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October 30, 2012

Mr. Ross Macfarlane
Senior Advisor, Business Partnerships
Climate Solutions
1402 Third Avenue, Suite 1305
Seattle, WA 98101

RE: Increased Coal Train Traffic and Real Estate Values:
A study of the potential impact of increased coal train traffic on property values resulting from the proposed Gateway Pacific Terminal at Cherry Point, WA
Eastman Company File No. 2036.1

Dear Mr. Mcfarlane:

As requested, I have completed my Valuation Consultation assignment that addresses and examines the impacts of increased coal train freight traffic on property values resulting from the proposed Gateway Pacific Terminal at Cherry Point, WA, and my conclusions are summarized in this report. Generally, this project required the consultant to provide a document for use in assisting the client, Climate Solutions, in evaluating the impacts of this proposed new rail traffic on affected real estate. The depth of discussion contained in this report is specific to the needs of the client, and this report is for the intended use and users specifically stated on Page Two. The consultant is not responsible for unauthorized use of this report. The following summarizes my research and conclusions.

Client: Mr. Ross Macfarlane, on behalf of Climate Solutions

Consultant: Paul Zemtseff

Overview of Problem to be Considered: Pacific International Terminals, a subsidiary of SSA Marine, has proposed building a deep-water, multi-user, import and export marine terminal at Cherry Point, west of Ferndale in Whatcom County, WA. The proposed Gateway Pacific Terminal would eventually handle import and export of up to 54 million dry metric tons per year of bulk commodities – mostly exporting coal (48 million tons annually) to destinations in Asia. Coal mined in the Powder River Basin by Peabody Energy would be hauled by trains along the Burlington Northern and Santa Fe Railway Company (BNSF) rail lines. The proposed coal train transportation corridor route extends from mines in Montana and Wyoming through Sandpoint, Idaho to Spokane down through the Columbia River Gorge, then up along the Puget Sound coast, passing through the Washington state cities of Longview, Tacoma, Seattle, Edmonds, Everett, Marysville, Stanwood, Mount Vernon, Bellingham, Ferndale and all points in-between. It is understood that up to an additional 18 trains per day (9 loaded and 9 returning empty of 125 to 150 uncovered rail cars each) would

be expected to transport the coal along this the main line route, and the shipping terminal at Cherry Point would expect the addition of approximately 30 miles of coal trains daily along the BNSF rail line that runs along the Puget Sound coast. It is understood that nothing in the proposed project materials specifies a maximum; therefore, the 18 trains per day round trip could be increased if export capacity of the proposed port were expanded in the future.

A wide variety of physical, environmental and other potential impacts have been anticipated from resultant unprecedented levels of regional rail usage. As segments of the Washington state rail system are already nearing or at practical capacity, the dramatic increase in rail traffic would likely constrain passenger rail and adversely affect the transport of freight other than coal. Negative impacts also associated with coal trains include concerns due to train length, weight, content, and polluting capacity.

This valuation consultation assignment was specifically undertaken primarily as an attempt to provide an opinion of the impact on property values and/or real estate tax revenues (if any) resulting from the influence of an additional 18 trains per day (9 loaded and 9 returning empty of 125 to 150 uncovered rail cars each) using the main line route expected to transport the coal to the terminal at Cherry Point¹. This study and analysis is specifically intended to address BNSF's main rail line areas running through Whatcom, Skagit, Snohomish, King and Pierce Counties, which comprise the areas expected to be most adversely impacted as they are the most densely populated, intensely improved, and therefore, potentially the most affected metropolitan and urban areas along this route.

Purpose, Intended Use / User of the Consultation and Restrictions On Use: The purpose of this consultation is to provide my opinion of the range of diminution in property values for various affected property types resulting from the influence of an assumed additional 18 trains per day (9 loaded and 9 returning empty of 125 to 150 uncovered rail cars each) using BNSF's main line (running through Whatcom, Skagit, Snohomish, King and Pierce Counties in Washington state) to transport coal to the proposed Gateway Pacific Terminal at Cherry Point². The intended use of this consultation to assist the client and other intended users in understanding and evaluating the impacts of this new rail traffic. The "broad brush" conclusions rendered within this report are intended to provide the user a framework to consider and address anticipated potential effects on property value resulting from a number of widely recognized value influencing factors that vary in impact due to their varying degrees of intensity and the unique attributes of different affected properties amongst a range

¹ **Note** that empty coal trains are expected to use a different route from Everett, returning easterly to pass through the Cascade Tunnel (not the Stampede Pass Tunnel); therefore the rail traffic north of Everett is greater than south of Everett.

² Ibid.

of differing property types. This consultation is intended for use by the Client (Climate Solutions), or persons specifically authorized by the Client for the indicated purpose and intended use. All others reading or relying on this report are unintended users.

Effective Date of Consulting Service: October 30, 2012

Scope of Work and Data Collection Process: The scope of this assignment was iterative with initial and possible future phases based upon what was found during the investigation and research process. The first phase was to determine if any loss in real estate value and/or real estate tax revenues would occur as a consequence of the new coal freight train traffic, assuming the levels of increased service previously described. The next phase was to determine if it was feasible to create a reliable model that could be used to quantify the dollar loss in value to various affected types of real estate, either on an individual property or some form of aggregate basis.

In preparing this report, I initially familiarized myself with the nature and extent of the proposed new coal train traffic and the rail corridors proposed for use in transporting coal to the Gateway Pacific Terminal (GPT) at Cherry Point. Numerous sources of public information were used to investigate and fully understand the background, scope, history and status of the project relative to the permitting process, the environmental impact statement (EIS), anticipated levels of use, and a variety of other meaningful parameters associated with the GPT project as proposed. I researched, assessed and reviewed fairly recent historical to the most current available data describing the status of the levels of service, capacities, anticipated increases and future projections for increased freight rail traffic along the previously defined subject areas of interest along BNSF's main line rail corridor and for Washington State as a whole. These documents included detailed analyses and recommendations along with detailed data regarding rail choke points, rail system needs, rail impacts and proposed mitigation measures and recent, anticipated and recommended rail corridor improvement projects. Studies and EIS's from other (non Washington State) rail corridor improvement projects were also reviewed and considered, as they address many of the same issues, elements and influences. I examined and reviewed various maps, online aerial mapping and other resources and exhibits to understand the rail route and property types within the areas of interest.

Access to a proprietary GIS based database identifying all tax parcels and various other information for properties located within 600 lineal feet of either side of BNSF main line route within the areas of interest was made available to me for possible use in this assignment. I familiarized myself with this tool, as well as with the transportation route corridor and the nature and type of surrounding properties. I visited many areas along the corridor to assess the nearby real estate as well as the nature and quality of crossings to obtain firsthand knowledge of existing conditions. I visited a representative sampling of the

various property types considered and addressed in this report (single family residential, multi-family, commercial and industrial properties) in all of the counties that abut the main rail line within the subject area of interest and/or that might be impacted by various adverse elements associated with the increased coal freight train traffic. (Note that while agricultural properties abut the area of interest, they were not specifically addressed or evaluated in this study). During this process, I was able to observe and experience coal trains traveling along this route. I reviewed recently conducted studies performed by Gibson Traffic Consultants, Inc. (GTC) that identify some of the possible rail impacts associated with transport of commodities to the proposed Cherry Point facility that affect the cities of Bellingham, Burlington, Mount Vernon, Stanwood, Marysville, Edmonds and Seattle and their access roads.

I was assisted by staff from the Appraisal Institute's Y.T. and Louise Lee Lum Library (which provides reference services in the subject area of real estate appraisal) and performed my own research, exploring numerous areas of interest associated with diminution in value issues involving rail and many other adverse influences. I found, read and/or reviewed numerous empirical research studies, statistical analyses utilizing hedonic models and regression analyses, professional research abstracts, and other publications that might provide support for my rail impact study and valuation analyses and conclusions. Although many of the studies reviewed did not specifically deal with rail impacts, they did function as proxy studies, demonstrating anecdotal evidence supporting the relative range of diminution in property values experienced in response to a variety of types of adverse influences. I surveyed a sample of a range of active, knowledgeable, real estate market participants and other experts for input as to their opinion of the extent of the influence of the proposed new coal train freight traffic on property values for the various property types. I performed extensive internet research on all of the above-referenced topics in order to maximize my understanding of the nature and extent of effects on real estate values due to a wide variety of adverse influence generating externalities including freight rail traffic.

All of the foregoing information gathered from these resources was considered from my personal experience perspective as a real estate appraiser/consultant, having been involved with numerous assignments and situations requiring the analysis of simple to complex real estate valuation problems for the purpose of rendering my opinion of diminution in value. Based upon the information and resources available to me for this assignment and my understanding of the wide variety of, and vastly differing types of, adverse influences associated with the increased coal train rail traffic, I concluded that the information and tools available would be insufficient to allow me to provide a reliable model that could be used to quantify the dollar loss in value to various affected types of real estate and/or real estate tax revenues, either on an individual property or some form of aggregate basis.

The as-described body of knowledge gathered, however, was deemed sufficient in its theoretical and functional application as background information to support and form the

basis for me to provide my opinion of a range of diminution in property value for the various property types considered, resulting from the range of adverse impacts associated with the increase in coal train freight rail traffic, as assumed. The final process required taking the perspective of an unbiased consultant and synthesizing this data in order to develop my conclusions. The nature of such real estate problems is often unique and involves a considerable degree of complexity; therefore, this consultation is seen as a means of bringing professional objectivity to, and market based support for, a framework that can generally be utilized to consider and address anticipated potential effects on property value resulting from the proposed additional coal freight train traffic assumed.

Subject Property: The subject property addressed in this study generally includes all properties with the potential to be adversely impacted by the proposed increase in coal train freight rail traffic along BNSF's main rail line areas running through Whatcom, Skagit, Snohomish, King and Pierce Counties. Although the nature of this assignment and scope of investigation required the consultant to visit a representative sampling of the different property types considered in these counties in order to acquire a good understanding (and a real sampling) of the range of potential situations to be considered, this assignment is not intended to address any specific subject properties or situations.

Elements of Adverse Influence Associated With Increased Coal Train Traffic: The literature reviewed generally identifies a number of categories of adverse influences associated with increased coal train freight rail traffic that have the potential to adversely influence real estate values. These elements and a summary of the perceived and potential impacts are briefly summarized as follows:

Access and Vehicular Traffic: The GTC traffic studies focus on six cities with a significant number of non-grade-separated (typically at grade/gate controlled) main line rail crossings, mostly in or near their central business districts in areas that experience substantial traffic, particularly during traditional "traffic times." The studies state language similar to the following (excerpted from their 6/21/12 Bellingham report) for each of the cities, but in some cases, the reports address somewhat different crossing conditions: "Each coal train will be up to 1.6 miles long, which at 50 mph would mean approximately 3-4 minutes between train approach warning/gate closure and ultimate gate opening. At 35 miles per hour, it could take approximately 6-7 minutes to clear a crossing as the siding near this area is rated for 35 mph. The 18 trains per day would equate to approximately one additional coal train every 1.3 hours, all day long, in addition to existing train traffic. Thus, train crossing delays in Bellingham can be estimated to increase with an additional train every 1.3 hours, if train trips were evenly spaced throughout the day and night, at between 3-4 minutes and 6-7 minutes depending on if they are having to use sidings or speed restricted crossing. Assuming just a 5-minute average (consistent with the existing smaller coal trains traveling through Bellingham) would lead to every crossing on the track in Bellingham being closed for an

additional 90 minutes a day not including the additional clearance time for back ups to clear after a crossing arm lifts. Based on current data, the existing numbers of trains in the Bellingham area is averaging 15 trains a day. . . . The *Washington State 2010-2030 Freight Rail Plan* published by WSDOT in December 2009 identified that the rail line North from Everett in 2008 was already at its capacity of 18 trains per day. The State plan shows that it hopes to increase that capacity to 30 trains per day; however, the design and cost of the specific improvements needed to do that have not yet been identified. Additional study and inquiry should be conducted to determine whether federal or state funding is committed to expand the capacity of the BNSF freight system, sufficient to allow the projected additional 16-18 trains per day and still leave adequate capacity for local freight and future commuter services.”

The increased traffic and reduced quality of access not only have the potential to cause isolation and business interruption effects for properties in the immediate corridor area (say, within 800 feet of the track), but depending upon whether or not, and to what extent, alternative access potential exists, the area of adverse effect could, and in many cases does, cover a substantially larger area.

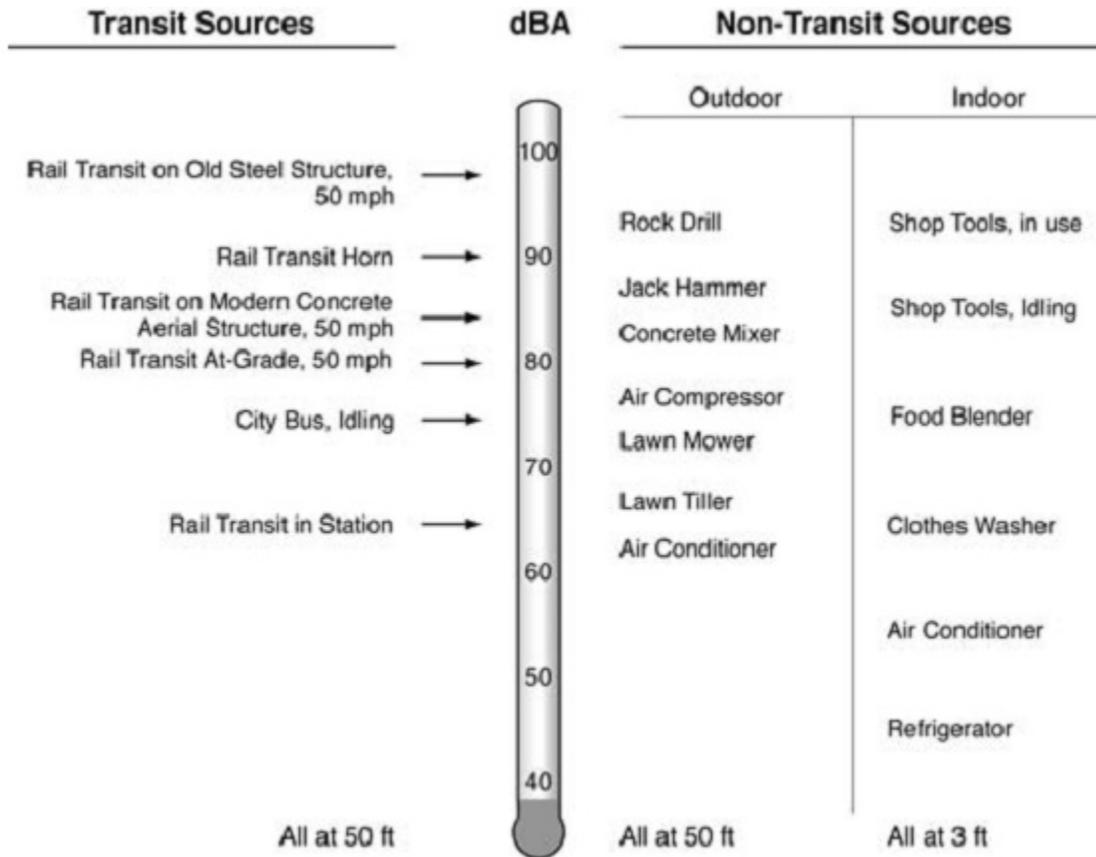
Life Safety Issues: Although infrequent, a potential problem associated with freight train traffic is that accidents occur at crossings and along the tracks, and fear of accidents is a perception that has the potential to affect nearby real estate values. Another duly noted life-safety consequence of the increased traffic identified for all of the GTC study areas is the potential for a first responder, such as an ambulance, police car, fire truck, aid car or utility provider, to suffer increased response times in reaching their destination at a critical time when emergency responses are needed.

Vibration: “Local and long-distance freight trains are similar in that they both are diesel-powered and have the same types of cars. They differ in their overall length, number and size of locomotives, and number of heavily loaded cars. Locomotives and rail cars with wheel flats are the sources of the highest vibration levels. Because locomotive suspensions are similar, the maximum vibration levels of local and long-distance freights are similar. It is not uncommon for freight trains to be the source of intrusive ground-borne vibration. Most railroad tracks used for freight lines were in existence for many years before the affected residential areas were developed. . . . Vibration mitigation is very difficult to implement on tracks where trains with heavy axle loads will be operating. . . .

Although the perceptibility threshold is about 65 VdB, human response to vibration is not usually significant unless the vibration exceeds 70 VdB. Rapid transit or light rail systems typically generate vibration levels of 70 VdB or more near their tracks. On the other hand, buses and trucks rarely create vibration that exceeds 70 VdB unless there are bumps in the road. Because of the heavy locomotives on diesel commuter rail systems, the vibration levels

average about 5 to 10 decibels higher than rail transit vehicles. If there is unusually rough road or track, wheel flats, geologic conditions that promote efficient propagation of vibration, or vehicles with very stiff suspension systems, the vibration levels from any source can be 10 decibels higher than typical. Hence, at 50 feet, the upper range for rapid transit vibration is around 80 VdB and the high range for commuter rail vibration is 85 VdB. If the vibration level in a residence reaches 85 VdB, most people will be strongly annoyed by the vibration.”³

Horn Noise: “In a large number of community attitudinal surveys, transportation noise has been ranked among the most significant causes of community dissatisfaction. . . . The percentage of high annoyance is approximately 0 percent at 45 decibels, 10 percent around 60 decibels and increases quite rapidly to approximately 70 percent around 85 decibels.”⁴



³ Transit Noise and Vibration Impact Assessment, Federal Transit Administration, May 2006.

⁴ Ibid

The noise from a train is produced by a variety of sources and determined by numerous variables including the diesel locomotive noise, wheel noise (squeal, rolling noise), braking, signal horns and crossing gate bells, the type, quality and condition of the train, and the quality, condition and composition of the track and track bed.

Pollution: Sources of air and ground pollution include the exhaust from diesel locomotive engines, coal dust from open coal cars and other petrochemicals that typically fall from the train on to the tracks (such as lubricants). Concerns exist that adverse influences from coal dust due to open car transportation practices and from diesel exhaust that are expected to result from the increased coal train traffic may be sufficient to potentially cause negative human health effects. Even if studies are conducted that do not support these concerns, the public perception about them is sufficient to have an adverse effect on property values.

Stigma and Perception: Effects on real estate values are colored by the perception of the market participants (typically the buyer or seller) and not based on objective factors or parameters that can easily be measured or quantified. For example, fear of accidents is a subjective factor that can be quite variable in perception by different individuals. Some segments of the market are more sensitive to the preceding element items, and at the extreme, would not consider the possibility of owning property located nearby to, or significantly affected by, such freight rail influences, while others are less sensitive to these influences. Studies reviewed conclude that real estate values are increasingly adversely impacted as the level of dissemination of information to the public that concerns exist increases. Considering that the potential adverse effects of the additional coal train traffic have been very widely publicized, it is expected that the adverse effect on the market already exists to some extent. Anecdotally, more than one Realtor interviewed cited an example of property value or marketability being directly affected by the proposed increases in coal train traffic.

Property Types, Variables and Comments: The coal trains typically have two locomotive diesel engines at the front and two at the rear of the train. The distance of the real estate from the rail line traffic and/or crossing is a *most* significant variable in determining the extent of most of the aforementioned value-influencing elements. Other factors influencing the extent of adverse effect include the time of day (or night) that trains travel, and for noise and vibration effects, the duration, frequency of occurrence, noise frequency (i.e. hertz range), existing non-rail noise conditions, type of crossing (trestle, at grade or grade-separated), nature of the surrounding topography (relative elevation of tracks versus the real estate) and acoustical conditions, intervening property improvements, vegetation or other features that may exist between the rail line and the property to dampen or amplify the noise. Note that it is generally accepted that night noise is far more disturbing than daytime noise, and is therefore more heavily weighted as an adverse influence.

Differing property types are typically influenced to differing degrees by the aforementioned elements of adverse influence. **Single family residences** are generally acknowledged as the most sensitive property type to all of these elements, as the consequential impacts can be perceived as having the capacity to directly influence the quality of life of the occupant(s). In my opinion, all of the aforementioned elements have the potential to significantly impact the value of affected single family residential property. The train's signal horn, which is typically repeatedly blown prior to at grade crossings, is generally acknowledged as one of the loudest noises produced by freight trains, and is the primary negative externality generated by train traffic. The duration of the horn blast and time of day is a significant factor determining its grade on the nuisance scale. It has been found that residents living within 1,000 feet of the rail line were severely annoyed by train horns. During my survey, one Realtor who lives near the rail line noted that a "whistle happy" conductor blew the horn for 15 seconds at 4:30 to 5 AM the other morning. Hedonic price models and studies have shown that the loss in value for residences is amplified with each additional freight train trip.

Multi-family properties similarly have the potential to be strongly influenced by these elements. Multi-family properties observed near the rail line included a mixture of sizes, with many being larger mid-rise buildings containing many units, a number of which front Puget Sound. In many of these properties, due to the size of the buildings, some units face the rail line, while others face upland or toward the sound. In these cases, the units facing the tracks are more influenced by the noise, vibration and pollution factors, while those further away can be perceived as experiencing little or no adverse effects in this regard. Particularly in the case of multi-family properties located seaward of the tracks, with limited or no alternative access, the access and vehicular traffic elements tend to carry significant weight. Also of consideration for multi-family properties is the occupancy status - whereas apartment dwellers have the ability to be more transient and relocate if ambient conditions do not meet their preferences, condominium owners are more like single family residential owners to the extent that relocating represents a substantial barrier to changing their situation.

Commercial properties include restaurants, retail stores, offices and other similar uses. A number of the potentially most affected properties observed are located seaward of the tracks. Although noise and vibration are seen as influencing factors relative to the adverse influences of the increased coal freight train rail traffic, in my opinion, the access and vehicular traffic elements are considered to have the greatest potential to adversely influence property value for commercial properties. Also, depending upon proximity, the pollution factors also have potential to represent a substantial negative influence.

Industrial properties are the category of real estate considered to be least influenced by the increased rail traffic. By nature, these properties are typically in locations zoned to allow for a variety of vibration, noise and pollution influences. They are often sited near, and many specific properties benefit from or require, rail access or service. The access and vehicular

traffic elements are considered to have the greatest potential to adversely influence the value of industrial properties, particularly if they are located in areas where the presence of a train precludes vehicular and employee ingress and egress, as is typical for numerous facilities observed. Freight trains, unlike commuter trains, are often not on a specific or predictable schedule. This can create a substantial nuisance for companies with large workforces if access is blocked near the time employees need to arrive at or leave work. Often the industrial properties that are exposed to being landlocked by trains are marine dependent facilities that have no option to relocate to the other side of the tracks as they need to retain their waterfront location or proximity.

Conclusions: This assignment required the consultant to provide an opinion of a range of diminution in property value for the various property types considered resulting from the range of adverse impacts associated with the increase in coal train freight rail traffic, as described in this report. As discussed, the wide variety of elements of influence and their variations in intensity of impact which are dependent upon numerous variable factors and a wide variety of physical conditions and influences impacting a single property within a given property type result in an almost unlimited number of diminution in value situations. Based upon all of the research and study undertaken in performing this assignment, and because of this extreme variability, the concluded diminution in value has been expressed in a percentage range intended to capture the most probable effects on a given property type. Although the range is intended to reflect the “less” to the “most” affected diminution in value situations, it should be understood that in some specific instances, a specific property may be more affected than indicated by the range concluded; however, in my opinion, such cases are rare. At the low end are properties that suffer no adverse impact, which typically would be properties lying outside of the area of rail influence.

Most of the literature relied upon addressed studies of residential real estate, and they tend to specify the outer limit of rail traffic influence at a distance in the approximate 750 to 1,000 foot range from the tracks. Unfortunately, due to the unique nature of real estate and the variety of influencing factors determining the net intensity of adverse influence, there is no set distance that is certain to suffer influence. It is clear, however, that the closer the distance of the property to the rail line or crossing, the greater the influence. Because of this, in general, the upper end of the range of diminution in value concluded would be expected to strongly correlate with properties located closest to the rail line or crossing. At the opposite end of the spectrum, although property with the least net total intensity of adverse influence might be expected to experience a diminution in value of less than five percent, such minimal impacts are generally considered so slight as to be effectively immeasurable; therefore, five percent has been used at the lower end of the range.

As noted, empty coal trains are expected to use a different route from Everett, returning easterly to pass through the Cascade Tunnel (not the Stampede Pass Tunnel).

Property located north of Everett with 18 new train trips daily: Based upon all of the information and data gathered, in my opinion, the applicable range of diminution in value for **single family residences**, the property type expected to suffer the most severe impacts, has been concluded to range from **five to twenty percent** of market value. **Multi-family properties** as a whole, are considered to be less intensely impacted for reasons discussed in this report and would be expected to suffer a loss in market value ranging from **five to fifteen percent** of market value. It is anticipated that impacted **commercial properties** would experience loss in market value in the approximate **five to ten percent range**. Industrial properties, considered the least impacted of the property types overall, would be expected to suffer a **five to eight percent** range of loss in market value.

Property located south of Everett with 9 new train trips daily: Because the property south of Everett would experience half of the anticipated new rail traffic compared to property north of Everett, and because the nine trains south of Everett would all be fully loaded coal trains with no returning empty rail cars, the effects of pollution, coal dust and traffic would result in a decreased range of net overall impacts. In my opinion, the impacts for **all property types** considered would be approximately **three to five percent less** than the diminutions in value concluded for property located north of Everett, with a five percent threshold setting the lower end of the limit of measurable diminution in value for affected properties.

The suggested conclusions may not provide a reliable range of diminution in value for each and every property of a given property type in all possible situations that may be found, due to the fact that real estate is unique, and the variety of conditions that may be encountered are unlimited as they are “situation dependent.” Therefore, the methodology and conclusions rendered in this report are intended to be viewed and used as general guidelines. Specific appraisals are suggested as the most effective means of providing defensible solutions to complex real estate problems. Solutions to complex valuation problems often rely upon subjective judgements based upon expertise that is primarily gained through familiarity and experience.

Although this report is not intended to be used to provide an aggregate loss in value for property that would be affected by the proposed increase in coal train freight rail traffic, it is felt that the total loss in value due to such influence would be substantial in terms of property market value and real estate tax revenues to taxing districts. The proprietary database provided and used in this assignment indicates a total of 21,548 tax parcels for properties identified as located within 600 feet of the BNSF main line railroad tracks in the subject area of interest, with a total aggregated assessed value of \$26,556,663,168. If one were to assume these properties would suffer a loss in assessed value of one percent, the loss would be equal to approximately \$265 million, which applied at a one percent millage rate is equivalent to an approximate \$2,655,000 in annual tax revenue loss. In my opinion, the

effects and impacts of the additional freight rail traffic not only affect the properties within 600 feet of the main line, but also potentially affect property beyond this identified zone. At the very least, this information indicates that the aggregate losses to market value and tax revenues could be quite substantial.

This report is subject to the enclosed limiting conditions and has been prepared in conformity with, and subject to, the requirements of the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation. I hope this report addresses your needs and concerns. If you are in need of further assistance, please do not hesitate to contact me.

Respectfully Submitted,

Paul Zemtseff
Washington State Certified General
Real Estate Appraiser (1100208)

Partial List of Resources:

Gibson Traffic Consultants, Inc. “Memorandums Re: Cherry Point Commodity Export Facility Rail Operations for the Cities of Bellingham, Burlington, Mount Vernon, Stanwood, Marysville, Edmonds and Seattle” (August 15, 2011 through June 21, 2012).

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Kern, Joe R. "Noise: Is it Compensable? How is it Measured?", *The Real Estate Appraiser*, v. 43/2, March/April 1977, p. 31-38.

Kennedy, John and Hill, Dennis. "Economic and Environmental Effects of One-Way Streets in Residential Areas", *The Appraisal Journal*, v. 39/4, October 1971, p. 562-567.

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CONSULTATION CERTIFICATION

I, Paul Zemtseff, 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, conclusions and recommendations.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

I have performed prior appraisal services with regard to the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.

I have no bias with respect to any 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 consulting assignment.

My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

I have made personal inspection of portions of the property that is the subject of this report.

No one provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

I do not authorize the out-of-context quoting from, or partial or full reprinting of this consultation report.

Paul Zemtseff
Washington State Certified General
Real Estate Appraiser (1100208)

**LIMITING CONDITIONS AND ASSUMPTIONS
APPRAISAL CONSULTING REPORT**

1. This is an appraisal consulting report that is intended to comply with the reporting requirements set forth under Standard Rule 5 of the Uniform Standards of Professional Appraisal Practice. Report. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. As such, it includes a summarized discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. The appraiser is not responsible for unauthorized use of this report.

2. **LIMIT OF LIABILITY:**

The liability of The Eastman Company and employees is limited to the client only and to the fee actually received by the appraiser. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The client agrees that in case of a lawsuit, any and all awards, settlements of any type in such suit, regardless of outcome, the client will hold appraiser completely harmless in any such action.

3. **COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT:**

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use.

The Bylaws and Regulations of the Appraisal Institute require each member and candidate to control the use and distribution of each appraisal report signed by such member or candidate; except as hereinafter provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of the appraiser.

Use of this appraisal by any party other than the party(ies) identified within this report, and for any other use or purpose(s) than the stated intended use, is expressly prohibited. The appraiser assumes no responsibility or liability for the use of this report, or any information contained herein, including the valuation conclusion, by any party not named as a user of this report.

4. **CONFIDENTIALITY:**

This appraisal is to be used only in its entirety, and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the appraiser(s) whose signature appears on the appraisal report. No change of any item in the report shall be made by anyone other than the appraiser and/or officer of the firm. The appraiser and firm shall have no responsibility if any such unauthorized change is made.

The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena.

5. TRADE SECRETS:

This appraisal was obtained from The Eastman Company or related companies and/or its individuals or related independent contractors and consists of “trade secrets and commercial or financial information” which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Notify the appraiser(s) signing the report of any request to reproduce this appraisal in whole or in part.

6. INFORMATION USED:

No responsibility is assumed for accuracy of information furnished by work of others, the client, his designee or public records. The data relied upon in this report has been thought reasonable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information.

7. TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICES:

The contract for appraisal, consultation or analytical service are fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with the client or third parties except under separate and special arrangement and at an additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees and charges regardless of issuing party.

8. CHANGES, MODIFICATIONS:

The appraisers and/or officers of The Eastman Company, reserve the right to alter statements, analysis, conclusion or any value estimate in the appraisal if there becomes known to us facts pertinent to the appraisal process which were unknown to us when the report was finished.

9. ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS. APPRAISER LIABILITY EXTENDS ONLY TO STATED CLIENT, NOT SUBSEQUENT PARTIES OR USERS, and it is limited to the amount of fee received by appraiser.

EDUCATION

Bachelors of Science Degree in Finance/Real Estate from the College of Commerce and Business Administration, University of Illinois at Urbana, Champaign, 1979.
Masters in Business Administration from DePaul University, Chicago, 1984.

Appraisal Institute (Including former American Institute of Real Estate Appraisers and Society of Real Estate Appraisers Courses):

- 101 – An Introduction To Appraising Real Property
- 1BA & B – Capitalization Theory and Techniques, Parts A & B
- 2-1 – Case Studies In Real Estate Valuation
- VII – Industrial Valuation
- SPP A & B – Standards of Professional Practice, Parts A & B
- 540 – Report Writing and Valuation Analysis

University of Illinois:

- Real Estate Principles
- Real Estate Finance
- Valuation Theory and Methods
- Urban and Regional Economics

Numerous additional ongoing, continuing-education courses – often related to various specialty aspects of right-of-way and partial interest appraisal.

EMPLOYMENT HISTORY

Appraiser and consultant with the Eastman Company from 1991 through the present (currently principal).
Self-employed real estate appraiser and consultant during 1986 through 1991 working for various clients – firms and individuals.
Staff appraiser for Real Estate Analysis Corporation, Chicago, from 1979 through 1986.

APPRAISAL EXPERIENCE

Property types appraised include commercial, industrial, vacant, special purpose, and multi-family and single family residential for assessment, mortgage, estate, purchase and condemnation (right-of-way and easement) purposes. Appraisal assignments have included apartments/duplex complexes (4-350 units), office and medical office buildings, shopping centers, grocery and retail stores, department stores, restaurants, hotels/motels, automobile dealerships, nursing homes, subdivisions, mobile home parks, service stations, bowling centers, manufacturing plants and factories, truck terminals and warehouses.

Approximately 20 years of right-of-way and acquisition appraisal experience (partial takes of all types), as well as in reviewing appraisals (both Eastman Company and outside appraisals). Specialty appraisal expertise in valuing acreage and properties with environmentally critical features and hazards, generally affected by environmentally critical area zoning ordinances. These difficult-to-develop properties have often consisted of steeply sloping sites, many of which have been improved with a wide variety of residential and/or commercial improvements.

COURT EXPERIENCE

Qualified as an expert witness and have testified in the Superior Court of the State of Washington.

CERTIFICATIONS

Washington State Certified General Real Estate Appraiser, License Number 1100208

PROFESSIONAL AFFILIATIONS

Associate Member of the Appraisal Institute
Listed as a Washington State Department of Transportation approved appraiser and reviewer

**VALUATION CONSULTATION
INCREASED COAL TRAIN TRAFFIC AND
REAL ESTATE VALUES ©
A study of the potential impact of increased coal
train traffic on property values resulting from the
proposed Gateway Pacific Terminal
at Cherry Point, WA**

As of
October 30, 2012

For
Mr. Ross Macfarlane
Senior Advisor, Business Partnerships
Climate Solutions

By
Paul Zemtseff

THE EASTMAN COMPANY
925 North 130th Street
Seattle, Washington 98133
(206) 363-6611

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