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No. 95877-7

SUPREME COURT OF THE STATE OF WASHINGTON

THADDEUS C. PRITCHETT,

Petitioner,

v.

PICNIC POINT HOMEOWNERS ASSOCIATION,

Respondent

ANSWER TO PETITION FOR REVIEW

THE HUNSINGER LAW FIRM

SMITH GOODFRIEND, P.S.

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A. Introduction.

Respondent Picnic Point Homeowners Association (the Association) denied petitioner Thaddeus Pritchett's request to expand his house and increase the height of his roof by seven feet as a violation of a covenant prohibiting construction that "obstruct[s] the Puget Sound or Park view of any other parcel." The Court of Appeals correctly interpreted this covenant in accordance with its plain language, reversing the trial court's conclusion that the covenant was ambiguous and could not be applied "literally." The Court of Appeals decision presents no basis for review under RAP 13.4(b).

B. Restatement of Issues Presented for Review.

- 1. Did the Court of Appeals correctly hold that the Association's covenant barring view obstructions was unambiguous and thus should be applied "literally"?
- 2. Did the Court of Appeals correctly hold that the Fourteenth Amendment does not apply to a private organization such as the Association and that Pritchett was not prejudiced by a process that comported with basic principles of fundamental fairness?
- 3. Did the Court of Appeals act within its authority in holding that the trial court erred in ignoring the covenant's contemporaneous statement of purpose and instead relying on

statements of individual Board members made four years *after* the covenants were adopted?

4. Did the trial court manifestly abuse its discretion under the Homeowners' Associations Act, RCW 64.38.050, in finding that this was not "an appropriate case" for a fee award because the Association had acted in good faith?

C. Restatement of the Case. 1

1. The Association denied Pritchett's request to raise the roof of his house by seven feet because it would obstruct views of the Puget Sound in violation of the Association's covenants.

The Picnic Point development, located in Snohomish County, is governed by Covenants, Conditions, and Restrictions (CC&Rs) that set forth the standards for development and maintenance of property in the development. (Op. ¶ 2) The intent of the community in adopting the CC&Rs is set forth in the document's Statement of Purpose:

In adopting these Covenants, the homeowners of Picnic Point seek to preserve their community as a panoramic and tranquil alternative to city living. The homeowners seek to create a neighborhood that is safe and hospitable for families and children, where the natural beauty of the common areas is enhanced and where the spectacular views of Puget Sound and the

¹ Except where necessary to rebut specific factual assertions in the petition or provide additional detail, this restatement of the case relies on the unchallenged facts recited by the Court of Appeals.

Park areas are maintained. The Picnic Point homeowners understand that the most essential ingredient to a good neighborhood is good neighbors. The legal requirements set forth in this Declaration are therefore not intended to replace good neighborliness as a community ethic, but rather set threshold standards to preserve the proprietary interests of the community as a whole.

(Op. ¶ 2) The CC&Rs established the Association, a nonprofit corporation governed by a Board of Directors (the Board). (Op. ¶ 3)

In 1996, the Picnic Point homeowners amended the CC&Rs by a vote of 120-4 to incorporate "Section 7—View Protection." (Op. ¶¶ 4, 25) Section 7.4 provides that no structures may be "modified on any Parcel to a height which would . . . obstruct the Puget Sound or Park view of any other parcel" and that "later additions, or modifications to the initial structures may not further obstruct such views." (Op. ¶ 4; Ex. 193 at 10) In order to comply with this provision, homeowners in Picnic Point seeking to make major improvements on their houses must first submit design plans to the Picnic Point Design Committee (the Committee). (Op. ¶ 3) The Committee must approve the plans or notify the owner in writing that the plans are denied and the reasons for disapproval. (Op. ¶ 3)

On May 1, 2009, Pritchett submitted design plans to the Committee that would raise the roof of his house by seven feet and expand his house by more than 2,000 square feet. (Op. ¶¶ 6-7; RP

98-99, 215-17) The Committee was chaired by James McArthur, an aerospace engineer who could read plans such as those submitted by Pritchett; McArthur in fact pointed out mistakes in Pritchett's plans. (Op. ¶ 7; Ex. 39; RP 590-92) After an initial investigation found no view obstructions, on May 28, 2009, Brian Bookey, a Board member,² emailed McArthur stating that the proposed remodel might obstruct the view from his house: "I can see the roof of one of the houses on that block from my deck. If it is Lot 55, then there is a view issue from multiple houses on my street if the roof is to be higher than it is now." (Op. ¶¶ 7-10)

McArthur asked Pritchett if he would be willing to place stakes on the roof of his house to determine if any houses in the upper parts of the development would be impacted by the remodel; Pritchett agreed. (Op. ¶ 12) Three Committee members then went to Bookey's house to inspect the view of Puget Sound and determine whether the

² In the unlikely event review is granted, this Court should also review the Court of Appeals erroneous affirmance of the trial court's finding that Brian Bookey was the President of the Board at the time it reviewed Pritchett's proposal. (Op. ¶ 8, n.2) The emails relied on by the trial court (Exs. 12, 17) say nothing about Bookey being President of the Board and undisputed testimony established that Greg Oliver, not Bookey, was President. (4/4 RP 24, 44; Ex. 113)

remodel would result in a view obstruction. (Op. ¶ 7)³ The group was not able to clearly see the stakes with the naked eye (it was a hazy day and the stakes were thin), but after using a telescope, the group determined that the stakes were "clearly visible" and that the remodel would obstruct the view from Bookey's house. (Op. ¶ 12; FF 14, 16, CP 113-14) The Committee documented the view obstruction with pictures, and forwarded those pictures to Pritchett. (FF 15, 17, CP 114-15)

Because Pritchett's proposed expansion would obstruct his neighbors' views of Puget Sound, the Committee rejected his plans, stressing that "[t]he essence of Picnic Point, as a community, are the views provided to many of the homeowners" and that a "view encroachment by a permanent structure, regardless of how much, is a precedent the Design Committee does not want to start." (FF 25, CP 118; Ex. 90) Pritchett then submitted another proposal that, like the first, raised the roof of his house by seven feet. The Committee rejected the proposal. (Op. ¶ 14; Ex. 126)

³ Pritchett wrongly states that McArthur went to Bookey's house with the other Committee members. (Pet. 3) McArthur was actually out of town. (FF 11, 14, CP 112-13)

2. After the trial court overturned the Association's decision, the Court of Appeals reversed because the trial court erroneously held the CC&Rs were ambiguous.

Pritchett filed this action seeking a declaratory judgment that his proposal did not violate the CC&Rs and that the Association had acted unreasonably by denying his proposal. (Op. ¶ 15) Following a bench trial, the trial court concluded the phrase "obstruct the Puget Sound or Park view of any other parcel" was ambiguous because "[i]t refers to no objective standard against which it can be measured" and "inherently requires the use of subjective discretion to determine what view exists and whether it is obstructed." (CL 3, CP 122) The trial court then relied on minutes from an Association meeting in 2000, four years after Section 7 of the CC&Rs was adopted, in which a former Board member stated that with respect to view obstructions by trees the CC&Rs should be enforced with "a certain amount of flexibility." (CL 4, CP 122-23 (citing Ex. 197)) The trial court concluded that "[c]learly[] the original intent of the CC&Rs with respect to the view restriction was that it was not to be literally and strictly construed" and thus "[t]he Design Committee is required to use a flexible approach on a case-by-case basis." (CL 5, CP 123)

Applying for itself this "flexible," "case-by-case" approach the trial court determined that Pritchett's view obstruction of Puget Sound

was too small to warrant enforcement of Section 7.4. (CL 6-7, CP 123-24) The trial court also held that various aspects of the Association's investigation deprived Pritchett of due process, e.g., allowing impacted neighbors to weigh in on the proposal and having five volunteers on the Committee when the Association's bylaws called for three, reasoning that "[a]lthough the 'appearance of fairness doctrine' has not been applied to non-governmental organizations such as homeowners associations . . . procedural due process does apply." (CL 21, CP 129) The trial court entered judgment in favor of Pritchett, directing the Association to issue an approval letter and awarding him \$298,784 in damages. (Op. ¶ 15) The trial court denied Pritchett's request for prevailing party attorney's fees under the Homeowners' Associations Act, RCW 64.38.050, finding this was not "an appropriate case" to award fees because though it believed the Association had erroneously interpreted the CC&Rs, it found the Association had not acted in bad faith. (Op. ¶ 15; CP 35)

The Court of Appeals reversed, holding the trial court erred in concluding the language of the CC&Rs was ambiguous and could not be enforced "literally." (Op. ¶¶16-33) The Court of Appeals reasoned that "Section 7.4 is clear and unambiguous" and "an unqualified prohibition, suggesting that *any* obstruction of existing views, no

matter how minimal, is prohibited." (Op. ¶20) The Court of Appeals also reversed the trial court's conclusion that the Association had deprived Pritchett of procedural due process, reasoning that as a private actor the Association could not violate Pritchett's due process rights. (Op. ¶¶ 34-37) Having reversed, the Court of Appeals declined to address Pritchett's cross-appeal claiming the trial court abused its discretion by denying him attorney's fees under RCW 64.38.050. (Op. ¶¶ 38-39)

D. Argument Why Review Should Be Denied.

1. The Court of Appeals' application of wellsettled principles for interpreting restrictive covenants presents no basis for review.

The Court of Appeals correctly held that the trial court erred in ignoring the plain language of Section 7.4 and imputing a *de minimis* exception into the CC&Rs that conflicted with the intent of the Picnic Point homeowners to maintain their "spectacular" and "panoramic" views. The Court of Appeals decision does not, as Pritchett asserts, address an issue of "first impression" that is of substantial public interest nor does it conflict with any Washington precedent. It presents no basis for review under RAP 13.4(b).

"The court's primary objective in interpreting restrictive covenants is to determine the intent of the those establishing the

covenants." Riss v. Angel, 131 Wn.2d 612, 621, 934 P.2d 669 (1997). "Interpretation of a restrictive covenant presents a question of law" and a court will "give covenant language its ordinary and common use and will not construe a term in such a way so as to defeat the plain and obvious meaning." Wilkinson v. Chiwawa Communities Ass'n, 180 Wn.2d 241, 249-50, ¶¶ 12-13, 327 P.3d 614 (2014) (internal quotations omitted). Though this court previously favored the free use of land, it now gives "paramount consideration" to the purpose of a covenant. Riss, 131 Wn.2d at 623.

When interpreting covenants, this Court applies the "context rule" that allows "a court to look to extrinsic evidence to discern the meaning or intent of words or terms . . . even when the parties' words appear to the court to be clear and unambiguous." *Hollis v. Garwall, Inc.*, 137 Wn.2d 683, 693, 974 P.2d 836 (1999). Extrinsic evidence, however, "illuminate[s] what was written, not what was intended to be written" and thus courts may not consider extrinsic evidence "that would vary, contradict, or modify the written word' or 'show an intention independent of the instrument." *Wilkinson*, 180 Wn.2d at 251, ¶ 13 (quoting *Hollis*, 137 Wn.2d at 695).

Far from being a "case of first impression," (Pet. 1, 5, 7, 8, 10, 22) the Court of Appeals correctly applied these well-established principles

to hold the trial court erroneously interpreted the CC&Rs. As the Court of Appeals explained, the language of Section 7.4 contains "an unqualified prohibition" against "the construction or modification of existing structures that would 'obstruct the Puget Sound or Park view of any other parcel." (Op. ¶ 20) Contrary to the trial court's holding, nothing about this language suggests it should be applied "flexibly" and not "literally" because – as this Court has recognized – the lack of qualifying terms in a covenant does not create ambiguity. See Wilkinson, 180 Wn.2d at 252, ¶ 15 (holding that covenant's "silence as to duration [of permissible rentals] does not create ambiguity"); see also Cerrillo v. Esparza, 158 Wn.2d 194, 203-04, ¶ 12, 142 P.3d 155 (2006) ("For a statute to be ambiguous, two reasonable interpretations must arise from the language of the statute itself, not from considerations outside the statute.") (emphasis added).

The Court of Appeals thus correctly rejected the trial court's imputation of an unwritten *de minimis* exception into the CC&Rs, which would impermissibly "modify the written word." *Wilkinson*, 180 Wn.2d at 25, ¶ 13; *Hollis*, 137 Wn.2d at 697 (rejecting interpretation that "would require this court to redraft or add to the language of the covenant"). Its decision is consistent with this Court's prior refusal to add a *de minimis* exception to unambiguous

language. See, e.g., Cerrillo, 158 Wn.2d at 203, ¶¶ 11-12 (rejecting the "importation . . . of a limitation contrary to the express language of the statut[e]," which applied to "any individual employed' without further qualification"); see also Davis v. State, Dep't of Transp., 138 Wn. App. 811, 820, ¶ 20, 159 P.3d 427 (2007) (refusing to add de minimis exception because language was "unambiguous and clear"), rev. denied, 163 Wn.2d 1019 (2008).4

The Court of Appeals also correctly relied on the CC&Rs' Statement of Purpose, which set forth the "paramount consideration" for interpreting the CC&Rs. *Riss*, 131 Wn.2d at 623. The Statement of Purpose, included on the first page of the CC&Rs, makes clear the Picnic Point homeowners' desire to "maintain" "the spectacular views of Puget Sound," which benefit "the community as a whole":

⁴ Pritchett did not, as he now asserts, argue "that the trial court ruled correctly" because he "in no way blocked or cut off Bookey's line of vision." (Pet. 9) Pritchett instead conceded his proposal would obstruct views, but insisted that a "de minimis reduction" was not precluded by the CC&Rs because it did not "complete[ly] obscure[] . . . a complete view." (Resp. Br. 32)

In adopting these Covenants, the homeowners of Picnic Point seek to preserve their community as a panoramic and tranquil alternative to city living. The homeowners seek to create a neighborhood ... where the spectacular views of Puget Sound and the Park areas are maintained. ... The legal requirements set forth in this Declaration are ... not intended to replace good neighborliness as a community ethic, but rather set threshold standards to preserve the proprietary interests of the community as a whole.

(Op. ¶ 2 (emphasis added)) The trial court nowhere acknowledged this Statement of Purpose, nor does Pritchett acknowledge it now.

Rather than heed the plain language and intent of the CC&Rs, the trial court erroneously concluded that "[t]he *only* record of the intention of the drafters of this covenant" is contained in statements by former Board members made four years *after* adoption of Section 7.4 concerning obstructions by trees, not remodels. (CL 4, CP 122-23 (emphasis added)) The Court of Appeals correctly held these statements were irrelevant because "the intent of the homeowners who voted to adopt the covenants cannot be discerned through the post-hoc statements of individual Board members." (Op. ¶ 30 (listing cases)) The Court of Appeals also correctly held that the trial court erred by ignoring the extrinsic evidence that was *contemporaneous* with adoption of Section 7.4 because "[i]t was during this time that the covenants were drafted, the drafters explained the proposal to the

homeowners, and the homeowners who voted 'yes' formed their reasons for so doing." (Op. ¶ 30) *See Hollis*, 137 Wn.2d at 695 (court may consider evidence "surrounding" adoption of a covenant).

No authority "demanded" that the Court of Appeals define the term "obstruct" for "application . . . in other cases" (Pet. 7-10), an assertion that misconstrues both the issue in this case and the role of The trial court nowhere defined the term courts generally. "obstruct," and instead ruled only that the term, whatever its meaning, must be applied "flexibly" and not "strictly" or "literally." (CL 5, CP 123) The issue before the Court of Appeals was whether that ruling was error, and, as discussed *supra*, the Court of Appeals correctly resolved that issue, refuting Pritchett's contention it failed to resolve the "central issue" in this case. (Pet. 8) Pritchett's request that this Court issue a definition of the term "obstruct" as used in other homeowner covenants is a request for an advisory opinion that could not, contrary to his assertion, apply "across the State of Washington." (Compare Pet. 10, with Matter of Estate of Burns, 131 Wn.2d 104, 113, 928 P.2d 1094 (1997) ("general statements... are to be confined to the facts and issues of that particular case").

Far from "improperly tilt[ing] the balance of power" in favor of neighborhood associations (Pet. 7), the Court of Appeals properly

upheld the will of the Picnic Point homeowners. This Court has affirmed that courts must "place special emphasis on arriving at an interpretation that protects the homeowners' collective interests." Riss, 131 Wn.2d at 623-24 (emphasis added; quotation omitted). The trial court improperly ignored the homeowners' collective interest, confirmed by their 120-4 vote adopting Section 7.4, in the preservation of the Picnic Point community's "panoramic" and "spectacular" views. The Court of Appeals correctly recognized that "[t]he Association reasonably believes that applying the CC&Rs flexibly will result in the inconsistent application of the covenants and will allow homeowners to 'nibble away [at views] 2 feet at a time'" (Op. ¶ 31), a result the Association has tried to avoid by consistently enforcing Section 7.4. (See RP 599-602; see also Riss, 131 Wn.2d at 625 ("a standard will not be enforced where it has been applied . . . inconsistently").

This Court has addressed the principles for interpreting and applying homeowner covenants in *Hollis, Riss,* and, most recently, in *Wilkinson*. The Court of Appeals hewed to that precedent, applying established principles of interpretation in holding that the trial court erroneously refused to adhere to the plain language of the Picnic Point CC&Rs. This Court should deny review.

2. The Court of Appeals correctly reversed the trial court's application of the Fourteenth Amendment to a private organization.

Correctly recognizing that "the 'appearance of fairness doctrine' has not been applied to non-governmental organizations," the trial court nonetheless held that "procedural due process does apply" and that the Association had committed a "procedural due process violation" in denying Pritchett's proposal. (CL 16-22, CP 127-30) Rather than defend this ruling, Pritchett misrepresents the Court of Appeals decision as holding that neighborhood associations "are not bound by the procedural rules in their governing documents." (Pet. 11) The Court of Appeals issued no such holding, but rather held that "[t]he Association is a private entity that could not have violated Pritchett's procedural due process rights by denying his proposal" because "[t]he Fourteenth Amendment's due process clause limits the activities of state actors." (Op. ¶ 36) That holding is undeniably correct and presents no basis for review.5

⁵ The Court of Appeals decision in no way conflicts with *Meresse v. Stelma*, 100 Wn. App. 857, 999 P.2d 1267 (2000) (Pet. 13-15). *Meresse* did not involve an association's actions under a consent-to-build covenant, but rather was "a restrictive covenants interpretation case," in which the Court of Appeals held a covenant prohibited the relocation of a road without unanimous agreement of the homeowners. 100 Wn. App. at 863, 867.

Having tacitly conceded the Court of Appeals actual holding was correct, Pritchett argues the Court of Appeals should have affirmed on the alternate ground that the Association committed "procedural violations of the CC&Rs." (Pet. 11-13) As addressed in the Association's briefs, the trial court's own findings establish that the Association provided Pritchett a full and fair process by visiting his home, canvassing the neighborhood, conducting a pole study to determine view obstructions, providing him the pictures documenting that study, and inviting him to see for himself the view obstruction – an invitation he declined. (App. Br. 29-42; Reply Br. 13-25) Only after this thorough investigation found Pritchett's proposed home expansion would obstruct views – an undisputed fact – did the Committee deny his proposal.

To this day, Pritchett has never explained how the fairness of the Association's decision was in any way undermined by supposed procedural deficiencies, *e.g.*, having extra volunteers serve on the Committee, having the Committee consult the Board after deciding to deny Pritchett's proposal, or having affected neighbors weigh in on his proposal. Indeed, this Court has recognized that the fact a neighbor will be impacted by a proposal does not create a "conflict of interest," as Pritchett asserts (Pet. 14), but rather that the

"[o]bjections of neighbors should not be discouraged—that is often how restrictive covenants are enforced." *Riss*, 131 Wn.2d at 629.

Indeed, in its decision denying Pritchett's request for attorney's fees the trial court itself favorably compared the Association's investigation to those that have been upheld as reasonable, finding that "the manner in which the [Association] directors conducted their review of Mr. Pritchett's proposed remodels was much more similar to the acts of the directors in *Green* and *Heath* than in *Riss* and *Day*,"6 because it was not "steeped in bad faith," but rather "more objective and less biased." (CP 35) While an appellate court *may* affirm for reasons not articulated by the trial court, RAP 2.5(a), it is not required to do so and here the Court of Appeals correctly refused to affirm the trial court's conclusions of law

⁶ See Heath v. Uraga, 106 Wn. App. 506, 515, 518, 24 P.3d 413 (2001) (association conducted reasonable investigation by using "pole measurement to determine the extent of view impairment"; rejecting argument view committee acted unreasonably by "seeking input from non-Committee advisors"), rev. denied, 145 Wn.2d 1016 (2002); Green v. Normandy Park, 137 Wn. App. 665, 694, ¶ 70, 151 P.3d 1038 (2007) (association "made a reasonable and objective investigation" by "consider[ing] the views of neighbors... and visit[ing] the site of the proposed construction"), rev. denied, 163 Wn.2d 1003 (2008); Riss, 131 Wn.2d at 627-28 (investigation unreasonable where association "fail[ed] to even view the site"); Day v. Santorsola, 118 Wn. App. 746, 759, 76 P.3d 1190 (2003) (association acted unreasonably because it relied on unverified study performed by neighbor and did not conduct its own study), rev. denied, 151 Wn.2d 1018 (2004).

that were unsupported by its own findings. *Landmark Dev., Inc. v.*City of Roy, 138 Wn.2d 561, 573, 980 P.2d 1234 (1999) ("findings of fact [must] support the trial court's conclusions of law").⁷

That homeowners' associations have the power to affect property rights (Pet. 12-13), is both an unremarkable proposition and one that needs no clarification by this Court. This Court has long recognized that homeowners can impose upon themselves restrictive covenants and that when they do an association is empowered to protect the homeowners' collective interests. *Riss*, 131 Wn.2d at 624 ("Covenants providing for consent before construction or remodeling have been widely upheld, even where they vest broad discretion in a homeowners association"). The Association – consistent with the power granted to it by the Picnic Point homeowners – denied Pritchett's proposal because it would

⁷ In particular, the trial court's conclusion that the Board "intervened" in the Committee's decision – a conclusion relied on heavily by Pritchett – is refuted by its finding that the Committee made the decision to deny the proposal and then "turned their recommendation over to the Board." (FF 15, CP 114; see also FF 16, CP 114-15 (committee "collectively made a decision to recommend denial" because it was concerned about "negative precedent for future projects"); FF 25, CP 118 (citing Ex. 90)) As with the other alleged deficiencies in the Association's process, Pritchett nowhere explains how any "intervention" by the Board prejudiced him given the undisputed finding that the Committee agreed his proposal should be denied before the Board weighed in on the proposal.

undisputedly obstruct his neighbors' views of the Puget Sound.

Nothing about that decision merits review under RAP 13.4(b).

3. The Court of Appeals properly addressed the questions before it – whether the trial court erred in interpreting the CC&Rs and applying procedural due process to the Association.

Pritchett's contention that the Court of Appeals exceeded its authority is meritless. The Court of Appeals nowhere made "new factual findings" (Pet. 16), but instead addressed the questions of law raised by the Association – interpretation of covenant language and application of due process. *Wilkinson*, 180 Wn.2d at 249, ¶ 12; *Durland v. San Juan County*, 182 Wn.2d 55, 70, ¶ 25, 340 P.3d 191 (2014) ("the applicability of the constitutional due process guaranty is a question of law subject to de novo review"). Pritchett, not the Court of Appeals, ignores "black-letter appellate procedural law." (Pet. 2)

4. The trial court's discretionary decision to deny Pritchett's request for attorney's fees presents no issue for review.

Even should this Court accept review of another issue, it should not review the trial court's denial of attorney's fees under the Homeowners' Associations Act, RCW 64.38.050, which allows a trial court to award fees to a prevailing party "in an appropriate case." (Pet. 19-22) The trial court denied Pritchett fees because despite

believing (erroneously) the Association violated Pritchett's right to procedural due process, it found that the Association did not act in bad faith. (CP 35) Not surprisingly, Pritchett cites no authority for overturning this decision, which he concedes was "discretionary" (Pet. 19), and instead simply parrots the trial court's erroneous conclusions regarding the Association's "strict construction" of the CC&Rs. (Pet. 21-22) The trial court's discretionary determination that the particular facts of this case did not make it an "appropriate case" for a fee award is not of substantial public interest (Pet. 19), and it presents no basis for review under RAP 13.4(b)(4).

E. Conclusion.

This Court should deny review.

Dated this 18th day of July, 2018.

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DECLARATION OF SERVICE

The undersigned declares under penalty of perjury, under the laws of the State of Washington, that the following is true and correct:

That on July 18, 2018, I arranged for service of the Answer to Petition for Review, to the Court and to the parties to this action as follows:

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DATED at Seattle, Washington this 18th day of July, 2018.

Andrienne E. Pilapil

SMITH GOODFRIEND, PS

July 18, 2018 - 3:10 PM

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