



CITY OF YELM

*105 Yelm Avenue West
Yelm, WA 98597*

To: City Council
From: Michael Grayum, City Administrator
Date: July 6, 2018
Topic: Thurston Highlands and Killion Road Local Improvement District Update

At the last City Council meeting, a Councilmember asked about property pertaining to the Thurston Highlands development and the Killion Road Local Improvement District (LID). As you know, there have been several unfortunate deaths in the Liao family, which led to a lot of history and personal sensitivities with one of the families involved in this separate legal entity. I believed it was best to provide you an update in writing out of respect for their family.

This document summarizes the history of the property, including the latest status which remains in legal limbo as the newest family members of DDD Washington LLC continue working to catch up on payments and manage the ownership of a significant portion of the property in the LID. If you would like any additional information about this ongoing legal issue, we would be glad to have the City attorney update you in executive session.

Thurston Highlands Ownership History

- Pre-annexation – Weyerhaeuser, Inc.
- Annexation up to 1999 – Thurston Highlands Associates (Dr. Paul Liao)
- 1999 - 2006 – Thurston Highlands Associates, LLC (Dr. Paul Liao)
- 2006 - 2009 – Thurston Highlands Associates, LLC (Doug Bloom and Steve Chamberlain)
- 2010 - Present – DDD Washington, LLC (The 3 children of Dr. Liao, Darwin Liao passed away leaving his sisters in control of the property).
- 2018 - 640 acres were temporarily signed over to the City to hold temporarily in lieu of being foreclosed upon. Currently, the Deed is held by the City, but the property is an asset of the LID. Per Washington State law, DDD has the right to redeem the property two years after the Deed was recorded by the County. If DDD pays all principle and interest on the remaining 640 acres, they get it back.

Thurston Highlands Property Background Information

The Thurston Highlands property (now owned by DDD Washington, LLC), along with the Dragt Dairy Farm and smaller private properties off Berry Valley Road and George Road were annexed into the City in 1994. The property was zoned Master Planned Community, requiring the approval of a Master Plan before any development. The Environmental Impact Statement (EIS) for the annexation and initial Master Plan noted that the property could not be developed until Yelm obtained additional water rights.

In 2006, an application for a Master Planned Development was submitted to the City for up to 5,000 dwelling units of mixed density along with a significant commercial core for the Highlands. The City issued a determination of significance and began the preparation of an EIS. A draft EIS was issued in June of 2008. The final EIS was issued in November of 2008. The property was sold in a Trustee's sale in 2010, at which time it was purchased by DDD Washington, an LLC made up of Dr. Liao's three children. Darwin Liao was the lead for the LLC and was interested in ultimately developing the property. Darwin passed away after a car accident and Dr. Liao passed away shortly thereafter. The LLC is now controlled by Dr. Liao's two daughters, who have not shown an interest in developing the property and have not been paying the assessments for the LID as noted above.

Killion Road LID History & Background

2006 – The City Council created the Killion Road LID, a separate legal entity, for the construction of Tahoma Boulevard and reconstruction of Yelm Avenue West and Killion Road. The petition for LID was initiated by the owners of the Tahoma Terra Master Planned Community (Dragt Farm property) and was signed by Thurston Highlands Associates, LLC.

2009 – The final assessment roll for the LID was adopted by the City. The total assessment was \$10,478,617 and included 97 properties. Thurston Highlands Associates, LLC missed the 2009 and 2010 LID payments.

2012 – The City and DDD Washington, Inc. entered into a repayment agreement in which THA agreed to pay all back principle and interest and the City agreed to waive penalties in the amount of \$313,973.64 and other fees owed.

2016 – DDD missed the 2016 payment and began negotiations with the City for a deed in lieu of foreclosure, which did not come to fruition.

2017 – DDD missed the 2017 payment and the City started pursuing options for foreclosure. The total outstanding assessments and interest at that time was approximately \$4.9 Million. At the end of the year, DDD made a payment for the principle and interest on all their properties except one, totaling 640 acres, which they signed over to the City to hold temporarily in lieu of being foreclosed upon. The Statutory Warranty Deed In Lieu of Foreclosure is attached for your convenience. This document and other information about the property is publicly available on Geo Data and other Thurston County websites. Currently, the Deed is held by the City, but the property is an asset of the LID. Further, per Washington State law, DDD has the right to redeem the property two years after the Deed was recorded by the County. If DDD pays all principle and interest on the remaining 640 acres, they get it back.