

**ORDINANCE NO. 14-0424**

**AN ORDINANCE OF THE CITY OF EDGEWOOD, WASHINGTON, CONFIRMING THE ASSESSMENT ROLL, AS TO CERTAIN PROPERTIES, FOR LOCAL IMPROVEMENT DISTRICT NO.1 TO FINANCE CERTAIN SEWER MAIN EXTENSIONS ALONG MERIDIAN AVENUE, AS PROVIDED BY ORDINANCE NO. 08-0306; AND, LEVYING AND ASSESSING THE COST AGAINST THE PROPERTIES AS SHOWN ON THE ASSESSMENT ROLL.**

**THE CITY COUNCIL OF THE CITY OF EDGEWOOD, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:**

**Section 1. Recitals and Findings.**

1.1. The City of Edgewood ("City") was incorporated in 1996. Early in its brief history, the City began planning for better public health services and community development through a modern wastewater (sanitary sewage) system. There had been no public sewers in the City. The City, with Department of Ecology approval, adopted its Edgewood General Sewer Plan in 2004 (updated, 2007 and 2009). See, RCW 90.48.110. Phase I of that system has now been constructed. With the limited financial resources of a new and small City, the City relied on a local improvement district ("LID") to support system funding. The City created LID No. 1 by Ordinance No. 08-0306 (October 2008).

1.2 By Ordinance No. 11-0366 (July 2011), the City Council confirmed the assessment roll for the City's LID No. 1. The LID financed the construction of the sewer system. The contractor substantially completed the sewer system by March 2011, and the Council officially accepted the work by resolution on April 12, 2011. The LID costs were spread to the owners of 161 parcels in a 312 - acre area of the City. A portion of the planned system and system costs provided for the accommodation of flows from properties outside the LID that may connect to the system in the future ("oversizing costs").

1.3 Of the 161 parcels in the LID, owners of 11 parcels (nine owners) sought review of the final LID assessment. In March 2014, the Washington Court of Appeals ruled that the

oversizing costs were impermissibly allocated to the LID. *Hasit, LLC v. City of Edgewood*, 197 Wash. App. 917 (2014). In *Hasit*, the Washington Court of Appeals rejected claims regarding the assessments against other parcels in the LID, but nullified the assessments against the 11 parcels.

1.4 The City commissioned a report to determine the components of LID costs attributable to oversizing and the associated oversizing costs. The City received and published that report: Meridian Avenue Sewer LID No. 1 Evaluation of Oversizing Costs (BHC and Tetra Tech, June 17, 2014). The City also commissioned a further valuation of the 11 parcels. The revised assessment roll levying the special assessments against the 11 parcels has been filed with the City Clerk as provided by law.

1.5 The initial hearing on those final assessments was postponed from August 13 to September 17. Notice of the time and place of hearing on the assessments and making objections and protests to the assessment roll was published at and for the time and in the manner provided by law fixing the time and place of hearing before the City Council thereon for 6:00 p.m., local time, on September 17, 2014, in the Council Chambers in the Edgewood City Hall, 2224 104<sup>th</sup> Avenue East, Edgewood, Washington; and further notice thereof was mailed by the City Clerk to each property owner shown on the roll.

1.6 At the time and place fixed and designated in the notice the City Council, sitting as a Board of Equalization, held the hearing and all written protests received were considered and all persons appearing at the hearing who wished to be heard were heard. The City Council considered the evidence received, the roll and the special benefits to be received by each lot, parcel and tract of land shown upon such roll, including the increase and enhancement of the fair market value of each such parcel of land by reason of the sewer system improvement.

1.7 The City Council incorporates the Findings of Fact, Conclusions and Order, attached to this ordinance as Appendix 1.

**Section 2. Assessments Confirmed.** The final assessment roll for the 11 parcels in the total amount of \$2,385,785, as shown on Appendix 2, is hereby confirmed, which roll reflects reduction in assessments for those parcels whose assessments were nullified in *Hasit* due to oversizing and additional factors considered on reassessment.

**Section 3. Special Benefits.** Each of the lots, tracts, parcels of land and other property shown on the assessment roll is determined and declared to be specially benefited by this improvement in at least the amount charged against the same, and the assessment appearing against the same is in proportion to the several assessments appearing upon the roll. There is levied and assessed against each lot, tract or parcel of land and other property appearing upon the roll the amount finally charged against the same thereon.

**Section 4. Assessment.** The assessment roll as approved and confirmed shall be filed with the City Finance Director/City Clerk for collection and the City Finance Director/City Clerk is authorized and directed to publish notice as required by law stating that the roll is in her hands for collection and that payment of any assessment thereon or any portion of such assessment can be made at any time within 30 days from the date of first publication of such notice without penalty, interest or cost, and that thereafter the sum remaining unpaid may be paid in 20 equal annual installments of principal and interest. The notice shall indicate that the assessment for those property owners that prepay in whole will be reduced by the amount the City will not be required to fund for the Reserve Fund. The estimated interest rate is stated to be .25% per annum above the rates on the bonds that will be issued, with the exact interest rate to be fixed in the ordinance authorizing the issuance and sale of the local improvement bonds for Local Improvement District No. 1. The first installment of assessments on the assessment roll shall become due and payable during the 30-day period succeeding the date one year after the date of first publication by the City Finance Director/Clerk of notice that the assessment roll is in her hands for collection and annually thereafter each succeeding installment shall become due and payable in like manner.


**Section 5. Assessment Collection.** If the whole or any portion of the assessment remains unpaid after the first 30-day period, interest upon the whole unpaid sum shall be charged at the rate as determined above, and each year thereafter one of the installments of principal and interest shall be collected. Any installment not paid prior to expiration of the 30-day period during which such installment is due and payable shall thereupon become delinquent. Each delinquent installment shall be subject, at the time of delinquency, to a penalty of 12% per year levied on both principal and interest due upon that installment and all delinquent installments also shall be charged interest at the rate as determined above. The collection of such delinquent installments shall be enforced in the manner provided by law.

**Section 6.**     **Ordinance No. 11-0366 Confirmed.** Nothing in this Ordinance modifies the assessments in LID No. 1, except as to the 11 parcels subject to *Hasit*. Except as provided herein, City Ordinance No. 11-0366 is ratified and confirmed.

**Section 7.**     **Effective Date.** This ordinance shall take effect and be in force 5 days after publication, as provided by law.

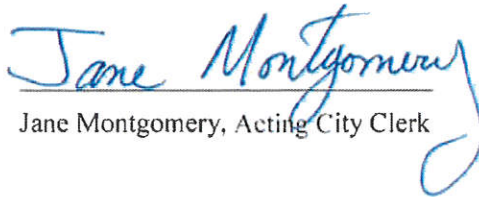
PASSED by the City Council of the City of Edgewood, Washington, at a special open public meeting thereof, on the 2ND day of OCTOBER, 2014.

CITY OF EDGEWOOD, WASHINGTON


By: 

Daryl Eiding, Mayor

ATTEST:

  
Jane Montgomery, Acting City Clerk

APPROVED AS TO FORM:

  
Zach Lell, City Attorney

## CERTIFICATION

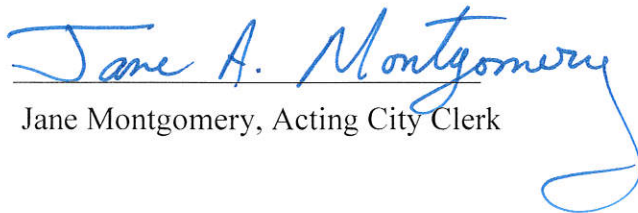
I, the undersigned, Acting City Clerk of the City of Edgewood, Washington (the "City"), hereby certify as follows:

The attached copy of Ordinance No. 14-0424 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a special meeting of the City Council of the City held at the regular meeting place thereof on the 2nd day of October, 2014, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect five days after publication in the City's official newspaper; and

A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the passage of the Ordinance.

IN WITNESS WHEREOF, I have hereunto set my hand this 2ND day of October, 2014.

CITY OF EDGEWOOD, WASHINGTON

  
Jane Montgomery, Acting City Clerk

Appendix 1

Appendix 2

1  
2  
3  
4 BEFORE THE CITY COUNCIL OF THE  
5 CITY OF EDGEWOOD ACTING AS BOARD OF EQUALIZATION

6 In the Matter of:

7 LOCAL IMPROVEMENT  
8 DISTRICT NO. 1

FINDINGS OF FACT,  
CONCLUSIONS OF LAW, AND  
ORDER (ASSESSMENT ROLL)

9  
10 A **PUBLIC HEARING** in the above-captioned matter was held on September  
11 17, 2014 (after being rescheduled from August 13, 2014), before the City Council of  
12 the City of Edgewood, Washington acting as a Board of Equalization (the "Board").  
13 This matter has come back before the Board on remand from the Washington State  
14 Court of Appeals (the "CofA" decision is found at *Hasit, LLC v. City of Edgewood*, 179  
15 Wn. App. 917, 320 P.3d 163 (2014). In its decision, the CofA "annul[ed] the special  
16 assessments imposed against the respondents' properties." As a result, those same  
17 respondents' properties are herein reassessed in accordance with the CofA's  
18 decision.  
19

20 The City of Edgewood appeared at the public hearing through City Attorney  
21 Zach Lell. The Local Improvement District (the "LID") was principally represented by  
22

23 FINDINGS OF FACT, CONCLUSIONS OF LAW,  
24 AND ORDER LID NO. 1 (ASSESSMENT ROLL)

1 legal counsel Stephen P. DiJulio. Robert J. Macaulay, author of a Special Benefit  
2 Study of the LID improvements appeared and testified regarding the study he  
3 prepared (the "Macaulay Study"). Tony Fischer of BHC Consultants testified on behalf  
4 of the LID regarding oversizing design issues. Jim Santrock of Tetra Tech also  
5 testified on behalf of the LID regarding oversizing design issues.

6 The owners of parcels 27 (tax parcel no. 0420033077—Stokes) and 68 (tax  
7 parcel no. 0420091134—Rempel) were represented by Attorney Margaret Archer. In  
8 addition, on behalf of these two properties, David Hunnicutt of Hunnicutt and  
9 Associates, Inc. testified at the hearing regarding valuation studies he conducted  
10 separately from the Macaulay Study challenging its conclusions. Tina Rempel  
11 presented testimony regarding her property on her own behalf and land use planning  
12 consultant, William Palmer testified regarding the properties represented by Ms.  
13 Archer as well.

14  
15 The owners of the remaining properties on remand from the CofA (as  
16 referenced further herein below) were represented by Attorney Carolyn Lake  
17 (collectively the "Docken Appellants") who submitted various materials including the  
18 "Declaration and Report of Property Owner Appraiser Don Heischman (the  
19 "Heischman Report")." Of the Docken Appellants, live testimony was presented by  
20 Enid Duncan, Dexter Meacham, and Eric Docken in addition to Ms. Lake's  
21 presentation.



1  
2 The Board, having now considered the evidence presented, having reviewed  
3 the records and files in the case, and being otherwise fully advised, makes the  
4 following:

5 FINDINGS OF FACT

6 1. In October of 2008, the City adopted Ordinance No. 08-0306 creating LID  
7 No. 1 providing for the construction of a modern wastewater (sanitary sewage) system  
8 in accordance with the Edgewood General Sewer Plan as adopted in 2004 (updated,  
9 2007 and 2009).

10 2. Phase I of the system was substantially completed in March 2011, and the  
11 Council officially accepted the work on April 12, 2011 by resolution.

12 3. Thereafter, the City Council adopted Ordinance No. 11-0366 in July of 2011,  
13 by which the City Council confirmed the assessment roll for LID No. 1 previously filed  
14 with the City Clerk in accordance with applicable laws. Pursuant to that Ordinance,  
15 costs of the LID were assessed to the owners of 161 parcels in a 312 acre area of the  
16 City. Of those owners, originally nine owners of eleven parcels challenged their  
17 assessments in a proceeding in Pierce County Superior Court, which led to (a) the  
18 City's appeal to the CofA and the *Hasit* decision referenced above, (b) nullification of  
19 the assessments for the appealing owners and (c) the present reassessment  
20 proceeding.  
21

1 4. Of those nine owners, eight are still active in this reassessment proceeding  
2 as follows:

- 3 ° Duncan, Edward & Enid- Map No. 2 (Tax Parcel No. 042003202100),
- 4 ° 1999 Stokes Family LLC- Map No. 27 (Tax Parcel No. 0420033077),
- 5 ° Suelo Marina LLC- Map No. 31 (Tax Parcel No. 0420033140),
- 6 ° Rempel Ray E & Eldean TTEE & Rempel, Tina- Map No. 68 (Tax Parcel No. 0420091134),
- 7 ° Masters, Darlene & Schmidt, Patricia- Map Nos. 71 & 79 (Tax Parcel Nos. 0420091012 & 0420091051),
- 8 ° Skarich, George J & Arlyn J- Map No. 115 (Tax Parcel No. 0420103139),
- 9 ° AKA The Brickhouse LLC- Map No. 128 (Tax Parcel No. 3625000373),  
10 and
- 11 ° Docken Properties LP- Map Nos. 131, 133 & 140 (Tax Parcel Nos. 0420094080, 0420094023, 0420094079).

12  
13 The foregoing are referred to hereinafter collectively as the "Appellant  
14 Properties."

15 5. After the CofA nullification, the City commissioned the Macaulay Study  
16 referenced above, together with evaluations from BHC Consultants and Tetra Tech  
17 regarding oversizing for use in the reassessment process for the Appellant Properties.  
18 The Macaulay Study took into account additional factors in reevaluating the Appellant  
19 Properties such as actual usable area information, information specifically regarding  
20  
21  
22

1 wetlands, other critical areas and stormwater challenges, and information regarding  
2 the conditions/status of existing improvements.

3 6. A proposed reassessment Roll for LID No. 1 was filed in the Office of the  
4 City Clerk, and the same shows the amount staff recommended be reassessed  
5 against the Appellant Properties in payment of the cost and expense of the  
6 improvements previously referred to herein, and said proposed roll has been open for  
7 inspection by all parties interested therein.

8 7. Sufficient legal notice, as required by RCW 35.44.080 and Edgewood  
9 Municipal Code ("EMC") 3.40.030, was published/ provided. All other procedures  
10 required by law with respect to adoption of the reassessment roll have been taken,  
11 including, but not limited to, direct notices to the owners of record of the Appellant  
12 Properties which were mailed on August 14, 2014. An Affidavit of publication for the  
13 proposed reassessment roll is attached hereto as Exhibit A.

14 8. A public hearing was held on September 17, 2014 (after being rescheduled  
15 from August 13, 2014), before the Board in Council Chambers at City Hall located at  
16 2224 104th Ave. East, Edgewood, WA.

17 9. At the outset of the hearing, Enid Duncan requested that Council Member  
18 Crowley recuse himself apparently because he is an attorney. With no other reason  
19 offered and no actual conflict or appearance of fairness issue presented, the request  
20 was denied.  
21

1           10. At the hearing, Stephen P. DiJulio, as legal counsel for LID No. 1 made  
2 opening remarks and then directed the presentation of testimony by Robert J.  
3 Macaulay regarding the findings of the Macaulay Study a copy of which is attached  
4 hereto as Exhibit B and incorporated herein as part of the Board's findings. Tony  
5 Fischer of BHC Consultants and Jim Santrock of Tetra Tech both testified on behalf of  
6 the LID regarding oversizing design issues among others. Opportunities to cross  
7 examine all LID witnesses was provided to the Appellant Owners' counsel.

8           11. Based on the Macaulay Study and other information presented by City staff  
9 and the LID, an overall reduction in the assessed amounts to the Appellant Owners'  
10 due to oversized capacity and other reconsidered factors referenced in the Macaulay  
11 Study, was recommended in the amount of \$408,557, leading to an overall  
12 assessment to the Appellant Owners of \$2,385,785 broken down as follows:

13           ° Duncan, Edward & Enid-	Map No. 2	\$212,700
14           ° 1999 Stokes Family LLC-	Map No. 27	\$379,315
15           ° Suelo Marina LLC-	Map No. 31	\$322,595
16           ° Rempel Ray E & Eldean TTEE	Map No. 68	
17           & Rempel, Tina,-		\$790,535
18           ° Masters, Darlene &	Map No. 71	
19           Schmidt, Patricia-	Map No. 79	\$428,945
20           ° Skarich, George J & Arlyn J-	Map No. 115	\$28,360
21           ° AKA The Brickhouse LLC-	Map No. 128	\$21,270



1 conducted regarding these same properties. The Hunnicutt valuations are part of the  
2 record in this matter along with all other evidence submitted.

3 15. The verbatim digital recording of the public hearing and the file in this  
4 matter are in the custody of the City Clerk; and both are available for review by any  
5 party in interest.

6 16. Any Conclusion of Law set forth hereinafter which may be deemed to be a  
7 Finding of Fact herein is hereby adopted as such.

8 From these Findings of Fact the Board makes the following:

9  
10 CONCLUSIONS OF LAW

11 1. City staff and the LID have complied with all applicable laws with respect to  
12 approval and confirmation of the (re)Assessment Roll for the Appellant Properties in  
13 LID No. 1.

14 2. Improvements constructed pursuant to a local improvement district are  
15 presumed to benefit properties within the LID on an equitable basis, and the  
16 assessments are presumed to have been made fairly and legally. *See Abbenhaus v.*  
17 *Yakima*, 89 Wn.2d 855, 860-61, 576 P.2d 888 (1978); *see also Bellevue Plaza v.*  
18 *Bellevue*, 121 Wn.2d 397, 402-403, 851 P.2d 662 (1993); *Hansen v. Local Imp. Dist.*,  
19 *54 Wn. App. 257-62, 773 P.2d 436 (1989).*

20 3. The Board concludes that the reassessments based on the Macaulay Study  
21 were determined in accordance with the Court of Appeals' standards as set forth in  
22

1 Hasit. The Reassessments reflect properly the Special Benefits resulting from LID #1  
2 improvements. Differing opinions were expressed regarding the Special Benefit to the  
3 Appellant Properties; however, the Board concludes that the evidence presented by  
4 the owners of the Appellant Properties did not overcome the City Staff/LID  
5 recommendations. Given that, the objections of the owners of the Appellant Properties  
6 are overruled.

7 4. The revised Assessment Roll conforms to applicable legal requirements,  
8 and there is no compelling evidence that the methodology used to substantiate the  
9 assessments for the Appellant Properties was incorrect. Accordingly, the Board  
10 should adopt an ordinance assessing the Appellant Properties for benefits conferred  
11 under LID No. 1, previously created by the City Council, and the revised Assessment  
12 Roll for LID No. 1 should be confirmed and approved.

13 5. Any Finding of Fact hereinbefore stated which may be deemed to be a  
14 Conclusion of Law herein is hereby adopted as such.

15 From the foregoing Findings of Fact and Conclusions of Law the Board enters  
16 the following:  
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18  
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ORDER

It is hereby ordered that the Assessment Roll for LID No. 1, including the reassessed amounts for the Appellant Properties be confirmed and approved and an ordinance be adopted reflecting the same.

DONE THIS 2nd day of October, 2014.

By: 

DARYL EIDINGER, Mayor on Behalf  
of the City Council of Edgewood, WA  
acting as Board of Equalization



EXHIBIT A TO FINDINGS, CONCLUSION AND ORDER  
AFFIDAVIT OF PUBLICATION

FINDINGS OF FACT, CONCLUSIONS OF LAW,  
AND ORDER LID NO. 1 (ASSESSMENT ROLL)

## AFFIDAVIT OF PUBLICATION

Account #	Ad Number	Identification	PO	Amount	Cols	Lines
255556	0001216577	CITY OF EDGEWOOD, WASHINGTON NC	MTG 9/17	\$562.43	1	51

Attention: JANE MONTGOMERY

CITY OF EDGEWOOD  
2224 104TH AVE E  
PUYALLUP, WA 983721513

CITY OF EDGEWOOD, WASHINGTON  
NOTICE OF HEARING ON FINAL ASSESSMENT  
ROLL

## LOCAL IMPROVEMENT DISTRICT NO. 1

NOTICE IS GIVEN that the final assessment roll for Local Improvement District No. 1 ("District"), established for the purpose of constructing a sewer main extension along Meridian Avenue East as ordered by Ordinance No. 08-0306 of the City of Edgewood, Washington ("City"), has been prepared as required by law and is on file and open to inspection at the office of the City Clerk at the Edgewood City Hall, 2224 104th Avenue East, Edgewood, Washington.

NOTICE FURTHER IS GIVEN that the City Council of the City has fixed the time for the hearing upon the final assessment roll on certain properties for 6:00 p.m., local time, on September 17, 2014, in the Council Chambers in the Edgewood City Hall, 2224 104th Avenue East, Edgewood, Washington. This hearing is limited to properties within UD No. 1 the original assessments for which were annulled by the Washington Court of Appeals.

Any person desiring to object to any assessment appearing on the revised final assessment roll is notified to make all objections in writing and to file them with the City Clerk prior to or at the hearing on the final assessment roll. All objections should state clearly the grounds of the objections and should contain lot block and addition, section, tax number, or other identifying description of the property.

At the time and place fixed, and at such other times to which the hearing may be adjourned, the City Council will sit as a Board of equalization for the purpose of considering objections duly filed, together with all information and evidence in support of those objections, and for the purpose of considering the assessment roll. At the hearing, or adjournment thereof, the City Council may correct, revise, raise, lower, change or modify the roll or any part thereof, or set aside the roll and order a new assessment. When property has been entered originally upon the roll, and the assessment thereon is not raised, no objection shall be considered by the City Council or by any court on appeal unless the objection is made in writing at or prior to the date fixed for commencement of the hearing upon the roll.

Jane Montgomery  
Acting City Clerk  
City of Edgewood, Washington

JANICE WASSENAAR, being duly sworn, deposes and says: That she is the Principal Clerk of The News Tribune, a daily newspaper printed and published in Tacoma, Pierce County, State of Washington, and having a general circulation therein, and which said newspaper has been continuously and uninterruptedly published in said County during a period of six months prior to the first publication of the notice, a copy of which is attached hereto: that said notice was published in The News Tribune, as amended, for:

2 Insertions

Beginning issue of: 08/15/2014

Ending issue of: 08/22/2014

*Janice Wassenaar*  
(Principal Clerk)

Subscribed and sworn on this 22nd day of August in the year of 2014 before me, a Notary Public, personally appeared before me Janice Wassenaar known or identified to me to be the person whose name subscribed to the within instrument, and being by first duly sworn, declared that the statements therein are true, and acknowledged to me that she executed the same.

Notary Public in and for the state of Washington, residing in Pierce County 1950 Sustata St, Tacoma, WA 98405

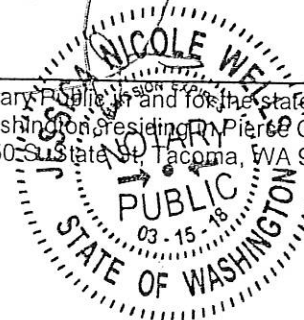


EXHIBIT B TO FINDINGS, CONCLUSION AND ORDER  
THE MACAULAY STUDY

FINDINGS OF FACT, CONCLUSIONS OF LAW,  
AND ORDER LID NO. 1 (ASSESSMENT ROLL)

**ORIGINAL**

Restricted Appraisal Reports

Eight Properties Located Within the Boundaries  
of the City of Edgewood's Meridian Avenue  
Sewer Project LID Number 1  
(LID Map Nos. 2, 27, 31, 68, 71/79, 115, 128, 131/ 133/140)

Location:  
Edgewood, WA 98371

Prepared for:  
Mr. Zach Lell, City Attorney  
City of Edgewood  
2224 104<sup>th</sup> Avenue East  
Edgewood, WA 98372-1513

Date of Valuation:  
May 10, 2011

Date of Report:  
June 20, 2014  
Job No. 14-141

Prepared by:  
Robert J. Macaulay, MAI  
MACAULAY & ASSOCIATES, LTD.  
Everett, Washington

Restricted Appraisal Reports  
June 20, 2014

Mr. Zach Lell, City Attorney  
City of Edgewood  
Edgewood, WA 98372-1513

Re: Eight properties located within the boundaries of the City of Edgewood's Meridian Avenue Sewer Project LID Number 1 (LID Map Nos. 2, 27, 31, 68, 71/79, 115, 128, 131/133/140). Job No. 14-141.

Dear Mr. Lell:

As requested, a personal inspection has been made of the above-referenced parcels (eleven tax parcels under eight ownerships), together with a study of current market data, for the purpose of providing estimates of the fee simple interest in each property both before and after (or "without and with") completion of the City of Edgewood infrastructure project known as the Meridian Avenue Sewer Project LID Number 1. The scope of this assignment is to provide further and/or modified support and documentation for the mass appraisal assignment completed earlier in connection with the LID (and consistent with the ruling of the Washington State Court of Appeals). Your attention is invited to the following reports for brief narrative descriptions, analyses and conclusions of value for each of the eight ownerships. The individual restricted appraisal reports are included herein as eight separate sections.

The date of valuation for this analysis and report is May 10, 2011, a date corresponding to the availability of the LID improvements. As part of a 2011 update of the City's development code, important changes in land use regulations allowing more intensive development occurred. While the names of several zoning categories governing the subject vicinity were unchanged, revisions to both the development code and the city's comprehensive plan were approved by the Edgewood City Council as of April 26, 2011 and became effective on May 9, 2011. Those revisions supported by the LID had a significant effect on the subject area. Not only was more intensive development now allowed (with sewer service), a number of uses permitted prior to the revisions could not be achieved without sewers. Because of the timing of these changes in land use regulations as they pertain to the project, this appraisal estimates retrospective market value of the subject properties as of the same date (May 10, 2011) both without and with the LID project assumed completed.

These are restricted appraisal reports intended solely for use by the City; the rationale for how the appraiser arrived at the opinions and conclusions set forth in the reports may not be understood properly without additional information in the appraiser's workfile. The reports are, however, intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics of the Appraisal Institute.

Mr. Zach Lell  
June 20, 2014  
Job No. 14-141  
Page Two

As such, the sections present summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinions of value. Supporting documentation is retained in the appraiser's file. The depth of discussion contained in these reports is specific to the needs of the client and for the intended use stated herein. The appraiser is not responsible for unauthorized use of these reports. Although the valuation date is May 10, 2011, the reports comply with the 2014-2015 edition of USPAP.

In compliance with Statement 3 (SMT-3), which can be found on page U-74 of the 2014-2015 edition of USPAP, the value opinions contained herein apply to the May 10, 2011 retrospective effective date of value. Any comparable market data or other information on transactions or events occurring since that date is intended to help the reader understand market conditions as of this retrospective effective date. The date of the reports, as shown on this letter, indicates the perspective from which the appraiser is examining the market, whereas the effective date of the appraisals---May 10, 2011---establishes the context for the value opinions.

A significant factor considered in the valuation analysis is that, as stated above, the intensity of use allowed under prior zoning regulations could not in most instances be achieved without the LID improvements. Furthermore, it is reasonably probable that the 2011 zoning changes would not have been initiated without the sewer project.

The difference in estimated retrospective market value before and after completion of the LID improvements is each property's special benefit. With the zoning changes discussed above in place, special benefit to the subject parcels is attributable to the significant increases in potential development density which occurred as a result of the project. In addition, the improvements will provide the impetus for more intense commercial and multi-family residential development, making the subject area more competitive with surrounding municipalities. Despite the lingering effects of the nationwide economic recession, the vicinity remains desirable in the marketplace due to excellent access to transportation networks and major employment centers.

As of the May 2011 valuation date, the recession, which began in late 2007, was still having a profound and long-lasting effect on both commercial and residential real estate markets. Although market conditions in 2011 were weakened due to the recession, these factors are reflected in both the "without" and "with" valuations. Recognizing this, land value with the project as of the valuation date is enhanced due to the elimination of costs and risk associated with on-site septic systems, potential development density is increased since septic drainfield areas no longer need to be set aside, and there is significant improvement in the neighborhood's reputation and market appeal. Typically, special benefit to property is reflected in the underlying land value. As a result of a project like this, the market will pay a higher price for land; in this instance, probable increases in land value are primarily due to the aforementioned factors and most emphasis is placed on land values in these reports.

Mr. Zach Lell  
June 20, 2014  
Job No. 14-141  
Page Three

The LID was initiated as a result of a citizen group of property owners with the presentation of a petition to the City of Edgewood. Numerous property owners contributed funds to initiate the formation process. Due to the poor soils in the Edgewood area and the currently widespread use of septic systems, development within the City has stagnated. The sanitary sewer LID increases potential economic activity within the City, spurring development along Meridian Avenue. The Washington State Department of Transportation (WSDOT) began construction of a \$50 million road-widening project along Meridian Avenue in the subject area in September 2011. Phase one, a 1.2- mile long section extending south from Milton Way/8<sup>th</sup> St E to 24<sup>th</sup> St E, is scheduled for completion in the summer of 2014. Phase two, continuation of the improvements south from 24<sup>th</sup> St E to 36<sup>th</sup> Street E, is scheduled to commence in 2027. The project, fully funded and done at no cost to the affected property owners, is not part of the LID. The market was aware of these proposed road improvements, both before and after completion of the sewer LID project.

At the time of closing of the initial final assessment roll for the LID, the City's estimated total project cost (100% financed by the LID) included costs for oversizing of the sewer lines that were installed. The cost figure utilized in the May 10, 2011 report prepared by Macaulay and Associates, Ltd. entitled, "Final Special Benefit/Proportionate Assessment Study—Meridian Avenue Sewer Project LID Number 1, City of Edgewood, Pierce County, WA" was \$21,238,268. That figure is reduced in this report following the discussion by the City after the Court of Appeals' ruling.

Referring to the June 17<sup>th</sup>, 2014 City of Edgewood Meridian Avenue Sewer LID No. 1 Evaluation of Oversizing Costs Report, prepared by BHC Consultants and Tetra Tech of Seattle, WA, the revised total LID cost is \$20,432,581.

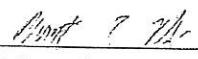
The total estimated special benefit to all affected parcels, including the eight subject properties discussed herein, was \$28,818,000. Dividing the total revised project cost by the total estimated special benefit yielded a cost/benefit ratio of 70.90%. This new cost/benefit ratio is applied to each of the eight appellant properties' special benefit to arrive at a revised recommended assessment amount.

Mr. Zach Lell  
June 20, 2014  
Job No. 14-141  
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Based on the investigation and analyses described herein, I have formed the opinion that retrospective market value of the fee simple interest in each of the eight subject ownerships, both without and with the LID project (discussed herein and in the above-referenced document), as of May 10, 2011, is as shown in the summary chart below. Based on the revised cost/benefit ratio of 70.90%, recommended final assessment amounts are shown on the far right column.

Map No.	Owner	Estimated Retrospective Market Value—without LID	Estimated Retrospective Market Value—with LID	Estimated Special Benefit	Recommended Final Assessment
2	Edward and Enid Duncan	\$925,000	\$1,225,000	\$300,000	\$212,700
27	1999 Stokes Family LLC	\$755,000	\$1,290,000	\$535,000	\$379,315
31	Suelo Marina LLC	\$680,000	\$1,135,000	\$455,000	\$322,595
68	Ray and Eldean Rempel TTEE and Tina Rempel	\$1,400,000	\$2,515,000	\$1,115,000	\$790,535
71, 79	Darlene Masters & Patricia Schmidt	\$815,000	\$1,420,000	\$605,000	\$428,945
115	George J. and Arlyn J. Skarich	\$500,000	\$540,000	\$40,000	\$28,360
128	Aka The Brickhouse LLC	\$505,000	\$535,000	\$30,000	\$21,270
131, 133, 140	Docken Properties LP	\$1,800,000	\$2,085,000	\$285,000	\$202,065

Respectfully submitted,  
MACAULAY & ASSOCIATES, LTD.

  
Robert J. Macaulay, MAI  
WA State Certified - General Appraiser No. 1100517