Council Meeting Date:	**September 10, 2018**	**Agenda Item:** 7(g)

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Authorizing the City Manager to Execute a Ground Lease with CCATT LLC for a Portion of the N 167th Street Right-of-Way for Continued Use of the Site for Wireless Transmission Facilities
DEPARTMENT:	City Attorney's Office
PRESENTED BY:	Julie Ainsworth-Taylor
ACTION:	____ Ordinance ____ Resolution __X_ Motion ____ Discussion ____ Public Hearing

PROBLEM/ISSUE STATEMENT:

In 1993, King County entered into a ground lease agreement with CCATT LLC for a portion of N 167th Street at Interstate-5 near James Keough Park for a wireless transmission facility (cell tower) and support equipment. This lease was transferred to the City and is now set to expire on January 3, 2019. Staff has negotiated an Amended and Restated Lease Agreement with CCATT LLC.

Pursuant to Shoreline Municipal Code (SMC) Section 2.60.090(B), the City Council must approve a lease in excess of one (1) year or when the consideration (rent) exceeds $50,000 per year. While the rent does not exceed the SMC's stated amount, the term of the lease does. Therefore, City Council approval and authorization for City Manager execution of the lease is required. Tonight, staff is requesting City Council authorization of an amended and restated ground lease agreement with CCATT LLC for these wireless transmission facilitates.

RESOURCE/FINANCIAL IMPACT:

The revenue generated from this ground lease for this portion of the right-of-way would be $36,000 in the first year of the lease term. This base rent will be increased in subsequent years based on the increase to the Consumer Price Index, but shall be no less than 2% or more than 5%. Additional revenue may be generated if the lessee (CCATT LLC) leases some of their pole space to other wireless providers. The City would receive a 30% revenue share of those 'sub-leases'. This lease revenue will not be realized if this amended and restated agreement with CCATT LLC is not approved.

RECOMMENDATION

Staff recommends that the City Council move to authorize the City Manager to execute the Amended and Restated Lease Agreement with CCATT LLC for a portion of N 167th Street for the continued use of the site for wireless transmission facilities.

Approved By: City Manager ***DT*** City Attorney ***JA-T***

BACKGROUND

In 1993, King County entered into a ground lease agreement for a portion of N 167th Street near James Keough Park where the street terminates at the western edge of Interstate-5. A 75 foot monopole and related transmission and support equipment were constructed on the leased area which measures 38 feet by 20 feet.

In 2012, King County finally transferred this ground lease agreement to the City of Shoreline. This ground lease agreement, which has been amended from time to time by both King County and the City, was set to expire January 3, 2019. Representatives from CCATT LLC ("Crown Castle") approach the City to negotiate either another extension of the original King County lease or an amended ground lease for this site. Since the King County lease was both dated and had irrelevant or unacceptable language, an amended, restated lease was negotiated.

DISCUSSION

Staff has negotiated an Amended and Restated Lease Agreement with CCATT LLC, which is attached to this staff report as Attachment A. The key features of this new Lease Agreement are as follows:

1. Lease rate based on a current market appraisal resulting in a Base Rent decrease to $36,000.00/year. The prior rent was $4,011/month with no leasehold tax or revenue sharing. The appraisal, prepared by Colliers (the real estate company selling the surplus Police Station), is attached as Attachment B to this staff report.
2. Annual increases in Base Rent based on Consumer Price Index, with the increase in annual rent being no less than 2% or more the 5%.
3. Revenue sharing of 30% for each new tenant that leases pole space from Crown Castle. This is a new provision for any of the City's wireless facilities leases.
4. Pursuant to Chapter 82.29A RCW and Chapter 3.25 SMC, Leasehold Tax is now imposed (King County lease did not impose this tax).
5. Option to expand leased premises subject to additional rent negotiation.
6. Initial term of five (5) years with up to four (4) successive five (5) year terms, for a maximum lease term of 25 years.

Pursuant to Shoreline Municipal Code (SMC) Section 2.60.090(B), the City Council must approve a lease in excess of one (1) year or when the consideration (rent) for the lease exceeds $50,000 per year. While the rent does not exceed the SMC's stated amount, the term of the lease does. Therefore, City Council approval and authorization for City Manager execution of the lease is required.

RESOURCE/FINANCIAL IMPACT

The revenue generated from this ground lease for this portion of the right-of-way would be $36,000 in the first year of the lease term. This base rent will be increased in subsequent years based on the increase to the Consumer Price Index, but shall be no less than 2% or more than 5%. Additional revenue may be generated if the lessee (CCATT LLC) leases some of their pole space to other wireless providers. The City would receive a 30% revenue share of those ‘sub-leases’. This lease revenue will not be realized if this amended and restated agreement with CCATT LLC is not approved.

RECOMMENDATION

Staff recommends that the City Council move to authorize the City Manager to execute the Amended and Restated Lease Agreement with CCATT LLC for a portion of N 167th Street for the continued use of the site for wireless transmission facilities.

ATTACHMENTS

Attachment A – Amended and Restated Lease Agreement Between the City of Shoreline and CCATT LLC
Attachment B – Telecommunications Facility Summary Appraisal Report

AMENDED AND RESTATED LEASE AGREEMENT

THIS AMENDED AND RESTATED LEASE AGREEMENT is made as of the date of the final signature below, by and between CITY OF SHORELINE, a municipal corporation of the State of Washington ("Shoreline") and CCATT LLC, a Delaware limited liability company ("Lessee"), (collectively referred to herein as the "Parties" and each individual as a "Party).

RECITALS

WHEREAS, Lessee desires to lease a portion of City of Shoreline public right-of-way commonly referred to as N 167th Street; and

WHEREAS, RCW 35A.11.020 and RCW 35.99 grants the City of Shoreline the power to regulate the use of its public rights-of-way and to lease such rights-of-way; and

WHEREAS, in 1993, King County entered into a lease agreement for a certain portion of N 167th Street ("Property") with Lessee's predecessor in interest, installed telecommunication facilities upon the Property, and, in 2012, Shoreline received all rights, title, and interest in the lease agreement from King County; and

WHEREAS, the lease agreement has since been amended on several occasions and was last amended on April 22, 2015, and is collectively referenced under City of Shoreline Clerk's Receiving No. 7984 as the "Shoreline Lease Agreement"; and

WHEREAS, Shoreline and Lessee desire to repeal and replace the Shoreline Lease Agreement as provided herein through this Amended and Restated Lease Agreement (the "Lease Agreement") and to provide for modifications to the terms and conditions of the Shoreline Lease Agreement.

REPEAL AND REPLACEMENT OF ORIGINAL LEASE AGREEMENT

In December 1998, King County executed an agreement to lease certain property within N 167th Street, a public right-of-way, to Lessee's predecessor in interest, referenced as King County Lease No. 1448. King County Lease No. 1448, as amended, was transferred to the City of Shoreline and, along with subsequent amendments, is now referred to as the "Shoreline Lease Agreement" pursuant to Shoreline City Clerk No 7984. Upon the Commencement Date of this Agreement, the Parties mutually agree that the Shoreline Lease Agreement is repealed in its entirety and the terms and conditions of this Lease Agreement shall control and be binding on the Parties in all matters related to the Leased Premises.

AGREEMENT

NOW, therefore, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties mutually agree as follows:

I) DEFINITIONS

Except when a specific definition is provided for in this Lease Agreement words and phrases will be given their usual meaning. In addition to specific definitions contained within this Lease Agreement, the following words and phrases shall have the following meanings:

"Commencement Date" means the first day of the month following the month in which this Agreement was fully executed.

"Day" or "Days" means a calendar day. If the deadline for any required action should fall on a Saturday, Sunday, or legally-recognized holiday, then it is excluded and the next succeeding calendar day which is neither a Saturday, Sunday, nor legal holiday shall be the deadline.

"Telecommunications facilities" means the equipment and personal property, including but not limited to, cables, wires, conduits, ducts, pedestals, antennas, towers, electronics, equipment storage structures and other appurtenances used or to be used to transmit, receive, distribute, provide, house or offer telecommunications services.

"Telecommunications service" means the providing or offering for rent, sale or lease, or in exchange for other value received, of the transmittal of voice, data, image, graphic and video programming information between or among points by wire, cable, fiber optics, laser, microwave, radio, satellite or similar facilities, with or without benefit of any closed transmission medium.

II) SHORELINE RIGHT-OF-WAY PROPERTY

The property of interest in this Lease Agreement is the public right-of-way commonly referred to as N 167th Street, situated in the City of Shoreline, King County, Washington. The right-of-way was dedicated to the use of the public forever in 1908, with the recording of the Plat of Murphy's Interurban Acres, Volume 17, Page 83 Book of Plats King County and is shown on King County Quarter Section Map SW 08-26-04 (herein, the "Property"). N 167th Street terminates at the western edge of Washington State limited access right-of-way known as Interstate 5 so as not to provide for vehicular passage beyond this point. Exhibit A denotes the general location of the Property.

III) TELECOMMUNICATION FACILITIES

Telecommunication facilities were constructed on the Property after the execution of the Shoreline Lease Agreement in/about 1994. The constructed facilities include a 75 foot tall monopole, antenna arrays, equipment shelters, cabinets, and related improvements incidental to the provision of telecommunication services along with security fencing and landscaping (collectively the "Improvements").

IV) LEASED PREMISES

A) Lessee desires to lease from Shoreline certain portions of the Property for the continued location and operation of the existing Improvements and to provide for the potential expansion of the Improvements.

A) Shoreline hereby leases that portion of the Property consisting of a parcel of land approximately 38 feet by 20 feet as described in Exhibit B and depicted in the site plan attached hereto as Exhibit C which identifies the boundaries of the Leased Premises.

B) Option to Expand Leased Premises. Lessee is granted an option to expand the Leased Premises by up to Five Hundred square feet (500 sq.) contiguous and adjacent to the Leased Premises in a location mutually satisfactory to both Shoreline and Lessee (the "Option Land"). Any expansion of the Leased Premises will be documented in an amendment to this Lease Agreement denoting the boundaries of the Option Land but shall otherwise be on the same terms and conditions set forth in this Lease Agreement, provided that Lessee and Lessor shall negotiate in good faith to determine a reasonable consideration amount for the Option Land.

V) LEASE TERM

A) Effective as of the Commencement Date, Shoreline leases the Leased Premises to Lessee for a period of five (5) consecutive years ("Initial Term").

B) Unless the Lessee has notified Shoreline in writing of the Lessee's intent not to renew this Lease Agreement at least ninety (90) days prior to the expiration of the current term or provided that Lessee is not in default or violation of any of its obligations hereunder, then upon expiration of the Initial Term, this Lease Agreement will automatically extend for four (4) successive additional five (5) year terms ("Renewal Terms") upon the same terms and conditions as contained herein, except that during any Renewal Term the total number of Renewal Terms allowed shall be deemed to be reduced by the total number of completed Renewal Terms.

C) The maximum Lease Term of this Lease Agreement is twenty-five (25) consecutive years unless this Lease Agreement is terminated pursuant to the provisions set forth in Section XV.

VI) RENT

A) Beginning on the Commencement Date, Lessee shall pay the amount of $36,000 per year ("Base Rent") plus a leasehold tax of 12.84% as authorized by Chapter 82.29A RCW and Chapter 3.25 SMC, for a total annual amount of $40,662.40 ("Rent"). Rent shall be paid by Lessee in equal monthly installments of $3,385.20 and is due on or before the first day of each calendar month after the Commencement Date.

B) Payment shall be made to the City of Shoreline, Attn: Accounts Receivable, 17500 Midvale Avenue N, Shoreline, WA 98133-4905.

C) If Rent is not paid in full on or before the fifth day of each calendar month, then Lessee shall pay to Shoreline a late payment charge equal to ten percent (10%) of the Base Rent.

D) If this Lease Agreement is terminated at a time other than on the last day of the month, Rent shall be prorated as of the date of termination and, in the event of termination for any reason other than Lessee's default, all prepaid Rents shall be refunded to the Lessee.

E) After the first year of the Lease Term and every year thereafter (the "Adjustment Date"), the Rent shall increase based on the Consumer Price Index published by the Bureau of Labor and Statistics of the United States Department of Labor for all Urban Consumers, Seattle-Tacoma-Bremerton Area ("CPI") indicator and current leasehold tax rates. The increased Base Rent shall be determined by dividing the CPI indicator published 3 months prior to the Adjustment Date, by the CPI indicator published 1 year and 3 months prior to the Adjustment Date, and multiplying the resultant number by the monthly lease rental amount of the most recent past rent. In no event shall the increase in rent calculated for any 1-year period be less than 2% or exceed 5% of the most recent past rent.

F) From time to time, the leasehold tax rate authorized by Chapter 82.29A RCW and Chapter 3.25 SMC may be amended. Upon the effective date of the leasehold tax, Lessee shall be responsible for paying Rent based on the amended leasehold tax amount.

VII) USES AND PURPOSE

A) Lessee shall have the use and occupancy of the Leased Premises for the purpose of i) constructing, maintaining and operating the Improvements and (ii) uses incidental thereto, including without limitation, testing of any kind by Lessee, its customers, or invitees, so as to provide for the transmission and reception of telecommunication signals in any and all frequencies that Lessee is allowed to use by the Federal Communications Commission. Lessee shall be responsible for adherence to all federal, state and local regulations pertaining to the operation of a telecommunications facility.

B) All Improvements, existing and future, shall be constructed and maintained at Lessee's sole expense. Notwithstanding the foregoing, Lessee shall obtain Shoreline's written consent prior to any material modifications to the Improvements, such consent will not to be unreasonably withheld, conditioned or delayed. Such consent shall not be required for substantially similar or "like for like" modifications.

VIII) ACCESS

A) At all times during this Lease Agreement, Shoreline shall provide Lessee reasonable access to the Leased Premises so as to adequately service the Leased Premises and the Improvements. Prior to performing routinely required visits (e.g., quarterly maintenance check, monthly site cleanup, etc.), Lessee shall provide Shoreline with at least two (2) business days' notice. Lessee further agrees to give Shoreline at least five (5) business days' notice prior to the use of substantial and/or heavy equipment and/or use of the public right-of-way outside of the Leased Premises that may impact the use of the right-of-way for its intended purposes, except in the event of an emergency where such advance notice cannot reasonably be provided. At the time of notification, Lessee will provide a point of contact associated with the project. Notices required pursuant to this Section VIII shall be provided to Shoreline's Right-of-Way Management Services via email row@shorelinewa.gov; phone 206-391-0266/206-396-3128; or in person at Shoreline City Hall, 17500 Midvale Ave N, Shoreline, WA.

B) Lessee shall be responsible for conducting appropriate background checks of all authorized individuals in accordance with standard wireless communications industry practices. Lessee authorized individuals visiting the Premises shall provide Shoreline the person or point of contact authorizing the work on the Premises in accordance with the contact name provided to Shoreline in Section VIII.A above, and whenever possible shall be clearly identifiable as authorized individuals of the Lessee either by uniform, identification badge or marked company vehicle.

IX) MAINTENANCE OF LEASED PREMISES

A) The Lessee shall maintain the Leased Premises, its Improvements, and any permitted expansion of the Improvements in a good and safe condition and in a manner that complies with all applicable federal, state and local requirements. If federal, state, or local regulation requires Lessee to obtain a permit for such maintenance, then the maintenance may only be performed after obtaining any and all required and necessary permits from the governmental agency with jurisdiction.

B) Lessee shall not permit waste, damage, or injury to the Leased Premises including any Shoreline property, public ways of Shoreline, other ways, such as private roadways, or other property, whether publicly or privately owned, located in, on or adjacent thereto.

C) Shoreline shall have the exclusive right to inspect the Lessee's Improvements at any time during the term of this Lease Agreement to ensure compliance with the terms and conditions herein; provided, however, Lessee has the right to be present at all inspections of Lessee's Improvements, and Shoreline shall give Lessee at least one (1) working day prior written notice of such intent to inspect if Shoreline will not be entering Lessee's fenced compound area, and Shoreline shall give Lessee at least five (5) working days' prior written notice of such intent to inspect within Lessee's fenced compound.

X) UTILITIES

A) Lessee shall have the right to connect, at its own expense, to any existing utility facilities at the Leased Premises including, but not limited to, electrical facilities, and all such utilities shall be separately metered.

B) Lessee shall be solely responsible for the payment of utility charges including connection charges and security deposits incurred by Lessee and the cost of any wiring, pole lines or other installations necessary to furnish such utilities to Lessee at the rates charged by the servicing utility company.

C) Placement of utility lines which impact the public right-of-way must receive the necessary permits from Shoreline, which approval shall be timely and not unreasonably withheld. The permit will condition installation approval on restoration of the public right-of-way.

XI) SAFETY REQUIREMENTS.

A) Lessee will maintain the Leased Premises in a safe condition. The Lessee, in accordance with applicable federal, state, and local safety requirements shall, at all times, employ ordinary care and shall install and maintain and use commonly accepted methods and devices for preventing failures and accidents which are likely to cause damage, injury, or nuisance to the public and/or workers. All structures and all lines, equipment, and connections in, over, under, and upon the Leased Premises, wherever situated or located, shall at all times be kept and maintained in a safe, suitable condition, and in good order and repair.

B) Lessee shall properly secure the Leased Premises with a security fence around the perimeter of the Leased Premises. No electric, razor wire, or barbed wire is permitted, provided that any existing electric, razor wire, or barbed wire securing the Leased Premises shall be permitted to remain, and Lessee shall be permitted to repair or replace any existing electric, razor wire or barbed wire securing the Leased Premises as reasonably necessary. If the security fence is compromised, Lessee shall promptly repair the fence.

C) Shoreline reserves the general right to see that the telecommunications facility of the Lessee is constructed and maintained in a safe condition. If a violation of applicable safety regulation is found to exist by Shoreline, Shoreline will, after discussions with the Lessee, establish a reasonable time for the Lessee to make necessary repairs. Nothing in this Section precludes Shoreline from enforcing its code in its regulatory capacity if the repairs are not made within the established time frame.

XII) LIENS.

Lessee shall not permit any lien to be imposed upon the Leased Premises as a result of work done by or on behalf of the Lessee and shall indemnify and hold Shoreline harmless against any and all expenses, including reasonable attorney's fees and court costs, in connection with any such lien.

XIII) SIGNAGE.

Lessee shall display proper signage as required by the Federal Communications Commission (FCC) as well as current signage on telecommunication facilities identifying Lessee, address and a 24 hour phone number. Signage shall be posted and clearly visible at all times.

XIV) AUTHORIZATION FOR PERMIT APPLICATION.

Shoreline grants to Lessee and its employees, representatives, agents, and consultants a limited consent to prepare, execute, submit, file and present on behalf of Shoreline, as the governmental entity responsible for the public right-of-way, building, permitting, zoning or land-use applications Lessee deems necessary with the appropriate local, state and/or federal agencies so as to obtain any and all permits necessary for the operation, maintenance, and modification of the Improvements within the Leased Premises consistent with applicable law.

XV) TERMINATION

A) Lessee shall have the right to terminate this Lease Agreement, at any time, without cause, by providing Shoreline with one hundred eighty (180) calendar days prior written notice. Upon such termination, neither party shall have any further rights or duties hereunder, except for the following:

1. Any monies owed by either party to the other up to the date of termination shall be paid within thirty (30) calendar days of the termination date.
2. If at any time prior to five (5) years following the Commencement Date, (a) Lessee exercises any of Lessee's rights to terminate this Lease Agreement, or (b) Lessee elects not to renew this Lease Agreement, Lessee shall pay a termination fee ("Termination Fee") equal to the amount of Rent that Lessee would have owed to Shoreline under this Lease Agreement, as amended, between the date of such early termination or election not to renew, and five (5) years following the Commencement Date. The Termination Fee will be due and payable in the same manner and on the same dates as set forth in this Lease Agreement. Notwithstanding the foregoing, Lessee will be released from any and all of its obligations under this Agreement as of the effective date of such termination and shall not be required to pay the Termination Fee if Lessee terminates this Agreement due to default of Shoreline.
3. As provided in Section XX, Lessee shall have the duty to remove the Improvements and restore the Property.

B) This Lease Agreement is terminable by either Party on thirty (30) calendar days prior written notice, if the other party remains in default after the applicable cure periods as provided in Section XXV.

XVI) HAZARDOUS MATERIALS

A) Lessee's Obligation and Indemnity. Lessee shall not (either with or without negligence) cause or permit the escape, disposal or release of any Hazardous Materials on or from the Leased Premises in any manner prohibited by law. Lessee shall indemnify and hold Shoreline harmless from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, any and all sums paid for settlement of claims, attorneys' fees, and consultants' and experts' fees) from the release of any Hazardous Materials on the Leased Premises if caused by Lessee or persons acting under Lessee.

B) Shoreline's Obligation and Indemnity. Shoreline shall not (either with or without negligence) cause or permit the escape, disposal or release of any Hazardous Materials on or from Shoreline's Property in any manner prohibited by law. Shoreline shall indemnify and hold Lessee harmless from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, any and all sums paid for settlement of claims, attorneys' fees, and consultants' and experts' fees) from the presence or release of any Hazardous Materials on Shoreline's Property or Leased Premises unless caused by Lessee or persons acting under Lessee.

C) For the purpose of this section, “Hazardous Material” means any substance which is (i) designated, defined, classified or regulated as a hazardous substance, hazardous material, hazardous waste, pollutant or contaminant under any Environmental Law, as currently in effect or as hereafter amended or enacted, (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof and all petroleum products, (iii) PCBs, (iv) lead, (v) asbestos, (vi) flammable explosives, (vii) infectious materials, or (viii) radioactive materials. "Environmental Law(s)" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901, et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. 5101, et seq., and the Clean Water Act, 33 U.S.C. Sections 1251, et seq., as said laws have been supplemented or amended to date, the regulations promulgated pursuant to said laws and any other federal, state or local law, statute, rule, regulation or ordinance which regulates or proscribes the use, storage, disposal, presence, clean-up, transportation or release or threatened release into the environment of Hazardous Material.

XVII) LICENSES AND TAXES.

Upon the Commencement Day, Lessee shall be responsible for paying personal property, business and occupation, and/or other taxes or licenses which currently exist or may, in the future, be assessed as a direct result of the Lessee’s operations of the telecommunications facilities described herein within the Leased Premises. Since the property is a public right-of-way, pursuant to RCW 84.36.010, there is no assessment of real property taxes. Lessee agrees to reimburse Shoreline for any documented personal property taxes levied against Shoreline’s Property that are directly attributable to the Improvements constructed by Lessee or Lessee’s predecessor in interest. Lessee reserves the right to independently challenge any such assessment, and Shoreline agrees to cooperate with Lessee in connection with any such challenge but all costs and expenses of such a challenge are to be bore solely by Lessee.

XVIII) INSURANCE.

The Lessee shall, as a condition of this Lease Agreement, secure and maintain the following liability insurance policies insuring the Lessee as the Named Insured and Shoreline, and its elected and appointed officers, officials, agents, employees, representatives, and volunteers as additional insureds against claims for injuries to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges, and authority granted to the Lessee:

A) Commercial general liability insurance, written on an occurrence basis, ISO CGL form 00 01 or broader covering premises, products and completed operations, contractual liability coverage meeting the indemnification obligations herein with no exclusion for explosions, collapse hazards, and underground hazards with limits of:

1. $2,000,000.00 for bodily injury or death to one or more persons and for property damage resulting from any occurrence and in the aggregate;
2. $2,000,000.00 personal and advertising injury; and

3. $2,000,000.00 for products and completed operations in the aggregate.

B) Automobile liability for owned, non-owned and hired vehicles with a limit of $2,000,000.00 for each accident;

C) Worker's compensation within statutory limits and employer's liability insurance with limits of $1,000,000.00;

D) The required limits hereunder may be met by a combination of primary and excess or umbrella insurance. The liability insurance policies required by this Section shall be maintained by the Lessee throughout the term of this Agreement, and such other period of time during which the Lessee is operating without a lease hereunder, or is engaged in the removal of its telecommunications facilities. The Lessee shall provide an insurance certificate, together with an endorsement including Shoreline, and its elected and appointed officers, officials, agents, employees, representatives, and volunteers as additional insureds on the commercial general liability and automobile liability policies, to Shoreline prior to the commencement of any work or installation of any facilities pursuant to this Agreement. Any self-insured retentions must be declared to Shoreline. Payment of deductibles and self-insured retentions shall be the sole responsibility of the Lessee. Lessee may satisfy this requirement by obtaining the appropriate endorsement to any master policy of liability insurance Lessee may maintain. The Lessee's required insurance shall be primary insurance as respects Shoreline, its officers, officials, employees, agents, consultants, and volunteers. Any insurance maintained by Shoreline, its officers, officials, employees, consultants, agents, and volunteers shall be in excess of the Lessee's required insurance and shall not contribute with it. Shoreline shall be provided thirty (30) days advance written notice of cancellation, except for non-payment of premium, of any coverages required in this Section that is not replaced.

E) All insurance shall be effected under valid and enforceable policies, insured by insurers authorized to do business by the State of Washington or (if allowed by the laws of the State of Washington) surplus line carriers on the State of Washington's Insurance Commissioner's (or the functional equivalent thereof) approved list of companies qualified to do business in the State of Washington. All insurance carriers and surplus line carriers shall be rated A or better by A.M. Best Company.

XIX) WAIVER OF CLAIMS AND RIGHTS OF SUBROGATION.

The Parties hereby waive any and all rights of action for negligence against the other on account of damage to the Improvements, the Property or to the Leased Premises resulting from any fire or other casualty of the kind covered by property insurance policies with extended coverage, regardless of whether or not, or in what amount, such insurance is carried by the parties. All policies of property insurance carried by either Party for the Improvements, the Property or the Leased Premises shall include a clause or endorsement denying to the insurer rights by way of subrogation against the other party to the extent rights have been waived by the insured before the occurrence of injury or loss.

XX) OWNERSHIP AND REMOVAL OF IMPROVEMENTS.

A) It is the intent of the parties that Lessee's wireless communications facility shall not constitute a fixture. Therefore, upon expiration or termination of this Lease Agreement, Lessee, at its sole expense, shall remove all Improvements to a depth of six feet (6'), excluding conduit, and restore the Leased Premises as nearly as reasonably possible to its original condition, without, however, being required to replace any trees or other plants removed, or alter the then existing grading completed within thirty (30) calendar days after receiving notice from Shoreline requiring removal of the Improvements and restoration of the Leased Premises.

B) Additional time may be granted upon the discretion of Shoreline which approval shall not be unreasonably withheld. In the event that Improvements, including telecommunications facilities or other equipment are left upon the Property and/or within the Leased Premises after expiration or termination and not removed by the Lessee upon thirty (30) calendar days written notice from Shoreline, then at Shoreline's option, the facilities shall be removed and stored at the expense of Lessee.

C) Stored Improvements, including telecommunications facilities, which are not claimed by the Lessee within six (6) months from expiration or termination shall become the property of Shoreline with any and all costs of storage and/or disposal the sole responsibility of the Lessee.

D) This Section shall survive termination or expiration of this Lease Agreement.

XXI) GENERAL INDEMNIFICATION.

A) Lessee covenants not to bring suit against Shoreline and hereby agrees to defend, indemnify, and hold harmless Shoreline, its appointed and elected officers, employees, agents and volunteers from and against any and all liability, loss, costs, damage, and expense, including costs and reasonable attorney fees in defense thereof, and including claims by the Lessee's own employees to which the Lessee might otherwise be immune under Title 51 RCW, because of actions, claims or lawsuits for damages resulting from personal or bodily injury, including death at any time resulting therefrom, sustained or alleged to have been sustained by any person or persons, and on account of damage to property, arising or alleged to have arisen directly or indirectly out of or in consequence of Lessee's performance or breach of this Agreement, whether such injuries to persons or damage to property is due to the negligence of the Lessee, its agents, employees, representatives or assigns. This provision shall be inapplicable to the extent such damage or injury arises from the negligence or willful misconduct of Shoreline. This provision waiving immunity for claims arising out of Title 51 RCW was specifically negotiated by the parties.

B) Shoreline covenants not to bring suit against Lessee and hereby agrees to defend, indemnify, and hold harmless Lessee, its directors, officers, employees and agents from and against any and all liability, loss, costs, damage, and expense, including costs and attorney fees in defense thereof, and including claims by the Lessee's own employees to which Shoreline might otherwise be immune under Title 51 RCW, because of actions, claims or lawsuits for damages resulting from personal or bodily injury, including death at any time resulting therefrom, sustained or alleged to have been sustained by any person or persons, and on account of damage to property, arising or alleged to have arisen directly or indirectly out of or in consequence of Shoreline's performance or breach of this Agreement, whether such injuries to persons or damage to property is due to the negligence of Shoreline, its officers, employees, agents and volunteers. This provision shall be inapplicable to the extent such damage or injury is judicially found to be caused by the negligence of Lessee. This provision waiving immunity for claims arising out of Title 51 RCW was specifically negotiated by the parties.

C) Lessee assumes the risk of damage to its facilities located within the Leased Premises or adjacent rights-of-way from activities conducted by Shoreline, its officers, employees, agents, and volunteers, except for damage caused by Shoreline's negligence or willful misconduct. The Lessee releases and waives any and all claims against Shoreline, its officers, employees, agents, and volunteers for damage to or destruction of the Lessee's facilities except to the extent any such damage or destruction is caused by the negligent, grossly negligent or willful and malicious action of Shoreline, its officers, employees, agents, or volunteers. Nothing in this Section shall waive any claims for breach of this Lease Agreement.

D) This Section shall survive termination or expiration of this Lease Agreement.

XXII) RIGHTS GRANTED – PUBLIC EASEMENT

A) This Agreement does not convey any right, title or interest in the Leased Premises, the Property, or any other property of Shoreline, but shall be deemed the right only to use and occupy the Leased Premises for the limited purposes and term stated in this Agreement. Further, this Lease Agreement shall not be construed as any warranty of title.

B) The Parties agree that due to the Plat of Murphy's Interurban Acres, as recorded in Volume 17, Page 83 of Book of Plats, King County, Washington, Shoreline holds a perpetual easement for transportation purposes on and over the Property which is a public right-of-way, and has full authority to enter into and execute this Agreement.

XXIII) VACATION OF PUBLIC RIGHTS-OF-WAY

As a public right-of-way, Shoreline's perpetual easement may only be extinguished by approval of a street vacation as provided in Chapter 35.79 RCW and Chapter 12.17 SMC. If a street vacation is initiated, Shoreline shall provide Lessee with written notice of the vacation process, including public hearings. Shoreline further covenants that there are no encumbrances or other impediments that might interfere with or be adverse to Lessee's use of the Leased Premises authorized by this Agreement.

XXIV) QUIET ENJOYMENT

Shoreline covenants that Lessee, on paying Rent and performing the covenants of this Agreement, shall peaceably and quietly have, hold and enjoy the Leased Premises

XXV) DEFAULT.

A) Notice of Default; Cure Period. In the event that there is a default by Shoreline or Lessee (the "Defaulting Party") with respect to any of the provisions of this Agreement or Shoreline's or Lessee's obligations under this Agreement, the other party (the "Non-Defaulting Party") shall give the Defaulting Party written notice of such default. After receipt of such written notice, the Defaulting Party shall have thirty (30) days in which to cure any monetary default and sixty (60) days in which to cure any non-monetary default. The Defaulting Party shall have such extended periods as may be required beyond the sixty (60) day cure period to cure any non-monetary default if the nature of the cure is such that it reasonably requires more than sixty (60) days to cure, and Defaulting Party commences the cure within the sixty (60) day period and thereafter continuously and diligently pursues the cure to completion. The Non-Defaulting Party may not maintain any action or effect any remedies for default against the Defaulting Party unless and until the Defaulting Party has failed to cure the same within the time periods provided in this Section.

B) Consequences of Lessee's Default. Shoreline acknowledges that under the terms of this Agreement, Lessee has the right to terminate this Agreement at any time upon one hundred eighty (180) days' notice. Accordingly, in the event that Shoreline maintains any action or effects any remedies for default against Lessee, resulting in Lessee's dispossession or removal, (i) the Rent shall be paid up to the date of such dispossession or removal and (ii) Shoreline shall be entitled to recover from Lessee, in lieu of any other damages, as liquidated, final damages, a sum equal to six months' Rent or the Termination Fee, whichever is less. In no event shall Lessee be liable to Shoreline for consequential, indirect, speculative or punitive damages in connection with or arising out of any default.

C) Consequences of Shoreline's Default. In the event that Shoreline is in default beyond the applicable periods set forth above, Lessee may, at its option, upon written notice: (i) terminate the Agreement, vacate the Leased Premises and be relieved from all further obligations under this Agreement; (ii) perform the obligation(s) of Shoreline specified in such notice, in which case any expenditures reasonably made by Lessee in so doing shall be deemed paid for the account of Shoreline and Shoreline agrees to reimburse Lessee for said expenditures upon demand; (iii) take any actions that are consistent with Lessee's rights; (iv) sue for injunctive relief, and/or sue for specific performance, and/or sue for damages, and/or set-off from Rent any amount reasonably expended by Lessee as a result of such default.

XXVI) ASSIGNMENT AND SUBLEASE

A) Lessee has the right, at its sole discretion, to assign its interest in this Agreement. Assignment of this Agreement by Lessee shall be effective upon Lessee sending written notice to Shoreline and shall relieve Lessee from any further liability or obligation.

B) As on the Commencement Date, Lessee has subleases for use or occupancy of Improvements within the Leased Premises with Verizon Wireless and AT&T, and

Shoreline hereby consents to Lessee's subleases to Verizon Wireless and AT&T. The parties acknowledge that AT&T was the original lessee under the Shoreline Lease Agreement, and AT&T continues to operate on the Leased Premises as the anchor carrier. Lessee agrees to pay Shoreline thirty percent (30%) of the rental, license or similar payments actually received by Lessee from Verizon Wireless (excluding any reimbursement of taxes, construction costs, installation costs, revenue share reimbursement or other expenses incurred by Lessee) within thirty (30) days after receipt of said payment by Lessee. Lessee shall have no obligation for payment to Shoreline of such share of rental, license or other similar payments if not actually received by Lessee. Non-payment of such rental, license or other payment by Verizon Wireless shall not be a default under this Lease Agreement.

C) If, after full execution of this Lease Agreement, Lessee enters into any future sublease, license or agreement to a similar right of use or occupancy in the Leased Premises or, if approved, the Option Land to an unaffiliated third party not already a sublessee on the Leased Premises, Lessee agrees to pay Shoreline an additional amount to be negotiated in good faith between the parties.

D) Lessee shall have sole discretion as to whether, and on what terms, to sublease, license or otherwise allow occupancy of the Leased Premises and there shall be no express or implied obligation of Lessee to do so.

E) Notwithstanding anything in this section to the contrary, Shoreline shall not be entitled to a share of rental, license or other similar payments for any sublease or license to any sublessee of Lessee or any successors and/or assignees of such sublessee who commenced use of the Leased Premises prior to the effective date of this Agreement.

F) Upon request to Shoreline from any leasehold mortgagee, Shoreline agrees to give the holder of such leasehold mortgage written notice of any default by Lessee and an opportunity to cure any such default within fifteen (15) days after such notice with respect to monetary defaults and within a commercially reasonable period of time after such notice with respect to any non-monetary default.

XXVII) MISCELLANEOUS

A) Nondiscrimination. Lessee shall not discriminate in employment or services to the public on the basis of race, color, national origin, sex, religion, age, marital status or disability, except employment actions based on a bona fide occupational qualification.

B) Applicable Law. This Agreement and the performance thereof shall be governed, interpreted, construed and regulated in accordance with the laws of the State of Washington where the Leased Premises is located. The parties agree that the venue for any litigation arising out of this Agreement shall be King County Superior Court. The substantially prevailing party in any litigation arising hereunder shall be entitled to its reasonable attorney's fees and court costs, including appeals, if any.

C) Recording. Lessee shall have the right to record a memorandum of this Agreement with the King County Recorder's Office. Shoreline shall execute and deliver such a memorandum, for no additional consideration, promptly upon Lessee's request.

D) Entire Agreement. Shoreline and Lessee agree that this Agreement is the entire agreement and contains all of the agreements, promises and understandings between Shoreline and Lessee. No oral agreements, promises or understandings regarding the subject matter of this Agreement shall be binding upon either Shoreline or Lessee in any dispute, controversy or proceeding at law. Any addition, variation or modification to this Agreement shall be void and ineffective unless mutually agreed upon, made in writing, and signed by the parties hereto.

E) Captions. The captions preceding the Sections of this Agreement are intended only for convenience of reference and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

F) Notices. All notices hereunder shall be in writing and shall be given by (i) established national courier service which maintains delivery records, (ii) hand delivery, or (iii) certified or registered mail, postage prepaid, return receipt requested. Notices are effective upon receipt, or upon attempted delivery if delivery is refused or if delivery is impossible because of failure to provide reasonable means for accomplishing delivery. Notices shall be addressed to the appropriate party at the address set forth below, as modified in writing from time to time by such party:

<u>Lessee's Notice Addre</u>ss: Crown Castle USA Inc., General Counsel, Attn: Legal – Real Estate Dept.1, 2000 Corporate Drive, Canonsburg, PA 15317-8564.

<u>Shoreline's Notice Address</u>: City Manager, City of Shoreline, 17500 Midvale Avenue North, Shoreline, WA 98133-4905.

G) Severability. Any provision or part of this Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken and all remaining provisions shall continue to be valid and binding upon Shoreline and the Lessee, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

H) IRS Form W-9. Shoreline agrees to provide Lessee with a completed IRS Form W-9, or its equivalent, upon execution of this Agreement and at such other times as may be reasonably requested by Lessee.

I) <u>Counterpart Originals</u>. This Agreement may be executed in any number of counterpart originals, each of which shall be deemed to constitute an original agreement, and all of which shall constitute one agreement. The execution of one counterpart by a Party shall have the same force and effect as if that Party had signed all other counterparts.

J) Authority to Execute. Each person executing this Agreement on behalf of a Party represents and warrants that he or she is fully authorized to execute and deliver this Agreement on behalf of the Party for which he or she is signing. The Parties hereby warrant to each other that each has full power and authority to enter into this Agreement and to undertake the actions contemplated herein and that this Agreement is enforceable in accordance with its terms.

IN WITNESS WHEREOF, Shoreline and Lessee having read the foregoing and intending to be legally bound hereby, have executed this Agreement as of the day and year this Agreement is fully executed.

SHORELINE:
CITY OF SHORELINE,
a municipal corporation of the State of Washington

By:

____

Print Name: Debbie Tarry
Print Title: City Manager
Date: ________________________________

APPROVED AS TO FORM ONLY

By: __________________________________
Print Name: Julie Ainsworth-Taylor
Print Title: Assistant City Attorney
Date: __________________________________

State of Washington)

County of King)

I certify that I know or have satisfactory evidence that Debbie Tarry is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the officer of CITY OF SHORELINE, a municipal corporation and political subdivision of the State of Washington to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: __________

Signature:___________________________________

Title: Notary Public

(Seal or stamp) My appointment expires:______________________

[*Lessee Execution Page Follows*]

LESSEE:
CCATT LLC,
a Delaware limited liability company

By:
____

Print Name:
____

Print Title (if any):
____

Date:
____

State of Texas

County of ___________

Before me, ___________________________, a Notary Public, on this day personally appeared ______________________________________, _________________________ of **CCATT LLC**, a Delaware limited liability company, known to me (or proved to me on the oath of ____________ or through driver's license, state id card, resident id card, military id card, or passport) to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she/he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____________ day of ___________, 201__.

____

(Personalized Seal)

Notary Public's Signature

EXHIBIT "A"

Description of Shoreline's Property

EXHIBIT "B"

Description of Leased Premises

EXHIBIT "C"

[Insert site plan sketch]

Attachment B

AN EXISTING CROWN CASTLE TELECOMMUNICATIONS FACILITY

Site #846372
N 167th Street and Corliss
Shoreline, Washington 98133

SUMMARY APPRAISAL REPORT

Date of Report: April 4, 2018

Colliers File #: SAN180134

PREPARED FOR
Rhonda Lullo, Acquisition Manager
Crown Castle
1505 Westlake Avenue North, Suite 800
Seattle, WA 98109

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

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WEB www.colliers.com

April 4, 2018

Rhonda Lullo, Acquisition Manager
Crown Castle
1505 Westlake Avenue North, Suite 800
Seattle, WA 98109

Re: An Existing Crown Castle Telecommunications Facility
"Ronald" (CC Site #846372)
N 167th Street and Corliss
Shoreline, King County, Washington 98133
Colliers File # SAN180134

Dear Ms. Lullo:

In accordance with your request and authorization, we have prepared a market-rent appraisal of the referenced property. Our analysis is presented in the following Appraisal Report. It is our understanding that the client will be using this appraisal as a resource in ongoing lease-renewal negotiations with the City of Shoreline regarding the subject site.

Our assignment focuses on the determination of market rent for the subject site based on a survey and analysis of competing telecommunications ground leases in the area. This will be used to determine a net present value of the effective fee-simple, the leased-fee and the leasehold interest in the subject facility. We hereby submit the following report, which shows the methods used to arrive at our survey conclusions.

The subject of this appraisal consists of an existing wireless-telecommunications facility built by New Cingular Wireless (now AT&T) in 1993 on a 775-square-foot site at the east end of N 167th Street, adjacent to Interstate 5, in the city of Shoreline, Washington. According to plans provided by Crown Castle, the facility is also referenced by the address of 2360 N 167th Street.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The purpose of this report is to determine a market ground rent for the subject site. It is our understanding that our market-rent estimate will be used by Crown Castle as the basis for negotiating a new ground lease with the City of Shoreline.

Based on the supporting data contained in the attached appraisal report, we have determined the following estimates, based on a valuation date of March 27, 2018.

Market Ground Rent for Subject Site:	$3,000 per month or $36,000 per year (Year 1)

This is a Narrative Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice. As such, it presents a discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report. It should be noted that the appraisers have not previously appraised this site.

Date of Appraisal:	April 4, 2018
Date of Valuation:	March 27, 2018
Appraisal Report Type:	Market Rent Analysis
Ground Lessor:	City of Shoreline
Ground Lessee:	CCATT, LLC (Crown Castle)
Owner of Leased-Fee Interest:	Crown Castle
Owner of Leasehold Interest:	Crown Castle
Sublessee:	AT&T (formerly New Cingular Wireless)
Client of the Appraisal:	Crown Castle
Intended Use of the Appraisal:	The appraisal report will be used to determine a fair market ground rent for an existing telecommunications site.
Intended Users of the Appraisal:	Crown Castle
Crown Castle Site #:	846372
Crown Castle Site Name:	Ronald

Highest and Best Use:

- Current Use: (1) existing wireless-telecommunications facility
- Highest and Best Use “As Vacant”: Telecommunications
- Highest and Best Use “As Improved”: Maintain existing use

We appreciate having the opportunity to be of service and will be pleased to discuss any comments or questions that you may have regarding this report.

Respectfully submitted,

Colliers International
Valuation & Advisory Services

Sean Heath, MAI, AI-GRS
Valuation Services Director
WA License #9102300

858.860.3845
sean.heath@colliers.com

Thomas D. Heath, MAI
Valuation Services Director

858.860.3845
tom.heath@colliers.com

INTRODUCTION AND SCOPE OF WORK

Our assignment is to determine the just compensation and fair market value for ground-leased land under an existing wireless-telecommunications facility in Shoreline (King County), Washington. This facility has been summarized below.

SUBJECT-SITE SUMMARY			
Location	**Tower Structure**	**Lessee Site #**	**Leased SF**
"Ronald" facility 2360 N 167th Street Shoreline, WA 98133	75' monopole	846372	**775 sf**

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied. We completed the following steps for this assignment

EXTENT TO WHICH THE PROPERTY IS IDENTIFIED

Details relating to the subject site were obtained from the following sources.

- Original ground lease between King County (original ground lessor) and New Cingular Wireless, dated December 23, 1993, plus seven lease amendments dating from July 1998 to April 2015.
- Site and tower drawings provided by Crown Castle; and
- Legal description provided by Crown Castle.

EXTENT OF PROPERTY INSPECTION

Keith A. Lee, MAI inspected the subject facility on March 27, 2018. Mr. Lee is a commercial real-estate appraiser with the Seattle office of Colliers International Valuation & Advisory Services.

EXTENT OF MARKET RESEARCH

We performed the following steps in developing this appraisal.

- Gathered physical-site and leasing details for other existing telecommunications sites in the Seattle metropolitan area.
- The Income Approach to value was the most suitable valuation approach for this assignment. The market-rent surveys and our net-present-value calculations used in our valuation analysis are both components of the Income Approach.
- Facilities like the subject's site typically do not trade on a replacement-cost or depreciated-cost basis. Consequently, the Cost Approach was not used for this assignment. The Sales Comparison Approach was also not considered to be the best valuation method and was not used.

EXTRAORDINARY ASSUMPTIONS

USPAP defines an Extraordinary Assumption as, "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

We have made the following extraordinary assumption for this assignment.

- We have assumed that Crown Castle (or its sublessees) will continue to perform routine maintenance and repairs at the subject facility, and will remove any unused equipment or antennas as their technological needs change. Should ensuing capacity upgrades result in improved performance of the facility, we would recommend that a new appraisal be requested at that time.

DEFINITION OF MARKET RENT

The appraised value is based on the following definition of Market Rent:[1]

> *The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease (or permit) agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).*

[1] *The Appraisal of Real Estate,* Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 *(14th Edition)*.

SCOPE OF WORK

Our valuation analysis will include the following components.

1. Market-rent survey of ground-lease transactions from Seattle and adjacent cities will be analyzed, and used as the basis for determining a market rental rate for the subject site.
2. Our reconciled market rent will then be compared with the actual contract rent paid by Crown Castle.
3. A net-present-value estimate will then be calculated based on the lump-sum payment of forecasted rent using a two-year forecast (since this would equal the remaining term of the lease, assuming it is not extended). Included in this section will be an analysis of discount-rate comparables.

DEFINITION OF VALUE

Given the scope and intended use of this assignment, the following definition of value is applicable:

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

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

INTEREST APPRAISED

The value expressed in this report represents the leased-fee interest in the subject facility, as defined below. The valuation of the leasehold interests held by Crown Castle or its sublessee are outside the scope of this assignment. The definitions of fee simple, leased-fee and leasehold interests have been provided below.

> *Fee Simple Interest* – Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.[3]
>
> *Leased Fee Interest* - A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).[4]
>
> *Leasehold Interest* - The tenant's possessory interest created by a lease.[5]

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[2] Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.
[3] *Dictionary of Real Estate Appraisal*, 90.
[4] *Dictionary of Real Estate Appraisal*, 113.
[5] *Dictionary of Real Estate Appraisal*, 113.

PUGET SOUND

INTRODUCTION

Located in Northwest Washington State, Puget Sound is one of the most ecologically diverse ecosystems in North America. Puget Sound itself is a body of salt water lying east of Admiralty Inlet, through which ocean waters reach inland 50 miles from the Pacific Coast. The waterway is a complex and intricate system of channels, inlets, estuaries, and islands containing 2,500 miles of shoreline and 19 rivers pouring into its waters. The land description surrounding the waters has expanded to include the surrounding lowlands east to the Cascade Mountains and the islands of Whidbey, Camano, and Fidalgo, as well as the Kitsap Peninsula.

The twelve counties that make up the region have created the economic foundation for the state of Washington as well as the population epicenter of the state with 70% of its citizens living within its boundaries. With its large population and dynamic economy, Puget Sound is home to one Metropolitan Division (Seattle-Bellevue-Everett MD), 4 Metropolitan Statistical Areas (Seattle-Tacoma-Bellevue MSA, Olympia MSA, Bremerton-Silverton MSA, and the Mount Vernon-Anacortes MSA), and 2 Micropolitan Statistical Areas (Oak Harbor and Shelton). Seattle, the state's largest city, is in the center of the Puget Sound region along the north-south Interstate Highway 5 corridor that serves as the major traffic thoroughfare of the state. Other major cities situated along Interstate-5 are Everett, Olympia, and Tacoma. To the east, and across Lake Washington, is Seattle's neighbor, Bellevue. On the west side of the Sound are the cities of Bremerton, Port Orchard, and Shelton.

The Puget Sound Basin provides significant employment. The most current data from the US Bureau of Labor Statistics reveals over 3.687 million people working in Washington State as of March 2017, 1.65 million or nearly 45% of all jobs are found in the Seattle Metropolitan Area. These jobs include tourism, aerospace, information and communications technology (ICT), military, logistics and international trade, tourism, manufacturing, recreational and commercial fishing, and shipping.

Key logistics to Puget Sound are the Ports of Seattle and Tacoma. Washington is one the most trade–dependent state in the nation. Trade accounts for more than one–quarter of the state's economic activity, and one out of every three jobs is related to international trade. Approximately 70% of international goods entering Washington gateways continue on to the larger U.S. market, and 30% become part of Washington's manufactured output or are distributed in the state's retail system. As one of the largest land holders in King County, the Port of Seattle owns parks and public access areas, cargo and container terminals, conference facilities at the airport and waterfront, recreational boating marinas, piers for workboats and cruise ships, office space, storage and warehouse operations, and more. State-of-the-art cargo handling facilities help rank Seattle as the nation's 6th busiest U.S. seaport, serving 22 international steamship lines and moving more than 1.6 million TEUs (20-foot equivalent unit containers). The passenger cruise terminals at Pier 66, Bell Street Cruise Terminal, Terminal 91, and the Smith Cove Terminal comprise the #1 U.S West Coast cruise port in number of passengers, with eleven different ships offering Alaska cruise itineraries. In 2017, 1,040,412 passengers on 218 Vessel Calls are expected to travel through the cruise terminals. According to the Port of Seattle's numbers, each time a homeport ship docks at the Port of Seattle, it generates $2.7 million to the local economy. In 2016 the cruise ship terminals served seven major cruise lines including Carnival, Celebrity Cruises, Holland America Line, Norwegian Cruise Line, Princess Cruises, Oceania Cruises and Royal Caribbean with 203 vessel calls. The port estimates that the cruise industry generates 3,647 jobs and $441 million in annual business revenue.

The Seattle-Tacoma International Airport, also owned and operated by the Port of Seattle, is the 15th busiest airport in the nation, handling more than 45.7 million passengers in 2016, up from 42.4 million passengers in 2015. It is now the 9th busiest airport in the U.S. with 412,170 takeoffs and landings in 2016. Air cargo increased 10.2% from 2015 to 366 metric tons.

The Port of Tacoma is another major center for container cargo, bulk, autos and heavy-lift cargo in the region. Located in Pierce County the Port is among one of the largest container ports in North America and one of the top 50 in the world. Port activities account for more than 43,000 jobs in Pierce County, and 113,000 jobs in Washington State.

JOINT BASE LEWIS-MCCHORD

Joint Base Lewis–McChord (JBLM) is an U.S. military installation home to I Corps and 62d Airlift Wing located 9.1 miles (14.6 km) south-southwest of Tacoma, Washington under the jurisdiction of the United States Army Joint Base Garrison, Joint Base Lewis–McChord. The facility is an amalgamation of the United States Army's Fort Lewis and the United States Air Force's McChord Air Force Base which merged on 1 February 2010 into a Joint Base because of Base Realignment and Closure Commission recommendations of 2005.

Joint Base Lewis–McChord is a training and mobilization center for all services and is the only Army power projection base west of the Rocky Mountains. Its geographic location provides rapid access to the deep-water ports of Tacoma, Olympia and Seattle for deploying equipment. Units can be deployed from McChord Field, and individuals and small groups can also use nearby Sea-Tac Airport. The strategic location of the base provides Air Force units with the ability to conduct combat and humanitarian airlift with the C-17 Globemaster III.

Given the size of the base, it has a significant impact on the local economy and the housing market. In recent discussions with local apartment managers in Tacoma, Lakewood and University Place, there has been a consensus that the rate of deployments has slowed and they are seeing far less turnover risk from troop deployments in the last 24 to 36 months. However, it was reported in mid-June that Washington Governor Jay Inslee formed a group to develop a response plan for the upcoming defense spending cuts. It was initially feared the cuts could result in as many as 11,000 military and civilian jobs being lost at the base. However, on July 8, 2015 it was announced that the cuts would only total 1,250 military personnel. The base currently employs about 40,000 military personnel and 15,000 civilian contractors.

DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

Population

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, King County had a 2017 total population of 2,185,287 and experienced an annual growth rate of 1.8%, which was higher than the Washington annual growth rate of 1.4%. The accounted for 29.5% of the total Washington population (7,416,492). Within the the population density was 1,000 people per square mile compared to the lower Washington population density of 110 people per square mile and the lower United States population density of 90 people per square mile.

POPULATION

YEAR	US	WA	COUNTY
2010 Total Population	308,745,538	6,724,540	1,931,249
2017 Total Population	325,389,970	7,416,492	2,185,287
2022 Total Population	338,156,319	8,039,375	2,377,158
2010 - 2017 CAGR	0.8%	1.4%	1.8%
2017 - 2022 CAGR	0.8%	1.6%	1.7%

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION DENSITY

YEAR	US	WA	COUNTY
2017 Per Square Mile	90	110	1,000
2022 Per Square Mile	94	119	1,088

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2017 median age for the county was 37.16, which was 1.89% younger than the United States median age of 37.86 for 2017. The median age in the county is anticipated to grow by 0.21% annually, increasing the median age to 37.55 by 2022.

MEDIAN AGE

YEAR	US	WA	COUNTY
2017	37.86	37.57	37.16
2022	38.51	38.11	37.55
CAGR	0.34%	0.29%	0.21%

Source: Pitney Bowes/Gadberry Group - GroundView®

According to the Office of Financial Management, recent growth in this region has been concentrated in large metropolitan areas, with 73% of the growth occurring in the state's largest five counties: Clark, King, Pierce, Snohomish and Spokane. In 2012, these counties accounted for 65% of the state's total population growth, with King County accounting for 39% of the state's total growth.

Education

Education is an important part of the Seattle-Tacoma-Bellevue MSA, particularly due to the high concentration of technology, engineering, and other professions that require advanced degrees. Home to one of the nation's most respected public universities, the University of Washington enrolls over 50,000 under-graduates and post-graduates, and is the largest school in the Pacific Northwest. Among private universities, Seattle University, a Jesuit Catholic university, is the largest independent university in the Northwest. Another, Seattle Pacific University, is a Christian university of the liberal arts, sciences and professions, located on the north slope of Queen Anne Hill in Seattle.

COLLEGES AND UNIVERSITIES

NAME	City	ENROLLED
PUBLIC		
University of Washington	Seattle	53,849
PRIVATE		
NAME	**City**	**ENROLLED**
Seattle University	Seattle	7,405
City University of Seattle	Seattle	5,900
Seattle Pacific University	Seattle	4,175
Pacific Lutheran University	Tacoma	3,191
University of Puget Sound	Tacoma	2,772
Northwest University	Kirkland	2,054
COMMUNITY COLLEGES		
NAME	**City**	**ENROLLED**
Bellevue College	Bellevue	18,398
Edmonds Community College	Edmonds	11,547
Green River Community College	Auburn	10,813
Everett Community College	Everett	10,124
Highline Community College	Des Moines	9,659
Seattle Central Community College	Seattle	8,964
Tacoma Community College	Tacoma	8,004
Olympic Community College	Bremerton	8,001

Source: Puget Sound Business Journal Book of Lists 2016

The Seattle MSA has numerous and well attended community colleges throughout the region. Community Colleges serve students in a variety of education options. Many students start their four-year degrees at community colleges, finding it a more affordable start to their higher education. However, many earn certificates, train for a new job, experience hands-on training in professional and technical programs, learn English, develop basic skills, finish high school, train for a promotion, or to learn just for fun.

INFRASTRUCTURE -TRANSPORTATION

So much of Seattle-Tacoma-Bellevue MSA's traffic is directed through the city proper. North-south transportation depends heavily on the Interstate 5 corridor which treks through the city proper, while State Route 99, another major arterial, travels through the western half of the city. Transportation to and from the east is via State Route 520's Evergreen Point Floating Bridge. The Evergreen Point Floating Bridge is the world's longest floating bridge with a new bridge, to replace the original which was deemed at risk during a seismic event, opened in April 2016. The new six-lane bridge has a dedicated lane in each direction for buses and carpools, and a 14-foot-wide path for walkers and cyclists. There are five public viewpoints along the path, and four column-like sentinels mark where the new bridge transitions between land and water. Interstate 90's Lacey V. Murrow Memorial Bridge and Third Lake Washington Bridge, both crossing Lake Washington are the second, and fifth longest floating bridges in the world, respectively. State Route 522 connects Seattle to its northeastern suburbs. Seattle is also served by three Amtrak routes at its King Street Station: the Cascades, the Coast Starlight, and the Empire Builder.

Washington State Department of Transportation is undertaking two projects to replace the State Route 99 (SR 99) Alaskan Way Viaduct along Seattle's waterfront. The first project is the SR 99 Tunnel Project. The viaduct's downtown waterfront section will be replaced with a bored tunnel beneath downtown Seattle. The tunnel will connect to the new SR 99 roadway south of downtown, and to Aurora Avenue in the north. The result will move the state highway underground, reconnect the street grid at the ends of the tunnel and remove the viaduct along Seattle's downtown waterfront. The viaduct has been at risk of failure from earthquakes for many years and has been in need of being replaced. The tunnel was originally scheduled to open to traffic in late 2015. A revised opening date of Spring 2019 has been proposed.

Water transportation remains important. Washington State Ferries, the largest ferry system in the United States operates a passenger-only ferry from Colman Dock in Downtown to Vashon Island, car ferries from Colman Dock to Bainbridge Island and to Bremerton, and a car ferry from West Seattle to Vashon Island to Southworth.

Sound Transit operates express bus, commuter rail, and light rail service within the Seattle MSA area. Regional express bus routes connect Seattle with neighboring suburbs and cities while the Sounder commuter rail system, consisting of two lines, link Seattle with Tacoma along its Southern route and Seattle with Everett along its Northern run. The light rail system, called Link Light Rail, includes an initial 15.7-mile Central Link from downtown Seattle to Sea-Tac Airport, and recently completed a 3.15-mile mile extension line called University Link. The extension consists of twin-bored tunnels from Downtown Seattle north to the University of Washington, with stations at Capitol Hill and on the University of Washington.

Household Trends

The 2017 number of households in the county was 860,214. The number of households in the county is projected to grow by 1.4% annually, increasing the number of households to 922,511 by 2022. The 2017 average household size for the county was 2.5, which was -4.38% smaller than the United States average household size of 2.61 for 2017. The average household size in the county is anticipated to grow by 0.30% annually, raising the average household size to 2.53 by 2022.

NUMBER OF HOUSEHOLDS

YEAR	US	WA	COUNTY
2017	121,586,527	2,800,684	860,214
2022	126,270,369	2,977,816	922,511
CAGR	0.8%	1.2%	1.4%

Source: Pitney Bow es/Gadberry Group - GroundView®

AVERAGE HOUSEHOLD SIZE			
YEAR	US	WA	COUNTY
2017	2.61	2.60	2.50
2022	2.61	2.65	2.53
CAGR	0.03%	0.41%	0.30%

Source: Pitney Bow es/Gadberry Group - GroundView®

King County had 41.50% in renter occupied units, compared to the lower 36.25% in Washington and the lower 34.84% in the United States.

HOUSING UNITS			
	US	WA	COUNTY
Ow ner Occupied	65.16%	63.75%	58.50%
Renter Occupied	34.84%	36.25%	41.50%

Source: Pitney Bow es/Gadberry Group - GroundView®

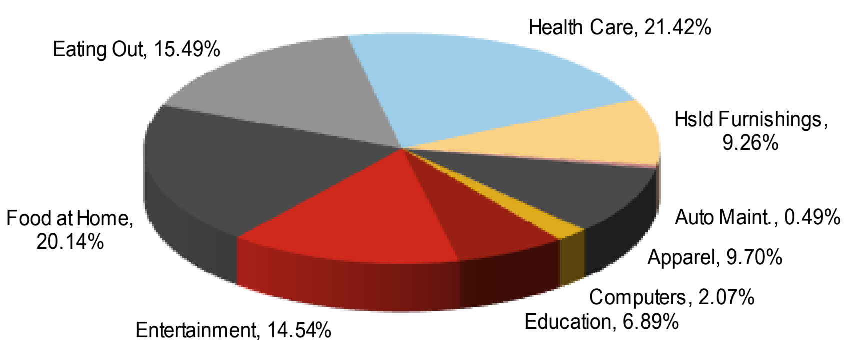
The 2017 median household income for the county was $78,416, which was 39.7% higher than the United States median household income of $56,114. The median household income for the county is projected to grow by 0.6% annually, increasing the median household income to $80,677 by 2022.

As is often the case when the median household income levels are higher than the national average, the cost of living index is also higher. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Puget Sound MSA's cost of living is 145.1 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

MEDIAN HOUSEHOLD INCOME			
YEAR	US	WA	COUNTY
2017	$56,114	$63,209	$78,416
2022	$59,476	$65,621	$80,677
CAGR	1.2%	0.8%	0.6%

Source: Pitney Bow es/Gadberry Group - GroundView®

Consumer Spending King County



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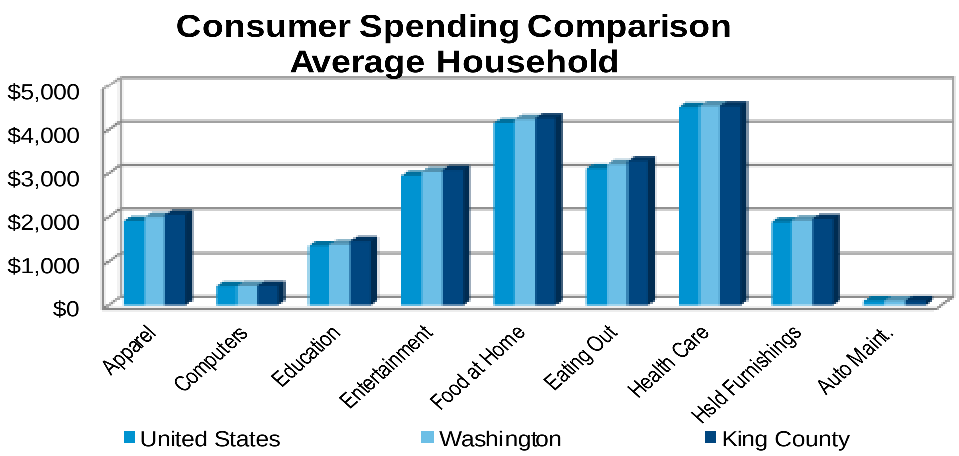


EMPLOYMENT

The Seattle MSA has an estimated gross metropolitan product of $218.77 billion, and adds an estimated 1.74 million jobs to the region. The Seattle MSA is also home to 8 Fortune 500 companies: Microsoft, Weyerhaeuser, Nordstrom, Costco Wholesale, Amazon.com, Paccar, Starbucks, and Expeditors International of Washington.

Aerospace has been a key industry in the Puget Sound area with the Boeing Company being the champion in the field. The industry includes a collection of over 650 businesses, employs 80,000 people statewide and over 70,000 regionally (primarily through Boeing). Revenues generated total $90 billion annually.

SUMMARY

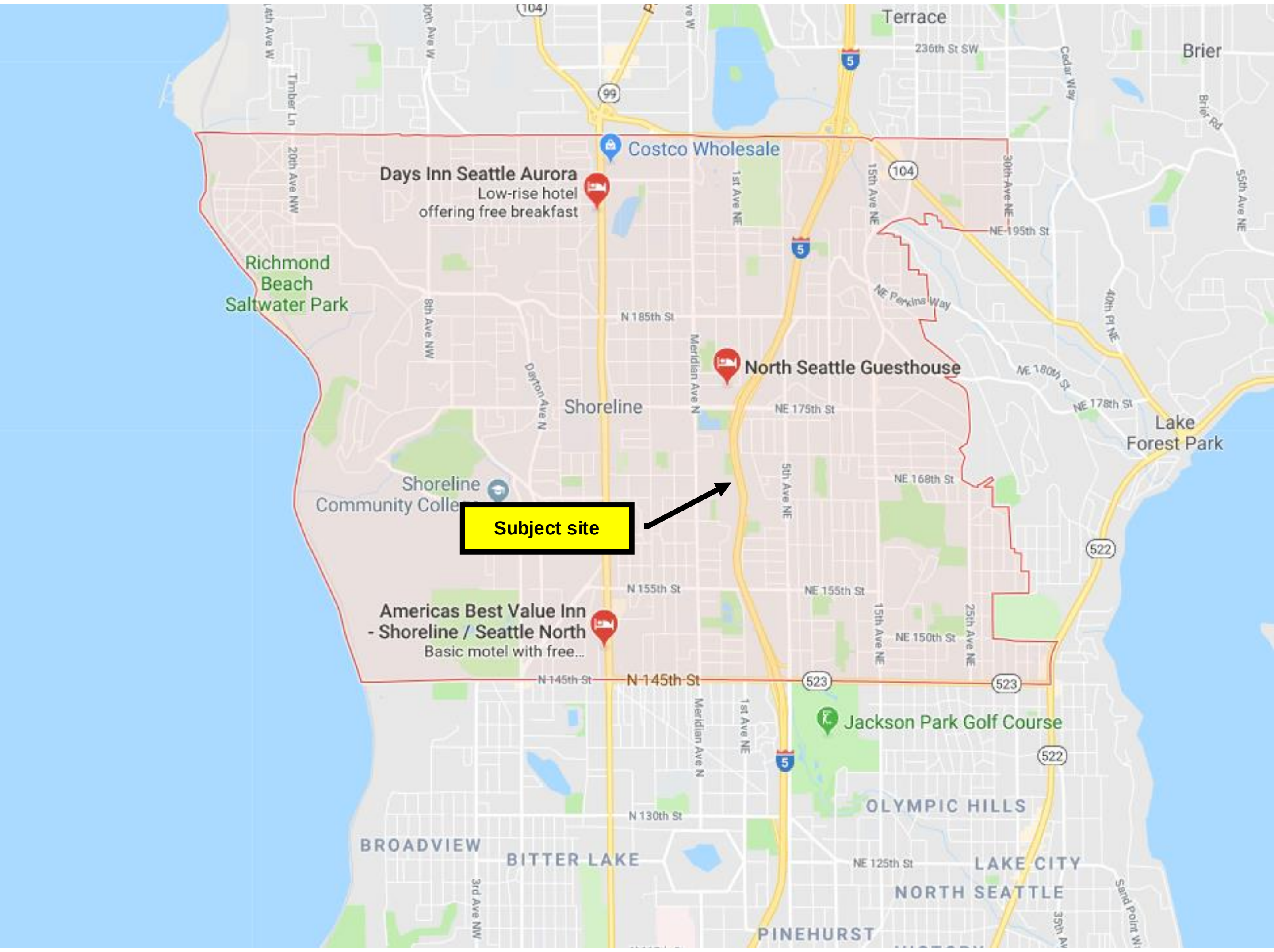
Microsoft, Amazon, Google and Facebook are top performers within the information and communications technology (ICT) industry in the Seattle MSA, generating annual revenues of $13.6 billion and adding 186,800 jobs locally. Included are: 50,400 in software publishing, 25,400 in computer system design and 9,100 in wireless telecommunications. Another sector within the ICT industry is video game companies. More than one third of the $10 billion annual revenue attributed to the game industry nationwide is produced in the region. Also, considered a leader in Radio Frequency Identification (RFID), the Seattle MSA is home to companies such as Impinj and Intermec. Another sector, Cloud Computing and Virtualization, is making a presence through Microsoft Azure, Amazon Web Services, Parallels, Skytap and Symform. The Seattle MSA is emerging as a world leader in this technology. The Seattle MSA is home to a diversified group of businesses of many sizes and types, all of which appreciate its Central Puget Sound location.

In addition to large corporations, universities, hospitals and public-sector employment located within the Seattle-Tacoma-Bellevue MSA, smaller businesses make up 75% of the local employment picture. This demonstrates the impact and importance of small business in the local economy.

Seattle's economy is a mix of old and new businesses which got its key start with the Boeing Company nearly 100 years ago. The entrepreneurial spirit of the region led to major internet and technology companies. Though it has been affected by the recent recession, Seattle has retained a comparatively strong economy, and remains a hotbed for start-up businesses with a highly educated workforce. Indicators are such that the current economic recovery is improving, the area’s key private employment sectors have made significant year-over-gains and unemployment is trending down.

AREA ANALYSIS

The subject facility is in the central portion of the city of Shoreline, in King County. The following neighborhood description was taken from Wikipedia.

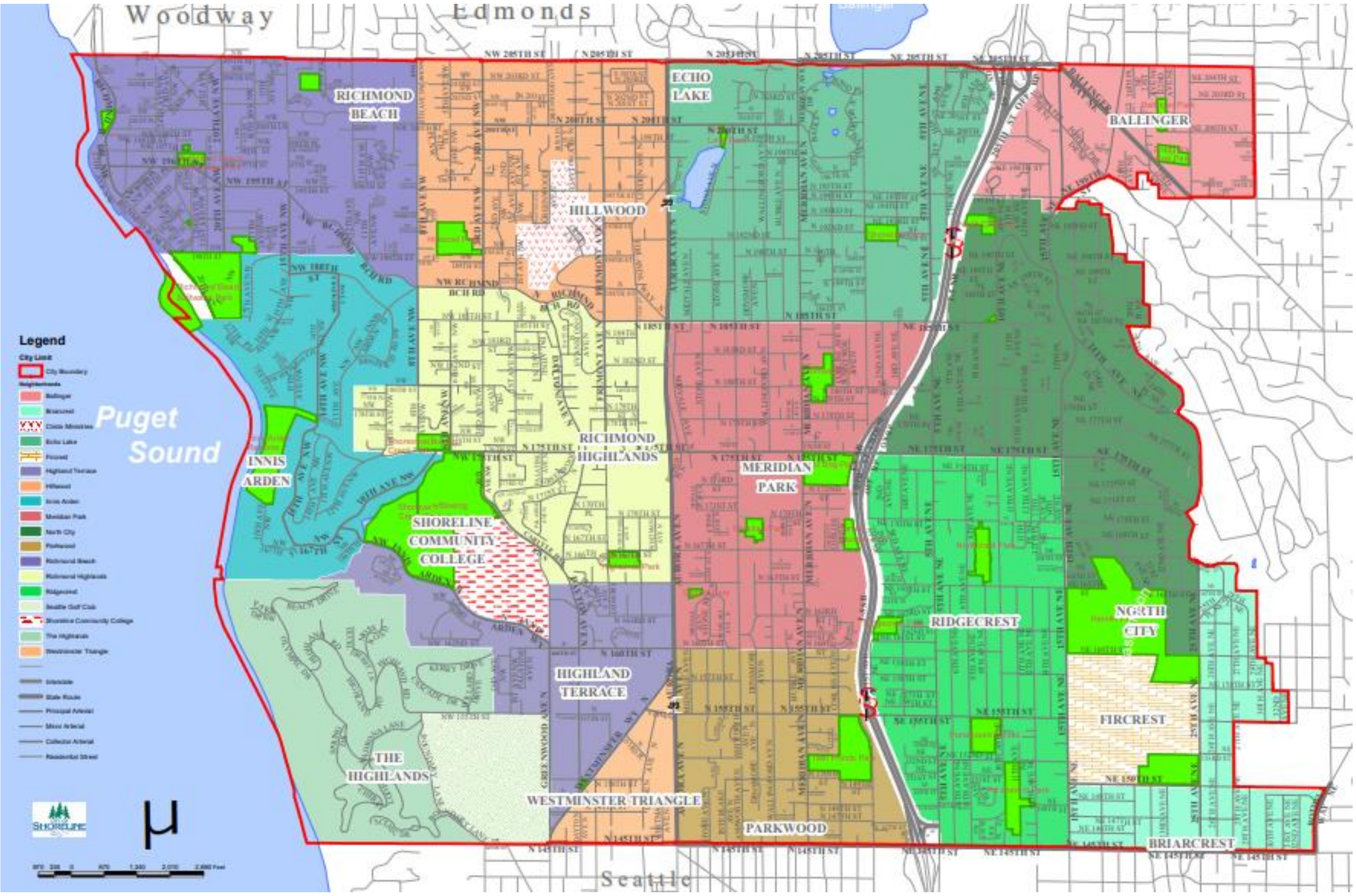


Shoreline is a city in King County, Washington, and is none miles north of downtown Seattle. It is the 20th largest city in the state.

The name “Shoreline” was first used in 1944 to refer to what was then an unincorporated portion of King County. The label was given to the local school district, since its boundaries stretched from “shore to shore” (Puget Sound to Lake Washington) and “line to line” (the old Seattle city limit of 8tth Street to the Snohomish County line). Though the modern borders of the city do not stretch to Lake Washington, the area kept the “Shoreline” name.

After the incorporation of Lake Forest Park in 1961, the remainder of the Shoreline School District remained an unincorporated portion of King County. Fifty-one years after it had been named, on August 31, 1995, Shoreline was officially incorporated as a code city and adopted the council-manager form of government. Residents used Seattle, WA as their address up until 1995 when the city was formed and addresses changed to Shoreline, WA.

Shoreline is divided into 14 neighborhoods, as shown in the following map. The subject is part of the Meridian Park neighborhood on the west side of Interstate 5.



The city is bordered to the north by the neighborhoods of Edmonds/Woodway, Edmonds and Mountlake Terrace in Snohomish County. It is bordered to the west by Puget Sound, and to the east by the city of Lake Forest Park and Lake Washington. To the south is the city of Seattle.

<u>Transportation:</u>

The two major north/south highways through Shoreline are Interstate 5 and State Route 99. State Route 104 runs from Edmonds down to Lake Forest Park, and cuts across the city's northeast corner. Shoreline is also central to King County Metro transit, with service to many destinations, including downtown Seattle by multiple commuter buses, the Sounder Commuter Rail, and local bus service.

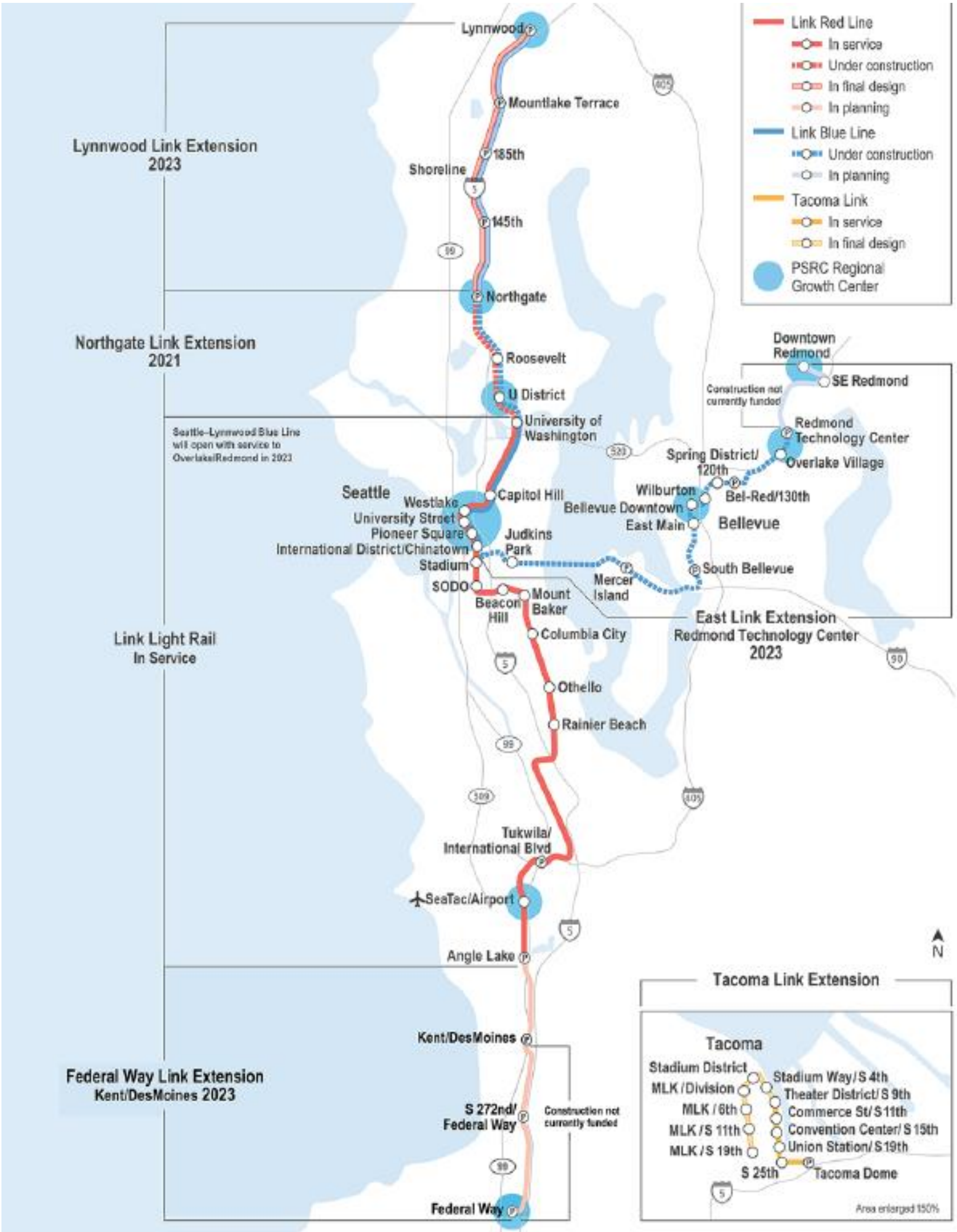
Sound Transit Light-Rail Expansion:

Puget Sound Transit (aka Sound Transit) has proposed to expand their regional light-rail system south from the city of SeaTac to Federal Way. This extension, called the Federal Way Link Extension, would run through the cities of SeaTac, Des Moines, Shoreline and Federal Way in King County and will cover 7.6 miles generally paralleling State Route 99 and Interstate 5, which are the major north/south traffic routes between SeaTac and Federal Way. It will follow a topographic ridge between Puget Sound and the Green River Valley where the city limits of SeaTac, Des Moines, Shoreline and Federal Way meet.

Sound Transit anticipates starting construction of this light-rail segment by 2019, with the first segment to Shoreline/Des Moines opening to travelers in 2023. If second-stage funding is approved by voters, the final segment from Dent to Federal Way is anticipated to be open by 2024.

The existing light-rail line runs through Seattle from the University of Washington campus to SeaTac Airport and Angle Lake. In addition to the Federal Way extension, the agency has also proposed two additional extensions that would extend the rail line north to Lynnwood. These have been illustrated in the exhibit on the next page.

SOUND TRANSIT REGIONAL LIGHT-RAIL SYSTEM



DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

LOCAL AREA DEMOGRAPHICS

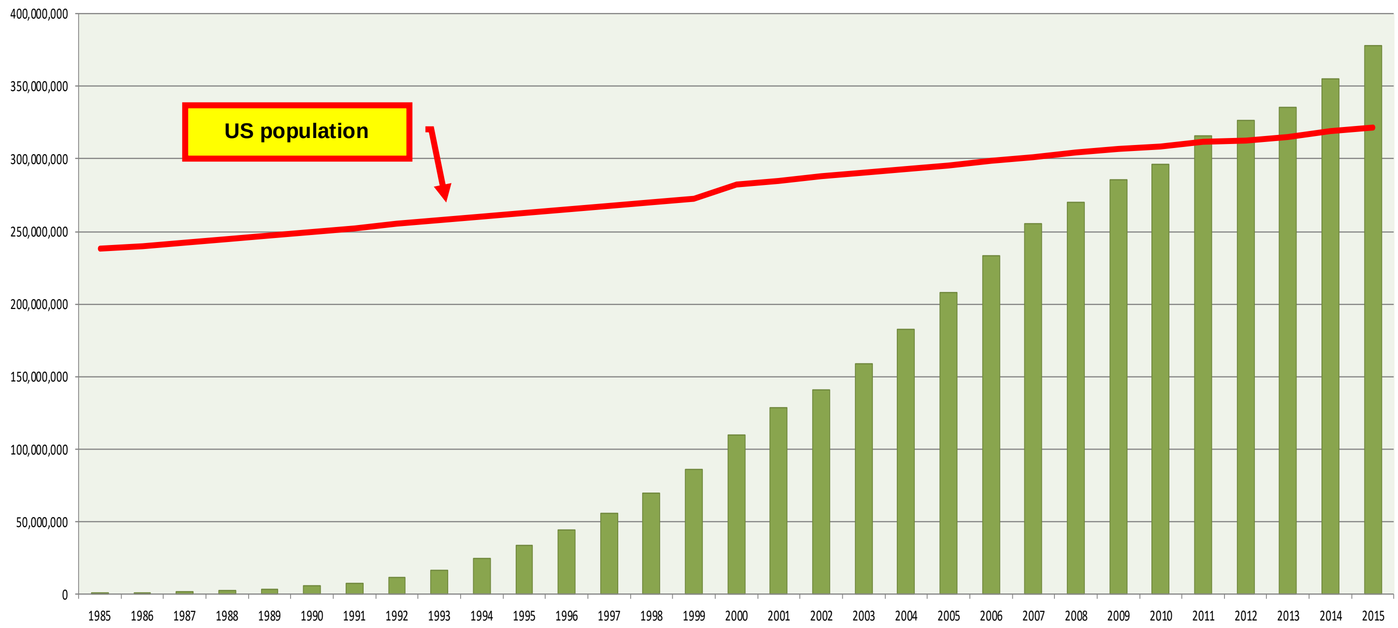
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				**AVERAGE HOUSEHOLD INCOME**			
2000 Population	16,673	123,189	288,974	2017	$91,026	$91,581	$102,539
2010 Population	16,682	125,454	299,926	2022	$93,348	$94,510	$107,716
2017 Population	17,728	135,237	326,253	Change 2017-2022	2.55%	3.20%	5.05%
2022 Population	18,920	144,977	350,176	**MEDIAN HOUSEHOLD INCOME**			
Change 2000-2010	0.05%	1.84%	3.79%	2017	$74,115	$64,863	$72,338
Change 2010-2017	6.27%	7.80%	8.78%	2022	$75,164	$66,112	$73,565
Change 2017-2022	6.72%	7.20%	7.33%	Change 2017-2022	1.42%	1.93%	1.70%
POPULATION 65+				**PER CAPITA INCOME**			
2010 Population	2,145	18,640	39,651	2017	$35,858	$39,716	$43,454
2017 Population	2,633	23,081	50,794	2022	$36,259	$40,257	$44,780
2022 Population	3,141	27,517	60,999	Change 2017-2022	1.12%	1.36%	3.05%
Change 2010-2017	22.75%	23.83%	28.10%	**2017 HOUSEHOLDS BY INCOME**			
Change 2017-2022	19.29%	19.22%	20.09%	<$15,000	7.3%	10.1%	8.6%
NUMBER OF HOUSEHOLDS				$15,000-$24,999	7.1%	8.5%	7.2%
2000 Households	6,338	51,755	122,498	$25,000-$34,999	5.9%	7.9%	7.2%
2010 Households	6,568	54,418	129,185	$35,000-$49,999	10.5%	12.1%	10.9%
2017 Households	6,915	57,439	136,563	$50,000-$74,999	19.8%	18.7%	18.0%
2022 Households	7,278	60,492	143,857	$75,000-$99,999	16.4%	13.5%	13.1%
Change 2000-2010	3.63%	5.15%	5.46%	$100,000-$149,999	21.7%	15.4%	17.7%
Change 2010-2017	5.28%	5.55%	5.71%	$150,000-$199,999	6.1%	7.3%	8.8%
Change 2017-2022	5.25%	5.32%	5.34%	$200,000 or greater	5.2%	6.4%	8.5%
HOUSING UNITS (2017)				**MEDIAN HOME VALUE**	$318,741	$345,929	$377,398
Owner Occupied	4,726	33,185	84,101	**AVERAGE HOME VALUE**	$331,389	$397,084	$433,453
Renter Occupied	2,184	24,320	52,456	**HOUSING UNITS BY UNITS IN STRUCTURE**			
HOUSING UNITS BY YEAR BUILT				1, detached	5,331	33,105	83,567
Built 2010 or later	52	1,209	2,645	1, attached	178	2,332	6,434
Built 2000 to 2009	536	5,095	14,101	2	217	1,166	2,425
Built 1990 to 1999	374	5,344	13,394	3 or 4	104	1,696	4,551
Built 1980 to 1989	496	6,566	17,508	5 to 9	155	2,573	6,642
Built 1970 to 1979	886	9,611	20,306	10 to 19	146	3,449	9,070
Built 1960 to 1969	1,122	8,468	18,770	20 to 49	350	5,262	10,535
Built 1950 to 1959	2,030	12,502	23,477	50 or more	382	7,391	11,757
Built 1940 to 1949	1,195	5,409	12,151	Mobile home	47	517	1,542
Built 1939 or earlier	224	3,234	14,211	Boat, RV, van, etc.	0	14	35

Source: Pitney Bowes/Gadberry Group - GroundView®

In her novel The Death of Distance, Francis Cairncross stated that mobile-phone use has grown at a pace even faster than the development of computer-chip technology. “In 1990,” she stated, “there were just over eleven million mobile telephones worldwide. In 2000, there were 650 million, compared with 500 million personal computers. Every year since 1996, more people have subscribed to cellular telephones than to fixed ones, and the gap is widening.” In comparison, by 2006, 78.11% of our country’s population had cell phones (up from 62.19% in 2004 according to the Cellular Telecommunications and Internet Association (CTIA).

The chart below illustrates the exponential growth of cellular subscribers in the U.S., along with annual market saturation (i.e. number of subscribers divided by the U.S. population, shown below as a solid red line). In 1990, cellular subscribers represented only 2.12% of the nation’s population, compared to 95.96% in 2010. By 2015, the total number of cellular subscribers exceeded 117% of the country's population--indicating that consumers have more than one cell phone, or have other related subscriptions like data plans or 4G "hotspot" fees.

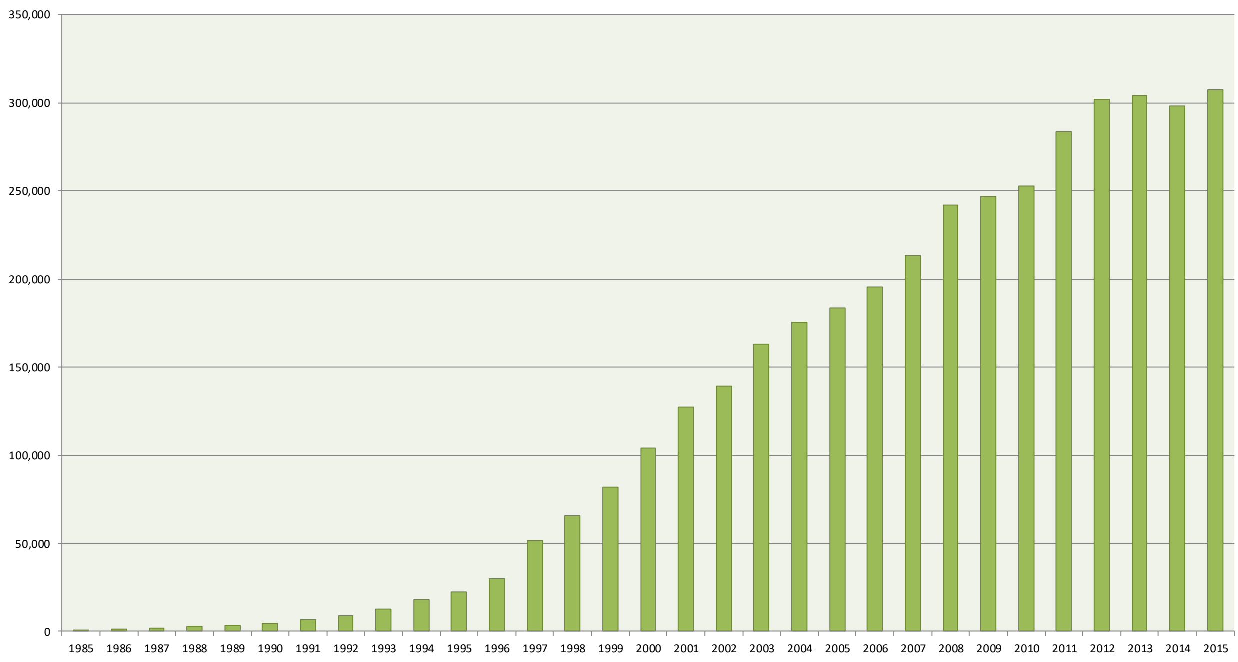
ESTIMATED CELLULAR SUBSCRIBERS
Nationwide (1985 - 2015)



Source: Cellular Telecommunications and Internet Association.

The chart below illustrates the explosive growth in the number of cell sites built in this country during the same time period.

TOTAL NUMBER OF CELL SITES
Nationwide (1985 - 2015)



Source: Cellular Telecommunications and Internet Association.

PERCENTAGE-GROWTH COMPARISON (SUBSCRIBERS AND # OF CELL SITES)

Nationwide (1985 - 2013)

	1985-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015
Growth in Subscribers	1452.87%	347.07%	148.57%	61.95%	27.14%	19.61%
Growth in Cell Sites	695.99%	239.01%	247.11%	44.02%	29.38%	8.55%

Compiled by CBRE. Source: Cellular Telecommunications and Internet Association.

On May 23rd, the CTIA released its annual survey results, which indicated that Americans used three times as much data in 2015 as they did in 2013. This increase in data usage is the equivalent of consumers streaming 59,219 videos every minute.[6]

The CTIA survey also noted the following, as of March of 2017.

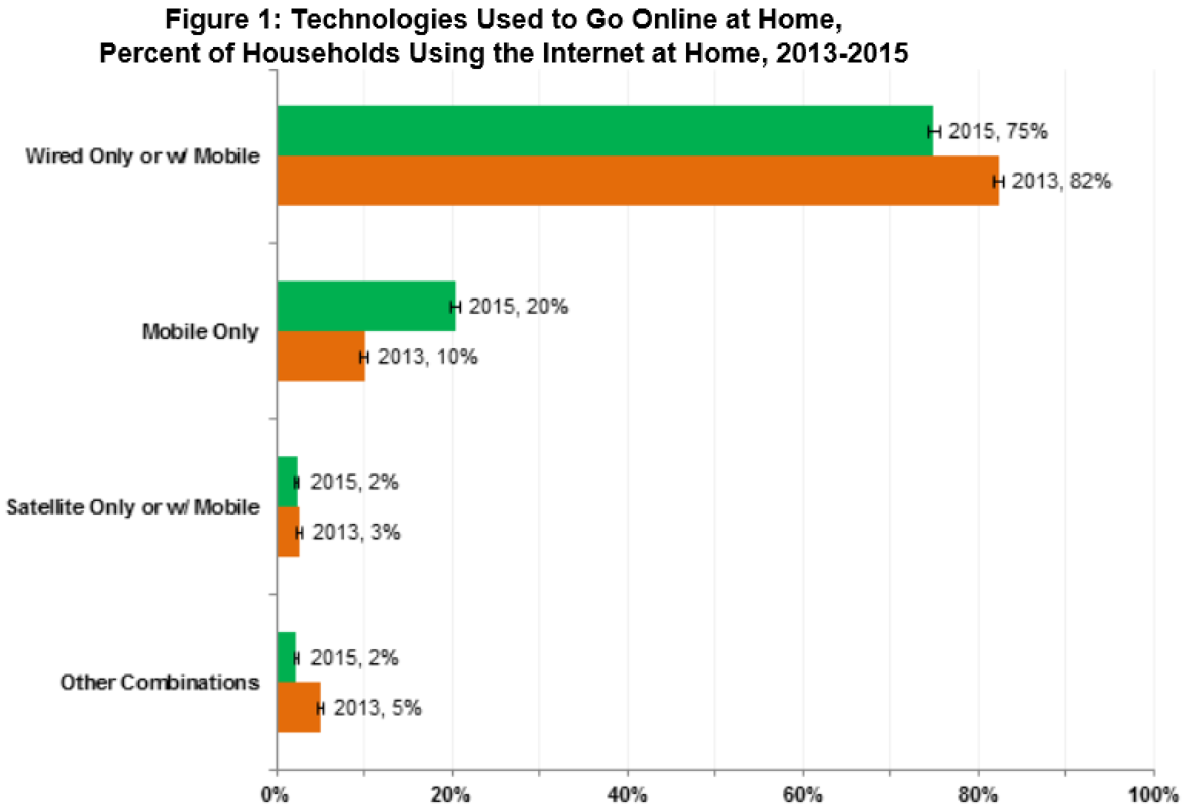
- There are more than 228 million smartphones in the U.S. This number is up almost 10% from 2014. Seventy percent of the nation's population now owns a smartphone.
- Data traffic flowing across wireless networks has increased more than 25 times since 2010.
- More than 4.6 million jobs directly or indirectly depend on the wireless industry.
- In North American, data traffic per smartphone will grow nearly 5 times from 5.1 gigabytes per month in 2016 to 25 gigabytes per month in 2022.

The table on the next page illustrates the increase in mobile trends from 2014 to 2015, according to CTIA.

[6] Source: http://wirelessestimator.com/articles/2016/ctia-american-data-usage-more-than-doubled-in-2015

Mobile Trends in the United States, 2014-2015			
	2014	**2015**	**The Delta**
Subscribers	355.4 million	377.9 million	+6.3%
Smartphones	208.1 million	228.3 million	+9.7%
Data Traffic	4.1 trillion MB	9.6 trillion MB	+137.6%
Minutes of Use	2.5 trillion	2.8 trillion	+17.4%
SMS/MMS traffic	2.07 trillion	2.11 trillion	+1.7%
Incremental Capital investment	$32.0 billion	$31.9 billion	-0.3%
Cumulative Capex	$430.6 billion	$462.6 billion	N/A

A recent survey released by the National Telecommunications and Information Administration found that technological changes are driving a profound shift in how Americans use the Internet, which may be opening a new digital divide based on the use of particular types of devices and Internet services. According to the survey, three-quarters of American households using the Internet at home in 2015 still used wired technologies for high-speed Internet service, including cable, DSL, and fiberoptic connections. However, this represents a sizeable drop in wired home broadband use, from 82% of online households in June 2013 to 75% one year later. Over this same period, the data also shows that the proportion of online households that relied exclusively on mobile service at home doubled between 2013 and 2015, from 10% to 20% (see chart on next page).

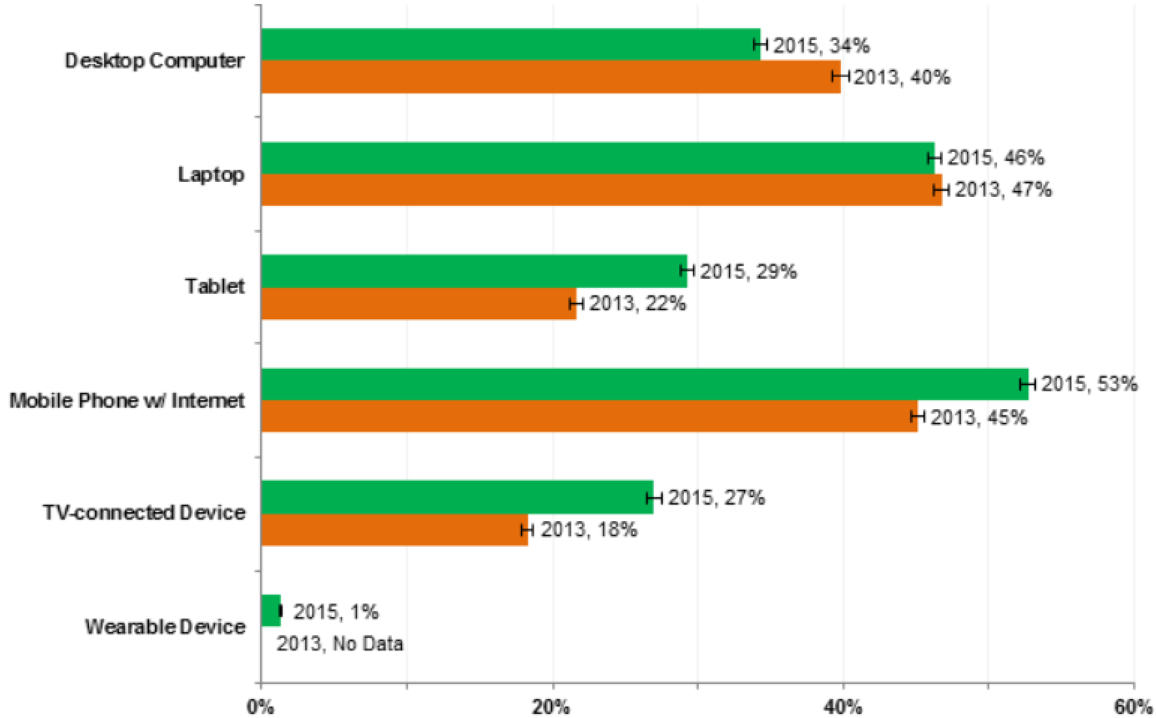


Source: NTIA

The survey also reported that Americans are increasingly relying on a wide range of devices to meet their computing needs. Smartphone use rose from 45% of Americans in 2013 to 53% in 2015, surpassing laptops to become the most widely-used computing device. Smart televisions and TV-connected devices increased from 18% in 2013 to 27% in 2015 (see chart on next page).

Use of Selected Computing Devices,

Percent of Americans Ages 3+, 2013-2015

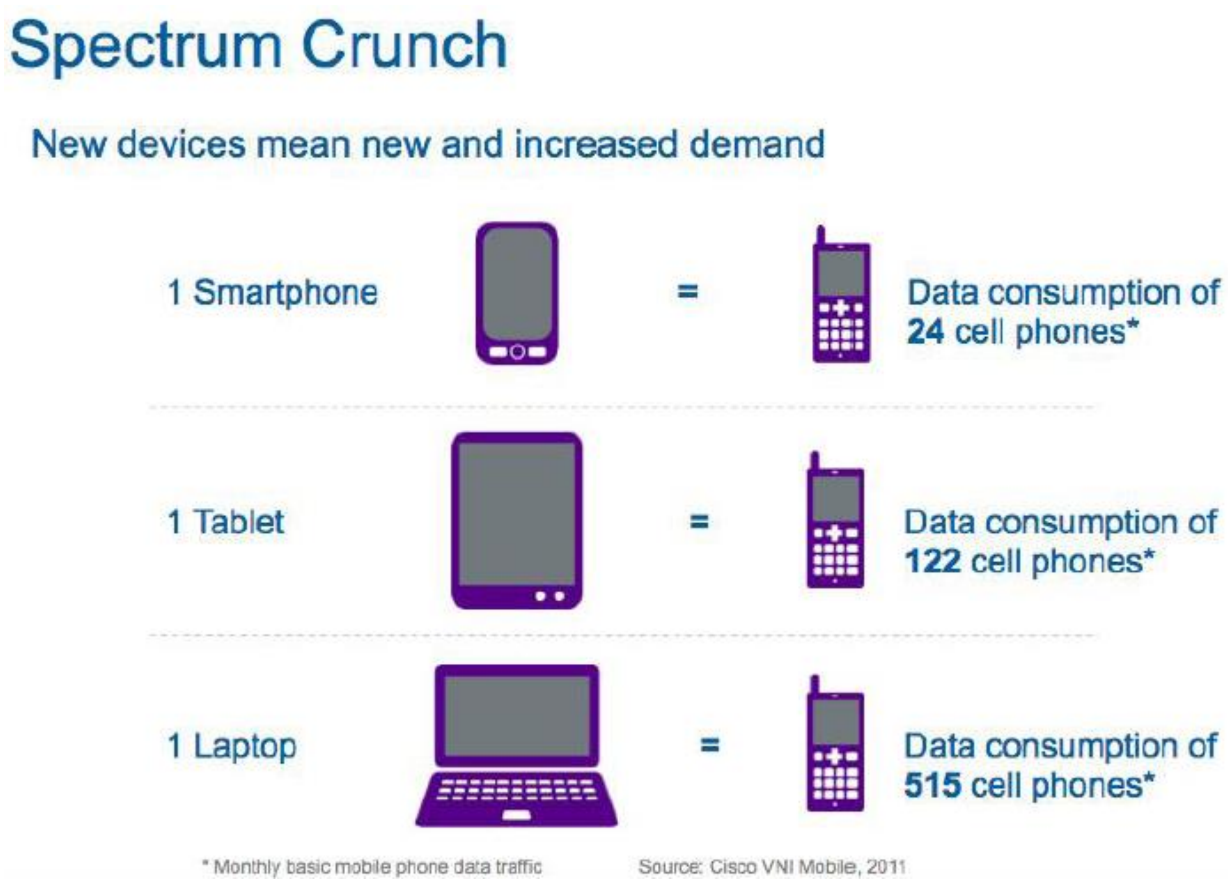


Source: NTIA

Another way of measuring demand is through our thirst for information. Recent technological advances allow us to consume greater amounts of information than ever before.

Founded in 2006, The DAS Forum is the only national network of leaders focused exclusively on shaping the future of DAS as a viable complement to traditional macro cell sites and a solution to the deployment of wireless services in challenging environments. The DAS Forum is governed by a Council of Founding Members, made up of American Tower Corporation, AT&T, CommScope, Connectivity Wireless, Corning Cable Systems, Crown Castle International, Extenet Systems Inc., H & M Networks, Sprint and T-Mobile USA.

The following graphic, created by The DAS Forum, illustrates this. The DAS Forum is an organization dedicated to the development of the distributed antenna system (DAS) component of the nation's wireless network.



For example, a new iPad consumes as much data (or bandwidth) as 122 older cell phones with basic monthly phone plans. A new laptop with a broadband connection can consume up to five times this amount.

MERGERS AND ACQUISITIONS

Looking back, it doesn't seem possible that cell phones have been part of our lives for 35 years. Ever since the first bulky, briefcase-sized phones hit the market in October of 1982, carriers have been scrambling to keep up with demand.

Back then, the children of the original Baby Bells had each spun off their own wireless companies: General Telephone and Telegraph created GTE Wireless, AT&T created AT&T Wireless, and Pacific Bell formed Pacific Bell Wireless.

Through the 1990s and into the 2000s, consolidation became a key component of survival, as carriers battled each other to gain market share. Listed below are some of the more well-known mergers of the past.

(Former carrier)	(Now known as)
GTE Wireless	Verizon
VoiceStream PCS	Verizon
Pacific Bell Wireless	Cingular Wireless
Cox PCS	Sprint PCS

In the late 1990s, there were three primary cellular providers: GTE, Pacific Bell Wireless and Cox PCS. Ten years ago, there were six. By the early 2000s there were four, listed below in terms of their total number of subscribers.

1.) Cingular Wireless
    (merged with AT&T Wireless, who bought GTE Mobilnet)
2.) Verizon
3.) Sprint PCS (merged with Nextel)
4.) T-Mobile

On February 17 2004, Cingular acquired AT&T Wireless. With the third-largest company purchased by the second-largest cellular provider, the combined entity became the largest telecommunications carrier in the country. After the merger, the new Cingular-AT&T entity and Verizon controlled 60 percent of the wireless-subscriber market. In addition, the merger expanded Cingular's coverage from 87 to 97 of the top 100 markets in the country, which, according to Pyramid Research, will save the company almost $1 billion in network infrastructure alone.

On May 25, 2004, T-Mobile USA announced that they had entered into agreements with Cingular to terminate their wireless network-sharing venture, and for T-Mobile to acquire 100% ownership of the shared network assets in southern Washington, Texas, and New York for $2.5 billion. In December of 2004, Sprint PCS formally announced that they had acquired Nextel Communications. Although Sprint's merger with Nextel was largely about acquiring radio spectrum, it continued to operate Nextel's wireless network in parallel with its own for a number of years. However, Nextel's network is outdated, and cannot be upgraded to accommodate 4G speeds. For this reason, and the need to lower operating expenses, Sprint started deactivating its Nextel network in 2012 and continues to do so into 2016. In July of 2013, shortly after acquiring Clearwire (its broadband partner), Sprint announced their merger with SoftBank, which is the parent company of one of Japan's largest telecom carriers.

Apple's introduction of the iPhone in June 2007 may have been the most significant technological innovation of the past decade. Partnering with AT&T for its wireless service, Apple has seen iPhone sales explode over the next three years, with approximately 40% of these consumers switching over to AT&T from other providers. In a January 2009 *Wired* magazine article about the development of the iPhone, Fred Vogelstein wrote the following. "For decades, wireless carriers have treated manufacturers like serfs, using access to their networks as leverage to dictate what phones will get made, how much they will cost, and what features will be available on them. Handsets were viewed largely as cheap, disposable lures, massively subsidized to snare subscribers and lock them into using the carriers' proprietary services. But the iPhone upsets that balance of power. Carriers realized that the right phone—even a pricey one—can win customers and bring in revenue." The first iPhone featured a touch-screen display, 1,500-song capacity, Internet access at WiFi speeds, and the ability to run a number of software programs (known as "apps"). Verizon Wireless had been competing head-to-head with AT&T in the smartphone market with its "Droid" line of phones, although it won a key victory in early 2011 by being able to sell the iPhone as well. The fifth-generation iPhone was the first edition of this phone to have 4G connectivity built in. Now, the seventh-generation iPhone has been released, offering bigger displays and two cameras.

In March of 2011, the No. 2 U.S. wireless operator (AT&T Mobility) announced plans to buy No. 4 wireless operator T-Mobile USA in a deal valued at $39 billion. Had this merger received government approval, it would have created an essential monopoly. According to Marguerite Reardon of CNet.com, "at the end of 2010, Verizon had 102.2 million customers, and AT&T had about 95.5 million. If AT&T adds T-Mobile's 33 million customers, the new provider [would] have a total of about 129 million subscribers." To put this in perspective, following the AT&T/T-Mobile merger, three out of four wireless subscribers in the U.S. would be a customer of either AT&T or Verizon Wireless. However, this merger was not approved.

Talks of a potential T-Mobile and Sprint merger have been on and off for a few years, but appear to be back on again, according to a May 22, 2017 article published by USA Today. In the article, reporter Edward Baig wrote the following.

"Previous talks of a marriage between the two carriers ultimately went bust because the expectation was that regulators under the Obama Administration would never bless the union. The thinking now is that the Trump Administration may look upon a merger more favorably." Assuming that deal terms could be worked out, there would still be regulatory hurdles to overcome. In his article, Baig quoted a research analyst who said that "the FCC and DOJ likely feel vindicated for having blocked T-Mobile's merger with AT&T in 2011, and Sprint's high stock price makes it much harder to argue that Sprint is a serious bankruptcy risk absent a merger."

Over the past 3-5 years, all four of the top wireless carriers have upgraded their networks to 4G technology. True 4G must generate speeds of at least 100 megabits per second, according to the International Telecommunication Union. Current 3G technology offers a peak upload rate of 50 megabits per second and a peak download rate of 100 megabits per second. In comparison, 4G delivers a peak upload rate of 500 megabits per second and a peak download rate of one gigabit per second.[7]

While standards are still being developed for 5G, and the anticipated first phase of site rollouts isn't expected for another two to three years, the difference in speed will be significant. With speeds of up to 100 gigabits per second, 5G will be as much as 1,000 times faster than 4G. Mobile-internet communication will become so fast, they will become almost real-time.

[7] Source: http://www.diffen.com/difference/3G_vs_4G.

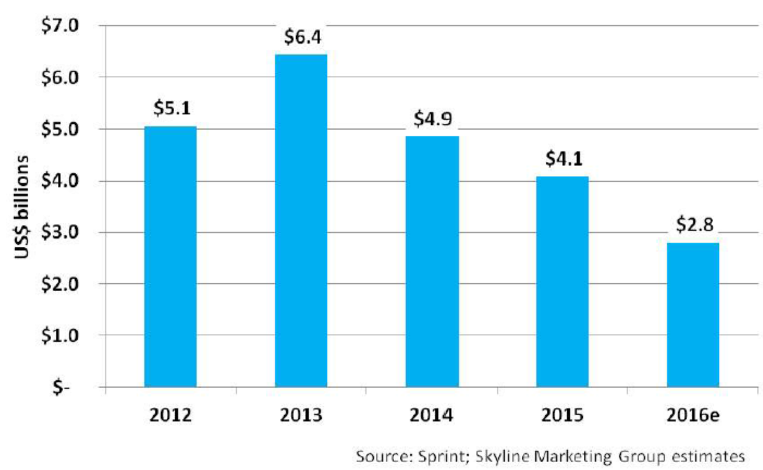
The following table, taken from a December 2014 article published by Raconteur.net, summarizes the differences between 3G, 4G, and 5G, as well as the exponential increase in speed.

3G VS 4G VS 5G

	3G	4G	5G
DEPLOYMENT	2004-05	2006-10	BY 2020
BANDWIDTH	2mbps	200mbps	>1gbps
TECHNOLOGY	Broadband with/CDMA/IP technology	Unified IP and seamless combination of LAN/WAN/WLAN/PAN	4G + WWWW
SERVICE	Integrated high-quality audio, video and data	Dynamic information access, variable devices	Dynamic information access, variable devices with all capabilities

In February of 2015, Sprint completed their first expansion of their network in a decade that didn't involve the acquisition of another carrier (like Clearwire, or Nextel before that). However, this expansion and acquisition may have come at a price. AGL Magazine reported on May 10, 2016 that Sprint's reported capital expenditures have taken a nosedive since 2013, and have dropped by 32% since its fiscal year 2015 (see chart below).

1-Sprint Wireless CapEx, YtY, FY2012-2016e



The article went on to state that Sprint's capex-to-service revenues ratio dropped steadily from 22% in fiscal year 2013 (when the carrier accelerated its 4G LTE rollout and had acquired Clearwire) to 18% in 2014 and 16% in 2015. According to the article, "ratios above 15% indicate network expansion and investment for capacity and coverage expansion while ratios below 15% suggest that the carrier is operating its network in a maintenance mode with minimal expansion." Its capex-to-service revenues ratio is expected to drop to 12% in 2016.

In comparison, Verizon's capex to service-revenue ratio for the 4th-quarter of 2016 was 17.88% and AT&T's ratio for the same period was 13.68%.

In October of 2012, Deutsche Telekom (parent company to T-Mobile) acquired prepaid regional carrier MetroPCS, in an attempt to better compete with AT&T and Verizon Wireless.

In March of 2014, AT&T finalized their acquisition of Cricket Wireless. Prior to the merger, Cricket had about 4.6 million customers (according to PC News) and ran a CDMA network. AT&T currently runs a GSM network, which is not compatible. AT&T stated that within the next 12 to 18 months, they will shut down Cricket's network and convert Cricket's sites to AT&T facilities. For AT&T, the goal of this merger was to acquire additional spectrum to expand its LTE network.

Over the last decade, a trend has emerged involving the top four wireless carriers and tower operators. Spurred by the need for more capital investment, carriers are looking to get out of owning their own telecommunications improvements and have turned to sale-leaseback agreements with tower operators as a way to monetize their assets and raise capital. This capital could then be spent on further 4G upgrades and rollout, and to purchase additional spectrum.

In February 2005, Sprint agreed to a $1.2 billion sale-leaseback agreement with Global Signal, which involved more than 6,000 towers. The agreement enabled Sprint to pay off what it spent to acquire Nextel (at an estimated $500 million, according to Bloomberg.com) with the balance of the investment going towards high-speed upgrades of its network. Global Signal was acquired by Crown Castle in 2006.

In September 2012, Crown Castle negotiated a sale-leaseback agreement with T-Mobile for $2.4 billion. This agreement involved 7,200 T-Mobile assets around the country. In October 2013, Crown Castle negotiated a similar agreement with AT&T Mobility involving more than 9,700 tower assets around the country.

In addition, AGL Magazine reported in January of 2015 that Verizon agreed to a $5 billion sale-leaseback deal with American Tower Corporation involving 11,324 wireless cell towers, along with an option to purchase the leasehold rights in an additional 165 towers. The term of the deal is for 28 years, and will increase American Tower's total U.S. portfolio to more than 40,000 tower sites.

On July 13, 2016 Fierce Wireless reported that Verizon plans to shut down its 2G (CDMA 1x) network by December 31, 2019, although some areas may not be shut down until 2020 to allow for enough time for Verizon customers to transition over to the carrier's 4G LTE network. Verizon stated that its 2G network is still being used by some of its customers for voice calling, and is also used by slow-speed machine-to-machine applications, like remote water meters. However, Verizon stated that they are working with these customers to transition over to LTE, which presently handles 92% of its total wireless traffic. The carrier also indicated that it is preparing to transition its 3G equipment over to LTE as well, but did not indicate a shutdown date for 3G service.

In an online article published on the HP Matters blog, Christopher Surdak offered an observation on what the future may hold for mergers and acquisitions.[8]

> "In December 2009, data traffic on mobile networks first surpassed voice traffic, and has since exploded. By 2016, data traffic will be 200 times greater than voice traffic. This has presented a serious problem for telecom vendors. When voice traffic dominated the market, there was a clear connection between cost and value. When a customer spoke for five minutes, they paid for five minutes of connectivity. They paid proportionally more or less, depending upon how long they talked.
>
> However, this is not how data connectivity works. Providers are still charging according to capacity used (mega- or gigabytes per month, for instance) but customers' consumption of capacity is totally different. Data customers don't perceive value according to how many bytes they download. Rather, they perceive value in how many videos they download, how many pictures they upload or how many Skype calls they make in a day. To a customer, a 140-character text from a family member may be far more valuable than a two-megabyte video they watched, regardless of the dramatic difference in their associated size. The perceived value of content is no longer directly tied to the cost of delivery…Connectivity is capturing an ever-smaller proportion of the information value chain, while content, service, and product deliverers capture ever-more.
>
> As a result, it's not terribly surprising that content companies are moving into the infrastructure game. Google, Amazon, Microsoft and other major content players have amassed enormous network capacity in their own right, and it makes sense for them to own the underpinnings of their business (the networks) in order to ensure that their customers are always online. Indeed, AT&T's market capitalization in 2014 was about the same as it was in 2006, while Google's value has more than doubled. Facebook didn't even exist in 2006, and by 2014 it was worth roughly 40 percent more than AT&T (approximately $222 billion).
>
> By 2020, it is likely that one or more major telco companies will be acquired by a content company. And once this process begins, a feeding frenzy likely will ensue. Regulatory bodies might slow this process down somewhat, but as with so many industries throughout history, vertical integration in the Internet is almost certain to happen."

The above observation assumes that content providers would move into the infrastructure arena. However, as CNet reported on May 12, 2015, the reciprocal of this can occur as well. According to CNet, Verizon recently acquired AOL for a price of $50 per share, or a total acquisition price of $4.4 billion.

[8] Source: "Content Barons, Smart Dust & SkyNet: 6 Telecommunications Disruptions for 2020", HP Matter: The Telecom Issue, Issue No. 4, Spring 2015 (www.hp.com/hpmatters).

THE INTERNET OF THINGS

Now that there are more wireless subscriptions in the United States than there are people, the next area of growth will come from Internet-enabled consumer products—the "Internet of Things". In an eWeek article published online on April 19, 2016, Todd Weiss reports that smart tags will be coming to 10 billion clothing items over the next three years.

> "The Internet of Things will potentially be able to connect with some 10 billion pieces of clothing over the next three years as part of a newly-unveiled deal between label and RFID company Avery Dennison and IoT smart-products platform vendor Evrything.
>
> The idea…is that by placing [smart tags] in the clothing items, consumers, clothing manufacturers and retailers will gain new insights into purchases and their connections with other products. Using the IoT labels built into the clothes and shoes, the products will be able to interact with smartphones to trigger applications and services that connect with consumers, bringing new capabilities to users.
>
> The process will allow brands to become more interactive, while providing personalized, real-time mobile experiences and content for individual consumers and each item of clothing, the companies said. Products will use real-time data analytics in a wide range of ways that are not being done today."

Avery Dennison makes clothing items for a number of major labels, including Nike, Adidas, and Hugo Boss. In his article, Mr. Weiss cited a March 2016 Gartner survey that found that approximately 64% of 465 IT professionals interviewed intend to use the Internet of Things in some capacity, while 29% reported that they are using this technology today. Mr. Weiss also wrote that "the number of organizations adopting the IoT will grow 50% in 2016, reaching 43% of organizations overall."

We have personal experience with one company who is using IoT technology to differentiate themselves from potential competitors. Kegstar is an Australian company focusing on the distribution of beer kegs to retailers in the United Kingdom, United States, Australia and New Zealand. Kegstar owns their own kegs, and has installed RFID tags on each one, thus allowing them to track the location of their inventory in real time. Whereas other breweries use "Brewed By (Date)" as a marketing campaign, Kegstar's RFID tags can tell the company (using empirical data) how long their kegs are sitting on shelves before being tapped and served to customers.

VIRTUAL GAMING

As technological developments allow for faster wireless communication, other applications are popping up that hint at further stresses to our wireless networks.

In an article published on CNet's web page, Roger Cheng reported on the rapid success of Pokemon Go, which was released during the first week of July 2016. The game creates an augmented-reality scenario by overlaying digital creatures over the view of the world around you, using your cell-phone's camera. However, so many people are playing the game that the app tends to freeze and restart—early signs that the wireless network around these gamers cannot handle this new volume.

"Pokemon Go," writes Cheng, "is already a cultural phenomenon. It has garnered more users than Tinder and is closing in on Twitter. Its success added $7.5 billion to previously irrelevant Nintendo's market value in just two days. The concept behind the game, which turns people into Pokemon trainers using their phones to hunt for digital creatures in the real world, is certainly strong. But its execution is weak. Nintendo and developer Niantic have struggled to keep up with demand." Whether this game becomes a flash in the pan or not remains to be seen. However, it does provide an early indication of the need for ongoing telecommunications-site development—in particular, more sites spaced closer together, to be able to handle emerging wireless demand.

SUBJECT SITE DESCRIPTION

To summarize, Crown Castle occupies 775 square feet of ground near the northeast corner of a 11.99-acre parcel at the east end of N 167th Street, west of Interstate 5, in the city of Shoreline. The larger parcel is a solid-waste treatment facility operated by King County.

Crown Castle's facility is summarized below and over the following pages.

SUBJECT-SITE SUMMARY			
Location	**Tower Structure**	**Lessee Site #**	**Leased SF**
"Ronald" facility 2360 N 167th Street Shoreline, WA 98133	75' monopole	846372	**775 sf**

Within Crown's fenced-in area is the monopole itself, which sits on a 5' 6" square concrete foundation. Directly west of the monopole is an 8' by 16' concrete-block equipment shelter and two concrete equipment pads, one of which is used for a backup generator. South of the monopole is a 7' by 10' area that could be subleased to a second carrier.

The monopole is 75' tall. AT&T has an array of panel antennas mounted at a centerline height of 74', and there is the potential for a second panel array to be mounted on a centerline height of 59' on the pole.

Based on our inspection, there did not appear to be enough room within Crown's fenced-in compound for another equipment pad, other than the 7' by 10' area mentioned above. The facility is blocked from expansion to the west by the right-of-way for N 167th Street, and to the south by the solid-waste transfer facility itself. The facility is bordered to the east by the right-of-way for Interstate 5. There appears to be vacant land to the north that could be suitable for future expansion, although this land area lies on a neighboring parcel, and would require a separate agreement with that landowner.

SUBJECT PHOTOS

View of subject looking W from access gate

Looking west from gate down N 167th Street

Looking east down N 167th St (Subject in distance)

Looking west from monopole towards gate

Crown Castle Site ID placard

ENLARGED PHOTO OF EXISTING TOWER

SUBJECT LEASING HISTORY

The subject's ground lease began on December 23, 1993 between King County and New Cingular Wireless. The base term of the agreement was for five years, followed by (3) five-year options, with an expiration date of January 3, 2019. The initial base rent was $375 per month, with 5% annual escalations.

The lease has since been amended seven times, from July 1998 to February 2013. The tenant is now in the final year of their final renewal option, and is seeking a lease renewal or extension.

On March 12, 2012, King County transferred their rights to this ground lease to the City of Shoreline. This was documented in the third amendment.

On December 26, 2013 New Cingular Wireless PCS LLC transferred their interest in the lease to NCWPCS Tower Newco LLC, which was then merged into CCATT, LLC (which is an entity of Crown Castle).

As of the date of this report, the current ground lessor is the City of Shoreline, and the current ground lessee is Crown Castle, who in turn has a single sublessee (AT&T, formerly New Cingular Wireless).

Per the terms of the sixth amendment, the current ground rent is $4,011 per month, or $48,133 per year.

Because the original license did not specifically state that the property owner could receive additional income from sublease recapture, we cannot include any or all of Crown Castle's sublease income in determining the leased-fee interest in this facility. Thus, the only income that the property owner would be entitled to would be the base ground rent, which is the focus of our market-rent survey.

RENT-ESCALATION RATES

At present, there is no uniform standard regarding rent escalation. For example, the escalation rates used in our dataset of comparables ranged from 2% to 5% per year, with one comparable increasing by 20% every five years (see table on next page).

Generally, our experience in reviewing telecommunications leases has been that if the escalation rate increases annually at a rate ahead of inflation, this would favor the property owner. If the annual escalation rate increases at a rate below inflation, or if the rent increases every five years, this would favor the tenant.

To illustrate this, we prepared a couple of examples. These will be compared with the following table of inflation rates, taken from Inflationdata.com.

Inflation-Rate Table													
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
2018	2.07%	2.21%											2.14%
2017	2.50%	2.74%	2.38%	2.20%	1.87%	1.63%	1.73%	1.94%	2.23%	2.04%	2.20%	2.11%	2.13%
2016	1.37%	1.02%	0.85%	1.13%	1.02%	1.01%	0.84%	1.06%	1.46%	1.64%	1.69%	2.07%	1.26%
2015	-0.09%	-0.03%	-0.07%	-0.20%	-0.04%	0.12%	0.17%	0.20%	-0.04%	0.17%	0.50%	0.73%	0.12%
2014	1.58%	1.13%	1.51%	1.95%	2.13%	2.07%	1.99%	1.70%	1.66%	1.66%	1.32%	0.76%	1.62%
2013	1.59%	1.98%	1.47%	1.06%	1.36%	1.75%	1.96%	1.52%	1.18%	0.96%	1.24%	1.50%	1.46%
2012	2.93%	2.87%	2.65%	2.30%	1.70%	1.66%	1.41%	1.69%	1.99%	2.16%	1.76%	1.74%	2.07%
2011	1.63%	2.11%	2.68%	3.16%	3.57%	3.56%	3.63%	3.77%	3.87%	3.53%	3.39%	2.96%	3.16%
2010	2.63%	2.14%	2.31%	2.24%	2.02%	1.05%	1.24%	1.15%	1.14%	1.17%	1.14%	1.50%	1.64%
2009	0.03%	0.24%	-0.38%	-0.74%	-1.28%	-1.43%	-2.10%	-1.48%	-1.29%	-0.18%	1.84%	2.72%	-0.34%
2008	4.28%	4.03%	3.98%	3.94%	4.18%	5.02%	5.60%	5.37%	4.94%	3.66%	1.07%	0.09%	3.85%
2007	2.08%	2.42%	2.78%	2.57%	2.69%	2.69%	2.36%	1.97%	2.76%	3.54%	4.31%	4.08%	2.85%
2006	3.99%	3.60%	3.36%	3.55%	4.17%	4.32%	4.15%	3.82%	2.06%	1.31%	1.97%	2.54%	3.24%
2005	2.97%	3.01%	3.15%	3.51%	2.80%	2.53%	3.17%	3.64%	4.69%	4.35%	3.46%	3.42%	3.39%
2004	1.93%	1.69%	1.74%	2.29%	3.05%	3.27%	2.99%	2.65%	2.54%	3.19%	3.52%	3.26%	2.68%
2003	2.60%	2.98%	3.02%	2.22%	2.06%	2.11%	2.11%	2.16%	2.32%	2.04%	1.77%	1.88%	2.27%
2002	1.14%	1.14%	1.48%	1.64%	1.18%	1.07%	1.46%	1.80%	1.51%	2.03%	2.20%	2.38%	1.59%
2001	3.73%	3.53%	2.92%	3.27%	3.62%	3.25%	2.72%	2.72%	2.65%	2.13%	1.90%	1.55%	2.83%
2000	2.74%	3.22%	3.76%	3.07%	3.19%	3.73%	3.66%	3.41%	3.45%	3.45%	3.45%	3.39%	3.38%
1999	1.67%	1.61%	1.73%	2.28%	2.09%	1.96%	2.14%	2.26%	2.63%	2.56%	2.62%	2.68%	2.19%
1998	1.57%	1.44%	1.37%	1.44%	1.69%	1.68%	1.68%	1.62%	1.49%	1.49%	1.55%	1.61%	1.55%
1997	3.04%	3.03%	2.76%	2.50%	2.23%	2.30%	2.23%	2.23%	2.15%	2.08%	1.83%	1.70%	2.34%
Source: Inflationdata.com.													

The average inflation rate over the last five years was approximately 1.45%. Therefore, an annual escalation rate greater than 3.0% would favor the owner since it would result in the rent increasing faster than inflation. If the escalation rate is lower than 2.0% per year, the rent would increase slower than inflation growth over the full term of the lease.

Consider the following example. For the following calculations, we have started with a hypothetical market-rent estimate of $1,800 per month. For the first scenario, we have escalated the rent by 4.0% annually. For the second (neutral) scenario, we have increased rent annually by 2.0%. For the third scenario favoring the tenant, we have increased the rent by 15% every five years.

Scenario Favoring Owner		
4%	**Annual**	**Monthly**
Year 1	$21,600	$1,800
Year 2	$22,464	$1,872
Year 3	$23,363	$1,947
Year 4	$24,297	$2,025
Year 5	$25,269	$2,106
Year 6	$26,280	$2,190
Year 7	$27,331	$2,278
Year 8	$28,424	$2,369
Year 9	$29,561	$2,463
Year 10	$30,744	**$2,562**

Neutral Scenario		
2%	**Annual**	**Monthly**
Year 1	$21,600	$1,800
Year 2	$22,032	$1,836
Year 3	$22,473	$1,873
Year 4	$22,922	$1,910
Year 5	$23,381	$1,948
Year 6	$23,848	$1,987
Year 7	$24,325	$2,027
Year 8	$24,812	$2,068
Year 9	$25,308	$2,109
Year 10	$25,814	**$2,151**

Scenario Favoring Tenant		
15.0% every 5 yrs	**Annual**	**Monthly**
Year 1	$21,600	$1,800
Year 2	$21,600	$1,800
Year 3	$21,600	$1,800
Year 4	$21,600	$1,800
Year 5	$21,600	$1,800
Year 6	$24,840	$2,070
Year 7	$24,840	$2,070
Year 8	$24,840	$2,070
Year 9	$24,840	$2,070
Year 10	$24,840	**$2,070**

By the tenth year of the lease term, these differences in escalation rates could result in as much as a $500 per month swing in rent.

The following table summarizes the escalation rates for the lease comparables in the rent-survey portion of this report.

SUMMARY OF RENT-ESCALATION RATES

Comp #	Location	Leased SF	Tenant	Indicated Escalation Rate	Market Range
1	3020 51st Avenue South	360 sf	Verizon Wireless	4.00% per year	3%-4% per year
2	120 Westlake Avenue North	728 sf	T-Mobile	3.50% per year	3%-4% per year
3	Federal Way Aquatic Center	Bldg-att	New Cingular Wireless	4.00% per year	3%-4% per year
4	10500 47th Place West	2,217 sf	New Cingular Wireless	5.00% per year	3%-4% per year
5	7501 35th Avenue NE	288 sf	Verizon Wireless	20% every 5 years	3%-4% per year
6	SE 236th Place	320 sf	Sprint Spectrum	2.00% per year	3%-4% per year
7	9850 64th Street West	120 sf	T-Mobile	3.00% per year	3%-4% per year
8	1628 South 344th Street	3,000 sf	AT&T	3.00% per year	3%-4% per year
9	22419 Pacific Highway South	450 sf	Verizon Wireless	3.00% per year	3%-4% per year

Comparables 2, 5, 6, 7, 8, and 9 had escalation rates that were close to our neutral scenario outlined above, meaning that neither the lessor nor the lessee had an economic advantage, and were therefore considered to be at market. While the escalation rate for Comparable 5 seems like it would lead to a higher rental rate over time, it would actually result in a rent that is close to our neutral scenario above, as shown in the table below.

Scenario Favoring Tenant		
20.0% every 5 yrs	**Annual**	**Monthly**
Year 1	$21,600	$1,800
Year 2	$21,600	$1,800
Year 3	$21,600	$1,800
Year 4	$21,600	$1,800
Year 5	$21,600	$1,800
Year 6	$25,920	$2,160
Year 7	$25,920	$2,160
Year 8	$25,920	$2,160
Year 9	$25,920	$2,160
Year 10	$25,920	**$2,160**

Comps 1 and 3 had escalation rates that convey a slight economic advantage to the property owner, while Comp 4 had a more aggressive rate of 5.0% per year.

The subject's existing lease also has an aggressive escalation rate of 5.0% per year, which would favor the landowner.

LATITUDE/LONGITUDE

The subject site can also be referenced by the following latitude/longitude coordinates.

SUBJECT-SITE SUMMARY		
Location	**Latitude**	**Longitude**
"Ronald" facility 2360 N 167th Street Shoreline, WA 98133	47 degrees, 45', 1.70" N (Decimal: 47.750472)	-122 degrees, 19', 48.80" W (Decimal: -122.330222)

The legal description of the subject site was taken from the subject's ground lease and provided below.

<u>Subject Site:</u>

That portion of the SW ¼ of Section 8, Township 26, Range 4 East, W.M., in King County, Washington, more particularly described as follows:

Commencing at the SW corner of the aforementioned Section 8, a concrete monument with a brass plug and punch set in an iron case at the intersection of Meridian Ave and NE 165th Street and using K.C.A.S. bearings, thence North 00°21'28" East along the westerly line of said section a distance of 660.91 feet more or less to the center line of North 167th Street; thence South 87°53'03" East along said center line a distance of 1140.52 feet more or less to the westerly right of way of Interstate Highway Number 5 and the True Point of Beginning. Refer to sheet 6 of 15 Seattle Freeway E 145th Street to E 200th Street Sta. 210+00 to 223+00; thence South 04°13'54" East along said right of way a distance of 30.19 feet; thence North 87°53'03" West along the southerly right of way of North 167th Street a distance of 90.00 feet; thence North 02°06'57" East a distance of 60.00 feet to the north right of way of north 167th Street; thence South 87°53'03" East along the north right of way of North 167th Street a Distance of 79.57 feet to the westerly right of way of Interstate Highway Number 5; thence South 15°32'30" East along said right of way a distance of 19.05 feet; thence South 04°13'54" East along said right of way a distance of 11.92 feet to the True Point of Beginning.

UTILITIES AND SERVICES

The subject facility has an electrical submeter (Meter #G85603169), and the lessee pays a retail rate directly to Seattle City Lights for electrical service. Century Link provides telephone service to the facility. Water and sewer connections are not required.

SOILS

This appraisal report assumes no adverse conditions which would prevent development of these sites to their highest and best use. The value estimates contained in this report are predicated on the assumption that there are no materials or hazardous substances or soils conditions on or in the site which would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

EASEMENTS/ENCROACHMENTS

Our on-site analysis indicated that there are no apparent adverse easements, encroachments, or other conditions known to the appraiser that would affect the continued use of the subject site for telecommunications. It should be noted that we are not experts with regards to title issues and are only providing this information as it relates to this appraisal report.

HIGHEST AND BEST USE

Highest and Best Use analysis is fundamental to the valuation of real estate. Essentially, this process determines the competitive use driven by market factors which would conceivably achieve the highest value of that particular site. The term "highest and best use" is defined as:

> *The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.*[9]

The highest and best use determination is based on an evaluation of factors internal and external to the subject property under the framework of the above definition. There are four primary criteria which determine highest and best use. They are:

- Legally Permissible Use
- Possible Use
- Financially Feasible Use
- Maximally Productive Use

"As If Vacant"

Legally Permissible

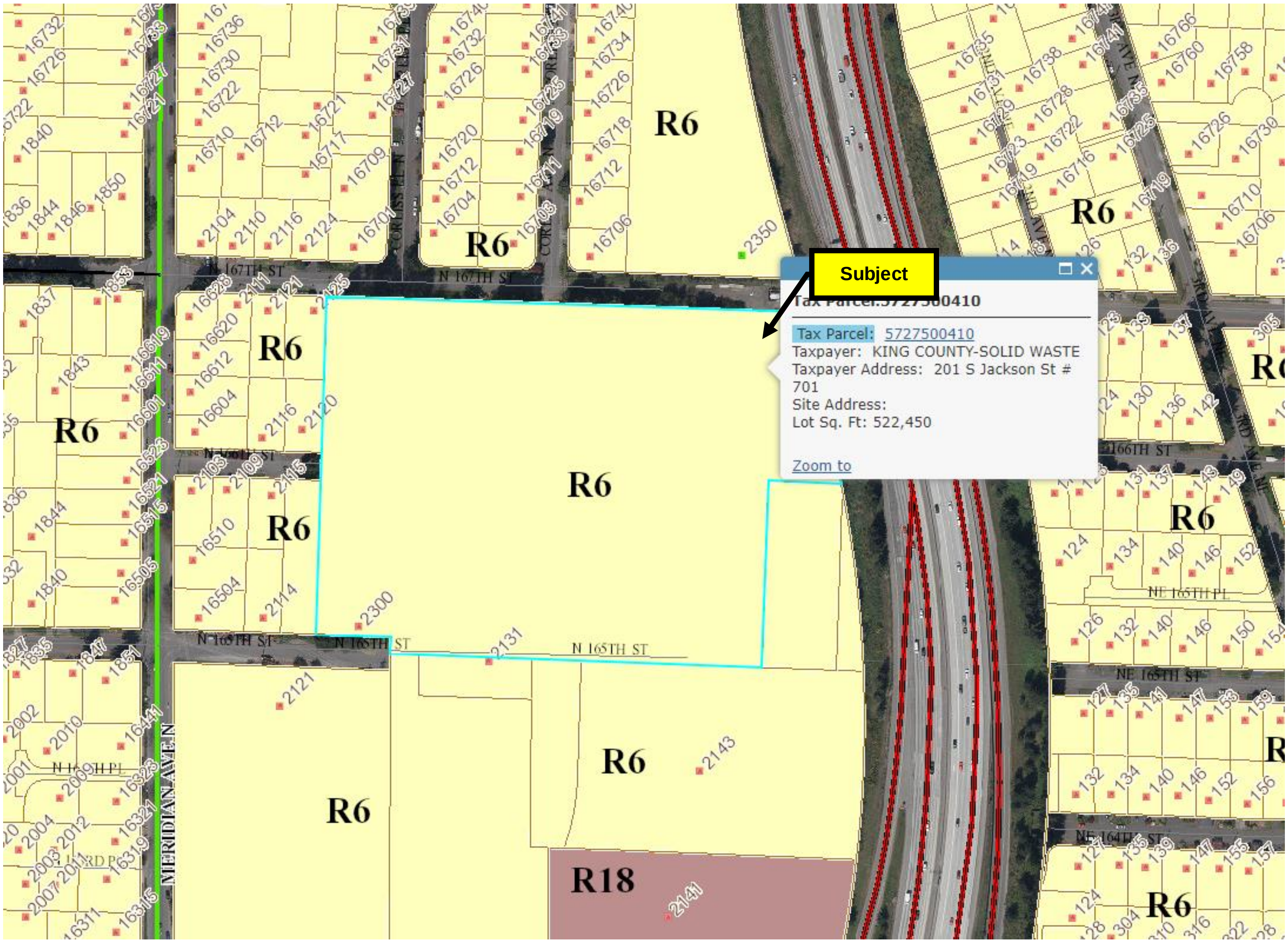
The legally permissible test determines the use or uses which can be developed on the subject site. This involves an analysis of factors such as zoning, private restrictions, and environmental regulations. In certain cases, the legally permissible use of a site can include potential allowed uses where a pending zoning change may occur.

The subject's larger parcel is zoned R-6 (Low-Density Residential), according to the city of Shoreline, which is also indicated in the zoning-map excerpt on the next page.

The purpose of this zone, as described in the Shoreline Municipal Code, is "to provide for a mix of predominately single detached dwelling units and other development types, such as accessory dwelling units and community facilities that are compatible with existing development and neighborhood character."

This zone allows for residential development at a maximum density of one unit per 7,260 square feet of site area. Wireless-telecommunications facilities are also an approved use under this zone.

[9] Uniform Appraisal Standards for Federal Land Acquisition, page 34.



We did not see a separate wireless-telecommunications land-use guideline within the Municipal Code. Therefore, approval of new wireless facilities would appear to be granted on a case-by-case basis after first determining if the use is legally permitted under the zoning code for that parcel.

There are no known private restrictions on land use other than those previously mentioned. Existing utility easements do not appear to affect potential site development. According to Shoreline's Planning Department, telecommunications is a legally permissible use on the subject site.

Physically Possible

The physically possible test determines the use or uses which can physically be developed onto the subject site. Here, many factors are considered, including the site's size, shape, topography, and access. Other factors also considered include the availability of utilities and the potential for environmental hazards.

The underlying parcel is level and is bordered to the north by N 167th Street, and to the east by Interstate 5. The subject is within a flood-hazard area, although we are not aware of any other limitations that would restrict telecommunications development.

Therefore, a wireless facility would be physically possible at the subject site. We assume there are no apparent soil conditions that would hamper development.

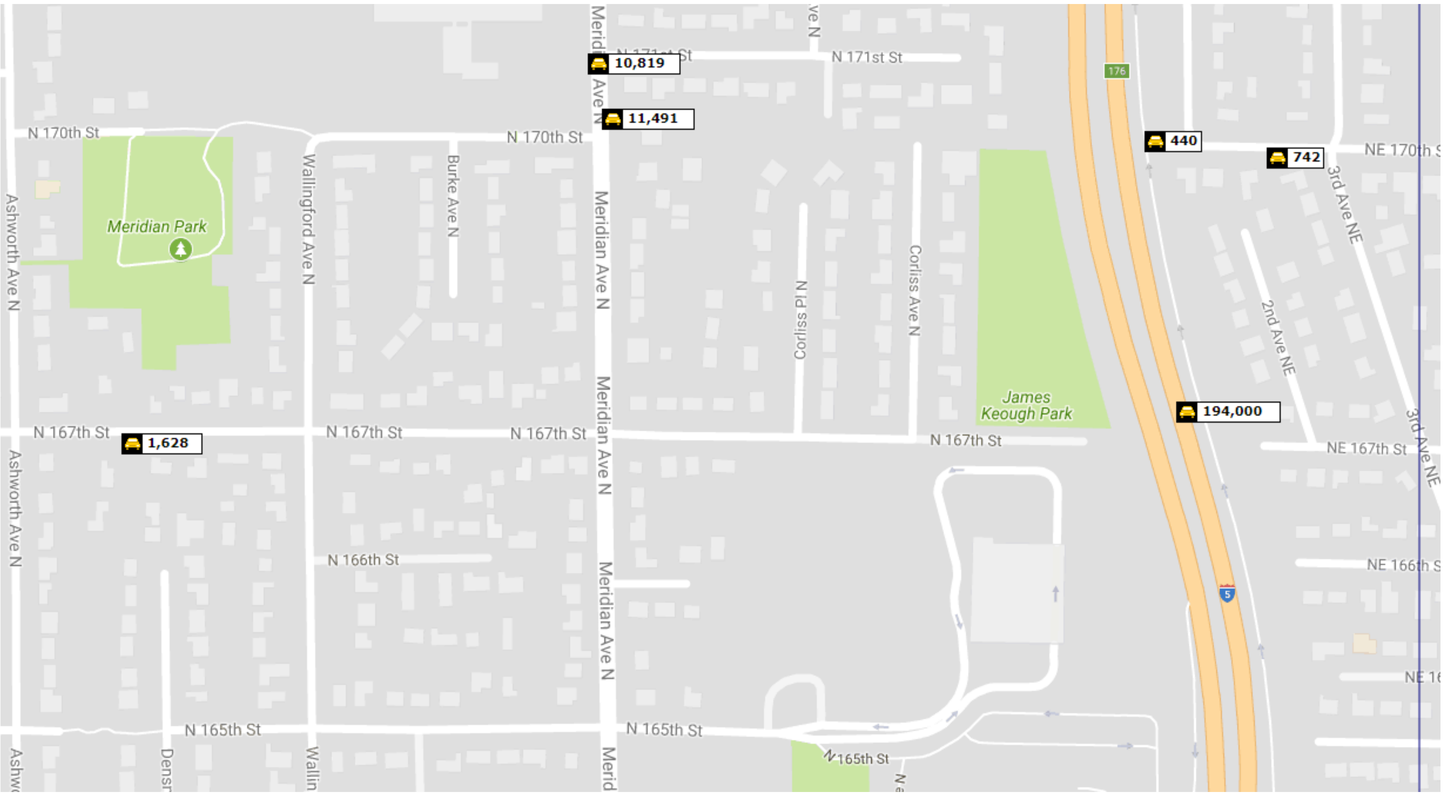
Financially Feasible

The financially feasible test determines the use or uses which are likely to generate a positive return to the owner, investor, or developer. This analysis considers the supply and demand for the uses determined in the first two tests as legally permissible and physically possible.

This expresses the relationship between the value created and the cost incurred to create the value. A project is financially feasible when its costs are equal to or less than its value.

Two factors that can affect the feasibility of wireless-facility development are potential call volumes and proximity to competing facilities. A proxy for potential call volume would be vehicular traffic. The subject is adjacent to, and just west of, Interstate 5.

According to CoStar, N 167th Street had a 2016 traffic volume of 1,628 car trips per day, and Interstate 5 had a 2015 traffic volume of 194,000 car trips per day.



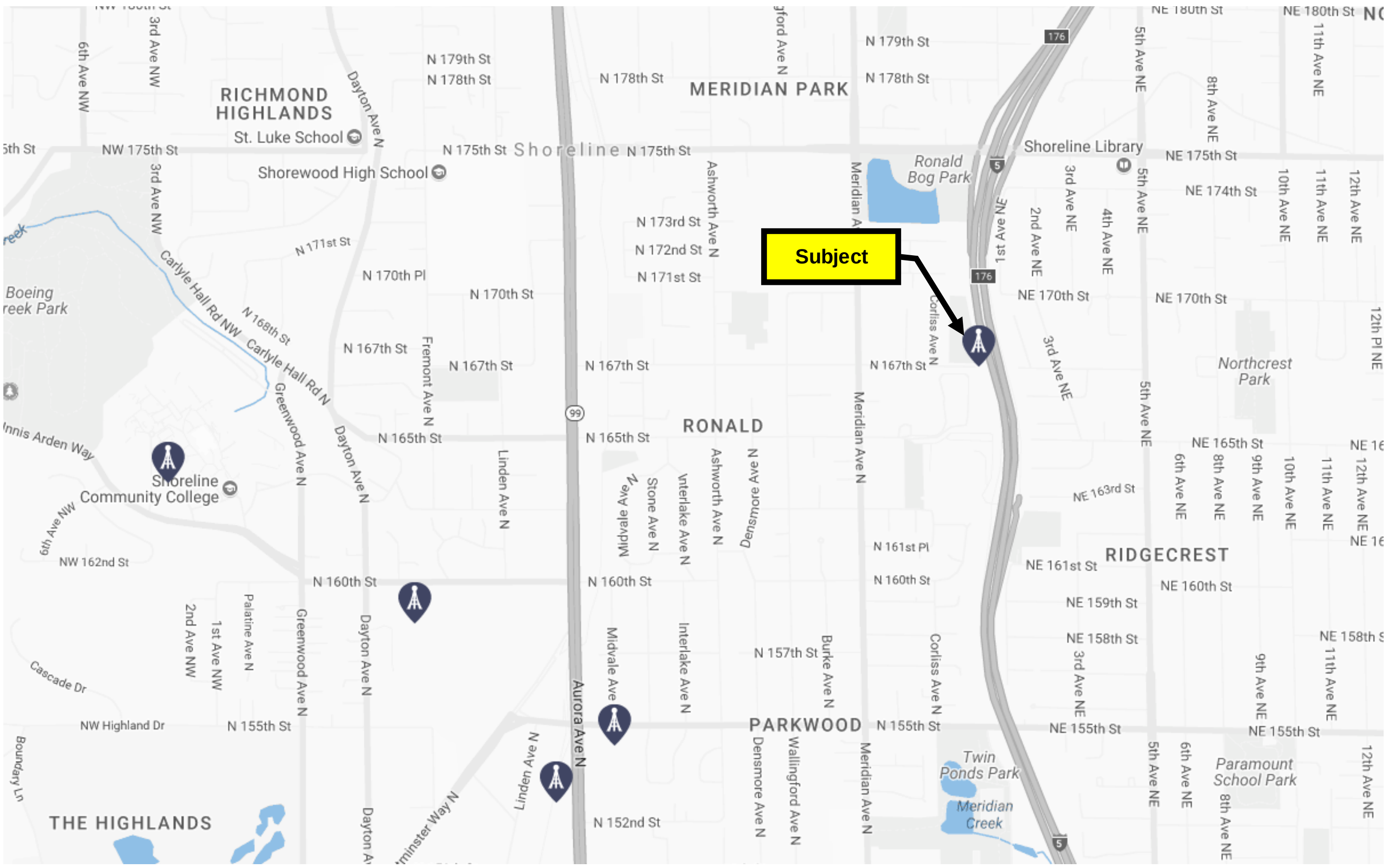
From 2010 to 2017, the population within three miles of the subject grew at a faster rate (7.80%) than it did over the previous decade (1.84%), meaning more people are now traveling through the subject’s area.

Also, the population density within one square mile of the subject is getting more dense, which is generally a function of more higher-density residential projects being built in the area. As of 2017, the local population density was 5,642 people per square mile, and it is expected to increase to 6,022 people per square mile over the next five years. The recent population growth in the area points out that wireless demand has increased measurably in this area. Given that the majority of the country's population has at least one cell phone, as population and traffic volume increase, it would make sense that the volume of wireless calls would increase as well.

Next, we consulted the online TowerSource database (www.towersource.com) to determine the number of competing facilities, and their proximity to the subject.

As the map below shows, in addition to the subject, there are six other facilities in the immediate area.

MAP OF COMPETING WIRELESS FACILITIES



A summary of these facilities is provided below.

	Location	City	Tower Structure	Operator	Base Elevation
1	16101 Greenwood Avenue N	Shoreline	83'-tall monopole	Crown Castle	510'
2	15700 Dayton Avenue N	Shoreline	58'-tall monopole	AT&T	475'
3	S of 155th & Hwy 99	Shoreline	70'-tall tower	T-Mobile	439'
4	15332 Aurora Avenue N	Shoreline	Tower (Unk height)	Unknown	439'

Facility #1 (Greenwood Avenue) is adjacent to Shoreline Community College, while the other three facilities are closer to Aurora Avenue. The subject is the only facility in the immediate area that serves Interstate 5. Two other facilities also serve the interstate, but they are one mile away to the north and south.

Given the recent rise in local population and traffic volume, these competing facilities would be able to accommodate some of the anticipated future wireless demand in the immediate area, but not all of it. Therefore, continued demand for a wireless facility at the subject's location would continue to be strong.

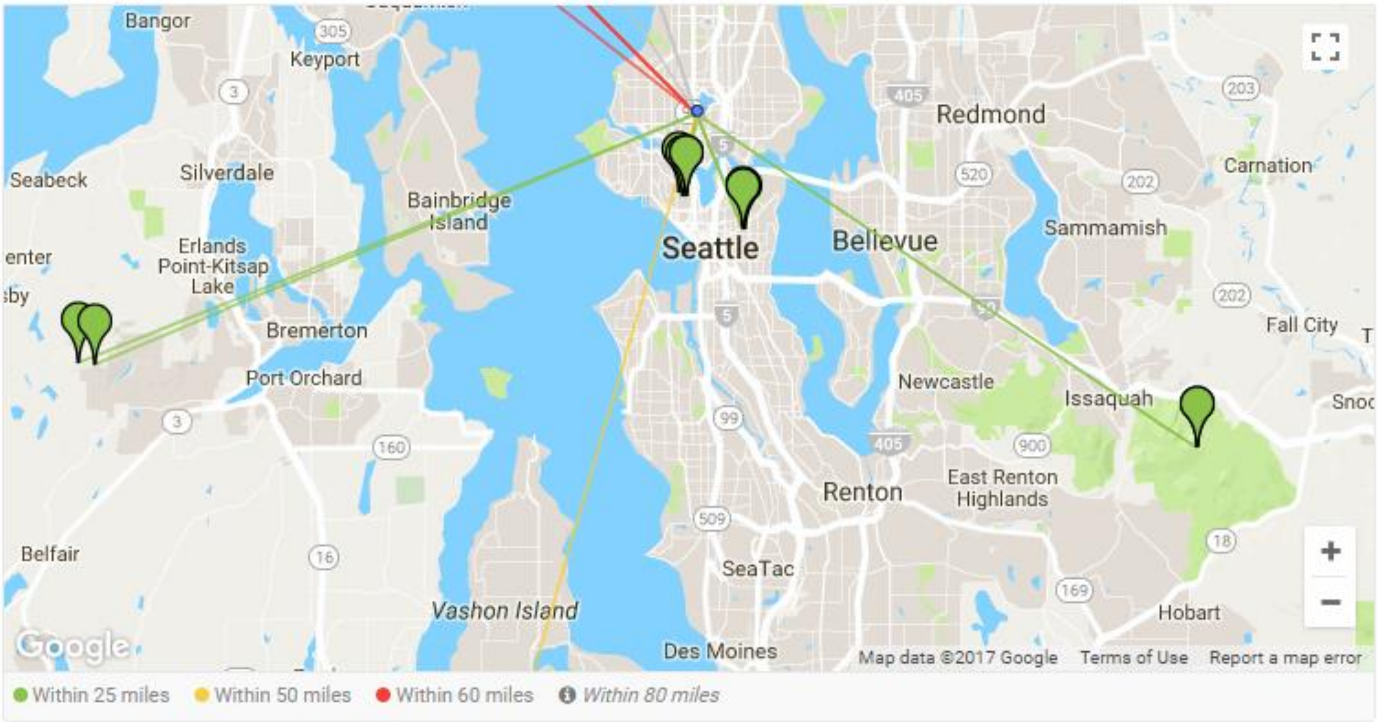
We can conclude that it would be financially feasible to build a telecommunications facility at the subject site, but only if it is designed and marketed for wireless/PCS use.

Maximally Productive

Within the telecommunications spectrum, many potential uses would be likely at the subject property, including TV/radio broadcast, wireless PCS, repeater sites, microwave-relay links and private mobile-radio (including SCADA) sites.

According to Nocable.org, ABC, CBS, NBC, PBS and the CW network all have broadcast towers within five miles of Seattle. Fox and Univision have towers within 23 miles of Seattle.

Given the broad coverage reach of these towers, potential TV/radio broadcast and microwave tenants would tend to gravitate to these towers as opposed to the subject property. Therefore, we have concluded that these two uses would not be practical at the subject property.



This observation is supported by the rental fee schedule used by the Bureau of Land Management. This nationwide schedule is based on nine population zones and ten telecommunications subcategories, as shown below.

(Note): The table below was used to highlight relationships between different telecommunications use categories. The annual rental rates shown in the table below are not reflective of current market activity, and should not be construed as market rent.

RENTAL FEE SCHEDULE FOR COMMUNICATIONS USES

Calendar Year 2017

ZONES and POPULATION	TELEVISION	AM/FM RADIO*	CABLE TELEVISION	BROADCAST TRANSLATOR/ LPTV/LPFM	CMRS/ FACILITY MANAGER	CELLULAR TELEPHONE and PCS**	PRIVATE MOBILE RADIO SERVICE	MICROWAVE and Wireless Internet Service Provider (ISP) ***	OTHER	PASSIVE REF. & LOCAL EXCH. NETWORK
Zone 1 5,000,000 plus	$70,569.81	$53,319.43	INSUFFICIENT	INSUFFICIENT	$18,818.60	$18,818.60	$15,682.18	$15,682.18	$117.61	
Zone 2 2,500,000 to 4,999,999	$47,046.54	$32,932.57	MARKET DATA	MARKET DATA	$15,682.18	$15,682.18	$9,409.32	$12,545.77	$117.61	
Zone 3 1,000,000 to 2,499,999	$28,227.95	$21,955.06	FEE TO BE DETERMINED	FEE TO BE DETERMINED	$12,545.77	$12,545.77	$9,409.32	$10,977.52	$117.61	*RENTAL FEES FOR*
Zone 4 500,000 to 999,999	$21,955.06	$15,682.18	BY APPRAISAL OR OTHER	BY APPRAISAL OR OTHER	$7,841.08	$9,409.32	$6,272.86	$8,625.19	$117.61	*THESE USES ARE*
Zone 5 300,000 to 499,999	$18,818.60	$12,545.77	METHODS	METHODS	$6,272.86	$7,841.08	$3,920.54	$3,920.54	$117.61	*DETERMINED BY*
Zone 6 100,000 to 299,999	$9,409.32	$6,272.86	$3,763.71	$3,763.71	$4,704.65	$6,272.86	$3,136.45	$3,136.45	$117.61	*EACH USFS REGION*
Zone 7 50,000 to 99,999	$4,704.65	$3,136.45	$1,881.88	$1,881.88	$1,881.88	$4,704.65	$1,568.22	$2,352.32	$117.61	
Zone 8 25,000 to 49,999	$2,352.32	$1,881.88	$1,568.22	$784.08	$1,568.22	$3,920.54	$940.91	$2,352.32	$117.61	
Zone 9 LESS THAN 25,000	$1,881.88	$1,411.38	$940.91	$156.80	$940.91	$3,920.54	$548.88	$2,352.32	$117.61	

Index Factor is 1.008

RENTAL FEE FOR AM RADIO IS 70% OF THE FM SCHEDULED RENT

**** Also includes Enhanced Specialized Mobile Radio (ESMR), Improved Mobile Telephone Service (IMTS), Air-to-Ground, Offshore Radio Telephone Service, Cell Site Extenders, and Local Multipoint Distribution Service (LMDS)**

***** For ISP populations between 1-1000, use the applicable Regional Local Exchange Network schedule.**

The categories with the highest rental rates were television and radio-broadcast sites, followed by the facility-manager and cellular/PCS category, and then by private mobile radio (like SCADA) and microwave-relay links. Given the broadcast reach of the broadcast towers in the surrounding area, it would be unlikely that a commercial television or radio-broadcast facility would be approved for the subject site.

SCADA is an acronym that stands for Supervisory Control and Data Acquisition. It is a type of secure private mobile radio used by local utility companies to remotely monitor their utility poles, without having to send a field crew. This is also a likely use for the subject site. However, as with microwave relay, SCADA sites also tend to rent for less compared with sites leased to one of the top wireless carriers.

With this in mind, we have concluded that telecommunications, specifically wireless PCS, would be the most productive use of the subject site at this time.

"As Vacant" Conclusion

Based on the above tests, telecommunications would be legally permissible at the subject site. The subject's underlying parcel is on level terrain, and has a desirable location along Interstate 5, in between two other freeway-oriented facilities that are each located a mile or mile away to the north and south. Population in the local area has increased measurably over the last several years. Therefore, telecommunications would be legally permissible, physically possible, and financially feasible.

The maximally-productive test then considers which telecommunications use would command the highest rent, which we have concluded to be wireless telecommunications.

Therefore, we have concluded that this subcategory would be the highest and best use of the subject site from an "as vacant" standpoint.

The estimated highest and best use results from the appraiser's judgment and analytical skill. The estimated highest and best use represents an opinion, not a fact to be found. Highest and best use represents the premise upon which the value is based. It is our opinion that the subject will be used in a manner consistent with its most probable highest and best use.

"As Improved"

The "as improved" test builds upon the conclusion from the "as vacant" section by considering the following elements.

1.) Expansion of existing use
2.) Renovation of existing use
3.) Adaptation or conversion of existing use
4.) Partial or total demolition of existing use
5.) Continuation of existing use

The following "as improved" test relates only to the telecommunications improvements that were described earlier in our report.

Expansion of Existing Use

The subject's existing communication facility was built in 1993 on 775 square feet of ground.

Although the existing facility could not be easily expanded, there does appear to be a 7' by 10' area within the fenced-in compound that could accommodate a second co-locator. If the local population continues to increase at the same rate as it has since 2010, then more telecommunications facilities will be needed in this area to handle this growth. This would mean that expansion (i.e. bringing in a second co-locator) would be feasible to keep up with demand.

Renovation of Existing Use

The subject's improvements appeared to be in average condition considering their age. Based on our visual inspection, it appears that the facility has been upgraded to 4G LTE. However, we were not provided with any information regarding any further upgrades or substitutions. If ensuing capacity upgrades result in increased productivity of the facility, we would recommend that a new appraisal be requested at that point.

Adaptation or Conversion of Existing Use

Based on the subject's history, it has only been used as a wireless monopole. In this regional market, TV or radio would command a higher ground rental rate. However, there are other higher-elevation sites in the surrounding area that would be (and are) better suited for this type of use. Since wireless typically commands the next-highest rental rate (see the BLM schedule earlier in this section for reference), this would indicate that conversion to an alternate use would not be feasible.

Continuation of Existing Use

Given the location of the subject facility, the continuation of its existing use as a portion of a wireless-telecommunications network would be its highest and best use "as improved".

"As Improved" Conclusion

Based on the above tests, the continued operation of the subject facility as part of an integrated telecommunications network represents its highest and best use "as improved". This assumes that the carrier will continue to maintain each facility and will remove any unused equipment. The estimated highest and best use results from the appraiser's judgement and analytical skill. The estimated highest and best use represents an opinion, not a fact to be found. Highest and best use represents the premise upon which the value is based. It is our opinion that the subject will be used in a manner consistent with its most probable highest and best use.

APPLICATION OF VALUATION APPROACHES

The purpose of this report is to determine a market rental rate for an existing Crown Castle facility at the east end of N 167th Street, adjacent to Interstate 5 in the city of Shoreline. We have considered the application of each of the traditional valuation approaches (cost, sales comparison, and income) in our determination of a market value for the subject.

As with other property types, the value of a telecommunications base station is dictated by the principle of substitution. The relationship of the principle of substitution to income-generating properties can be described as follows:

> *This principle affirms that no prudent investor would pay more for a property than the cost to lease a comparable site…The prices, rents, and rates of return for property tend to be set by the prevailing prices, rents, and rates of return for equally desirable substitute properties. The principle of substitution is market-oriented and provides the basis for estimating rents.*[10]

Substitution is one of the core principles of real-estate appraisal, in part because of its intuitiveness about the actions of buyers and sellers—or in this case, lessors and lessees. In short, substitution states that we will not pay more for an item or product if we can find a cheaper alternative. A corollary to this principle is the perception of additional benefit—if we do end up selecting a more expensive product or item, it may be because we are placing value on some additional feature.

Some market participants have argued that cell-site leasing is a closed market with little circulation of market data, and as such, would not be subject to the application of appraisal principles—since each transaction is different.

On the other hand, if enough leasing data is gathered, certain patterns begin to emerge, supporting the relevance of the application of substitution and other appraisal principles.

This mental balancing-act occurs countless times a day in the minds of consumers, including those who lease, maintain, and manage cell sites. Once enough leasing data is gathered, appraisers can then use this price-comparison balancing act to estimate the contributory value of certain benefits or influences. For example, one type of paired-lease analysis might be completed to estimate the value of additional panel antennas or microwave dishes. Another paired-lease analysis might be performed to determine the value of a busy location versus a sparsely-developed area, and so on.

[10] *The Appraisal of Real Estate—Tenth Edition*, Appraisal Institute (Chicago: Appraisal Institute, 1992), 410.

MARKET-RENT SURVEY

Our valuation analysis will include the following components.

1. Market-rent survey of ground-lease transactions from the surrounding metro area will be analyzed, and used as the basis for determining a market rental rate for the subject site.
2. Our reconciled market rent will then be compared with the actual contract rent paid by Crown Castle.

RENT COMPARABLE DATASET

To determine a market ground rent for the subject, we conducted a survey of telecommunications ground leases in the greater Seattle metropolitan area. These lease comparables, once identified, will be used as the basis for determining a new ground-lease rate for the subject site.

We found a total of 9 transactions, all in suburban locations and mostly along primary and secondary traffic arterials. Overall, these comps had current monthly rental rates ranging from $2,203 to $3,138 per month, and averaging $2,638 per month.

To get a better feel for the comparables themselves, we have plotted them on the following color-coded map, based on the following legend.

Orange dot:	Rates less than $2,400 per month.
Blue dot:	Rates between $2,401 to $2,700 per month.
Purple dot:	Rates between $2,701 to $3,000 per month.
Red dot:	Rates that are more than $3,000 per month.

The reason for the color-coding is to provide a visual depiction of a standard real-estate axiom. Everything else being equal, wireless site leases along major interstates should have higher rental rates than sites that are not adjacent to freeways.

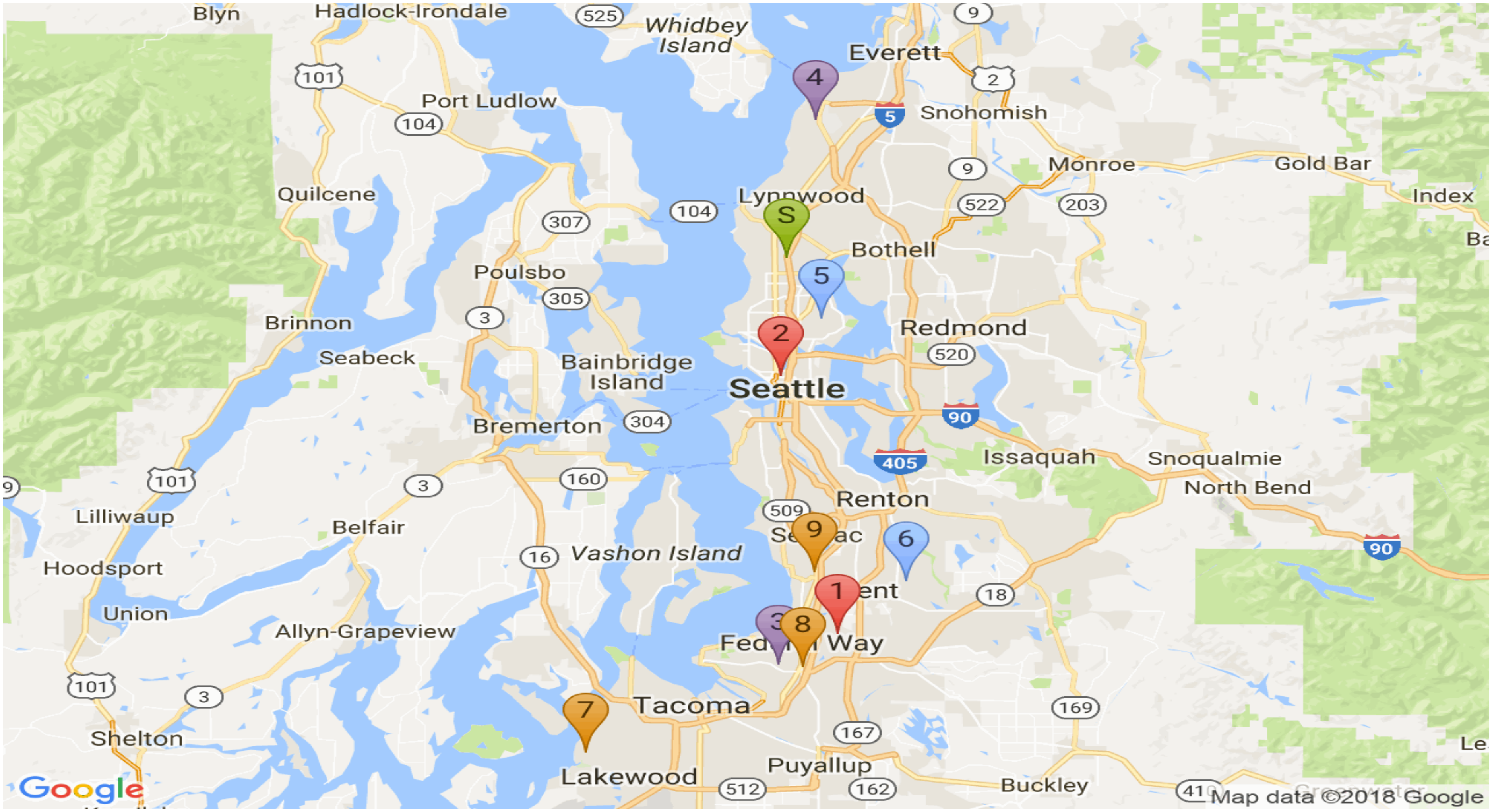
Another trend that can be highlighted by this type of visual representation is the emergence of demand clusters. In built-up areas, there may not be enough land available along major traffic corridors for new wireless development, prompting carriers to push into suburban areas. A rise in residential and commercial development in these areas can also lead to an increase in wireless-site construction—particularly if the wireless infrastructure in this redeveloping area was not designed to account for future growth.

Demand for wireless can also come from the transition from one wireless standard to the next. Under the 3G (short for “third generation”) standard, wireless facilities were generally spaced approximately a mile to two miles apart from each other (assuming level terrain and the lack of physical obstructions, like mountains or high-rise buildings). With the advent of faster transmission speed offered by 4G equipment, sites now need to be spaced closer together. Doing so will allow each site to “hand off” wireless signals at quicker rates, and will also allow for the quicker re-use of the wireless frequencies themselves. From a real-estate standpoint, this will mean a steady demand for both existing sites, as well as new site locations, as carriers expand their 4G networks and prepare for the eventual roll-out of 5G in the next three to five years.

COMPARABLE TELECOMMUNICATION-SITE RENTALS

	Location	City	Coverage	Leased Area (sf)	Source	Lessor	Lessee	Rent ($/mo.) Current 2017
1.)	30200 51st Avenue South (305th St Tanks A and B)	City of Auburn (King County)	Local coverage	0,360 sf	Site Lease For Telecommunications Facilities	Lakehaven Utility District	Verizon Wireless	**$3,138**
2.)	120 Westlake Avenue North	City of Seattle (King County)	Westlake Ave, Denny Park, Route 99	0,728 sf	Interview w/leasing broker	City Investors III LLC	T-Mobile	**$3,105**
3.)	650 SW Campus Drive (Federal Way Aquatic Center)	City of Federal Way (King County)	Local coverage	Bldg-att	City Memorandum re 2006 lease renewal	City of Federal Way	New Cingular Wireless	**$2,810**
4.)	10500 47th Place W (Mukilteo Police Station)	City of Mukilteo (Snohomish County)	Local coverage	2,217 sf	Option and Lease Agreement	City of Mukilteo	New Cingular Wireless	**$2,756**
5.)	7501 35th Avenue NE	City of Seattle (King County)	Local coverage	0,288 sf	Site Lease Agreement	MJM Viewridge LLC	Verizon Wireless	**$2,653**
6.)	SE 236th Place, N of 112th Avenue SE	City of Kent (King County)	Local coverage	0,320 sf	3rd Lease Renewal Amendment	City of Kent	Sprint Spectrum Realty Co LP	**$2,598**
7.)	9850 64th Street West	City of University Place (Pierce County)	Local coverage	0,120 sf	Lease-renewal letter	Pierce County Pub Works & Utilities	T-Mobile (c/o Crown Castle)	**$2,251**
8.)	1628 South 344th Street	City of Federal Way (King County)	Interstate 5, S 348th St	3,000 sf	Interview w/listing broker, review of site lease	Continental, Inc.	AT&T (originally Cellular One)	**$2,224**
9.)	22419 Pacific Highway South	City of Seattle (King County)	Pacific Hwy, Interstate 5	0,450 sf	Interview w/listing broker	Pacific Ridge Center 224 LLC	Verizon Wireless	**$2,203**

MAP OF RENT COMPARABLES



Comparable 1:

This is a Verizon lease involving 360 square feet of land next to two water tanks owned by the Lakeview Utility District in the city of Auburn, south of the subject. Verizon's lease began on September 11, 2014 for a ten-year base term, with (3) five-year options and 4% annual increases. Verizon mounted their antennas on the water tank itself. Their current rent is $3,138 per month.

Comparable 2:

This is a T-Mobile lease involving 728 square feet of land off Westlake Avenue North, near Denny Park and Route 99 in Seattle. T-Mobile's lease began in December 2016 for a ten-year base term with (2) five-year options and 3.5% annual increases. Their current rent is $3,105 per month.

Comparable 3:

This is a building-attached facility operated by New Cingular Wireless (now AT&T Mobility) at the Federal Way Aquatic Center. Cingular's lease began on August 6, 2001 for a five-year term, and was extended on January 1, 2006 at a new base rate of $1,825 per month. Its current rent is $2,810 per month, and it increases by 4.0% per year.

Comparable 4:

This is a Cingular lease involving 2,217 square feet of land at the northwest corner of the Mukilteo Police Station site on 47th Place. The lease began on January 1, 2015 for a five-year base term, plus (4) five-year options. The current rent is $2,756 per month, and it increases by 5% per year. The carrier built a 100'-tall monopole disguised to look like a fir tree.

Comparable 5:

This is a Verizon lease involving 288 square feet on a commercial parcel (View Ridge Pharmacy) off 35th Avenue NE in Seattle. The lease began on August 15, 2000 for a three-year base term, plus (4) three-year options. On April 22, 2015 the agreement was extended for (4) five-year terms, beginning on August 15, 2015. In addition to extending the term, the escalation rate changed from 20% every three years to 2% per year. The current rental rate is $2,653 per month.

Comparable 6

This is a lease between the City of Shoreline and Sprint for 320 square feet adjacent to a water tank east of SE 236th Place. This agreement was extended on July 1, 2013 for five years, followed by (2) additional five-year options. The current rent is $2,598 per month, and it increases by 2% per year.

Comparable 7:

This comparable consists of a T-Mobile ground lease involving 120 square feet on a property owned by Pierce County Public Works & Utilities, in the city of University Place. The agreement was renewed on April 13, 2013 for five years, and its ground rent was set at that time to $2,000 per month, based on a market-rent appraisal prepared by Valbridge Property Advisors. The current rent is $2,251 per month, and it increases by 3% per year.

Comparable 8:

This is an AT&T lease involving 3,000 square feet off South 344th Street, adjacent to Interstate 5, in the city of Federal Way. The original lease dates back to August 1989, and has been steadily renewed since then. AT&T's current rent is $2,224 per month and it increases at a rate of 3% per year. AT&T currently has two years remaining in its current five-year term.

Comparable 9:

This is a Verizon lease involving 450 square feet off Pacific Highway South, near Interstate 5 in Seattle. According to listing broker Matt Buchanan of Kidder Mathews, the lease is approximately 10 years old, and has another 15 years remaining. Verizon's current rent is $2,203 per month and it increases by 3% per year. Verizon built a 60' monopole plus equipment-cabinet and generator pads within their leased area, which is configured for only one tenant.

Ground-Rent Reconciliation

Overall, no clear geographic trends could be discerned from the dataset, other than a general tendency of rents to increase as one gets closer to downtown Seattle.

With this in mind, we have considered the population count for a one-mile radius around each comparable, and have compared this with the subject's immediate-area population, as shown below.

	Location	City	1-mile Population -2017	Pop Incr. (2010-2017)	Pop Incr. (2017-2022)
	2360 N 167th Street	**City of Shoreline (King County)**	**17,728**	**6.27%**	**6.72%**
1.)	30200 51st Avenue South (305th St Tanks A and B)	City of Auburn (King County)	12,236	6.60%	6.96%
2.)	120 Westlake Avenue North	City of Seattle (King County)	7,058	25.05%	14.02%
3.)	650 SW Campus Drive (Federal Way Aquatic Center)	City of Federal Way (King County)	1,600	26.88%	28.75%
4.)	10500 47th Place W (Mukilteo Police Station)	City of Mukilteo (Snohomish County)	973	31.31%	32.99%
5.)	7501 35th Avenue NE	City of Seattle (King County)	3,580	22.60%	25.75%
6.)	SE 236th Place, N of 112th Avenue SE	City of Kent (King County)	21,389	9.66%	8.48%
7.)	9850 64th Street West	City of University Place (Pierce County)	1,524	22.71%	21.52%
8.)	1628 South 344th Street	City of Federal Way (King County)	6,198	14.57%	8.55%
9.)	22419 Pacific Highway South	City of Seattle (King County)	16,042	10.41%	8.33%

Comps 2-5, 7 and 8 were in residential areas with lower population totals than the subject's immediate area. However, their historical and projected rates of growth are much higher, which would lead to increased residential construction and increased wireless demand.

Comp 6 had a higher local population count than the subject's area, and a similar historical and forecasted rate of growth. However, this was an extension of an older lease. Its rental rate, therefore, would likely be higher if it were negotiated today.

Likewise, Comp 9 was in an area with a similar population count and rate of growth, and like Comp 8, it was also an older lease. Given its age, it was excluded from our final reconciliation.

Comp 1 was in a similar area in terms of population with a similar rate of growth. However, this was considered to be an elevated facility, since Verizon's antennas were mounted near the top of a water tank, and therefore had a broader coverage reach than a 75'-tall monopole would have. Consequently, the subject's market rent would be expected to be below this amount.

Therefore, we can bracket the subject's market rent as being above $2,598 per month (Comp 6), and below $3,138 per month (Comp 1). Consideration was also given to Comp 2 since it was the only recent lease of a facility adjacent to a local highway or interstate (in this case, Route 99). Comps 7 and 8 were adjacent to Interstate 5, but were older leases, and were therefore given minimal weight.

With equal weight given to both comparables, we have reconciled a market rent of approximately $3,000 per month for the subject site as of the date of valuation.

Summary of Market Rent

To summarize, we have concluded that the following market rent would be reasonable for the subject site. This rate also assumes that the existing use will not only be allowed to continue, but will be upgraded to handle current and projected wireless demand in the area.

COMPARISON OF MARKET AND CONTRACT RENT					
Location	**Tower Structure**	**Leased SF**	**Current Contract Rent**	**Reconciled Monthly Rent**	**% Difference**
"Ronald" facility 2360 N 167th Street Shoreline, WA 98133	75' monopole	775 sf	$4,011	$3,000	-25.21%
Total Forecasted Monthly Income			$4,011	**$3,000**	
Total Forecasted Annual Income			$48,133	**$36,000**	**-25.21%**

This comparison indicates that the subject's base contract rent is above market at this time, due in large part to the escalation rate used (5% annually). Our market-rent conclusion assumes that a more neutral escalation of 3% per year will be used instead, since this would not convey a material economic advantage to either party.

This represents the conclusion of our report.

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 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.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have not made a personal inspection of the property that is the subject of this report.
- Keith A. Lee, MAI inspected the subject property No one else provided significant real property appraisal assistance to the person signing this certification, other than Thomas D. Heath MAI, whose certification appears on the following page.

Sean Heath, MAI, AI-GRS
Certified General Appraiser
WA License #9102300

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 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.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have not made a personal inspection of the property that is the subject of this report.
- Keith A. Lee, MAI inspected the subject property. No one else provided significant real property appraisal assistance to the person signing this certification, other than Sean Heath, MAI, AI-GRS, whose certification appears on the preceding page.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Thomas D. Heath

Thomas D. Heath, MAI

GENERAL ASSUMPTIONS

This appraisal has been made with the following General Assumptions:

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable, unless otherwise stated.
- The property is appraised free and clear of any or all liens or encumbrances, unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property. The appraiser has made no survey of the property.
- The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
- It is assumed that the property is in full compliance with all federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described, and considered in the appraisal report.
- It is assumed that all licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimated contained in this report is based.
- It is assumed that the use of land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.
- Disclosure of the contents of the appraisal report is governed by the bylaws and regulations of the professional appraisal organizations with which the appraiser is affiliated.
- Access and power will continue to be available to the subject site;
- The improvements at each subject site (including existing and proposed) represent the highest use of each site, although the most financially feasible use would be generated through subleasing tower and cabinet-rack space. This would produce a higher income stream, and by extension a higher return to the land, than a ground lease by itself.
- No specific inter-modulation problems were assumed to exist that cannot be remedied by the subject's users or adjacent users.

GENERAL LIMITING CONDITIONS

This appraisal has been made with the following General Limiting Conditions:

- Any allocation of the total value estimated in this report between land and the improvements applies only under the stated program of utilization. The separate value allocations to the land and building must not be used in conjunction with any other appraisal and are invalid if so used.
- Possession of this report, or copy thereof, does not carry with it the right of publication.
- The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question, unless arrangements have been previously made.
- Neither all, nor any part of the contents of this report, or copy thereof (especially conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

ENVIRONMENTAL DISCLAIMER

The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the property that would negatively affect its value.

AMERICANS WITH DISABILITIES ACT

The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific compliance survey an analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the subject property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the subject property. Since I (we) have no direct evidence relating to this issue, I (we) did not consider possible noncompliance with the requirements of the ADA in estimating the value of the subject property.

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Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services

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Unless specified otherwise, these definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 *(Dictionary).*

Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition (USPAP).

The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 *(14th Edition)*.

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. *(Dictionary)*

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. *(14th Edition)*

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called *sum of the retail values*. *(Dictionary)*

Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. *(Dictionary)*

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. *(Dictionary)*

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. *(14th Edition)*

Average Daily Room Rate (ADR)

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. *(Dictionary)*

Band of Investment

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment. *(Dictionary)*

Cash-Equivalent Price

The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale. *(Dictionary)*

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. *(Dictionary)*

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Contract Rent

The actual rental income specified in a lease. *(14th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(14th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. (*Dictionary)*

Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.

2. The property is subjected to market conditions prevailing as of the date of valuation.

3. Both the buyer and seller are acting prudently and knowledgeably.

4. The seller is under compulsion to sell.

5. The buyer is typically motivated.

6. Both parties are acting in what they consider their best interests.

7. An adequate marketing effort will be made during the exposure time.

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8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. *(14th Edition)*

Economic Life

The period over which improvements to real property contribute to property value. *(Dictionary)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

Effective Date

The date on which the appraisal or review opinion applies (SVP) *(Dictionary)*

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). *(14th Edition)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. *(Dictionary)*

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Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(Dictionary)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(14th Edition)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

External Obsolescence

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be temporary or permanent. *(Dictionary)*

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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Fair Market Value

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. (*Dictionary*)

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

Fee Simple Estate

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

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

Functional Obsolescence

The impairment of functional capacity of improvements according to market tastes and standards. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (*Dictionary*)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

Going-concern

An established and operating business having an indefinite future life. *(Dictionary)*

Going-concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern or market value of the total assets of the business. (Dictionary)*

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. *(Dictionary)*

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

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Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) *(Dictionary)*

Highest & Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for that asset when formulating the price that it would be willing to bid (IVS). *(Dictionary)*

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. *(USPAP)*

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition)*

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. *(Dictionary)*

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*. *(Dictionary)*

Insurable Replacement Cost

The cost estimate, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design and layout for insurance coverage purposes guaranteeing that damaged property is replaced with a new property (i.e., depreciation is not deducted). *(Dictionary)*

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Interim Use

The temporary use to which a site or improved property is put until a different use becomes maximally productive. *(Dictionary)*

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. *(Dictionary)*

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversion right when the lease expires. *(Dictionary)*

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; also known as a *grandfathered use*. *(Dictionary)*

Market Area

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas. *(Dictionary)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(14th Edition)*

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Market Study

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. (*Dictionary)*

Market Value (Interagency Guidelines)

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

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

(Interagency Appraisal and Evaluation Guidelines, December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

Marketability Analysis

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property.*(Dictionary)*

Neighborhood Analysis

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. *(Dictionary)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(14th Edition)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

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Off-site Costs

Costs incurred in the development of a project, excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. *(Dictionary)*

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. *(Dictionary)*

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(14th Edition)*

Overall Capitalization Rate (OAR)

The relationship between a single year's net operating income expectancy and the total property price or value. *(Dictionary)*

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances.*(Dictionary)*

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. *(Dictionary)*

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. *(Dictionary)*

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. *(Dictionary)*

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. *(Dictionary)*

Qualitative Adjustment

An indication that one property is superior, inferior, or the same as another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. *(Dictionary)*

Quantitative Adjustment

A numerical (dollar or percentage) adjustment to the indicated value of the comparable property to account for the effect of a difference between two properties on value. *(Dictionary)*

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. *(Dictionary)*

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Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. *(Dictionary)*

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(Dictionary)*

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." *(Dictionary)*

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered vacant when an adequate supply of comparable sales is available. *(Dictionary)*

Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

Shopping Center Types

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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Shopping Center Types (cont.)

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. *(14th Edition)*

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. *(Dictionary)*

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. *(Dictionary)*

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.

2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. *(Dictionary)*

Triple Net Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. *(Dictionary)*

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. *(Dictionary)*

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. *(Dictionary)*

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. *(Dictionary)*

Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. *(Dictionary)*

Attachment B

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EDUCATION AND QUALIFICATIONS

Master's Degree, Real Estate and Construction Management, University of Denver, 2013

Bachelor of Arts Degree, Literature/Writing, University of California, San Diego, 1985

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Mr. Heath has appraised all types of real estate in the western United States. In addition to performing numerous commercial, industrial, and residential assignments, he has specialized in the valuation of telecommunications facilities since the late 1990s. A partial list of his telecommunications clients include the Bureau of Land Mgmt, the States of Arizona, California, Colorado, Idaho, and New Mexico, the Dept. of the Navy and the National Park Service. Other areas of emphasis include fractional-interest valuations, segregated-cost studies for accelerated depreciation, and appraisals of "green" buildings.

EXPERIENCE

Dec 2016-Present: Valuation Services Director and Telecommunications Valuation Specialist, Colliers International Valuation & Advisory Services, San Diego, California.

Oct 2015-Nov 2016: Vice President and National Practice Leader for Telecom Valuation, CBRE Valuation & Advisory Services, San Diego, California.

Oct 2013-2015: Senior Valuation Specialist, Colliers International Valuation & Advisory Services, San Diego, California

October 1989-2013: Real Estate Appraiser, The Heath Group

PROFESSIONAL AFFILIATIONS AND ACCREDITATIONS

MAI Designation, Appraisal Institute

AI-GRS Member Designation – General Review Specialist

APPRAISAL INSTITUTE COURSES

2016-2017 USPAP 7-Hour Update, McKissock, June 2016

Federal and State Laws and Regulations, McKissock, May 2016

Green Buildings for Appraisers, McKissock, May 2016

The Cost Approach, McKissock, May 2016

Appraising and Analyzing Office Buildings for Underwriting, McKissock, May 2012

Appraisal Applications of Regression Analysis, McKissock, May 2012

Introduction to Valuing Commercial Green Buildings, Appraisal Institute, Nov. 2011

Dynamics of Subdivision Appraising, Appraisal Institute, 2003

Course 240-Principles of Wireless Site Development, IRWA, 2003

Telecommunications Law & Value—Sacramento seminar, Appraisal Institute, 2001

Highest and Best Use and Market Analysis, Appraisal Institute, 2000

Operating-expense seminar, Appraisal Institute, 2000

Residential Design & Functional Utility, Appraisal Institute, 1999

HUD/FHA Appraisal Policies & Procedures, HUD, 1999

Reporting Limited Appraisals, Appraisal Institute, 1995

Evaluations and Limited Scope Assignments, Appraisal Institute, 1994

Advanced Income Capitalization, Appraisal Institute, 1994

Basic Income Capitalization, Appraisal Institute, 1994

Applied Residential Property Valuation, Appraisal Institute, 1992

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PUBLISHED ARTICLES

"Hola, Again, HOLA," AGL magazine, October 2006 (Biby Publishing: pgs 35-37).

"Smart Lightpoles: The Next Logical Step In the Evolution of Cell Sites," right of way magazine, May/June 2006, (IRWA, pgs. 36-40).

"Are You Linked? The Role of Wireless Linkages in Real Estate," right of way magazine, July-Aug. 2005 (IRWA, pg. 40-42)

The New Skin of Wireless," right of way magazine, Nov-Dec. 2004 (IRWA, pg. 21-25)

"SR/WA: The Story Behind The Letters," right of way magazine, July-Aug. 2004 (IRWA, pg. 52-54)

"Telecom Site Sticker Shock," right of way magazine, Nov-Dec. 2003 (IRWA, pg. 12-17)

"Protecting Your Digital Signature," Working RE magazine, September 2003 (Working RE, pg. 18)

"Course 240 Pilot: Wireless Site Development," right of way magazine, Mar-Apr 2003 (IRWA, pg. 34-35)

"Telecom Sites For Dummies," right of way magazine, Nov-Dec. 2002 (IRWA, pg. 30)

"Valuing Cell Sites," Working RE magazine, October 2002 (Working RE, pg. 30)

"There's Gold in Them Thar Antennas!" The Communicator magazine, Summer 2001 (FREA, pg. 30).

"The Value of Keeping Records," The Communicator magazine, December 2001 (FREA, pg. 30).

"EDI: Getting up to Speed on Electronic Appraisals," The Communicator magazine, Spring 1995 (FREA, pg. 18).

"Fannie Mae's New Form," The Communicator magazine, Spring 1995 (FREA, pg. 23).

"Life after Deminimus," The Communicator magazine, Summer/Fall 1994 (FREA, pg. 5).

SEMINARS/PRESENTATIONS

Panel Speaker – Wireless West Conference 2017, San Diego, CA – Apr 2017

Panel Speaker – "Sustainability and Valuation," RICS Summit of the Americas Conference, Toronto – May 2014

Panel Speaker - "Valuation of Cell Tower Leases", IRWA Chapter 1 Annual Valuation Seminar, Montebello, CA - Apr 2013

Speaker - "Building Energy Performance and Asset Value," SDG&E Energy Innovation Center, San Diego - May 2012

Speaker - "Wireless-Site Valuation" seminar, New Mexico State Land Office, Santa Fe, NM - April 2012

Speaker - "What's New in Telecom" seminar, University of Phoenix, San Diego - Feb 2007

Instructor - Course 240-Principles of Wireless Site Development, IRWA, 2006

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Mr. Heath has appraised all types of real estate in the western United States. He had been involved in lending and mortgage banking activities for local and national companies and was involved in property purchases, sales and development. He has prepared a variety of assignments including market studies, financial feasibility studies, highest and best use studies, and other special purpose investigations.

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Co-Founder, President and Chief Executive Officer - Advanced Savings and Loan, Encino, California

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Subdivisions
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GSA Properties
Special Use Properties
Telecommunications

Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

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Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

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Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

INFORMATION

Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers International's Valuation and Advisory reports give our clients the information they need to make better business decisions.

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