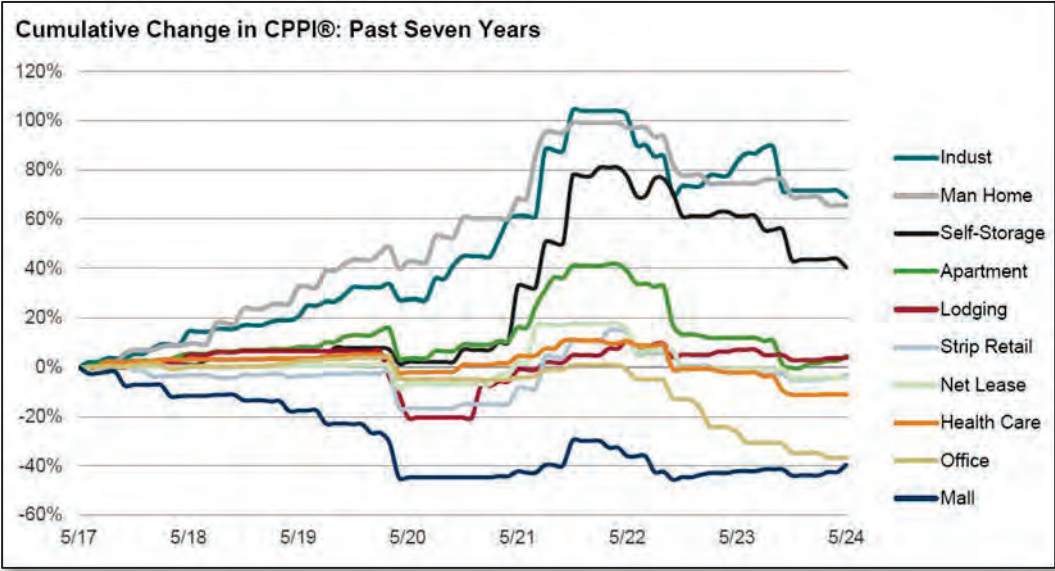


Most asset classes declined during the last 12 month cycle, led by Office showing a very steep loss in value of 17%. Industrial properties increased fairly significantly year over year (YOY) at +9%, while apartment was an equally significant decline at -9% (based primarily on cap rate increase). Commercial and retail held fairly steady, and the overall average was a decline of 2.3%. Over the last 5 years (since pre-Covid in 2019) all properties types except office show net increases, with industrial in particular showing a significant gain of +57%. After a fairly steep decline starting in mid-2022 caused essentially by high interest rates most property sectors saw relative stabilization of values starting in mid-2023.

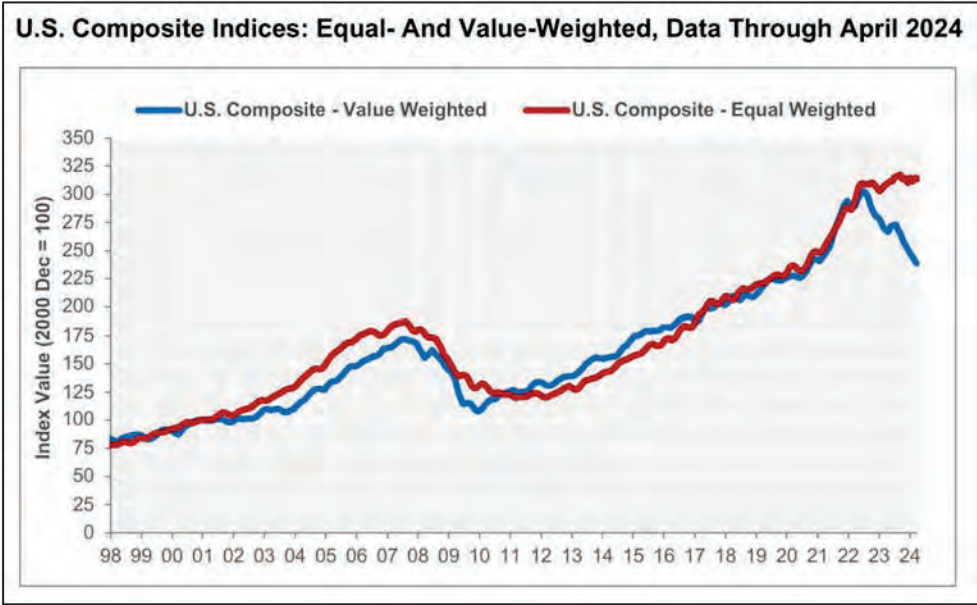
Another national index, the Green Street CPPI, has REIT data (institutional properties), is value weighted, and is appraisal-based. The Price Index is “a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted”. The overall index is up 1% since January 2024, and a 21% decline in all properties since March 2022 peak.



The following tables show the overall index for commercial properties, and the sector-specific changes for the last seven years. Most indexes are within 10% of neutral, with industrial and manufactured homes significantly up, and office and mall significantly down:



A third index is the CoStar Commercial Repeat-Sale Indices (CCRSI), based on repeat sale pairs. This bifurcated index continues to diverge with the equal-weighted composite index holding fairly steady and the value-weighted composite index continuing to decline. The value-weighted U.S. Composite Index, which is more heavily influenced by high-value trades common in core markets is down 11% YOY while the equal-weighted Composite Index, which encompasses a broad range of markets and asset classes, gained 1.6% YOY:

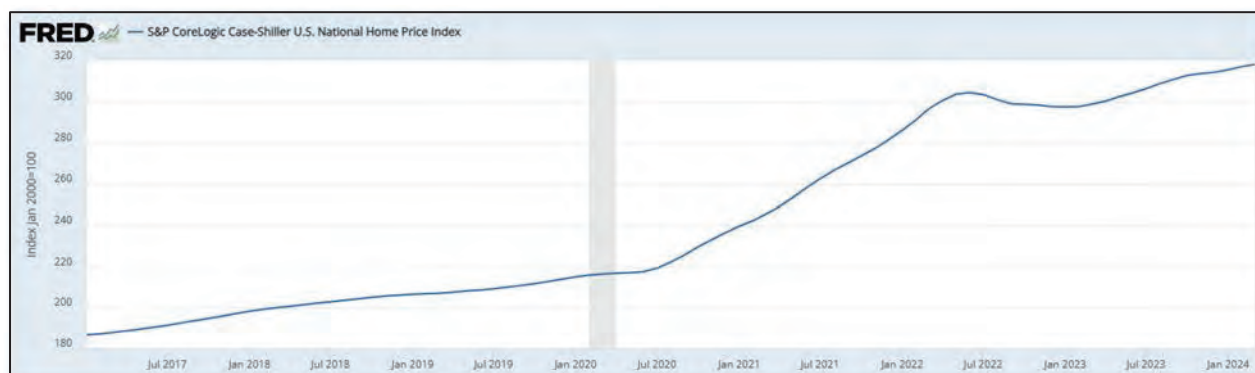


In summary, recent values have declined fairly significantly, while overall near-term prospects for commercial real estate value is now stabilizing to neutral. With many assets collateralized with term debt arrangements, lenders and investors are very cautious and the

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.

Finally, for single family houses prices have generally continue to escalate fairly significantly, up 69% over the last seven years. Case Shiller house price trends are as follows:

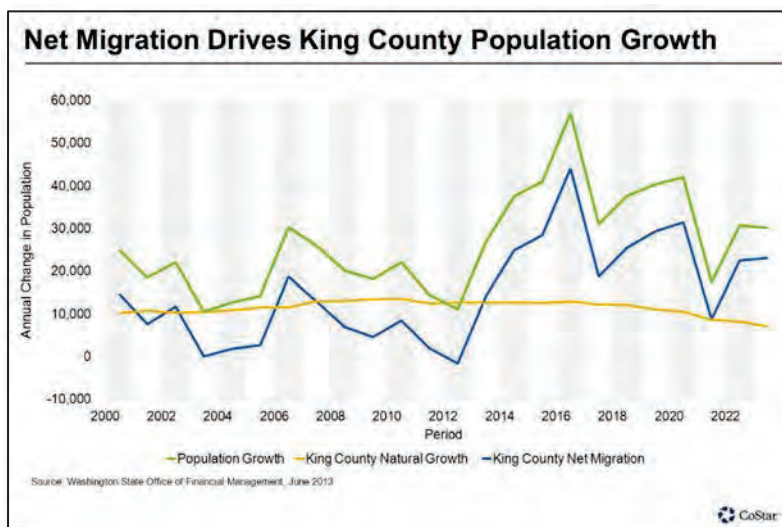


Seattle Area Economy

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 five 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 moderate 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.

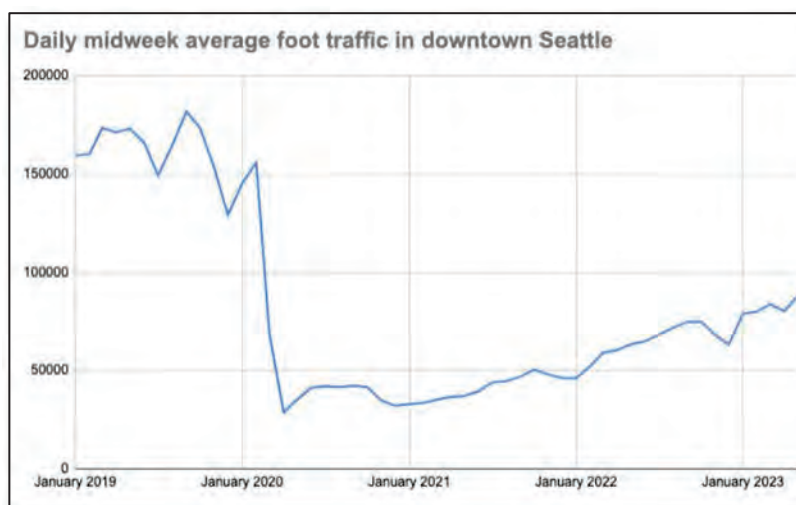


Nevertheless, the climate has changed, and the visible impact of the Seattle area office markets (including Bellevue, Redmond and Kirkland) is particularly notable. Seattle area office building usage has been quite low, consistent with national trends as Covid and the work from home employment situation 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 early-2024, relative to pre-pandemic levels four years ago are at about 57%, with an average 85,000 weekday workers in May, gradually increasing about 8% since May 2023, but still only 53% of the foot traffic in May 2019.



With technology employment particularly prone to work-from-home trends and considering the weighting of employment in Seattle these figures are low by national standards, yet the local feeling of optimism and noticeable increases in day and night activity, combined with fairly robust tourism sector (one of the top destinations domestically and increasingly internationally). Unlike many cities Seattle has a significant residential population downtown, at about 106,000 residents (mostly in fairly newly-constructed apartments and condos, with strong income demographics), and the core area is one of the most walkable and bikeable in the US.

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 home values and apartment rents faring pretty well, and regional growth and other forces have local industrial facilities in high demand and short supply. Inflation, potential recession and office markets are significant current concerns, and pricing of most real estate is somewhat volatile and uncertain at this time.

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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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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.