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No. 39382-8-III 102863-6

# COURT OF APPEALS, DIVISION III, OF THE STATE OF WASHINGTON

# CYNTHIA HEBERT and JAMES D. HEBERT, husband and wife,

Petitioner,

v.

# SPRING CREEK EASEMENT OWNERS ASSOCIATION (RMA) BOARD OF TRUSTEES,

Respondents.

### PETITION FOR REVIEW

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#### A. INTRODUCTION AND IDENTITY OF PETITIONER

This case concerns statutory redemption, an often "confused" mechanism of Washington law. Marjorie Dick Rombauer, § 3.19. Statutory redemption, 27 WASH. PRAC., CREDITORS' REMEDIES – DEBTORS' RELIEF § 3.19 (2022). Until this case, the rule in Washington has long been that "redemption statutes [are] remedial in nature, designed to help creditors recover their just demands, nothing more." GESA Fed. Credit Union v. Mut. Life Ins. Co. of New York, 105 Wn.2d 248, 255, 713 P.2d 728 (1986). Superior courts have always had power in equity to prevent forfeitures and void foreclosure sales that are "surrounded by unfair...circumstances." Millay v. Cam, 135 Wn.2d 193, 202, 955 P.2d 791 (1998); *Albice v. Premier Mortg.* Servs. of Washington, Inc., 157 Wn. App. 912, 239 P.3d 1148, 1158 (2010), aff'd, 174 Wn.2d 560 (2012).

Division III ignored these guidelines, affirming where the trial court held it had no power to entertain equitable relief to prevent the unjust forfeiture of Cythnia and James Hebert's

family home that was sold at sheriff's sale to a speculative real estate company to satisfy a judgment. The Heberts posted a substantial sum, what they thought the court had ordered as the amount necessary to redeem the property. Due to a comedy of errors, including the trial court's own failure to enter proper orders and clarify its rulings, their family home was forfeited, providing the company that bought it at sheriff's sale an inequitable windfall.

Review is warranted because Division III's decision conflicts with published precedent and is contrary to important public policy in Washington that protects families like the Heberts from forfeiture and foreclosure when equity demands it. RAP 13.4(b)(1), (2), (4). If left undisturbed, Division III's opinion will leave Washingtonians more vulnerable to foreclosure and predatory tactics going forward. Review is necessary.

#### B. COURT OF APPEALS DECISION

Division III of the Court of Appeals issued an opinion in

Cause No. 39382-8-III on February 6, 2024. The slip opinion is attached as an appendix.

#### C. ISSUE PRESENTED FOR REVIEW

Does a trial court have power to provide equitable relief to the statutory redemption process and/or allow a party the opportunity to cure a deficiency with redemption if equity demands to prevent the unjust forfeiture of a family home, thereby preventing an inequitable windfall to a speculative purchaser in a foreclosure sale?

#### D. STATEMENT OF THE CASE

The background facts of this dispute are undisputed and deceivingly simple. Cynthia and James Hebert own real property in Kittitas County that is part of Spring Creek Easement Homeowners Association. A dispute arose over interpreting the community's covenants; the Heberts lost. The trial court entered a judgment that awarded Spring Creek \$69,345.40 related to unpaid assessment, largely inflated by costs and attorney fees. CP 104-09. The principal dispute was over less than \$22,000. CP 30. The judgment included a decree of foreclosure because the disputed, unpaid assessments attached as a lien to the

property. *See* RCW 64.90.485. The Heberts appealed, and in an unpublished opinion Division III confirmed the award and awarded additional contractual attorney fees and costs on appeal. *Hebert v. Spring Creek Easement Owners Ass'n*, 16 Wn. App. 2d 1084, 2021 WL 1103602 (2021).

On remand, the Heberts allowed the property to be sold at sheriff's sale to satisfy the judgment, and they planned to exercise their right to redeem their property under chapter 6.23 RCW. Filbert Hill LLC bought the property for \$152,617.00, depositing that amount in the court registry. CP 112-11. The Heberts filed a notice of intent to redeem the same day the property sold. CP 116-17. Under the redemption statute, they had up to eight months to redeem the property by paying the purchase price and other costs. RCW 6.23.020(2). The Heberts continued to pay property taxes on the property by tendering them to their escrow account. CP 426-27.

Again, as the notice of sale reflected, the property sale was meant to satisfy the outstanding judgment against the Heberts,

which they could avoid "by paying the judgment amount of \$69,345.40, together with interest, costs and fees, before the sale date." CP 113. The Heberts contacted Spring Creek to calculate exactly how much interest, costs, and fees had accrued so they could redeem the property, and Spring Creek gave them at least five amounts, ranging from \$95,000 to \$172,780.19. CP 118.

Because of this confusion, the parties returned to court a few months after the sale. Spring Creek brought a motion to supplement the latest judgment, to add fees, costs, and additional assessments, claiming the Heberts owed \$161,137.71. CP 45-49. By then, Filbert Hill had appeared in the case, but it did not join in or oppose Spring Creek's motion. CP 42-44. The Heberts opposed the motion, calculating that they owed around \$135,000, reflecting interest and fees that had accrued on the judgment that the sale satisfied. CP 119.

The Kittitas County Superior Court, the Honorable Scott Sparks, agreed with the Heberts. The court entered a detailed ruling – Findings Conclusions and Order on Motion Confirming

Sheriff's Sale of Real Property. In the order, the court gave precise instructions for how the Heberts could redeem the property:

The Sheriff's Sale conducted on December 10, 2021 is hereby confirmed, pursuant to RCW 6.23.080. Plaintiffs retain the right to redeem the subject real property upon payment of the sum of \$135,323.03 into the Court Registry. Upon redemption, the Clerk of the Court shall disburse the sum \$135,323.03 from the Court Registry to Defendant and refund the balance to Filbert Hill, LLC. Plaintiffs' redemption must be effected by 4:30 p.m. on August 10, 2022. Should Plaintiffs' fail to redeem the subject real property in a timely fashion, the Sheriff shall issue a Sheriff's Deed in favor of the successful bidder, Filbert Hill, LLC, forthwith and the Clerk of the Court shall disburse all funds in the Court Registry to Defendant.

CP 153. Two days later, Filbert Hill acknowledged that ruling and tendered the Sheriff's certificate of sale to the trial court. CP 195-96. The Heberts posted \$135,323.03 as ordered by the court in the court's registry before the redemption period ran. CP 419.

Spring Creek moved for reconsideration, rearguing that it was entitled to more fees and assessments. CP 159-70. Again, Filbert Hill did not join in or oppose that motion. By letter ruling,

the trial court granted reconsideration to some extent. CP 230-31. But its short letter ruling was unclear in several respects.

First, the court stated that it was "in error when it denied (in part) the motion to supplement the judgment, because Spring Creek was and is not seeking to collect any funds accrued post Sheriff sale." CP 230. Beyond this one sentence, the court declined to clarify what other "parts," *if any*, of its prior order were erroneous.

Second, the court did not vacate its prior order. Instead, it said it "rectifies the error referenced above by the entry of the *Supplement Judgment* filed this date." CP 230. Thus, because it did not vacate the prior order, the provisions of the prior order on the procedures for redeeming the property seemingly remained in effect. Neither Spring Creek nor Filbert Hill ever appealed that order.

Third, the supplemental judgment the court entered was missing an entire page. CP 232-34 (appendix). There was a judgment summary on the first page listing \$182,523.42 owed in

total, but there was no accounting of how the court reached that amount. CP 233. What amounts it did list, beyond the judgment summary, were less than \$12,000. *Id.* There was therefore no way to tell if the judgment summary was accurate, or how the trial court arrived at that figure. Its letter ruling, for example, did not explain its reasoning. CP 230-31.<sup>1</sup>

Finally, unlike prior judgments, this judgment gave no indication that it attached to the real property as a lien or otherwise affected property *in rem* – it merely constituted a freestanding *in personam* judgment against the Heberts personally. CP 232-34.

The Heberts moved for reconsideration and/or clarification, pointing out these obvious errors. CP 236-46. By then, the eight-month redemption period was nearly over. The Heberts pleaded with the trial court to clarify the significance of

<sup>1</sup> The supplemental judgment also awarded attorney fees, but nowhere did it make any findings supporting its fee award or amount. CP 232-34.

the new, incomplete judgment: "Given the proximity of the redemption date, August 10, 2022, it is imperative that this Court give Plaintiffs a firm redemption/upset figure well prior to that date so that funds necessary can be marshalled." CP 245 (emphasis in original). The Heberts also asked for oral argument. CP 246.

Without hearing argument or even calling for a response, the trial court denied the Heberts' motion by a two-sentence letter ruling. CP 281. It refused to offer any clarification, not even correct the missing pages from the freestanding "Supplemental Judgment" it entered. *Id.* Left with no clarification what that *in personam* supplemental judgment meant, and ruling seemingly still in place that the sheriff sale was "confirmed" and the Heberts "retain the right to redeem the subject real property upon payment of the sum of \$135,323.03 into the Court Registry," the Heberts did exactly that. CP 419, 426-27.

About six weeks after the redemption period passed, Spring Creek and Filbert Hill brought motions to distribute the funds of the sale to Spring Creek and turn over possession of the property to Filbert Hill. CP 284-86, 298-304.

In its motion, Filbert Hill argued for yet another number (not the one in the incomplete supplemental judgment) that the Heberts needed to post to redeem the property, \$177,224.18. CP 300. Even though it never made this argument before and never appealed or even challenged the order setting a redemption amount, Filbert Hill argued that this number represented the amount of its bid, plus additional assessments and interest that accrued on the property as required to redeem the property under RCW 6.23.020. CP 298-304. It argued that the \$135,323.03 the Heberts posted in the court registry at the instruction of the trial court was not enough. CP 300-01. It therefore argued that "no redemption" occurred under the statute. *Id*.

The Heberts opposed these motions. CP 494-533. They argued that they did not have to post more than the \$135,323.03 specifically ordered by the Court to redeem the property, which they did. CP 427, 434. They argued that the supplemental

judgment was inadequate to impose a new *redemption* obligation. CP 494-533. At best, it was vague and unclear. *Id.* And they argued that the Heberts had a right to rely on the court's order that \$135,323.03 paid to the court registry would satisfy their redemption obligations as a matter of equity, particularly where Filbert Hill did not appeal that order and never raised the argument that the court's redemption instructions were insufficient until after the redemption period passed. *Id.* 

Despite its prior ruling that \$135,323.03 was the proper redemption amount, the trial court sided with Filbert Hill that the Heberts owed up to \$177,224.18 to properly redeem the property because that represented the "bid amount" plus assessments and interest under RCW 6.23.020(2). CP 368-71; RP 14. It then explained that despite its prior unclear instructions, it believed it had no power to grant any equitable relief and the Heberts should lose the property they tried to redeem:

So the question then becomes: Does the Court have the equitable -- now, if the law wasn't met, does the Court have the equitable power to waive the requirement of the law? And as I sit here today, I think the answer is no. So what I think needs to happen today is the Court needs to enter [Filbert Hill's] order.

#### RP 14.

The court invited the Heberts to move for reconsideration and provide authority for the court to grant equitable relief. RP 14-15. The Heberts provided authority showing that equity applies to redemption statutes and that doctrines of judicial estoppel, substantial compliance and equitable tolling applied. CP 374-87. The Heberts also requested oral argument. CP 374. The court refused to hear oral argument and denied the motion, thereby ruling their valuable family home was forfeited to Filbert Hill to satisfy the judgment. CP 477-78.

On appeal, Division III affirmed. Division III dodged the central question presented in the appeal – does a court have equitable power to prevent forfeiture and allow a party to cure technical defects in the statutory foreclosure process? Instead, it relied on another technical argument, that the Heberts should

have followed or appealed from the incomplete supplemental judgment. Op. 6-12. As discussed below, this makes little sense where the supplemental judgment was unclear, incomplete, and entered personally against the Heberts with nothing tying it to the property or foreclosure sale. Statutory redemption does not rely on *in personam* judgments, it relies on the foreclosure sale price, and courts have authority to provide equitable relief to prevent forfeitures or other unjust outcomes, contrary to the trial court's ruling.

This timely petition follows.

#### E. ARGUMENT WHY REVIEW SHOULD BE GRANTED

### (1) A Brief Background on Redemption Rights

There are several types of redemption rights, which, as commentators have noted, are often confused. Rombauer, 27 WASH. PRAC., CREDITORS' REMEDIES – DEBTORS' RELIEF § 3.19. Washington is among various states that has some form of statutory redemption. *Id*.

The redemption statute at issue, chapter 6.23 RCW, dates

back to 1897, yet there are few authorities interpreting it. Spring Creek cited no case law when moving to reconsider the trial court's order that first set the redemption procedures and amount, CP 159-70, and Filbert Hill cited no case law when moving to issue a sheriff's deed after the redemption period passed. CP 298-304.

That said, this Court has at least made clear that "redemption statutes [are] remedial in nature, designed to help creditors recover their just demands, nothing more." *GESA*, 105 Wn.2d at 255 (quotation omitted). They offer a creditor the chance to recover amounts owed while avoiding forfeitures, which Washington courts disfavor both "at law" and in "equity." *Id*.

The redemption statutes allow a party to purchase foreclosed property that secures a debt or lien, like the Heberts' property in this case. The debtors then have the option to redeem the property after the sale. As commentators have noted, calling this process "redemption" can be misleading, "perhaps it should

have been called 'purchase option' instead of 'redemption." Rombauer, *supra*. Regardless, the statute aims to give the debtor "a grace period, beyond the sale, to salvage something. If they cannot personally come up with the money to redeem, they may sell their redemption rights to someone else for, hopefully, enough to recoup some of their losses." *Id*.

Ordinarily, a debtor redeems foreclosed property by paying what the purchaser paid, plus some fees, taxes, and other recoverable expenses listed by statute. RCW 6.23.020. The Heberts concede that this did not occur. Instead, after they and Spring Hill disagreed over the amount owed, they went to court to try to get clarity. The Heberts deposited \$135,323.03 into the court registry according to the trial court's order, but Filbert Hill paid \$152,617.00, plus several thousand dollars in recoverable assessments, which technically should have set the redemption amount under RCW 6.23.020.

As discussed below, the trial court erred by refusing to grant equitable relief to allow the Heberts to cure this technical

error. Published precedent establishes that equitable relief is available to cure faulty redemption, and the Heberts scrupulously tried to redeem their property starting the same day it sold and they filed a notice of intent to redeem. They followed the trial court's order outlining how redemption would work. And, with knowledge of that order, Filbert Hill failed to object or offer any argument that the amount and procedure set in the trial court's order was insufficient until six weeks after the redemption period passed.

Division III got this case wrong; the trial court had authority at law and equity to prevent the forfeiture of a valuable home because the redemption amount posted was just a fraction less than it technically should have been in an attempt to follow what seemed to be a valid court order. As explained below, Division III's opinion creates conflicts in law and creates bad public policy, with broad implications for Washingtonians, that warrant this court's attention. RAP 13.4(b)(1), (2), (4).

# (2) <u>Division III's Opinion Creates Conflicts with</u> <u>Established Precedent, Warranting Review</u>

This case is well-suited to Supreme Court review because it presents a purely legal question that has substantial importance to property owners facing possible foreclosure. "[T]he question of whether equitable relief is appropriate is a question of law." *Niemann v. Vaughn Cmty. Church*, 154 Wn.2d 365, 374, 113 P.3d 463 (2005). While appellate courts may give some deference to any factual determinations made by a trial court, this Court reviews questions of law including whether equitable relief is appropriate *de novo*. *Id*. Moreover, in the absence of clarifying authority from this Court, this problem will recur, to the detriment of debtors.

Here, the trial court committed legal error when it ruled it had no power to grant equitable relief, and Division III wrongfully affirmed, creating conflicts in established precedent. RAP 13.4(b)(1), (2).

Our superior courts have plenary powers to hear matters

in equity, powers that flow directly from our state constitution. Wash. Const. art. IV, § 6. It has long been a practice of Washington courts to apply equity in the context of foreclosure sales executed to satisfy judgments. *See*, *e.g.*, *Albice v. Premier Mortg. Servs. of Washington, Inc.*, 157 Wn. App. 912, 935, 239 P.3d 1148, 1159 (2010), *aff'd*, 174 Wn.2d 560 (2012) (equitable principles applied to set aside foreclosure sale); *Cox v. Helenius*, 103 Wn.2d 383, 388, 693 P.2d 683 (1985) (equity could require voiding a deed of trust foreclosure sale "even if the statutory requisites to foreclosure had been satisfied."); *Glepco, LLC v. Reinstra*, 175 Wn. App. 545, 555, 307 P.3d 744 (2013) (equitable principles like "mutual mistake" applied to foreclosure sale).

As this Court has stated, "There is no question but that equity has a right to step in and prevent the enforcement of a legal right whenever such an enforcement would be inequitable." *Miebach v. Colasurdo*, 102 Wn.2d 170, 177, 685 P.2d 1074

(1984) (setting aside inequitable foreclosure sale) (cleaned up).<sup>2</sup>

Again, this Court has specifically found that "redemption statutes [are] remedial in nature, designed to help creditors recover their just demands, nothing more." *GESA*, 105 Wn.2d at 255. Thus, they should be liberally construed. *Id.* "Where a party, in exercising its redemption right, commits a technical but

<sup>&</sup>lt;sup>2</sup> An exception to equitable relief as to foreclosure sales is on resale to a bona fide purchaser. "A bona fide purchaser for value is one who without notice of another's claim of right to, or equity in, the property prior to his acquisition of title, has paid the vendor a valuable consideration." *Miebach*, 102 Wn.2d at 175. Of course, Filbert Hill is not a bona fide purchaser. It purchased property via a sheriff's sale, knowing that the Heberts had a legal and equitable interest in and right to redeem the property. A party who purchases an interest "sold to satisfy a judgment" knowing "that third parties claimed ownership or rights in the property" is not a bone fide purchaser. Casa del Rey v. Hart, 110 Wn.2d 65, 71, 750 P.2d 261 (1988). This is a term of art inapplicable to speculative, investment purchases by corporate entities that buy property subject to redemption rights for below its market value to satisfy a judgment on the hope the redemption will fall through. *Id.* (citing cases); see also, e.g., Metro. Fed. Sav. & Loan Ass'n v. Roberts, 72 Wn. App. 104, 113, 863 P.2d 615 (1993) (purchaser only acquires "the exact estate purchased—property subject to redemption rights" and unlike typical buyers it has "no right to alter the nature of the property" until after the redemption period runs).

harmless procedural error, a forfeiture requirement is not only unjust, but inconsistent with the very purpose of the statute." *Id.* at 256. Courts must not put "form over substance" when applying redemption statutes in a way that would result in forfeiture. To the contrary, they "should be especially loath to exact a forfeiture for the most formal of procedural violations." *GESA*, 105 Wn.2d at 256.

Equity applies both ways — equity can protect both a redemptioner and a party that purchases property subject to redemption to ensure the goals of the statute are met. In *GESA*, for example, this Court excused the fact that a purchaser failed to properly file documentation for water assessments it paid that would set the redemption price, as required by the former version of the redemption statute, RCW 6.24.150. The Court found that the parties had communicated about what the redemption price would be, and the redemptioner had actual notice of the full price owed and had to pay it. *Id.* at 250-56. Equity would not allow an unjust forfeiture where the purchaser stood to lose over

\$240,000 (in 1986 dollars), even though the purchaser admittedly failed to document the water assessments it paid, violating the plain language of the redemption statutes.

The inequity is similarly apparent in this situation where the Heberts stand to suffer a forfeiture of their home. Filbert Hill bought the property, and the same day the Heberts filed notification that they intended to redeem. A dispute over how much was owed spilled over into court when Spring Creek moved to confirm the sale. The trial court issued an order that the Heberts had a right to redeem the property by depositing \$135,323.03 in the court registry, which they did in a timely fashion. CP 427, 434.3

Although the court granted reconsideration, in part, to Spring Creek, the initial order was never vacated. An incomplete supplemental judgment issued against the Heberts personally,

<sup>&</sup>lt;sup>3</sup> Having already appeared in court, Filbert Hill did not appeal or move to set aside that order; instead it specifically acknowledged that order by letter. CP 195-96.

with nothing to indicate that it was tied to the property or the sheriff's sale. Filbert Hill waited in the wings, even while the Heberts pleaded for clarity from the court, until the redemption period passed. Only then did Filbert Hill argue for the first time that redemption as ordered by the trial court was invalid.

The Heberts suffered a forfeiture, loss of their valuable home, while any prejudice to Filbert Hill can be quickly remedied on remand by simply allowing the Heberts the chance to cure and pay the proper redemption amount.

While the precise facts here are unique, Division III's opinion conflicts with the guidelines established by published precedent that should govern equitable relief in the context of forfeiture sales, thus warranting review. RAP 13.4(b)(1), (2).

For example, in *Millay v. Cam*, 135 Wn.2d 193, 202, 955 P.2d 791 (1998), a redemptioner paid *no money* to redeem property sold in a foreclosure sale, instead the redemptioner merely filed a declaratory judgment action, asking the courts to set the redemption amount owed under RCW 6.23.040. This

Court said that redemption statutes ordinarily require the redeeming party to determine the amount of redemption and do not permit "the simple maintenance of a declaratory judgment action without payment of funds to a redemptioner in possession or to the court." Id. at 204. The Court reasoned that "to permit a declaratory action without tendering any money to the redemptioner in possession or to the court encourages financially unqualified redemptioners to file suit simply to gain time to obtain adequate financing." Id. at 203. "[B]y the mere filing of a declaratory action without placing any money in escrow, [a party can tie up property in litigation] with little assurance [that party] will subsequently redeem upon specific determination of the sum required." *Id.* at 204.

But even though this Court found that the redemptioner did not post *any* money, failed to follow the statute, and the statute did not permit a universal right to have a judge set the redemption amount, the redemptioner *still* might have a right to equitable relief. *Id.* at 204-08. This Court cited case law from

across the country showing that "[n]umerous courts acknowledge inherent judicial authority to toll statutory redemption periods upon a finding of fraud, oppression, *or other equitable circumstances*." *Id.* at 205 (emphasis added).<sup>4</sup>

In *Millay*, the redemptioner presented evidence that the purchaser inflated the redemption price, "caus[ing] confusion and uncertainty for [the redemptioner]." *Id.* at 207. The Court remanded for further factfinding to determine whether equitable relief was appropriate. *Id.* at 208.

<sup>&</sup>lt;sup>4</sup> Citing Powers v. Powers, 221 Cal. App. 2d 746, 34 Cal. Rptr. 835, 836 (1963) (redemption allowed after expiration of statutory period if equitable); Buell v. White, 908 P.2d 1175, 1177-78 (Colo. Ct. App. 1995) (extension of time for statutory redemption); Williams v. McCallum, 917 P.2d 794, 795 (Idaho 1996) (statutory redemption permitted in equity); *Pace v*. Malonee, 385 P.2d 353, 354 (Nev. 1963) (equitable relief permitted for statutory redemption); Dalton v. Franken Constr. Cos., 914 P.2d 1036, 1040 (N.M. 1996) (equitable relief permitted if wrongful conduct by redemptioner possession); Wilson v. Crimmins, 143 P.2d 665, 668 (Or. 1943) (equitable relief allowed when prospective redemptioner advised tender will not be accepted). See also, Graffam v. Burgess, 117 U.S. 180, 6 S. Ct. 686, 29 L. Ed. 839 (1886) (equity permitted redemption where purchaser remained silent as redemption period ran).

Here, too, "equitable circumstances" should have tolled the redemption period or simply permitted the Heberts a chance to cure and make all parties whole. Events triggered by other parties created significant confusion and uncertainty for the Heberts. The Heberts always intended to redeem their property and made that clear, filing a notice of intent the same day the property sold to Filbert Hill. Spring Creek moved to confirm the sale, and the trial court issued an order setting the amount and process for redemption, which the Heberts accomplished. Filbert Hill stayed silent and never objected until after the redemption period ran. And far from the redemptioners in *Millay*, the Heberts paid *substantial sums* into the court registry to redeem their property. They also continued to tender property taxes during the redemption period. CP 426-27. They substantially complied with the requirements to redeem.

Even if the amount and procedures they followed that the trial court memorialized in a written order did not follow the letter of RCW 6.23.020, the Heberts are entitled to equitable

relief to avoid an unjust forfeiture. And Division III was wrong add yet another layer of technical form over substance analysis in the case, by holding that the Heberts had to appeal the *in personam* supplemental judgment – which had no bearing on the statutory redemption amount under RCW 6.23.020 – in order to preserve their arguments that they should be permitted to cure their redemption rights as a matter of equity. Op. 6-12.

Division III's analysis directly conflicts with published precedent, like this Court's commands in *GESA* and *Miebach* that liberal construction of redemption statutes is necessary, form over substance arguments are shunned, and equity can set aside an unjust foreclosure process "whenever" it is appropriate to do so. *GESA*, 105 Wn.2d at 255-56; *Miebach*, 102 Wn.2d at 177. Ordering forfeiture over technical errors that can be cured without harm is "inconsistent with the very purpose of the [redemption] statute." *Id.* at 256.

More generally, eschewing equity in favor of rigid adherence to 125-year-old, often confusing redemption statute

defies modern notions of property law. See, e.g., Proctor v. Huntington, 169 Wn.2d 491, 238 P.3d 1117 (2010), cert. denied, 562 U.S. 1289 (2011) (recognizing that modern property law must take a "reasoned, flexible approach")); Indigo Real Est. Servs., Inc. v. Wadsworth, 169 Wn. App. 412, 426 n.10, 280 P.3d 506 (2012) (equitable considerations apply to unlawful detainer actions, another statutory creature defining property rights); Marriage of Wintermute, 70 Wn. App. 741, 745-46, 855 P.2d 1186 (1993) (equity applies to statutory partition); Yates v. Taylor, 58 Wn. App. 187, 190-95, 791 P.2d 924 (1990) (discussing "constructive trusts" as a broad equitable remedy to prevent unjust enrichment).

Review by this Court is critical to resolve these conflicts with published precedent. RAP 13.4(b)(1), (2).

# (3) Review Is Necessary to Prevent Disastrous Public Policy

Review by this Court is also necessary to prevent terrible public policy, leaving Washingtonians vulnerable to forfeitures

in foreclosure actions. This is an issue of substantial public importance. RAP 13.4(b)(4).

Division III wrongfully condoned the trial court's refusal to apply longstanding principles that foreclosure actions and redemption statutes are remedial; they are designed to compensate creditors the amounts they are owed, "nothing more." *GESA*, 105 Wn.2d at 255. They are not a vehicle for speculator creditors and purchasers to play "gotcha" litigation games over confused rulings and orders.

The Heberts made an understandable and excusable mistake while fervently attempting to redeem their property. All parties had notice they intended to redeem, just *hours* after the sheriff's sale occurred. They begged the trial court to provide clarity, and Filbert Hill stayed silent until after the redemption process ran. They substantially complied with their obligations under the statute, timely tendering over \$135,000, falling just fractionally short of the required statutory amount. They now must forfeit the valuable home to great prejudice to themselves

who like many elderly retirees, rely on their home equity to provide security in retirement and long-term care.

If this scenario does not warrant equitable relief, it is hard to imagine one that could. This means Washingtonians face insecurity as they must now navigate "often confused" (Rombauer, *supra*) redemption processes under Division III's new normal of strict, technical enforcement of deadlines, procedures, and rules. That is terrible public policy, and it is a matter of substantial public importance that this Court grant review and reaffirm existing public policy liberally applying remedial redemption and foreclosure procedures. RAP 13.4(b)(4).

#### F. CONCLUSION

For these reasons, the Heberts asks the Court to grant review and reverse.

This document contains 4,979 words, excluding the parts of the document exempted from the word count by RAP 18.17.

## DATED this 7th day of March, 2024.

Respectfully submitted,

/s/ Aaron P. Orheim
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# APPENDIX

# FILED FEBRUARY 6, 2024 In the Office of the Clerk of Court

WA State Court of Appeals, Division III

## IN THE COURT OF APPEALS OF THE STATE OF WASHINGTON DIVISION THREE

CYNTHIA HEBERT and JAMES D.	)	
HEBERT, husband and wife,	)	No. 39382-8-III
	)	
Appellants,	)	
	)	
V.	)	
	)	UNPUBLISHED OPINION
SPRING CREEK EASEMENT OWNERS	)	
ASSOCIATION (RMA) BOARD OF	)	
TRUSTEES,	)	
	)	
Respondents.	)	

STAAB, J. — James and Cynthia Hebert appeal from several superior court orders entered after their property was sold at foreclosure and the redemption period expired. Specifically, the Heberts appeal from an order directing the sheriff's office to issue a Sheriff's Deed to the purchaser of the property, an order disbursing funds held in the court's registry, and denial of their motion for reconsideration on the disbursement of funds. The Heberts argue that the superior court erred in denying their request for equitable relief from the order granting disbursement of funds. The Hebert's contentions on appeal are premised on an indirect challenge to the validity of a prior supplemental judgment, which was not appealed. Because this prior judgment became final and

unassailable in this appeal, the Heberts' arguments fail. We affirm the superior court's order and award Spring Creek a portion of their attorney fees on appeal.

#### **BACKGROUND**

This case involves a dispute between Spring Creek Homeowners Association and James and Cynthia Hebert, who previously owned property within the Spring Creek development. See Hebert v. Spring Creek Easement Owners Ass'n., No. 37215-4-III (Wash. Ct. App. Mar. 23, 2021) (unpublished) https://www.courts.wa.gov/opinions/pdf/372154\_unp.pdf. The dispute arose after the Heberts violated portions of the Spring Creek covenant, which governed the development, and the Heberts refused to pay assessments to Spring Creek that Spring Creek was authorized to impose under Washington's homeowners' association act. *Id.* at 13-17, 19-20. Spring Creek moved for foreclosure on the Heberts' property, and this court affirmed the superior court's decision foreclosing on the lien on the property and remanded the case to the superior court. *Id.* at 1.

Following this court's remand, a sheriff's sale was held on December 10, 2021, and Filbert Hill purchased the property for \$152,617.00. The same day, the Heberts filed their notice of intent to redeem pursuant to ch. 6.23 RCW, *et seq.*, in superior court.

<sup>&</sup>lt;sup>1</sup> Most of the background facts to this case are irrelevant to the issues presented here but are recited in this court's decision in *Hebert v. Spring Creek Easement Owners Ass'n*, No. 37215-4-III (Wash. Ct. App. Mar. 23, 2021) (unpublished) https://www.courts.wa.gov/opinions/pdf/372154\_unp.pdf.

Under Washington law, a judgment debtor whose property has been foreclosed has a statutory right to redeem the property within eight months of the sale. RCW 6.23.020(1). The redemptioner must give notice to the sheriff of an intent to redeem, and the party that purchased the property must submit to the sheriff "an affidavit, verified by the purchaser or an agent, showing the amount paid on the prior lien or obligation." RCW 6.23.080(4).

To redeem the property, the judgment debtor must pay the amount for which the property was purchased along with interest and taxes paid by the purchaser following the purchase of the property, and any other "sum paid by the purchaser [related to] a prior . . . obligation secured by an interest in the property to the extent the payment was necessary for the protection of the interest of the judgment debtor or a redemptioner." RCW 6.23.020(2). The sum required to exercise a right to redeem must be deposited with the sheriff. RCW 6.23.080(1).

On remand from this court, the parties disputed the amount owed to Spring Creek and the amount required for the Heberts to exercise their right to redeem. The procedures proposed by the parties to determine the redemption amount and to exercise the right to redeem did not follow the statutory procedures. After the property was sold at a foreclosure sale to Filbert Hill, Spring Creek filed a motion to amend its judgment.

Hebert v. Spring Creek Easement Owners Ass'n

claiming that the Heberts owed \$161,137.71.<sup>2</sup> The Heberts opposed the motion to amend and argued they owed an unspecified lesser amount.

The superior court entered an order denying Spring Creek's motion to amend, finding that the Heberts were required to pay \$135,323.03 into the court registry to exercise their right to redeem. The court entered a judgment reflecting its decision, in which it stated:

The Sheriff's Sale conducted on December 10, 2021 is hereby confirmed, pursuant to *RCW* 6.23.080. Plaintiffs retain the right to redeem the subject real property upon payment of the sum of \$135,323.03 into the Court Registry[.] Upon redemption, the Clerk of the Court shall disburse the sum \$135,323.03 from the Court Registry to Defendant and refund the balance to Filbert Hill, LLC[.] Plaintiffs' redemption must be affected by 4 30 p.m. [sic] on August 10, 2022[.] Should Plaintiffs' fail to redeem the subject real property in a timely fashion, the Sheriff shall issue a Sheriff's Deed in favor of the successful bidder, Filbert Hill, LLC, forthwith and the Clerk of the Court shall disburse all funds in the Court Registry to Defendant.

CP at 153.

Spring Creek then filed a motion for reconsideration, clarifying that it did not and was not asking the court to award any amounts that came due after the date of the sheriff's sale. The superior court granted Spring Creek's motion for reconsideration, stating:

The Court was in error when it denied (in part) the motion to supplement the judgment, because Spring Creek was and is not seeking to collect any

<sup>&</sup>lt;sup>2</sup> The judgment amount previously entered was \$69,345.40 against the Heberts.

funds accrued post Sheriff sale[.] Accordingly, Spring Creek's Motion for Reconsideration is granted as evidenced by the filing of this letter ruling[.]

Furthermore, the Court rectifies the order [sic] referenced above by the entry of the *Supplement Judgment*[.]

CP at 230. In July 2022, as part of its grant of Spring Hill's motion for reconsideration, the court entered a supplemental judgment determining that the total judgment amount due was in fact \$182,523.42.

The Heberts then moved for reconsideration and/or clarification of the superior court's decision. In their motion, the Heberts asked the superior court to clarify the amount required to exercise their right to redeem, pointing out that the supplemental judgment conflicted with the court's initial judgment. The superior court denied this motion. The Heberts did not appeal the superior court's entry of the supplemental judgment nor the August 5, 2022 order denying their motion for reconsideration.

Two days prior to the date of the expiration of the eight-month redemption period, the Heberts deposited \$135,323.03 into the court registry. On August 10, 2022, the eight-month redemption period expired. RCW 6.23.020.

Following the expiration of the redemption period, Filbert Hill, the party that had purchased the property, filed a motion for an order directing the sheriff to issue a sheriff's deed to Filbert Hill. Spring Creek moved for disbursement of funds in the court registry as payment toward the final judgment. The Heberts opposed both motions, arguing that only a payment of \$135,323.03 was required to exercise their right to redeem and they

had made such a payment. They maintained that the supplemental judgment was inadequate and therefore did not impose a higher redemption obligation.

Filbert Hill's motions were granted, and the court ordered the disbursement of the funds to Spring Creek and the issuance of a sheriff's deed to Filbert Hill. The Heberts filed a motion for reconsideration, which the superior court denied, arguing that in light of the confusion regarding the superior court's supplemental judgment, they were entitled to equitable relief.

In December 2022, about five months after the superior court's entry of the supplemental judgment, the Heberts appealed from the order granting disbursement of the funds, the order directing the sheriff's office to issue a sheriff's deed, and denial of their motion for reconsideration on the disbursement of funds.

#### **ANALYSIS**

#### 1. EQUITABLE RELIEF

There are two separate issues in this statutory forfeiture case. The first issue concerns the necessary procedure for redeeming property obtained by a purchaser at a sheriff's sale. These procedures required the Heberts to pay to the sheriff the purchase price paid by Filbert Hill, plus expenses, in order to redeem the property. RCW 6.23.020(2). The second issue concerns the amount owed to Spring Hill for the debt incurred by the Heberts and the disbursement of funds deposited into the court registry by the Heberts in their misguided attempt to redeem the property. The amount necessary to

redeem the property and the amount necessary to pay the debt are different figures once the property is sold at a sheriff's sale.

While acknowledging that they did not follow the statutory procedures for redemption, the Heberts contend that equity should allow them to redeem the property nonetheless because they followed the procedures outlined in the court's original judgment. Spring Hill points out that the original judgment was modified by the court's supplemental judgment. It contends that the Heberts are ineligible for equitable relief as they failed to adhere to either the statutory requirements or the final supplemental judgment. The Heberts respond that the supplemental judgment was invalid and confusing and thus, they were excused from complying with the order as well as the statutes.

The Heberts' argument for equitable relief fails because it depends upon the false premise that the supplemental judgment was invalid and thereby excused the Heberts from complying with it. Regardless of whether the supplemental judgment was legally accurate, it became a final infallible judgment when the Heberts failed to appeal it. The Heberts fail to demonstrate that they should be excused from complying with a final judgment.

Equitable relief is available only when there are no adequate remedies at law.

Here, the Heberts had three possible remedies at law. They could have complied with the statutory requirements for redemption. Arguably, they could have also complied with the

court's supplement judgment order. Or alternatively, they could have appealed the supplemental order. They pursued none of these remedies and instead attempted to comply with an order that was no longer in effect. Their failure to pursue available remedies precludes their claim for equity.

Finality of Supplemental Judgment

The supplemental judgment became final and irrefutable when the Heberts failed to appeal from it. The Heberts cannot directly challenge the supplemental order because the time for seeking appellate review has passed. RAP 2.2(a)(1) provides for review of "[t]he final judgment entered in any action or proceeding, regardless of whether the judgment reserves for future determination an award of attorney fees or costs." "The term 'final judgment' is facially unambiguous—it refers to any court order having preclusive effect." *Wachovia SBA Lending v. Kraft*, 138 Wn. App. 854, 860, 158 P.3d 1271 (2007). In order to seek review of a final judgment, an appellant must file a notice of appeal within 30 days of the entry of the final judgment. RAP 5.2(a).

The superior court entered its supplemental judgment in July 2022. This order was a final judgment because it had "preclusive effect" as it ended the parties dispute on the issue of the proper amount required for redemption. And the Heberts do not dispute Spring Creek's contention that the order was a final judgment from which they had a right to appeal. The Heberts appealed from the order disbursing the funds in December 2022—long after the 30 days to appeal from the supplemental judgment had passed.

As final order that was not appealed, the supplemental judgment becomes law of the case and the Heberts are precluded from relitigating its validity in collateral proceedings. "[R]es judicata [] shields a prior unappealed order that was incorrect even at the time it was made, so long as the court had personal and subject matter jurisdiction." In the Matter of the Marriage of Kaufman, 17 Wn. App. 2d 497, 512, 485 P.3d 991 (2021).

The Heberts do not allege that the supplemental judgment was void *ab initio* but they do challenge the validity of the judgment by arguing that the superior court violated their due process rights when it entered a "deficient supplemental judgment," refused to correct or clarify the judgment, and refused to grant oral argument. These challenges to the validity of the supplement are precluded because the judgment was not appealed.

The Heberts further contend that the supplemental judgment was invalid on its face and therefore had no bearing on the availability of equitable relief. They maintain that the judgment was not complete within itself as it was missing an entire page and did not specify the amounts being owed.<sup>3</sup> However, assuming the supplemental judgment

<sup>&</sup>lt;sup>3</sup> The pagination in the supplemental judgment does suggest that a page was missing from the document. *See* CP at 232-34. However, the supplemental judgment in the record clearly shows that the Heberts owed Spring Creek a "Total Judgment: \$182,523.42." CP at 233. Any issue on further clarification could have been raised on appeal.

was incomplete, this issue could have been raised on appeal and does not affect the finality of the order.

The Heberts' claim that the supplemental judgment does not supersede the superior court's prior order is without merit. The Heberts contend that the supplemental order does not clearly state the "'relief granted, or other determination of the action'" as is required by law. Br. of Appellant at 36-37 (quoting RCW 4.64.030(1)). In its entirety, the order states: "The clerk shall enter all judgments in the execution docket, subject to the direction of the court and shall specify clearly the amount to be recovered, the relief granted, or other determination of the action." RCW 4.64.030(1). The supplemental judgment at issue stated that the Heberts owed \$182,523.42 in total, which clearly specified the amount to be recovered.

Finally, the Heberts argue the supplemental judgment is invalid because it purports to award attorney fees but the superior court did not make required findings or perform the necessary lodestar methodology that courts must employ when awarding attorney fees in Washington. Again, the fact that the superior court may have failed to make appropriate findings and follow the proper procedure does not render the supplemental judgment void. Instead, it created an appealable issue.

Adequate Remedies at Law

The Heberts' claim for equitable relief fails because they had adequate remedies at law. "Equitable remedies are extraordinary forms of relief, available solely when an

Wn. App. 333, 342, 314 P.3d 729 (2013) (emphasis added). The question of whether equitable relief is available is a question of law this court reviews de novo. *Niemann v. Vaughn Community Church*, 154 Wn.2d 365, 374, 113 P.3d 463 (2005).

The Heberts argue that the inequities in this case are similar to those in *GESA*Federal Credit Union v. Mut. Life Ins. Co., where the court determined that a purchaser's failure to file a statement of its paid assessment taxes did not bar the purchaser's right to recover the assessments from a subsequent redemptioner. 105 Wn.2d 248, 251, 256, 713 P.2d 728 (1986). The court held that the purchaser had substantially complied with the statutory requirement when it directly served the redemptioner with a statement of its assessment payments. Id. at 253.

The Heberts also rely on *Millay v. Cam*, 135 Wn.2d 193, 955 P.2d 791 (1998) to support their contention that they are entitled to equitable relief. In *Millay*, the court held that a statutory redemption period may be equitably tolled where the purchaser of the property submitted "a grossly exaggerated statement of the sum required to redeem and the prospective redemptioner cannot with due diligence ascertain the sum required to redeem within the time remaining." 135 Wn.2d at 206.

These cases are different from the Hebert's situation in that there is no indication the parties requesting equitable relief in both *Millay* and *GESA Federal Credit Union* had any other remedy available to them. Unlike this case, there was no court order to appeal

from and the parties had no other apparent remedy in law apart from equitable relief.

Here, on the other hand, the Heberts had an order they could appeal from and therefore had a remedy at law. Thus, *Millay*, 135 Wn.2d 193 and *GESA Federal Credit Union*, 105 Wn.2d 248 are factually and legally distinguishable.<sup>4</sup>

The Heberts are not entitled to equitable relief. The Heberts admittedly failed to comply with the statutory procedures for redemption. Nor did they comply with the trial court's final order. The only basis for the Heberts' claim of equity is that they should be excused from complying with the statutes and the supplemental judgment because the supplemental judgment was invalid. Because the validity of this judgment is not properly before the court, the Heberts' reasoning collapses.

#### 2. ATTORNEY FEES

Both the Heberts and Spring Creek request attorney fees on appeal. Filbert Hill does not request attorney fees on appeal. Since the Heberts do not prevail, we deny their request for attorney fees.

Under RAP 18.1, a party may recover reasonable attorney fees where applicable law grants a party the right to recover such fees. However, a party requesting attorney

<sup>&</sup>lt;sup>4</sup> The Heberts also argue that they are entitled to equitable relief under the principal of judicial estoppel. They claim that Spring Creek and Filbert Hill failed to raise arguments they now raise on appeal before the trial court when it entered the judgment or supplemental judgment. However, again, the Heberts chose not to appeal the supplemental judgment. And judicial estoppel, as an equitable remedy, is not available to the Heberts because they had an adequate remedy at law.

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fees must support their request with argument and citation to authority. *Just Dirt, Inc.* v. *Knight Excavating, Inc.*, 138 Wn. App. 409, 420, 157 P.3d 431 (2007).

In support of its request for attorney fees, Spring Creek cites to the Homeowners' Association Act, which states:

Any violation of the provisions of this chapter entitles an aggrieved party to any remedy provided by law or in equity. The court, in an appropriate case, may award reasonable attorneys' fees to the prevailing party.

RCW 64.38.050. Here, Spring Creek is the prevailing party in an action to recover on its judgment stemming from the Heberts violations of this Act. We exercise our discretion and award Spring Creek its attorney fees for this appeal.

We affirm the superior court's orders directing the sheriff to issue a sheriff's deed and the order to disburse funds.

A majority of the panel has determined this opinion will not be printed in the Washington Appellate Reports, but it will be filed for public record pursuant to RCW 2.06.040.

Staab, J.

WE CONCUR:

Fearing, T.J.

Cooney, J.



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#### IN THE SUPERIOR COURT FOR THE STATE OF WASHINGTON IN AND FOR THE COUNTY OF KITTITAS

CYNTHIA HEBERT and JAMES D. HEBERT, husband and wife.

Case No. 18-2-00104-1 (Consolidated)

Plaintiff.

VS.

SUPPLEMENTAL JUDGMENT [CLERK'S ACTION REQUIRED]

SPRING CREEK EASEMENT OWNERS ASSOCIATION (RMA) BOARD OF TRUSTEES,

Defendants.

SPRING CREEK ROAD MAINTENANCE ASSOC., a Washington nonprofit corporation,

Plaintiff.

VS.

JAMES D. HEBERT and CYNTHIA S. HEBERT, husband and wife and their marital community; and JOHN DOES 1-10,

Defendants.

The Clerk is instructed to enter the following Judgment, noting below that the same has been signed by a Judge/Commissioner of the above-entitled Court to be entered as such.

00232

SUPPLEMENTAL JUDGMENT-PAGE 1

BARKER \* MARTIN, P. S. 701 Pike Street, Suite 1150 e Seatile, WA 98101

#### I. SUPPLEMENTAL JUDGMENT SUMMARY

1	Judgment Creditor	Spring Creek Road Maintenance Assoc.
2.	Judgment Debtor:	James D Hebert and Cynthia S Hebert, husband and wife and their marital community, jointly and severally
3	Principal:	\$10,217.96
4.	Attorney Fees:	\$36,192.00
5	Costs.	\$2,685.50
6.	Total Judgment:	\$182,523.42
7.	Post Judgment interest rate on total Judgr	nent shall bear interest at 9% per annum.
8	Attorneys for Judgment Creditor	Alexis Ducich/Marlyn Hawkins Barker Martin, P.S. 701 Pike St., #1150 Seattle, WA 98101  Peter M. Ritchie 230 S. Second Street Yakima, WA 98901
9	Judgment Debtor Address.	James D Hebert Cynthia S Hebert 3753 Ridgecrest Road Ronald, WA 98940
10	Attorneys for Judgment Debtor:	Richard Llewelyn Jones PO Box 1548 Snohomish, WA 98291-1548
II. ORDER		

THIS MATTER having come on before the Court upon Spring Creek Easement Owners Association's Motion for Reconsideration of Motion to Supplement Judgment, finds that judgment creditor Spring Creek Easement Owners Association (the "Association") is entitled to a supplemental judgment as follows.

- Assessments in the amount of \$10,271 96 that accrued between the date of the 2019 Judgment through the date of the sheriff's sale;
- 2. Attorneys' fees in the amount of \$1,307.50 incurred attempting to obtain compliance with the Court's affirmative orders for the Heberts to remove a gate;

SUPPLEMENTAL JUDGMENT-PAGE 2

BARKER MARTIN, P. S.

1	DONE IN OPEN COURT this 13 day of July, 2022.
2	
	Superior Court Judge/Commissioner
3	Presented by
4	BARKER • MARTIN, P.S.
-5	71/1/2
6	Marlyn K Hawkins, WSBA No. 26639
7	Marlyn K Hawkins, WSBA No. 26639 Alexis Ducich, WSBA No. 40445 Attorneys for Spring Creek Easement Owners Association
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#### **DECLARATION OF SERVICE**

On said day below I electronically served a true and accurate copy of the *Petition for Review* in Court of Appeals, Division III Cause No. 39382-8-III to the following:

Alexis Ducich Barker – Martin, P.S. 701 Pike Street, Suite 1150 Seattle, WA 98101 aducich@barkermartin.com

Jeff Slothower Lathrop, Winbauer, Harrel, & Slothower LLP 415 Mountain View, Suite 302 Ellensburg, WA 98926 jslothower@lwhsd.com kbailes@lwhsd.com

Marlyn Hawkins
Community Association Law Group, PLLC
17544 Midvale Avenue N., Suite 100
Shoreline, WA 98133
mhawkins@calgnw.com

Original electronically delivered via appellate portal to: Court of Appeals, Division III Clerk's Office

I declare under penalty of perjury under the laws of the State of Washington and the United States that the foregoing is true and correct.

DATED: March 7, 2024, at Seattle, Washington.

/s/ Brad Roberts

Brad Roberts, Legal Assistant Talmadge/Fitzpatrick

#### TALMADGE/FITZPATRICK

### March 07, 2024 - 12:58 PM

#### **Transmittal Information**

Filed with Court: Court of Appeals Division III

**Appellate Court Case Number:** 39382-8

Appellate Court Case Title: Cynthia & James Hebert v. Spring Creek Easement Owners Association

**Superior Court Case Number:** 18-2-00104-1

#### The following documents have been uploaded:

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#### **Comments:**

Petition for Review

Sender Name: Brad Roberts - Email: brad@tal-fitzlaw.com

Filing on Behalf of: Aaron Paul Orheim - Email: Aaron@tal-fitzlaw.com (Alternate Email: matt@tal-fitzlaw.com)

Address:

2775 Harbor Avenue SW Third Floor Ste C Seattle, WA, 98126 Phone: (206) 574-6661

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