AUG 28 2001

LAW OFFICES
J. RICHARD ARAMBURU

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The Honorable Dean S. Lum

COMO COUNTY SUPERIOR COURT

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON IN AND FOR THE COUNTY OF KING

PORT OF SEATTLE, a municipal corporation,

Petitioner,

No. 99-2-26788-5 KNT

RST ENTERPRISES, INC., a Washington corporation; and KING COUNTY,

Defendants.

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

CLERK'S ACTION REQUIRED

Trial in this eminent domain action commenced before the Court on June 4, 2001, and concluded on June 18, 2001. Based on the evidence presented, the Court makes the following findings of fact and conclusions of laws:

I. <u>FINDINGS OF FACT</u> THE PROPERTY

- 1. The Port of Seattle is constructing a Third Runway at Seattle-Tacoma Airport.
- 2. The property at issue in this litigation is approximately 2.44 acres of undeveloped land located at 15416 Des Moines Memorial Drive in the City of SeaTac ("Property"). Respondent RST Enterprises, Inc. ("RST") owns the Property, which is also

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referred to as Parcel 92. The Port will use the Property for part of its Third Runway project, specifically, the Port will use the Property for a flood plain.

- 3. The Port of Seattle ("Port") took possession of the Property on March 2, 2000, in exchange for the Port's payment of their offer to RST into the Court's registry.
 - 4. The Property has been used for farming purposes for at least 50 years.
- 5. To the south of the Property are four additional parcels owned by RST ("Parcels 93-96"). The Port is not condemning those parcels at this time.
- 6. Parcels 93 through 96 have had a variety of nonfarming uses, including a tax agency office, rental residences, storage facilities, an automotive repair shop, and a garbage business. At no time did the Property and Parcels 93-96 share a common use. In fact, the uses of the Property compared to Parcels 93-96 are different in nature.
 - 7. Miller Creek is located near the Property to the east.
- 8. The Property is approximately 7.5 feet lower than Des Moines Memorial Drive, which it fronts.

ZONING OF THE PROPERTY

- 9. The Property has been zoned UL-7200, Urban Low Density Residential, under the SeaTac zoning code for many years. This single-family zoning precludes commercial development.
- 10. In the fall of 1996, RST attempted to rezone Parcels 92-96 from single family residential to industrial or commercial business. On December 17, 1996, the_SeaTac City Council decided not to take action on any land use changes for the Westside neighborhood during the City's 1996 Comprehensive Plan Amendment Process, but instead to consider RST's proposed changes in the context of an overall Westside Plan at some time in the future. Exhibit 52. The City Council subsequently granted a request to

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In 1994, City planners recommended that portions of the west side, potentially including the Property, be rezoned. The Property was close to the 65 LDN noise contour and relatively close to the 70 LDN noise contour. Financing for new residential purposes in that area was difficult if not impossible, although there continues to be residential use on the west side of SeaTac, and refinancing of existing residences is possible.

- 20ning. These residents did not want piecemeal rezones. These residents wanted to live in their residences and did not want nearby properties zoned commercial. Polls showed that at times in the 1990s more than fifty percent of the residents opposed commercial rezones. However, the West SeaTac Ad Hoc Committee appointed by the City looked closely at different uses that would be compatible with the airport. At one time, the West SeaTac Ad Hoc Committee decided that a business park would be most compatible for this area. Exhibit 62.
- 18. Other residents wanted property in the area, including Parcel 92, to be converted into a park rather than commercial use. In late 1994, the Planning Commission recommended that a park would be the most compatible use, based on a plan proposed by a member of the Commission. Exhibit 62.
- 19. Rezoning the west side of SeaTac, which includes the Property, was a long-term process that could take more than twenty years. Exhibits 45 and 62. A rezone of the Property to commercial use is likely at some point, but not reasonably likely in the near future.
- 20. Even if a commercial rezone were likely in the near future, the Court finds that such a rezoning would only occur due to the presence of the Third Runway.

THE PORT APPRAISAL AND DEVELOPMENT PROPOSAL

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- The Port's witnesses, including its appraiser, engineer, and other experts, 21. identified a plausible, credible and responsible development proposal assuming single family residential use.
- The Port's appraisal of the Property, conducted by Christopher Eldred on 22. March 17, 2000, is credible. Exhibit 1.
- Mr. Eldred's appraisal identified comparable residential properties in 23. reaching his opinion regarding the Property's fair market value. The Court finds that these comparable properties were appropriately related to the Property and served as a useful tool for estimating the Property's fair market value.
- The Port's appraisal placed a fair market value of the Property at \$200,000 24. with a highest and best use of the Property as a single-family residence and working farm.
- There was a market for residential properties within the area surrounding 25. the Property. There are numerous residential properties still existing on the west side of SeaTac Airport, including multifamily uses and apartments across the street from the Property.
 - The Property's value as undeveloped wetlands is \$100,000. 26.
 - The Property's fair market value as farmland is \$40,000. 27:

RST'S DEVELOPMENT SCENARIO

- RST argued that a commercial development was feasible on the Property, 28. but this development scenario lacked significant factual support and was not credible. RST's witnesses, including its appraiser and other experts, failed to identify a plausible, credible and responsible commercial development proposal.
- The Court rejects RST's commercial development scenario for a number of 29. reasons. As an initial matter, the commercial development scenario is wholly dependent

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on a rezone of the Property from single family to commercial business, but such a rezone was not reasonably probable in the near future. Under single-family zoning, construction of a commercial building is not permitted. For this reason, the Court finds that RST's commercial rezone scenario must be rejected.

- 30. Even if a rezone to commercial business were reasonably likely in the near future, the Court would still reject RST's commercial development proposal, because there were substantial limitations and significant barriers to development on the Property.
- 31. RST's development proposal is impacted by state (Washington Department of Ecology, the Washington State Fish and Wildlife Department) and federal (Corps of Engineers) permitting. In addition, the SeaTac city code applies to the Property.
- 32. RST's commercial development proposal is rendered economically impractical by a variety of factors, none of which were adequately addressed by any of RST's witnesses or exhibits. These factors include (1) Prior Converted Cropland; (2) wetlands and associated buffers; (3) the 100 year flood plain; (4) a steep slope along the fronting road; and (5) access from the Property to the street.
- 33. Each of these five factors was considered and analyzed by the Port's engineering expert Don Scarberry. The Court finds Mr. Scarberry's Report dated March 28, 2001 to be credible. Exhibit 4.
- 34. The Court also finds that the Property contains wetlands consistent with the testimony of Mr. James Kelley, the Port's wetlands biologist expert. The Court finds Mr. Kelley's analysis regarding the presence of wetlands on the Property to be credible.

Wetlands

35. Mr. Kelley testified that the Property contained Class I wetlands under the SeaTac Code. The wetland delineation done by Parametrix under Mr. Kelley's

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supervision indicated that the Property contained only 0.27 acres of wetland for purposes of a United States Army Corps of Engineers permit for construction of the third runway. The remainder of parcel 92 was delineated by Parametrix as "Prior Converted Cropland" ("PCC"), a designation not considered wetland for the Corps of Engineers permit. "Prior Converted Cropland" is not a designation found in the SeaTac Code, however.

- 36. The Property is contiguous with other diverse wetlands, as well as a lake, with a total area of over 16 acres.
- 37. There are at least three classes of vegetation on the Property as defined by the SeaTac City Code.
- 38. The soil types located on the Property, which includes peat soils, are consistent with a Class I wetland. Exhibit 14 There are hydric soils on the Property.
- 39. The Property contains the necessary criteria which indicate that it is a Class I wetlands under the SeaTac City Code. At a minimum, the Property is a Class II wetland under the SeaTac City Code.
- 40. Even if Parcel 92 were zoned commercial, the Court would reject RST's commercial development scenario because it failed to consider the impact of either a Class I or a Class II wetland.

Prior Converted Cropland or Agricultural Wetlands

- 41. The Court finds that most of the Property constitutes a Prior Converted Cropland ("PCC") under federal law. PCC is a type of wetland that has been manipulated for agricultural production.
 - 42. The Property was farmed for over 50 years.
- 43. There are agricultural wetlands pursuant to the SeaTac city code on the Property independent of whether there are PCCs was defined by federal law. No

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determination concerning the existence of wetlands on the Property has been done by the City of SeaTac.

- The Property contains approximately 90,985 square feet of agricultural 44. wetlands. Exhibit 4.
- Even if the Court determined that a commercial rezone was reasonably 45. probable in the near future and that the Property was not a Class I wetland, the Court would still reject RST's commercial development proposal because of the Property's status as agricultural wetland. As a result, there would be severe limitations on development. These limitations include setback, buffers, required enhancements, and that no more than 25 percent of agricultural wetland may be filled for development. SeaTac Code Section 15.30.310 (Exhibit 26).
- None of these restrictions were adequately accounted for in RST's 46. proposed development scenarios. In fact, these restrictions were not a part of the development plan at all.

100-Year Floodplain

- The Property contains a 100-year flood plain because of its proximity to 47. Miller Creek. The City of SeaTac considers this area a zero-rise flood plain. Section. 15.10.273. Development within the flood plain is also governed by City Code. Section 15,30,230.
- The existence of a flood plain triggers a variety of requirements for _ 48. development purposes. Mr. Scarberry testified in detail regarding such requirements, which would be costly to a potential developer. The Court finds this testimony to be credible. For example, the flood plain requires that new building lots shall contain at least 5,000 square feet of buildable land outside the zero-rise floodway and within the required

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building setbacks, the lowest floor of new structures shall be elevated above the official flood plain elevation, and utilities shall be floodproofed to or elevated above the flood protection elevation. Exhibit 4.

49. Additionally, the parking lot in RST's development scenarios impinges upon the floodplain. Mr. Jack Dodge of the City testified that the City would not allow such a parking lot. Mr. Dodge's testimony was credible.

Steep Slopes along Des Moines Memorial Way

- 50. The Property is approximately 7.5 feet lower than Des Moines Memorial Parkway, which it fronts. Thus, it has slopes of forty percent or higher.
- 51. Under the SeaTac Code, a developer must either fill to bring building sites up to road level or construct a long driveway (approximately sixty feet) in order to reach the lower ground level. Section 15.30.280.
- 52. Both choices are costly and would need to be considered by a potential developer.

Access to the Property

- 53. The City of SeaTac adopts, in relevant part, King County Road Construction Rules. Section 11.05.0040-050.
- 54. Under these standards, Des Moines Memorial Drive and 8th Avenue South would require a 250-foot stopping sign distance and a 490 foot entering sight distance.
- 55. The Property's location at this particular intersection limits the placement of driveways to achieve the required stopping and entering sight distances.
- 56. Construction of access to a newly-developed building site on the Property is limited by the Property's location at the intersection of the Parkway and 8th Avenue South. Constructing access to the Property under City code would be costly.

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57. RST presented an appraisal expert, Mr. Ronald Fogg. Mr. Fogg completed an appraisal of the Property dated September 17, 1999. Exhibit 32. Mr. Fogg twice supplemented that appraisal. Exhibits 33-34. Mr. Fogg's appraisal and supplements were of little relevance regarding the fair market value of the Property.

- 58. Mr. Fogg's appraisal incorrectly assumed that the wetlands on the Property posed no significant impact on the Property's fair market value. There is no evidence that Mr. Fogg's "comparable" properties faced wetlands issues similar to those on the Property.
- 59. Mr. Fogg did not address questions regarding how extensive were those wetlands, the cost to mitigate those wetlands, or what type of wetlands existed. Mr. Fogg did not discuss whether the Property contained Class I or Class II wetlands. Mr. Fogg did not discuss whether prior converted cropland or agricultural wetlands existed. The commercial comparables identified by Mr. Fogg do not discuss these important issues.
- 60. Some of the "comparable" properties used by Mr. Fogg in his appraisal were, in fact, not comparable at all to the Property. Some of these properties were level and paved. Eshibits 32-33. The Property is neither level nor paved. Exhibits 1, 4.
- 61. Other proposed comparables were of little relevance because they were not sales or they relied strictly on the assessor's tax value. Exhibits 33-34.
- 62. Mr. Fogg improperly adopted a quasi-development approach without-any evidence of the cost of development.
- 63. The extent to which the Court needs to evaluate the reasonableness of development would depend upon the cost of development, and there was no evidence here as to the cost of any particular development scenario.

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| 64. | Mr. Fogg considered the effect of the Third Runway in his appraisal report |
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65. The larger parcel "unity of use" analysis heavily influenced his appraisal and resulted in an inappropriately high assessment of the Property's fair market value. Exhibit 32.

RST DEVELOPMENT PLANS

- 66. RST also presented testimony from James Miller regarding the possible commercial development of the Property. The Court finds Mr. Miller's testimony regarding this development of little relevance.
- 67. Mr. Miller failed to account for PCC or wetland restrictions of any type, even though the presence of Class I wetlands would completely prohibit development.
- 68. There are not enough parking spaces per the city's code in Mr. Miller's plan.
- 69. Mr. Miller did not account for the significant density problems related to RST's proposed development. There would be a thousand people descending on this particular project and RST's development proposal does not take into account support services such as bus stops or the impact of such a large project on this particular site. There is nothing like this development near the Property now.
 - 70. Mr. Miller provided no dollar figures regarding cost of development.
- 71. Even if the Property were to be rezoned commercial in the near future, and even if there were no wetlands on the Property of any kind, the Court would still reject RST's commercial development proposal because RST failed to present adequate evidence of costs for such construction.
- 72. The Court finds that a developer would have faced significant barriers to development that would not maximize the fair market value of the property.

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"COLLUSION" ARGUMENT

73. RST argued that the Port and City of SeaTac improperly maintained or froze the Property's zoning in the single family residential category. The evidence is clear that the City, and only the City, maintained ultimate control over the Property's zoning. There was no evidence of any inappropriate collusion or bad faith by the Port in connection with the zoning on Parcel 92.

II. <u>CONCLUSIONS OF LAW</u>

- 1. The Court has jurisdiction over the parties and the subject matter of this action.
- 2. The only issue in this condemnation action is the fair market value of the Property. WPI 150.03; 150.05 (1997). The fair market value must be calculated as of March 2, 2000—the date of the taking. RCW 8.04.092. The Court must determine what a well informed buyer, willing but not obligated to buy the property, would pay, and what a well informed seller, willing but not obligated to sell it, would accept, taking into consideration all uses to which the property is adapted or may be reasonably adaptable. WPI 150.08 (1997).
- 3. In determining fair market value, the Court does not consider project influence (i.e. the Third Runway) either positive or negative. Consequently, the Court did not consider the ILA, the subsequent AVO or AVC zoning, the subsequent CB or business park rezones of nearby properties, including Parcels 93 through 96, and all testimony relating to those issues. All of this activity was a result of the Third Runway. To the extent that RST's appraiser, Mr. Fogg, and other RST experts and witnesses relied on these rezones and the ILA in reaching their conclusions, the Court does not consider those

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portions of the opinions and the testimony and does not rely on any stricken evidence relating to the influence of the Third Runway.

- 4. The Port and the City of SeaTac did not act to improperly maintain or freeze the Property's zoning at the single family residential category. Even if such collusion did exist, any evidence of such conduct is irrelevant in this case because the Port did not have zoning authority over the Property. That power was vested exclusively with the City of SeaTac.
- 5. The Court cannot consider severance damages to parcels 93-96 by reason of the Port's taking, unless Parcel 92 is part of a "larger parcel" consisting of parcels 92-96. In order for a "larger parcel" to exist, there must be a "unity of use" between the property taken and the remaining parcel that is not taken. Since there was no current "unity of use" between the Property and Parcels 93 through 96 and the parcels utterly lacked a contemporaneous unity of use during the relevant time period, the Court does not consider any damage to Parcels 93-96.
- 6. In fixing a value of the Property, the Court must consider all reasonable uses under the existing zoning unless there is a reasonable probability of a rezone in the near future. Because there was not a "reasonable probability" that the Property would be rezoned "in the near future" for commercial purposes, the Court must consider the value of the Property in a single family zone.
- 7. Even if a rezone of the Property for commercial purposes were to occur in the near future, such a rezone would be due to the Third Runway an impermissible consideration. Thus, the Court evaluates the Property's highest and best use under the existing zoning as of March 2, 2000: single family residential.

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| 8. The SeaTac City Code permits some development on Class II agricultural |
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| wetlands. Section 15.30.310. Exhibit 26. No more than twenty-five percent of the |
| wetland may be filled, with the remainder of the wetlands to be enhanced as approved by |
| the City. The City of SeaTac Code applies to the Property, including the definitions of |
| wetlands (15.675.10), development constraints on wetlands (15.30.310), and the |
| "reasonable use" exception (15.30.070). |

- 9. If there are Class I wetlands on the Property, the City of SeaTac Code precludes the development scenario proposed by RST.
- 10. Because of the Class II agricultural wetlands on the Property, the development scenario proposed by RST is not permissible under the City of SeaTac Code.
- 11. The extent to which the Court needs to evaluate the reasonableness of a development scenario depends in part upon the cost of development. It is a fatal flaw that RST presented no evidence regarding such costs for its commercial development scenario.
- 12. Mr. Fogg's level and paved comparable sales properties are not properly comparable to the Property, and the Court gave them little weight..
- 13. Mr. Fogg also relied upon proprosed comparables that were only listings, not sales. Listings are not appropriate comparable properties.
- 14. Mr. Fogg also relied upon proposed comparable properties by using the assessor's tax value. The asssessor's value is not an appropriate comparable value and the Court gave it little weight.
- 15. Based upon all the testimony and exhibits, and the legal principles applicable to this matter, the total fair market value of the Property is \$200,000.00.
- 16. Because the Port previously deposited the amount of \$370,475.00 into the registry of the Court pursuant to a Stipulation for Immediate Possession and Use, which

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funds were withdrawn by RST on March 2, 2000, the Port is entitled to a judgment against RST in the amount of \$170,475.00, plus prejudgment interest of twelve percent per annum from March 2, 2000, until the date of judgment and to postjudgment interest from the date of judgment until paid.

III. ORDER

The Court having made the above Findings of Fact and Conclusions of Law, IT IS NOW ORDERED that:

- 1. RST will be granted judgment against the Port for the fair market value of the Property as of March 2, 2000, or \$200,000.00. The sum of \$200,000.00 represents the just compensation amount for the Property.
- 2. The Port will be granted judgment against RST in the amount of \$170,475, and to pust-pudgment interest from the date of malarent until papers interest of \$30,153.06, for a total judgment of \$200,628.06 as of August 20, 2001.
- 3. Petitioner, Port of Seattle, will be granted the right to appropriate, use, and take the Property hereinafter described:

That portion of the southeast quarter of Section 20, Township 23 North, Range 4 East, W.M., in King County, Washington, described as follows:

Beginning at a point on the west line of said southeast quarter, 264 feet south of the northwest corner of said subdivision; thence east 330 feet; thence south, parallel with the north and south center line of said section, a distance of 379.5 feet; thence west 330 feet to the north and south center line of said section; thence north 379.5 feet along said north and south center line to the point of beginning; EXCEPT that portion lying westerly of the easterly margin of Des Moines Highway and 8th Avenue South as conveyed to King County by deed recorded under King County Recording Number 935229.

4. All of the right, title, and interest of the defendant RST in and to the above-described property shall be vested in the Port of Seattle in fee simple absolute upon

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| 1 | payment of the amount of \$200,000.00, which represents the fair market value of the |
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| 2 | Property and has already been paid by the Port into the registry of the Court. |
| 3 | 5. A certified copy of the Judgment, Decree, and Order shall be filed in the |
| 4 | Office of the King County Auditor and shall be recorded by such Auditor like a deed of |
| . 5 | real estate with like effect. |
| 6 | DATED this 6th day of August, 2001. |
| 7 | |
| 8 | Dean S. Lum, Judge |
| 9 | |
| 10 | Presented by: |
| 11 | Preston Gates & Ellis llp |
| 12 | - Alaba E |
| 13 | Susan Delanty Jones, wsp. # 09529 |
| 14 | Robert W. Ferguson, wsba #26004 Attorneys for Petitioner, Port of Seattle |
| 15 | |
| 16 | Copy Received; Approved as to Form: |
| 17 | Law Office of J. Richard Aramburu |
| 18 | |
| 19 | J. Richard Aramburu, wsba # 466 |
| 20 | Attorney for Defendant RST Enterprises, Inc. |
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| 22 | |
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