

KING COUNTY

1200 King County Courthouse 516 Third Avenue Seattle, WA 98104

Signature Report

September 18, 2017

Ordinance 18571

	Proposed No. 2017-0078.3 Sponsors McDermott
1	AN ORDINANCE authorizing the vacation of a portion of
2	SE 180th Street, File V-2669; Petitioners: King County
3	department of natural resources and parks, water and land
4	resources division.
5	STATEMENT OF FACTS:
6	1. The department of natural resources and parks, water and land
7	resources division filed a petition requesting vacation of a portion of SE
8	180th Street, as dedicated in the Plat of Rainbow Bend, hereinafter
9	described.
10	2. The department of transportation notified its standard stakeholders for
11	review, including utility companies serving the area. The department of
12	transportation was advised that no easements were needed.
13	3. The department of transportation considers the subject portion of right
14	of way useless as part of the county road system and believes the public
15	would benefit by vacation of the right of way for incorporation into the
16	department of natural resources and parks, water and land resources
17	division's flood hazard reduction and salmon habitat restoration project.
18	4. The department of transportation records indicate that King County ha
19	expended public funds for the maintenance of the subject portions of SE

180th Street.

- 5. The department of natural resources and parks, water and land resources division, owns all properties surrounding the subject right of way and the properties may not be used for any purpose inconsistent with salmon recovery and conservation purposes. The right of way and all surrounding properties are now dedicated to and serving the people of King County as salmon recovery, conservation property and flood hazard reduction on the Cedar River. Both departments recommend waiving all compensation for the vacation.
- 6. Due notice was given in the manner provided by law. The office of the hearing examiner held the public hearing on April 10, 2017. The examiner was concerned whether entirely waiving compensation was warranted here, and so requested, received, and reviewed post-hearing briefing on the compensation topic. In his May 17, 2017, Report and Recommendation, the examiner "strongly" recommended vacation (the road segment subject to this petition being useless as part of the King County road system and the public benefiting from its vacation) and "tepidly" recommended completely waiving compensation for the vacation.
- 7. No appeal statement was filed and the clerk of the council placed the proposed ordinance that adopts the examiner's recommended action on the agenda of the June 19, 2017, council meeting for adoption in accordance with K.C.C. 20.22.220.

43	8. The King County council rereferred this proposed ordinance to the
44	transportation, economy and environment committee on June 26, 2017, for
45	further hearing, receipt of additional information and consideration in
46	accordance with K.C.C 20.22.220. Based upon the information
47	considered by the transportation, economy and environment committee,
48	the vacation provides for a unique and significant value for the purposes of
49	the department of natural resources and parks, water and land resources
50	division, and therefore, the department should compensate the department
51	of transportation, road services division the full value of the right of way
52	rather than the waiver of compensation recommended by the examiner in
53	his report.
54	9. In consideration of the benefits to be derived from the subject vacation,
55	the council has determined that it is in the best interest of the citizens of
56	King County to grant said petition.
57	BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:
58	SECTION 1. The vacation approved by this ordinance is subject to the condition
59	precedent that the department of natural resources and parks, water and land resources
60	division pay compensation within ninety days of the effective date of this ordinance to
61	the department of transportation, road services division for the value of the right of way
62	in the amount of \$109,100 in accordance with K.C.C. 14.40.020.
63	SECTION 2. The council, effective on the date of payment of compensation as
64	required by section 1 of this ordinance, vacates and abandons the portion of SE 180th
65	Street as conveyed to King County by the recording of the Plat of Rainbow Bend,

66	recorded in Volume 42 of Plats, page 20, records of King County Washington, as	
67	described below:	
68	The entire portion of SE 180th Street right of way lying	
69	westerly of the west margin of SE 203rd Street and lying	
70	north of the Cedar River and lying east of the Renton	
71	Maple Valley Road and lying south of the north line of	
72	Section 32, Township 23 North, Range 6 East, Willamette	
73	Meridian, King County, Washington as shown in the Plat	
74	of Rainbow Bend, Volume 42 of Plats, page 20, records of	

75 King County Washington

Containing an area of 66,121 square feet, more or less.

77

Ordinance 18571 was introduced on 2/27/2017 and passed by the Metropolitan King County Council on 9/18/2017, by the following vote:

Yes: 8 - Mr. von Reichbauer, Mr. Gossett, Mr. Dunn, Mr. McDermott, Mr. Dembowski, Mr. Upthegrove, Ms. Kohl-Welles and Ms. Balducci

J. Joseph M

No: 0

Excused: 1 - Ms. Lambert

KING COUNTY COUNCIL KING COUNTY, WASHINGTON

ATTEST:

Melani Pedroza, Clerk of the Council

APPROVED this 2974 day of SEPTEMBER, 2011

Dow Constantine, County Executive

RIVELY

Attachments: A. Site Map, B. Hearing Examiner Report Dated May 17, 2017



PROPOSED RIGHT-OF-WAY VACATION

For Informational Use Only 2009 Aerial

SE 180th St 20441 SE 180th St Vacation File V-2669 NE 32-23-06

////// Vacation Area

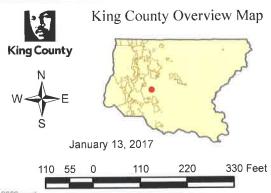


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May 17, 2017

OFFICE OF THE HEARING EXAMINER KING COUNTY, WASHINGTON

King County Courthouse
516 Third Avenue Room 1200
Seattle, Washington 98104
Telephone (206) 477-0860
Facsimile (206) 296-0198
hearingexaminer@kingcounty.gov

www.kingcounty.gov/independent/hearing-examiner

REPORT AND RECOMMENDATION

SUBJECT:

Department of Transportation file no. V-2669

Proposed ordinance no. 2017-0078

Adjacent parcel nos. 712040005, 7120400010, 7120400015, 7120400020,

7120400025, 7120400030, 7120400035, 7120400045, 7120400050, 7120400055,

3223069093, 3223069005, 3223069096, 3223069091, 3223069071

KING COUNTY WATER AND LAND RESOURCES DIVISION

Road Vacation Petition

Location:

portion of SE 180th Street, Renton

Petitioner:

Department of Natural Resources and Parks

represented by Jon Hansen

201 S Jackson Street

Suite 600

Seattle, WA 98104

Telephone: (206) 477-4706

Email: jon.hansen@kingcounty.gov

King County: Department of Transportation

represented by Leslie Drake

201 S Jackson Street Seattle, WA 98104

Telephone: (206) 477-7764

Email: leslie.drake@kingcounty.gov

SUMMARY OF RECOMMENDATIONS:

Department's Preliminary Recommendation:

Approve vacation, waive compensation

Department's Final Recommendation:

Approve vacation, waive compensation

Examiner's Recommendation: Strongly approve vacation, mildly approve waiving compensation

PUBLIC HEARING:

After reviewing the Department of Transportation, Road Services Division (Road Services) report and accompanying attachments and exhibits, the Examiner conducted a public hearing on the matter on April 10, 2017, in the Fred Conference Room, 12th Floor, King County Courthouse, 516 Third Avenue, Seattle, Washington.

Participants at the public hearing and the exhibits offered and entered are listed in the attached minutes. A verbatim recording of the hearing is available in the Hearing Examiner's Office. Having reviewed the record in this matter, the Examiner now makes and enters the following:

FINDINGS AND CONCLUSIONS:

Introduction

- 1. In 2012, the Department of Natural Resources and Parks (DNRP) petitioned the County to vacate a public right-of-way, the far western terminus of SE 180th street as it dead ends near the Cedar River. On March 16, 2017, the Examiner received Road Services' report (Report) recommending vacating the right-of-way and waiving compensation. The required notice of hearing was provided. The Examiner conducted the public hearing on behalf of the Metropolitan King County Council.
- 2. Except as provided herein, the Examiner adopts and incorporates the facts set forth in the Report and the statements of fact contained in proposed ordinance no. 2017-0078. Exs. 1 & 15. Road Services' report will be attached to those copies of this recommendation that are submitted to the Council. A map showing the vicinity of the proposed vacation and the approximately 66,121 square feet of area to be vacated is in the hearing record as Exhibit 8.
- 3. Chapter 36.87 RCW sets the general framework for county road vacations, augmented by KCC chapter 14.40. There are at least two main inquiries in a vacation petition. Is vacation warranted? If so, what compensation is appropriate? We address those in turn.

Appropriateness of Vacation

- 4. A petitioner has the burden to show that the "road is useless as part of the county road system and that the public will be benefitted by its vacation and abandonment." RCW 36.87.020. While denial is mandatory where a petitioner fails to meet the standard, approval is discretionary where a petitioner does meet the standard. RCW 36.87.060(1).
- Here, the road in question was not acquired with County funds, but was opened and maintained by the County, serving approximately 15 parcels along a bend of the Cedar River. Ex. 8. According to hearing testimony, in the 1990s the County identified this area as part of a salmon recovery plan and later a flood hazard reduction plan. Between 2002 and 2008 DNRP acquired all the other properties (other than the right-of-way) within the boundaries of what would become a natural area. Ex. 19A at 003. In 2008, the County granted the State a "Deed of Right to Use Land for Salmon Recovery" under which—in consideration of monies coming from the State's Habitat Conservation Account—the

- County agreed to make no use of the (by-then County) parcels abutting the road that are inconsistent with salmon recovery and conservation. Ex. 10.
- All of the existing private residences and the surface to the road have since been removed. Private utilities have removed their lines. Ex. 1 at 013. As the salmon recovery project has unfolded, the remaining roadbed has been bisected by a new channel, leaving the western two-thirds of the right-of-way area basically on an uninhabited island. Ex. 13 at 004. It looks more and more like the natural area that it was designed to be. It is hard to imagine a more useless "road." And habitat-related gains benefit the public.
- 7. By the close of our April 10 hearing, there was no question that the road subject to this vacation is useless and that vacation would benefit the public.

Compensation

- Where the vacation is appropriate, the petitioner must typically compensate the County. The old code, under which Road Services processed DNRP's 2012 application, set compensation for a "Class B" road such as this one at 75% of full appraised value, but gave the Council the authority to waive some or all such compensation. KCC 14.40.020. The new code, effective December 17, 2016, jettisons the 25% discount but tracks the 2016 State law change that allows a local jurisdiction to "adjust the appraised value to reflect the value of the transfer of liability or risk, the increased value to the public in property taxes, the avoided costs for management or maintenance, and any limits on development or future public benefit." RCW 36.87.120; KCC 14.40.020(A)(1).
- The appraised value of a right-of-way is our starting point for the compensation analysis, which is why such information should be included in Road Services' report to the examiner. KCC 14.40.0104(B)(6). Road Services recommended a complete waiver of compensation, but included insufficient information to allow us to make an informed recommendation to Council on this topic.
- Road Services did not include any monetary analysis because it concluded that the right-of-way has "little or no economic value." Exs. 12 at 002, 1 at 002. Viewing Road Service's property as it exists today—some of it having already been eroded completely through by a new inlet, limited to salmon recovery purposes, and abutting properties no longer capable of housing riverfront residences—it is accurate to say that the road has little or no economic value. As Road Services described it, "through DNRP's efforts to reduce flood hazard and improve salmon recovery, the river has cut channels through the parcels, creating islands within the river. What were once individual lots capable of sustaining [] private homes [] have become wildlife habitat forever dedicated to salmon recovery in conservation." Ex. 12 at 001. Yet looking at the property as it exists on the ground in 2017 views compensation through an incorrect lens.
- The "scope of the project rule" has been described by various courts and commentators in different ways over time. For example, 130 years ago the Court handled a case involving a local park commission attempting to acquire land for a park. Kerr v. South Park Com'rs, 117 U.S. 379 (1886). Once the park boundaries were announced, the value of lands adjacent to the planned-for park increased; the trial court rejected such enhanced prices in valuing land to be acquired within the park boundaries. Id. at 385. The Court

affirmed, reasoning that such special benefits or burdens arising from the prospect of establishing a public park should not figure into fair market value. *Id.* at 387. The core of the doctrine, as articulated more recently in 42 USC 4651(3), is that:

Any decrease or increase in the fair market value of real property prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, will be disregarded in determining the compensation for the property.

- 12. The concept is best explained with a simple hypothetical. Picture two somewhat adjacent, similarly-valued properties, *Parcel A* and *Parcel B*. The government decides to damn a distant river and create an artificial lake and recreation area and to acquire both properties for its project. According to project plans, *Parcel A* will be completely submerged while *Parcel B* will abut the lake. The *with*-project fair market value of the soon-to-be underwater *Parcel A* would be next to nothing, while *Parcel B* would soar as prime, lake front property. The "scope of the project rule" avoids this inequity by ignoring the market value decrease or increase associated with the project; *Parcel A* and *Parcel B* in our hypothetical would each be valued as if there was no project.
- 13. The doctrine is applicable here. The starting point for valuation for land acquired for DNRP's project is not the surface-less, washed through-road as it physically exists today, after the project removed levy or bank armoring and natural processes have started to take over. Given that rights-of-way are often assessed in reference to the dollars-persquare-foot values of abutting properties, the starting point is not even a physically intact road after the project decision was made to transform the higher value (market-wise) riverfront, residential properties into an uninhabitable conservation area. Instead the road should be valued consistent with the riverfront, residential lots in the without-project condition.
- 14. We thus held the record open and asked DNRP and Road Services for

some foundation for estimating the *without*-project value of the property and any downward adjusting factors. We are not looking to remake the wheel. We assume that DNRP had to do appraisals or assessments for the abutting properties that they acquired. Those should give Road Services relevant dollars-per-square-feet values to form the starting point for an at least back-of-the-envelope calculation for market value.

Both departments replied.

15. Road Services disagreed that valuation should consider the appraised value *without* the project, reasoning that compensation is pegged to the "appraised value of the vacated road as of the effective date of the vacation." RCW 36.87.120; Ex. 19A at 002. That

¹ The old KCC 14.40.020(A) on compensation specifically repeated this this "appraised value... as of the effective date of the vacation" language. The new code section on compensation, KCC 14.40.020, does not discuss the date, but we assume the date of vacation is still the appropriate date.

- argument conflates the *date* of the appraisal with the *hypothetical conditions* an appraiser should be instructed to follow in assessing market value as of the effective date of appraisal. A hypothetical condition is "something that is known to be contrary to fact as of the effective date of appraisal but is taken to be true for purposes of the appraisal."²
- 16. So, for example, although the exact time the natural area project was announced is not in the record, given that DNRP began acquiring other properties within the natural area boundaries (other than the right-of-way parcel) around 2002, we will use 2000 as a rough placeholder for when the project was a "go." An appraiser would not use year 2000 comparable sales data to try to arrive at a 2017 value. "Without project" is not synonymous with "pre-project." So long as, for example, a 2017 sale of riverfront property that was not adjacent to the project (where one might suspect the sale price was either enhanced by proximity to a natural area or depressed because of worries over increased public traffic) 2017 market information would provide the best information. A 2017 date of valuation does not mean an appraisal should incorporate project influences.
- DNRP also argues that "there is no project that could skew the value of the right-of-way." Ex. 19A at 003. We think a project turning abutting riverfront residential land into a natural area does skew the value of Road Service's strip of property, especially since the "land value of parcels adjacent to the County right-of-way propose for vacation" is a factor in considering appropriate compensation for a right-of-way. KCC 14.40.020(A)(1). Thus we conclude that the *without* project value of the area is the appropriate starting point for the compensation analysis.
- In response to our request for more information, Road Services provided Assessor information from 2012/2013, the last available Assessor values for abutting properties. Exs. 19A at 003, 19B & 19C. Road Services calculated an average assessed value of \$2.20 per foot, which for a 66,121-square foot property equates to about \$109,100. Ex. 19D. As assessments typically understate market value in a rising real estate market (and we take judicial notice of the almost daily news reminders that the local 2017 real estate market has climbed dramatically in the last five years), this number may be low.
- 19. On the other hand, in its recent briefing, DNRP noted that even *without* the project, the "road lies within the 100 year floodplain and the severe channel migration hazard area," making it "more likely to be subject to damage and increase maintenance need as a result of flooding, erosion, and/or deposition of debris. It was this repeated damage to private homes and property that inspired residents to sell and KC to acquire the adjacent floodplain properties." Ex. 20A at 002, 005, 006; Ex. 20B. Depending on whether the Assessor took into consideration flooding history and risk—and we cannot tell from looking through the various assessments, Exhibits 19B and 19C, whether or how this information was incorporated—the assessed values may conceivably *overstate* the fair market value of property within the natural area boundaries. In the absence of any better information, on whether or how much to adjust up or down the figure, we adopt \$109,100 as the right-of-way's most likely market value *without* the influence of the project.
- As discussed above, appraised value is the default, the ceiling that may be adjusted downward or even eliminated to account for reduced liability or risk, increased public

² The Appraisal of Real Estate, The Appraisal Institute 53–54 (14th ed. 2013).

- benefits, increased property taxes, avoided management or maintenance costs, any limits on development, and future public benefit. RCW 36.87.120; KCC 14.40.020(A)(1); see former KCC 14.40.020 (Council may waive some or all compensation).
- 21. Some of the agencies' arguments for eliminating compensation are based on *with* project conditions. For example, DNRP pointed out that since DNRP purchased the properties and removed the residences, "unfettered access to the unoccupied properties" has resulted in dumping, or the "public cost or liability associated with the isolated, unmaintained road." Ex. 20A at 002, 004. Similarly, Road Services' reference to "the properties abutting the subject right away [being] no longer suitable for any purpose other than natural area," and the post-purchase removal of the road surface and the slicing up of the road, Exhibit 19A at 004, are describing the influences of DNRP's project.
- 22. However, confining our analysis to the without project scenario, there are significant benefits to transferring ownership. First, Road Services noted that it currently costs an estimated \$18,406 to maintain a mile of road. Ex. 19A at 005. Looking at the vacation map legend, it would appear the subject property is approximately 800 linear feet or 0.1515 miles, equating to an average \$2,800 in expected annual maintenance cost. And as discussed above, DNRP described the history of flood damage in the project area, with the right-of-way and abutting properties situated in a floodplain and severe channel migration hazard area, meaning that expected maintenance might be higher here than for a road in most other environments. Second, Road Services needs to respond to dumping and other encroachments on its road properties. Id. And jettisoning rights-of-way reduces risk for liability claims; in 2016 alone the County paid out \$3,022,232 on Road Servicesrelated claims. Id. Here again, one might expect liability claims related to a road in an flood hazard area to be higher than for a more common stretch of road. And the public benefits from salmon recovery and establishment of a publically-accessible natural area. On the other hand, because the area is becoming a natural area, vacation here will not bring the increased property taxes that accompany transfers of public roads to private hands.

Conclusion

- 23. In the end, we feel somewhat boxed in. Vacation is clearly warranted. And at this point the *worst* thing that could happen to Road Services if compensation were demanded and DNRP simply elected to walk away and not take over ownership of an eroding, isolated, useless (from an economic perspective), liability-creating strip of land.³ Additionally there are no gift-of-public-funds or private benefit concerns here; the right-of-way is being transferred from one County department to another, and will continue be used for public use.
- We remain concerned that DNRP scoped a project and paid to acquire all the other property interests within the natural resource area boundaries, and yet did not set aside any funds for purchasing Road Services' property interest, leaving Road Services the only uncompensated property owner in the natural area boundaries. Our concern is

³ DNRP explained at hearing that it has closed out this natural area project and has no remaining funds in the project budget.

⁴ See previous footnote.

heightened by (and we take judicial notice of) the road budget's extreme, systemic shortfall. We do not pretend to fully grasp funding "pots" and when it is okay for one County department to pay or not pay for something received from another County department. The best we can do is sketch out the compensation issue so that it is on Council's radar screen.

RECOMMENDATION:

- 1. We strongly recommend that Council APPROVE proposed ordinance no. 2017-0078 to vacate the subject road right-of-way.
- 2. We tepidly recommend that Council WAIVE all compensation for the vacation.

DATED May 17, 2017.

David Spohr Hearing Examiner ---

NOTICE OF RIGHT TO APPEAL

A person appeals an Examiner recommendation by following the steps described in KCC 20.22.230, including filing with the Clerk of the Council a sufficient appeal statement and a \$250 appeal fee (check payable to the King County FBOD), and providing copies of the appeal statement to the Examiner and to any named parties listed on the front page of the Examiner's recommendation. Please consult KCC 20.22.230 for exact requirements.

Prior to the close of business (4:30 p.m.) on *June 12, 2017*, an electronic copy of the appeal statement must be sent to <u>Clerk.Council@kingcounty.gov</u> and a paper copy of the appeal statement must be delivered to the Clerk of the Council's Office, Room 1200, King County Courthouse, 516 Third Avenue, Seattle, Washington 98104. Prior mailing is not sufficient if the Clerk does not actually receive the fee and the appeal statement within the applicable time period.

Unless the appeal requirements of KCC 20.22.230 are met, the Clerk of the Council will place on the agenda of the next available Council meeting a proposed ordinance implementing the Examiner's recommended action.

If the appeal requirements of KCC 20.22.230 are met, the Examiner will notify parties and interested persons and will provide information about "next steps."

MINUTES OF THE APRIL 10, 2017, HEARING ON THE ROAD VACATION PETITION OF KING COUNTY WATER AND LAND RESOURCES DIVISION, DEPARTMENT OF TRANSPORTATION FILE NO. V-2669

David Spohr was the Hearing Examiner in this matter. The following people were in attendance: Leslie Drake and Jon Hansen.

The following exhibits were offered and entered into the hearing record on April 10, 2017:

Exhibit no. 1	Roads Services report to the Hearing Examiner, received March 16, 2017
Exhibit no. 2	Letter from Clerk of the Council to KCDOT transmitting petition, dated August 17, 2012
Exhibit no. 3	Petition for vacation of a county road, received August 17, 2012
Exhibit no. 4	Petitioner's vicinity map
Exhibit no. 5	Rainbow Bend plat map
Exhibit no. 6	Quit claim deed no. 1626-328 from Henry McDonald to King County, dated April 9, 1932
Exhibit no. 7	Quit claim deed no. 5925218 from Henry and Many Seijas, dated August 26, 1965
Exhibit no. 8	Site map of vacation area
Exhibit no. 9	Aerial map of vacation area
Exhibit no. 10	Deed of right to use land for salmon recovery no. 20081107000786, dated November 6, 2008
Exhibit no. 11	Email from KCDOT to agencies of final notice of road vacation, sent October 10, 2016
Exhibit no. 12	Letter from KCDOT to Petitioner approving vacation and recommending cost waiver, dated November 15, 2016
Exhibit no. 13	Letter from KCDOT to KC Council recommending approval, dated November 15, 2016
Exhibit no. 14	Letter from King County Executive to Councilmember Joe McDermott transmitting ordinance, dated February 9, 2017
Exhibit no. 15	Proposed ordinance 2017-0078
Exhibit no. 16	Fiscal note
Exhibit no. 17	Affidavit of posting, noting posting date of March 13, 2017
Exhibit no. 18	Reserved for affidavit of publication

The follow exhibits were offered and entered into the hearing record on May 9, 2017:

Exhibit no. 19 A. Road Services' supplemental memorandum, dated May 9, 2017

- B. eReal Property information for Parcels 3223069091, 3223069071, 7120400005, 7120400010, 7120400015, 7120400020, 7120400025, 7120400030, 7120400035, 7120400045, 7120400050, 7120400055, 3223069093, 3223069005, 3223069096
- C. eReal Property tax history for Parcels 3223069091,
 3223069071, 7120400005, 7120400010, 7120400015,
 7120400020, 7120400025, 7120400030, 7120400035,

7120400045, 7120400050, 7120400055, 3223069093, 3223069005, 3223069096

- D. Assessed land value worksheet
- E. Aerial map of SE 180th Street, dated 2009, 2012, and 2015
- Exhibit no. 20
- A. Applicant supplemental information, dated May 9, 2015
- B. Map of Cedar River channel migration zone, dated April 2015