No. 75372-0-I King County Superior Court No. 16-2-08800-7 SEA

COURT OF APPEALS DIVISION I STATE OF WASHINGTON

STERNOFF L.P., a Washington limited partnership,

Appellant,

٧.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY, a regional transit authority, dba SOUND TRANSIT,

Respondent.

BRIEF OF RESPONDENT

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INTRODUCTION

This is an eminent domain action. Respondent, Sound Transit, is condemning certain interests in Property located at 1750 124th Avenue Northeast, in Bellevue, Washington for its East Link Extension light rail project, which will bring light rail to Bellevue. The light rail alignment will run along and through the south boundary of the Property. The project entails construction of a bridge for 124th Ave NE (the west boundary of the Property), where it will cross the light rail alignment, and construction of the light rail trackway, which will run underneath the bridge.

Appellant, Sternoff LP, owns the Property. Sternoff concedes that the condemnation is for a public use (transportation), and concedes that Sound Transit acted properly in selecting the light rail alignment. But Sternoff claims Sound Transit's legislative determination that acquiring its Property was necessary for the project was so cursory as to be arbitrary and capricious, amounting to constructive fraud. Alternatively, Sternoff challenges the determination of necessity to the extent Sound Transit is condemning property interests that will accommodate the City of Bellevue's project to widen 124th Ave NE.

Both arguments contravene Washington law. Sound Transit requests that the Court affirm the June 7, 2016 Findings of Fact and Conclusions of Law and Order Adjudicating Public Use and Necessity.

RESTATEMENT OF ISSUES PRESENTED

- A. An agency's determination that property is necessary for a public use is conclusive unless the party opposing condemnation shows the determination was arbitrary and capricious, amounting to constructive fraud. Sound Transit determined that each of the properties along the light rail alignment was necessary for the project, and authorized acquisition by purchase or condemnation. Does substantial evidence support the Trial Court's finding of necessity?
- B. An agency's determination of necessity does not require absolute, indispensable, or immediate need; it is enough that the property will support a public use within a reasonable time. Sound Transit's necessity determination and project design accommodate future transportation demands, including the City of Bellevue's longstanding, plans to widen 124th Ave NE. Did the Trial Court reasonably find this was not an arbitrary and capricious decision amounting to constructive fraud?

- C. No Washington authority requires a condemning agency to consider the individual characteristics of properties deemed necessary for a public project. Sound Transit determined the Property was necessary for the project because it abuts the carefully selected light rail alignment, but did not specifically discuss the Property at the hearing when it formally resolved to acquire it. Did the Trial Court reasonably find this was not arbitrary and capricious conduct amounting to constructive fraud?
- D. An agency cannot contract away its power of eminent domain; contractual rights cannot impact public use and necessity. In connection with survey work at the Property, Sound Transit and Sternoff entered into an entry agreement, which was not discussed at the hearing when Sound Transit formally resolved to acquire the Property. Did the Trial Court reasonably find this was not arbitrary and capricious conduct amounting to constructive fraud?
- E. Condemning agencies may adjust the precise interests to be acquired until just compensation is determined or early possession and use is obtained. After authorizing acquisition of up to the entire Property, Sound Transit petitioned to acquire only those Property interests warranted by its final project specifications, including those

negotiated with the City of Bellevue. Did the Trial Court reasonably find this was not arbitrary and capricious conduct amounting to constructive fraud?

STATEMENT OF THE CASE

A. Sound Transit Authorizing Legislation

Sound Transit is a Regional Transit Authority created pursuant to RCW ch. 81.104 (High Capacity Transportation Systems, adopted in 1990) and RCW ch. 81.112 (Regional Transit Authorities, adopted in 1992). *See* CP 572 (Finding of Fact 1).¹ Those chapters authorize—and often require—Regional Transit Authorities to work with local governments to develop and implement transportation policy, and build and operate transportation systems and facilities.² RCW 81.112.080(2) grants Sound Transit broad condemnation authority to support high capacity transportation facilities such as light rail lines. It allows Sound Transit to:

¹ Sternoff does not challenge this Finding of Fact.

² See, e.g., RCW 81.104.010 (coordination by local jurisdictions); RCW 81.104.060(4) (allowing "joint use of rights-of-way" and "joint development of stations and other facilities"); RCW 81.104.070(2) (specifically authorizing "necessary contracts [and] joint development agreements"); RCW 81.104.080(2) (requiring agencies to "promote transit-compatible land uses and development which includes joint development"); RCW 81.112.010 (requiring coordination among agencies, including "developing infrastructure to support high capacity systems ... and related roadway and operational facilities"); RCW 81.112.070 (granting power to "contract with any governmental agency ... for the purpose of planning, constructing, or operating any facility ... that the authority may be authorized to operate").

acquire by purchase, condemnation, gift, or grant and to lease, construct, add to, improve, replace, repair, maintain, operate, and regulate the use of high capacity transportation facilities and properties ... together with all lands, rights-of-way, property, equipment, and accessories necessary for such high capacity transportation systems.

The same provision, RCW 81.112.080(2), specifically allows Sound Transit to acquire or use city transportation facilities only with the city's consent, and authorizes joint use agreements:

... Public transportation facilities and properties which are owned by any city ... or metropolitan municipal corporation may be acquired or used by an authority only with the consent of the agency owning such facilities. Such agencies are hereby authorized to ... contract for their joint use on such terms as may be fixed by agreement between the agency and the authority.

In this action, Sound Transit seeks to condemn portions of the Sternoff Property for the "construction, operation, and permanent location of the East Link Extension," which will bring light rail to Bellevue. CP 203 (Resolution No. R2013-21 at § 3); see also CP 2 (Petition at ¶ 2); CP 572 (unchallenged Finding of Fact 3).

B. The East Link Extension Project

The history of the East Link project dates back to 2008, when voters approved Sound Transit's proposal to expand Seattle's existing light rail system by adding a light rail line between downtown Seattle and the

Bellevue/Redmond area. CP 201. Both before and after the public vote, the City of Bellevue engaged in extensive transportation planning efforts for deploying light rail. CP 317. The City was also planning a capital improvement project to "provide increased mobility and safety along 124th Ave. NE by creating a five lane section with landscape zones and sidewalks." See CP 162 ¶ 4.1.

On July 28, 2011, Sound Transit adopted Resolution R2011-10, which selected the station locations and trackway alignment for the East Link project. CP 317. On November 15, 2011, the City of Bellevue and Sound Transit entered into an Umbrella Memorandum of Understanding for Intergovernmental Cooperation between the City of Bellevue and the Central Puget Sound Regional Transit Authority for the East Link Project ("MOU"). CP 318.³ One purpose of the MOU was to address Sound Transit's "use of the City right-of-way and associated terms and conditions." MOU at 2. Planning documents attached to the MOU include maps and descriptions of the East Link light rail trackway alignment, including grade separation between 124th Ave NE automotive traffic and

The MOU is publicly available on the City's website at http://www.bellevuewa.gov/pdf/Transportation/East_Link_MOU.pdf Sternoff referenced and relied on this web page in its opposition to Sound Transit's motion for public use and necessity (see CP 178 ¶ 13), and the Court may take judicial notice of it under ER 201.

the trackway, which would be aligned in a "retained cut under 124th Avenue NE." MOU at Ex. C, p. 4.

Contemporaneously, Sound Transit and the City entered into a Transit Way Agreement ("TWA") allowing Sound Transit access to City rights of way in connection with the East Link project. TWA gave Sound Transit access to the City's public rights of way to "construct, operate, maintain, and own" the East Link project. TWA at $7 \, \P \, 4.1$. It provided that Sound Transit would transfer its acquired real property to the City if the parties agreed the property was needed for the public right of way. *Id. at* $9 \, \P \, 4.9$. Sound Transit assumed the obligation to repair and restore the City rights of way disturbed during construction or operation to its prior condition, or "as required under any applicable permit." *Id.* at $11 \, \P \, 5.11$; $13 \, \text{at} \, \P \, 7.5$. The project description included a "retained cut ... crossing under 120th Ave NE and 124th Ave NE." *Id.* at Ex. B, p. 2.

⁴ The Transit Way Agreement was referenced by Sternoff in opposition to Sound Transit's motion for public use and necessity (see CP 178 \P 13), and is available on the City's website at

http://www.ci.bellevue.wa.us/pdf/Transportation/Transit Way Agreement.pdf The Court may take judicial notice of it under ER 201.

Both the MOU and the TWA contemplated that "additional agreements may be necessary to ensure successful completion of the Project [defined as 'segments of the light rail system in the City of Bellevue as described in Exhibit C']". MOU at 3, 5 ¶ 1.12; TWA at 3, 5 ¶ 1.11. Two days later, on November 17, 2011, Sound Transit's Board authorized advancement of the East Link project into the final design stage. CP 197.

C. Resolution R2013-21 to Acquire Property for East Link

Over the next two years, Sound Transit and the City continued to collaborate on designing and planning the project. *See* CP 318. On September 12, 2013, Roger Hansen, Sound Transit's Real Property Director, presented a staff report to the Sound Transit Capital Committee that outlined the need to acquire a group of sixty commercial properties, including the Sternoff Property, for the East Link project. CP 187, 197-223. During this presentation, the Capital Committee had the chance to review a paper copy of Hansen's report, as well as a copy of Sound Transit Resolution R2013-21, which authorized the taking of each property. CP 295. Hansen reported that the properties covered by R2013-21 were "needed for the construction, maintenance and operation of the

light rail guideway in the Bel-Red corridor" and that outreach, which included the affected property owners, had taken place over the last six years. CP 197-99. The affected property owners were given notice of the upcoming September 26, 2013 meeting, when Sound Transit's Board would consider and vote on R2013-21. CP 199. After reviewing the evidence, the Capital Committee voted to recommend that Sound Transit's Board pass Resolution R2013-21. CP 187.

At the September 26 meeting, Sound Transit's Board considered the Capital Committee's recommendation and passed R2013-21. CP 190. It is undisputed that the affected property owners were invited to attend the September 26, 2013 meeting to provide public comment, but neither Mr. Sternoff nor anyone else representing Sternoff LLP attended or commented. CP 572 (unchallenged Finding of Fact 4); CP 189-90.

Resolution 2013-21 authorized acquisition of up to the entire Sternoff Property, and specifically authorized Sound Transit's Chief Executive Officer to institute condemnation proceedings to "acquire all, or any portion" of the Property "for the purpose of constructing, owning, and operating a permanent location of the East Link Extension and light rail guideway." CP 203.

D. **Collaborative Project Design and Planning**

Since Resolution 2013-21 passed, the plans for the Project and light rail guideway have become more refined. As contemplated throughout the project's planning efforts, the final alignment location and design have entailed extensive consultation and collaboration with the City, culminating in an Amended and Restated Umbrella Memorandum of Understanding (the "Amended MOU") and related agreements executed on or about May 6, 2015. CP 293-544.5

One item of collaboration is ensuring that Sound Transit's project will accommodate the City of Bellevue's longstanding plans to widen 124th Ave NE. E.g., CP 341-42, CP 406-10, CP 458, CP 484-87, CP 515. The "retained cut under 124th Avenue NE" that was called out in the 2011 MOU and TWA has been particularized and "requires raising the existing roadway profiles [for 120th Ave NE and 124th Ave NE], and constructing new bridges spanning the retained cut." CP 486 ¶ 2.1. The 124th Ave NE bridge is within the definition of the "East Link Project," and is designed

⁵ In addition to the Amended MOU (CP 316-482), agreements executed in May 2015 included a Three-Party Agreement between the City of Bellevue, King County and Sound Transit for the Future Realignment of 120th Ave NE (CP 298-310), a Second Amendment to the TWA (CP 312-14), and a Funding, Right-of-Way Acquisition and

Construction Administrative Agreement for Roadway and East Link Project

Improvements at 120th Ave NE and 124th Ave NE (CP 484-544).

to accommodate the City's plans to widen and improve 124th Ave NE. *Id.* at ¶¶ 2.1, 2.3.

Sound Transit and the City have agreed that, in the interest of efficiency and public convenience, the bridge will be built by the City and it will be constructed before Sound Transit builds the light rail trackway. CP 485-87. The Amended MOU and contemporaneous agreements address this issue and provide that the 124th Ave NE bridge will be built to accommodate a wider roadway as well as anticipated right of way improvements. CP 341; CP 485-87. The agreements allocate responsibilities and costs between the two entities so their respective projects can be built in a sequence that is efficient and as convenient as possible to the traveling public, without undue duplication of costs and effort. Id. They identify which entity will undertake and supervise each construction activity, and which entity will permanently own and control which improvements. CP 338-42, 490-93, 542. Under the Amended MOU, the City of Bellevue will ultimately own and control all automotive rights of way constructed and to be constructed on property acquired by Sound Transit for its East Link project. Id.

E. Petition in Eminent Domain

Based on the Amended MOU and contemporaneous agreements, the design and construction plans for the East Link project were refined so that Sound Transit could determine with greater precision what areas of the Property would be needed for the purpose of constructing, operating, and owning the East Link Extension project and light rail trackway. On April 15, 2016, Sound Transit filed the Petition in Eminent Domain condemning the Property. The Petition states that "in order to permanently locate, construct, operate and maintain the East Link Extension and its related facilities," certain property and property rights are necessary. CP 2 ¶ 2. It does not seek to acquire property or property interests that are not tied to the East Link Extension. Rather it states that the property and property rights necessary for the East Link project must accommodate the City of Bellevue's Bel-Red Transportation Improvement plan, which includes widening 124th Ave NE, as described in the Amended MOU. *Id.*

The Petition relies on Resolution R2013-21, which identified the entire Property as necessary for the East Link Extension project. CP 2-4. It enumerates the property and property interests to be taken, which are all within the boundaries and scope of the Sternoff Property identified as

necessary for the Project in R2013-21, and categorizes them by the nature of the interest, the purpose of the taking, the work that will be performed, which entity will perform work there, and which entity will ultimately take title and assume maintenance responsibility under the Amended MOU. CP 3-4; see CP 33, 37, 45-46, 54-55, 63-64, 72-73, 81, 89-90, 98-99, 108-09 (these maps, which depict all Property and Property interests to be taken by Sound Transit for the East Link project, were attached to the Petition, and are Appendix 1 hereto). Petition Paragraph 5, titled "Purpose and Necessity," specifically states: "The object and use for which the Condemned Property is sought to be taken is for public use and purpose, namely: to locate, construct, operate and maintain the Project [defined as 'the East Link Extension and its related facilities'] as contemplated in the Resolution [defined as R2013-21]." CP 2-4 [emphasis added].

F. Public Use and Necessity Hearing

Sound Transit's motion for a finding of public use and necessity accompanied the Petition. CP 110-118. Sternoff opposed the motion and

⁶ Appendix 1 also contains the "After" Plot Plan created by Sound Transit's appraiser to visually depict in one image the multiple overlapping interests Sound Transit seeks to acquire. Sternoff's Appendix A is this Plot Plan, but with annotations added by Sternoff's counsel. CP 176, 182.

argued that Sound Transit's consideration of the Property in connection with Resolution R2013-21 was so cursory that it rendered Sound Transit's determination of necessity fraudulent, arbitrary and capricious. CP 147. Specifically, Sternoff claimed that the Sound Transit Board's failure to address or consider entry agreements Sternoff had entered into with the City of Bellevue in 2011 and with Sound Transit in 2013 vitiated Sound Transit's necessity determination. CP 148.

The entry agreement Sternoff entered into with Sound Transit allowed Sound Transit to enter the Property to conduct civil survey work. CP 168. The right of entry expired at the conclusion of the work and no later than October 31, 2014. *Id.* Sternoff relied on the following language:

During and after the expiration of the Term, except as needed and temporarily, Sound Transit will not block access to the business park or buildings or impede access around the buildings needed for tenants, clients and deliveries, and will not otherwise interfere with the day to day business operations on the Property.

Sternoff also relied on an entry agreement he had previously made with the City that allowed survey work on his Property in connection with proposed 124th Ave NE improvements. CP 161. That agreement, which expired by its terms on August 31, 2012, provided: "In the design and

construction of [the 124th Ave NE improvements], the City will ensure that Adequate Access [a defined term in the agreement] is provided to the Property." CP 163.

Alternatively, Sternoff contended that the Trial Court's necessity finding should be limited to the light rail alignment, and not include property and property rights associated with the 124th Ave NE bridge. Sternoff argued that because the bridge was designed to accommodate a widened 124th Ave NE roadway that the City had not yet formally resolved to construct or acquire property for, Sound Transit's acquisition should be circumscribed. CP 149-51. Sternoff relied on deposition testimony elicited from Sound Transit representatives that the City's plan to widen 124th Ave NE was separate from Sound Transit's East Link project. CP 139. Sternoff acknowledged that the Amended MOU requires Sound Transit to construct its project to accommodate the City's anticipated right of way improvements, including a wider 124th Ave NE, but argued the Trial Court should not consider the Amended MOU because it post-dates Resolution R2013-21. CP 144.

The public use and necessity issue was extensively briefed to the Trial Court, which heard oral argument on June 6, 2016. CP 110-566;

VRP 1-25. The next day, on June 7, 2016, the trial court found that the proposed use for the Property was a public use and that the Property was necessary for the project. CP 574-576.

Sternoff challenges the trial court's Findings of Fact 7, 8, and 10:

- 7. The Condemned Property is necessary to and will be used for public purpose—locating, constructing, operating and maintaining the Project [defined at CP 572 as the East Link Extension and related facilities].
- 8. Petitioner has determined that the construction of the Project will serve a public purpose, is necessary for the public interest, and that the Condemned Property is necessary for this purpose. The Respondents have been served with notice and a copy of the Petition....
- 10. There was no fraud, actual or constructive, no abuse of power, bad faith, or arbitrary and capricious conduct by Sound Transit.
- CP 574. Sternoff further challenges the trial court's Conclusions of Law 5, 6, 7, and 8 (CP 575):
 - 5. The taking and damaging of lands, properties and property rights in order to locate, construct, operate and maintain the Project is for a public use.
 - 6. The public interest requires the proposed use.
 - 7. Appropriation of the Condemned Property is necessary for the proposed use.

8. Petitioner is entitled to the issuance of an order finding public use and necessity for the taking of the Condemned Property for public purposes.

Sternoff filed a timely Notice of Appeal. CP 568. Because Sound Transit needs the Property to keep moving forward with the East Link project and construction timeline, Sound Transit's motion for accelerated disposition was granted. This matter is proceeding on an expedited briefing schedule, with oral argument to be scheduled for the November 2016 term.

ARGUMENT

The first step in an eminent domain proceeding is adjudication of public use and necessity. *Des Moines v. Hemenway*, 73 Wn.2d 130, 138, 437 P.2d 171 (1968). Public use and necessity has three elements: (1) the use for which the property is condemned is really a public use; (2) the public interest requires condemnation; and (3) the property to be appropriated is necessary for that use. *Id.* In this case, Sternoff challenges only the third element: necessity.

Although it is up to the courts to decide whether a proposed use is actually a public use, the "necessity" of acquiring particular property or property rights for that use is a legislative determination for the condemning agency. E.g., HTK Management L.L.C. v. Seattle Popular Monorail Authority (hereafter, "HTK"), 155 Wn.2d 612, 629 ¶ 39, 121 P.3d 1166 (2005). The agency's declaration that the proposed acquisition is necessary to accomplish a public purpose "will, by the courts, be deemed conclusive, in the absence of proof of actual fraud or such arbitrary and capricious conduct as would amount to constructive fraud." City of Tacoma v. Welcker, 65 Wn.2d 677, 684, 399 P.2d 330 (1965); accord, In re Port of Seattle, 80 Wn.2d 392, 398-99, 495 P.2d 327 (1972). In an eminent domain proceeding, the party challenging the agency's necessity determination has the burden of proof to show the agency's decision was arbitrary and capricious, amounting to constructive fraud. City of Bellevue v. Pine Forest Properties, Inc. (hereafter, "Pine Forest"), 185 Wn. App. 244, 262 ¶ 47, 340 P.3d 938 (2014), rev. denied, 183 Wn.2d 1016 (2015).

It is a heavy burden, which Sternoff failed to meet. The Trial Court found that the Property described in the Petition was necessary for Sound Transit's project, and there was no actual or constructive fraud, abuse of power, bad faith, or arbitrary and capricious conduct by Sound Transit. CP 574.

These findings are reviewed under the substantial evidence test. *Pine Forest*, 185 Wn. App. at 263-64 ¶¶ 52-53. In *Pine Forest*, the property owner requested this Court to review the findings *de novo*. But because "the trial court reviewed an enormous amount of documentary evidence, weighed that evidence, resolved inevitable evidentiary conflicts and discrepancies, and issued statutorily mandated written findings," this Court rejected that argument and held the substantial evidence standard of review applied. *Id.* at 264 ¶ 53. The same is true here. *See* CP 110-566; CP 571-623; VRP 1-25.

Under the substantial evidence test, the evidence is viewed in the light most favorable to the respondent on appeal. *Public Utility Dist. No. 2 v. North Am. Foreign Trade Zone Indus., LLC* (hereafter, "*NAFTZI*"), 159 Wn.2d 555, 576 ¶ 41, 151 P.3d 176 (2007). Substantial evidence supports a finding if, "viewed in the light most favorable to the respondent," it "would persuade a fair-minded, rational person" that the finding is true. *Central Puget Sound Reg'l Transit Auth. v. Miller* (hereafter, "*Miller*"), 156 Wn.2d 403, 419 ¶ 29, 128 P.3d 588 (2006) [internal quotations omitted]. Thus, the Trial Court's findings must be upheld if, viewed in the light most favorable to Sound Transit, the

evidence supports them. That is, the Trial Court must be affirmed unless the <u>only</u> conclusion a "fair-minded, rational person" could draw from the evidence is that Sound Transit's determination of necessity was the product of arbitrary and capricious conduct amounting to constructive fraud. *Id.* If reasonable minds could differ, the Trial Court's findings are supported by substantial evidence and must be affirmed.

As shown below, Sound Transit's legislative determination that the Sternoff Property was necessary for the East Link Project is, in itself, substantial evidence to support the Trial Court's necessity finding (Argument A). Moreover, none of the arguments put forth by Sternoff is legally or factually sufficient to satisfy its burden on appeal. Viewed in the light most favorable to Sound Transit, the evidence allowed a "fair-minded, rational" trier of fact to find that Sound Transit did not engage in arbitrary and capricious conduct amounting to constructive fraud. Sound Transit's legislative determination of necessity in 2013 appropriately reflected the need for design flexibility, including the need to collaborate with the City and accommodate future transportation needs (Argument B). Sound Transit was not required to engage in a detailed review of the Sternoff Property's individual characteristics at a public hearing as a

prerequisite to its necessity determination (Argument C). Sound Transit did not and could not bargain away its eminent domain power when it entered into the entry agreement with Sternoff, and so it was not arbitrary and capricious to disregard the entry agreement when it determined necessity (Argument D). And, in the Petition for Eminent Domain, Sound Transit properly adjusted the Property to be taken for the East Link project based on its collaborative design process with the City (Argument E).

A. Sound Transit's Legislative Determination that the Sternoff Property Was Necessary for the East Link Project Is Substantial Evidence Supporting the Necessity Finding.

Necessity has a very specific meaning in eminent domain law. It does not mean the project could not exist without the property; rather, it means that the property has been selected for and will actually support a designated public use. E.g., NAFTZI, 159 Wn.2d at 576 ¶ 40 (necessity exists if the project fulfills a "genuine need" and "condemnor in fact intends to use the property for the avowed purpose") [internal quotations omitted]. "[A] particular condemnation is necessary as long as it appropriately facilitates a public use." Miller, 156 Wn.2d at 421 ¶ 36. "Put another way, when there is a reasonable connection between the

public use and the actual property, this [necessity] element is satisfied." *Id.*; accord, Port of Seattle, 80 Wn.2d at 398-99.

"Since the turn of the century, Washington courts have provided significant deference to legislative determinations of necessity in the context of eminent domain proceedings." HTK, 155 Wn.2d at 631 ¶ 42. An agency's determination that property is necessary for a public use is conclusive unless the party opposing condemnation shows the determination was arbitrary and capricious, amounting to constructive fraud. City of Tacoma v. Welcker, 65 Wn.2d at 684.

Sound Transit determined that each of the properties along the light rail alignment was necessary for the project, and authorized acquisition by purchase or condemnation of "all or any portion" of those properties. CP 203. This, in itself, is sufficient evidence to support the Trial Court's necessity finding. See, e.g., NAFTZI, 159 Wn.2d at 577 ¶ 42. (board resolution identifying public purpose and selecting property to accomplish that purpose was sufficient); City of Seattle v. Loutsis Inv. Co., Inc. (hereafter, "Loutsis"), 16 Wn. App. 158, 167, 554 P.2d 379 (1976) ("determination of necessity was for the City to make"); King County v. Olson, 7 Wn. App. 614, 619-20, 501 P.2d 188 (1972) (substantial evidence

supported necessity of take when agency presented overall plans for park and showed "that open space land within the proposed park area had been selected for acquisition").

Here, Resolution R2013-21, which authorized the take, specifically determined that the Property was "necessary for the construction and permanent location of the East Link Project," and specifically that acquisition was "for the light rail construction, operation and maintenance in the Bel-Red Corridor of Bellevue between 120th Ave NE and 148th Ave NE." CP 202. In addition, the evidence before the Trial Court showed that Sound Transit's decisions were driven by the chosen alignment of the project, which had been determined years before (e.g., CP 197-99, 249-50, 294-95), that taking the Property was necessary to effectuate the desired grade separation between the light rail trackway and 124th Ave NE (e.g., CP 278 at 15:24-16:15, CP 341), an alignment design choice dating back to before Resolution R2013-21 was adopted (e.g., MOU at Ex. C, p. 4⁷), and that Sound Transit was responsible for acquiring the Property under the terms of the Amended MOU and related agreements, some of which might be required for the City's right of way

⁷ Web page link at n.3

project <u>and</u> Sound Transit's East Link project (e.g., CP 233-34 at 32:12-34:4; CP 409). This evidence is sufficient to support the Trial Court's necessity finding.

Sternoff argues, however, that Sternoff proved, beyond fair-minded, rational dispute, that Sound Transit engaged in arbitrary and capricious conduct amounting to constructive fraud, and the Trial Court should therefore have disregarded Sound Transit's necessity determination. This argument fails based on the evidence and the longstanding Washington law discussed below.

B. Sound Transit's Necessity Determination Reasonably Reflected the Need for Design Flexibility; It Was Not Arbitrary and Capricious.

In *Port of Seattle*, the owner challenged the Port's necessity determination, claiming it was arbitrary and capricious because "the plans for the use of the property to be acquired are not specific." 80 Wn.2d at 398. The court rejected the argument. First, the court noted there was a specific public use—air cargo facilities—designated for the property. *Id.* Second, the court held that the lack of "specific or detailed plans for the facilities to be constructed" is insufficient to establish arbitrary and capricious decision-making amounting to the constructive fraud. *Id.*

Quoting Tacoma v. Welcker, 65 Wn.2d at 684, the Port of Seattle court held: "the word necessity does not mean absolute, or indispensable, or immediate need, but rather its meaning is interwoven with the concept of public use," and is satisfied when the property is taken to support the designated public use. Id. at 398-99 [internal quotations omitted]. It is sufficient if the property "will be devoted to that use in due course." Id. at 399; accord, State v. Hutch, 30 Wn. App. 28, 39, 631 P.2d 1014, rev. denied, 96 Wn.2d 1011 (1981). In State v. Hutch, the court reversed the trial court's refusal to enter an order of public use and necessity. The college showed that its campus was too small and it intended to eventually use the condemned property for future expansion. This mandated a finding of necessity to take the entire property in fee; the trial court erred in allowing the college to take only the easement it needed immediately. Id. In other words, "necessity" encompasses "reasonable anticipation of future needs." State ex rel. Hunter v. Sup'r Court (hereafter, "Hunter"), 34 Wn.2d 214, 216, 208 P.2d 866 (1949).

As in *Port of Seattle*, the designated public use here is clear: "construction, operation, and permanent location of the East Link Extension." CP 203 §§ 3-4. Likewise, as in *Port of Seattle* and *State v*.

Hutch, the lack of specific or detailed plans for the East Link Extension, which was the situation when Sound Transit legislatively determined the Property was necessary for its project, is insufficient to establish arbitrary and capricious decision-making amounting to constructive fraud.

Sternoff relies on testimony that Sound Transit <u>could have</u> designed and built the project without accommodating the City's plan to widen 124th Ave NE, claiming this is dispositive. As a matter of law, however, a necessity determination does not require absolute need; the question is whether the property will in fact be used to support the project as designed, and the project may be designed and built to accommodate anticipated future needs.

Nor does the collaboration between Sound Transit and the City of Bellevue undermine the Trial Court's necessity finding. In *Pine Forest*, this Court relied on *Port of Seattle and Tacoma v. Welcker* to affirm the trial court's necessity finding with regard to the precise projects at issue here—the East Link Extension and the Bel-Red Transportation Improvement Plan. This Court held that to substantiate its necessity determination, the condemning authority need only show "some definite stated plan of improvement" using the property to be acquired. *Pine*

Forest, 185 Wn. App. at 263 ¶¶ 48-49. The plan, though, need not be fully articulated, mapped, specified, or detailed when the necessity determination is made. *Id.* The condemnor is allowed to determine that property is necessary for the project before final design is complete, and make a necessity determination that is expansive enough to accommodate "remaining decisions that have not yet been made." *Id.* ¶¶ 50-51. Likewise, property may be deemed necessary and acquired in eminent domain before project funding is assured. *Id. at* 253-54 ¶ 22.

Here, having carefully considered alternative alignments, Sound Transit chose an alignment, determined whose property would be affected, notified them, held a public hearing at which the affected owners, including Sternoff, had an opportunity to present evidence and offer testimony, determined that the property abutting the alignment was necessary for the East Link Extension, and authorized acquisition up to the entire fee interest based on the final project design, which was yet to be determined. Sound Transit knew at the time that the final design could not be determined without the cooperation and collaboration of the City of Bellevue, whose rights of way would be impacted by the alignment. *E.g.*,

MOU at 2, 3, 5; TWA at 3, 5, 7.8 As shown above, the fact that further action and decisions—by Sound Transit and others—would be needed to implement the project and specify the exact property interests to be acquired does not render Sound Transit's necessity determination arbitrary and capricious or support a finding of constructive fraud.

Indeed, this Court has previously acknowledged that the statutory directive under which Sound Transit was formed requires local governments and transportation agencies to "coordinate" their responsibilities for "high capacity transportation policy development, program planning, and implementation." *Pine Forest*, 185 Wn. App. at 247 ¶2 (quoting RCW 81.104.010). In *Pine Forest*, this Court affirmed the trial court's approval of a necessity determination that was driven in part by the fact that "significant design, scheduling, and coordination decisions had not been made with respect to the East Link Project or with respect to the Bel-Red Transportation Improvement Plan." *Id.* at 251 ¶14. These are the same two projects that Sternoff contends Sound Transit could not legally coordinate in this case.

⁸ Web page links at n.3 and n.4

In *Pine Forest*, this Court agreed that the City of Bellevue's necessity determination was not arbitrary and capricious where it was made to "minimize[] complications, and the potential for additional costs" inherent in the ongoing planning and coordination of the two projects. *Id.* The Court specifically mentioned the ongoing discussions between Sound Transit and the City about coordinating construction plans for the East Link Extension with the City's Bel-Red Transportation Improvements as supporting a more inclusive property acquisition than that advocated by the property owner. *Id.* at 252 ¶ 17.

Here, too, the need for design flexibility going forward, the need to coordinate that design with other affected entities like the City of Bellevue, the need to reach agreements for use of City rights of way, the need to serve the public interest by planning and managing the construction process to be cost-effective and efficient, with an eye to minimizing disruption to the traveling public, and the desire to work with the affected owners to the extent possible to accomplish these goals, all support Sound Transit's determination that the Sternoff Property was necessary to serve the public purpose, and authorization to acquire up to the entire Property to the extent dictated by the final design. There is no

evidence these considerations were fraudulent, arbitrary, or capricious. On the contrary, they reflect the complexity of expanding light rail into the developed and developing municipalities that need it, and are essential to and required by the statutory directives pursuant to which Sound Transit was formed.

C. No Washington Authority Requires a Condemnor to Consider the Individual Characteristics of Property Deemed Necessary for a Public Project; the Trial Court Reasonably Found Sound Transit's Conduct Was Not Arbitrary and Capricious.

Sternoff repeatedly argues that Sound Transit did not consider "the facts or circumstances relevant to the acquisition of the Sternoff Property" before Resolution R2013-21 was passed, and that this failure to consider details specific to the Property is fatal to Sound Transit's determination of necessity. Sternoff cites no authority for this contention, because none exists. Sound Transit is not required to consider the various characteristics of each piece of property it acquires; it need only determine that the property is reasonably necessary for the public use based on the implementation choices it has made.

Miller, 156 Wn.2d at 421 ¶ 36 (citing Des Moines v. Hemenway, 73 Wn.2d at 138).

⁹ Some of the work that goes into those choices is described at CP 249-50 (Billen Dep. at 7:4-11:11).

preclude an exercise of eminent domain, that agreement is irrelevant and must be disregarded in determining public use and necessity. 12

E. Sound Transit Properly Adjusted the Precise Interests to Be Condemned in the Petition; the Trial Court Reasonably Found Sound Transit's Conduct Was Not Arbitrary and Capricious.

Condemning agencies may adjust the precise interests to be acquired in eminent domain before just compensation is determined or early possession and use is obtained, so long as the condemnor presents an adequate taking description in time to allow the condemnee to adequately prepare for the just compensation trial. *E.g.*, *In re Municipality of Metro*. *Seattle v. Kenmore Properties, Inc.*, 67 Wn.2d 923, 928, 410 P.2d 790 (1966). Our Supreme Court recently reaffirmed this principle in *Central Puget Sound Reg'l Transit Auth. v. Airport Inv. Co.*, __ Wn.2d __, ¶ 26, 376 P.3d 372 (2016), rejecting a proposed statutory interpretation that would have interfered with the condemnor's ability to adjust the scope of the taking "based on a changed understanding of its construction needs."

In this case, after adopting Resolution R2013-21, which authorized acquisition of up to the entire Property, Sound Transit limited its Petition

¹² In addition, the entry agreement expressly acknowledged that Sound Transit might need to block or impede access during and after the term of the agreement. CP 168.

in Eminent Domain to seek acquisition of only those Property interests and areas warranted by its final design specifications, including those negotiated with and to be constructed by the City of Bellevue as stated in the Amended MOU and contemporaneous agreements. *See* CP 3-4 and Appendix 1 hereto; CP 293-544. Although Sternoff asserts the Amended MOU and contemporaneous documents between Sound Transit and the City cannot support the Trial Court's findings, there is no authority for that argument. To the contrary, established Washington law allows adjustments to the taking all the way up to the just compensation trial as dictated by design improvements and changing construction needs. The Amended MOU and contemporaneous documents reflect those types of design details and construction plans, elaborating on the longstanding design concept that the trackway would run in a retained cut at and under the 124th Ave NE intersection. Sound Transit properly crafted its Petition

¹³ Sternoff cites *Harvey v. Snohomish County*, 124 Wn. App. 806, 103 P.3d 836 (2004), for the proposition that an interlocal agreement cannot be used to take action that would otherwise be improper. But the Amended MOU was part of the process that allowed Sound Transit to <u>limit</u> the Property Sound Transit will acquire for the East Link project. As shown above, Resolution R2013-21 to acquire up to the <u>entire</u> Property for the project was a proper legislative determination of necessity, not arbitrary and capricious conduct amounting to constructive fraud. And as shown below, the collaborative process between Sound Transit and the City of Bellevue to implement the East Link project and coordinate design, use, construction activities, and ownership of the Property during and after the project is well supported under Washington law.

to reflect those refined plans, and the Trial Court properly considered them.

Sternoff's contentions about the taking along 124th Ave NE are based on: (1) the flawed argument that the Trial Court could not consider the evolved project design, construction plans, and operational arrangements detailed in the Amended MOU and contemporaneous agreements; and (2) a refusal to recognize that Sound Transit had long ago determined in Resolution R2013-21 that up to the entire Property was necessary for the East Link project. For example, Sternoff complains that the City of Bellevue, which will be managing construction of the 124th Ave NE bridge under agreements with Sound Transit, did not also adopt a resolution to condemn the Property. But the 124th Ave NE bridge is part of and required by Sound Transit's East Link project in order to achieve grade separation of the roadway and trackway at the 124th Ave NE intersection. *E.g.*, CP 341. Grade separation between 124th Ave NE and the trackway is and always has been part of the East Link project. *E.g.*, MOU at Ex. C, p. 4; CP 362.

Sternoff relies heavily on testimony by Sound Transit representatives that Sound Transit's East Link project and the City's

project to widen 124th Ave NE are "separate" and argues this is definitive proof that Sound Transit's bridge design to accommodate a wider 124th Ave NE is arbitrary and capricious. But the testimony addresses the 124th Ave NE right of way corridor, not its intersection with the trackway or the grade-separation bridge that is part of Sound Transit's project. See, e.g., CP 263 at 9:12-21. In fact, the projects physically intersect at the Sternoff Property, and there is no evidence that any of the interests Sound Transit is acquiring in the Property are solely for the City's project. See CP 233 at 32:12-34:4. As a Sound Transit Board member testified, "Sound Transit might have acquired properties that were necessary for both purposes, not just light rail purposes." Id. at 32:20-22. This is because the two projects overlap; "they're not separate in space and time." Id. at 33:12-20. And regardless of the widening project, the East Link project requires construction of the 124th Ave NE bridge to elevate the roadway above the retained cut trackway alignment. CP 486 at ¶ 2.1. Designing and building the bridge to accommodate future traffic needs and right of way improvements is smart, not arbitrary. See CP 486 (agencies are coordinating design, right of way acquisition, and construction "to improve efficiencies and reduce costs").

Finally, Sternoff complains that if Sound Transit were not accommodating the City of Bellevue's plans to widen 124th Ave NE, it would not have to acquire property—or maybe not so much property along 124th Ave NE, the west boundary of the Property. The only support for this assumption is that certain property and property interests are designated "COB" for City of Bellevue in the Petition. designations reflect who will be doing the work in the area or who will ultimately take title to the area. See CP 490-91. The designations do not compel a conclusion that those areas are only necessary to a City of Bellevue project and not to the East Link project, and there is no evidence to support the proposition that the "COB" areas are not part of the East Link project. On the contrary, the projects overlap in this area, and Sound Transit is contributing its proportionate share of design and construction costs. CP 492, 498-500. Moreover, the Petition, the source of the "COB" designation, specifically states that all of the property and property rights described are to be acquired "for purposes of Petitioner's Link light rail project in order to permanently locate, construct, operate and maintain the East Link Extension and its related facilities." CP 2.

In any event, constructing the bridge to accommodate Bellevue's anticipated right of way improvements is a design issue that, as a matter of law, cannot support a finding of arbitrary and capricious conduct amounting to constructive fraud. See State v. Burdulis, 70 Wn.2d 24, 421 P.2d 1019 (1966). In Burdulis, the agency's decision to elevate a roadway enlarged the property it sought to acquire from a strip three to four feet wide to a strip four to twenty feet wide. Id. at 25. The trial court held the agency had not sufficiently supported a need to elevate the roadway and refused to find necessity. Id. The Supreme Court reversed. The court characterized the state's proof about why it wanted to elevate the roadway as "meager and vulnerable," but still held the state had established a prima facie necessity case. Id. at 26. Merely challenging the support for the state's necessity determination did not establish that the determination was arbitrary, capricious, or fraudulent; therefore the trial court should have found public use and necessity. Id.

Likewise, Sternoff's assumption (which is supported by no evidence at all) that Sound Transit's project could have incorporated a 124th Ave NE bridge over the rail alignment within the existing right of way does not establish that choosing to accommodate the City's

longstanding plans to widen and upgrade the right of way was arbitrary and capricious, let alone constructively fraudulent. Indeed, agency flexibility with respect to proper use of condemned property goes far beyond what Sound Transit contemplates for the "COB" property described in the Petition.

First, *Pine Forest* makes it clear that a condemning authority may allow another public agency to use the property it acquires. 185 Wn. App. at 254-55 ¶ 27 (property condemned by the City of Bellevue would be used by Sound Transit). The condemnor may collaborate with others to build the project, effectuate the purpose, and implement the plans. *Port of Seattle*, 80 Wn.2d at 396-97 (affirming necessity determination even though air cargo facility for which property was condemned would be leased to and operated by a private party). The condemnor may take property that it has agreed to transfer to another public entity when the project is complete. *State v. Slater*, 51 Wn.2d 271, 272, 317 P.2d 519 (1957). And the condemnor may accept funds from another public entity that will also benefit from the project—even if that entity does not have the power of eminent domain. *Schluneger*, 3 Wn. App. at 539.

Second, the property "necessary" for a project may extend beyond the footprint of the final project. *E.g.*, *HTK*, 155 Wn.2d at 633 ¶ 46. And if the need for the property is temporary, or if needs change after property is taken, the property may be transferred to another entity, or put to an entirely different use. *Id.* at 634 ¶¶ 47-48; *accord*, *City of Tacoma v*. *Cavanaugh*, 45 Wn.2d 500, 501, 275 P.2d 933 (1954) (affirming necessity determination, although property taken for city street might later become part of state highway).

Finally, as previously discussed, the proposed use need not be an immediate use. For example, in *Lange v. Superior Court*, 61 Wn.2d 153, 158-59, 377 P.2d 425 (1963), federal funding and approval of state plans for a limited access federal highway were not required prior to the state's necessity determination or the court's finding of public use and necessity. Likewise, here, Sternoff's argument that the City has not formally implemented its longstanding plan to widen 124th Ave NE is irrelevant to the necessity finding. Even if the City had no plans to widen the 124th Ave NE corridor, Sound Transit's determination to design a project that would accommodate a wider right of way would be upheld.

As our Supreme Court stated in *HTK*, "courts ensure that property condemned is put to a public use," but it is up to the local government or public agency to "ensure that such projects are developed in a cost effective manner." 155 Wn.2d at 639 ¶ 57. The deference granted to a condemnor's finding of necessity effectuates this allocation of responsibility. *Id.* This "high level of deference" appropriately gives the agencies charged with the project the discretion to choose the route, make project design and engineering decisions, and implement the project. *Miller*, 156 Wn.2d at 422 ¶ 37, 423 ¶ 41. The sole test is whether the condemned property will actually be used to support the public purpose for which it is taken. *Port of Seattle*, 80 Wn.2d at 397.

In this case, there is no doubt that the actions taken by Sound Transit, including its collaboration and coordination with the City of Bellevue, were in service of its East Link Extension, and that the Property will be used to advance that public purpose. Sternoff does not challenge the Trial Court's finding that the Property Sound Transit seeks to acquire is within the scope of Sound Transit's Resolution to condemn it for the East Link Extension. *See* CP 572 (Finding of Fact 3). Substantial evidence supports the Trial Court's finding that the Property described in

the Petition will in fact support that project. See CP 574 (Finding of Fact 7: "The Condemned Property is necessary to and will be used for public purpose—locating, constructing, operating and maintaining the Project"). Likewise, the Trial Court reasonably found, based on the evidence before it, that "There was no fraud, actual or constructive, no abuse of power, bad faith, or arbitrary and capricious conduct by Sound Transit." *Id.* (Finding of Fact 10). Those findings, and the conclusions they support, should be affirmed.

F. The Fee Statute Sternoff Relies on Authorizes a Fee Award Only by the Superior Court.

RCW 8.25.075(1) provides: "A <u>superior court</u> having jurisdiction of a proceeding instituted by a condemnor to acquire real property shall award the condemnee costs including reasonable attorney fees and reasonable expert fees if: (a) There is a final adjudication that the condemnor cannot acquire the real property by condemnation." [Emphasis added]. Thus, no fees should be awarded on appeal.

Cases reversing an order of public use and necessity are few and far between. In *Port of Edmonds v. Northwest Fur Breeders Co-op*, 63 Wn. App. 159, 169, 816 P.2d 1268 (1991), *rev. denied*, 118 Wn.2d 1021 (1992), this Court held that the Port had not given proper statutory

notice to the condemnee of the hearing at which condemnation was authorized, and must "begin the eminent domain process anew." The case was remanded to the superior court "for disposition in compliance with this opinion." There was no discussion about whether that disposition would entail "a final adjudication that the condemnor cannot acquire the real property by adjudication" as required to qualify for attorney fees under RCW 8.25.075(1)(a). But the express direction to begin the process anew implies that the condemnor was not barred from ultimately acquiring the property, and therefore the statute would not apply.

Likewise, here, Sternoff's argument is not that Sound Transit cannot acquire the Property, but that it (and/or the City of Bellevue) did not take the proper steps to do so here. As a result, even if Sternoff were to prevail on appeal, the superior court would not necessarily make a "final adjudication that the condemnor cannot acquire the real property by condemnation." Sternoff's request for attorney fees should be denied.

CONCLUSION

Sound Transit has done what its enabling legislation encourages and requires it to do: collaborate with the local municipality its East Link project will serve to develop and implement transportation policy, and build and operate transportation systems and facilities. Indeed, Sound Transit could not use the City of Bellevue's rights of way to bring light rail to Bellevue without the City's cooperation and consent.

Sternoff should not be allowed to use the design and construction efficiencies enabled by this collaborative effort to delay or derail the East Link project. Sound Transit determined that the Property was necessary for its project, and Sternoff has not satisfied the heavy burden required to rebut this determination. The Trial Court reasonably concluded that the evidence failed to show arbitrary and capricious conduct amounting to constructive fraud, and this Court should affirm.

DATED this 2016.

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Appendix 1



































