

HOUSE BILL REPORT

HB 2574

As Reported by House Committee On:
Local Government & Housing
Transportation

Title: An act relating to annexations by cities and code cities located within the boundaries of a regional transit authority.

Brief Description: Concerning annexations by cities and code cities located within the boundaries of a regional transit authority.

Sponsors: Representatives White, Nelson, Williams, Lias and Eddy.

Brief History:

Committee Activity:

Local Government & Housing: 1/21/10, 1/28/10 [DP];

Transportation: 2/3/10, 2/8/10 [DP].

Brief Summary of Bill

- Specifies that territory that is annexed by a city within the boundaries of a regional transit authority (RTA) is simultaneously included within the RTA on the effective date of the annexation.
- Establishes that as of this same effective date, the annexed territory is subject to all taxes and other liabilities and obligations pertaining to the RTA that apply to the city.
- Obligates cities within the boundaries of an RTA to notify the RTA of annexations.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: Do pass. Signed by 10 members: Representatives Simpson, Chair; Nelson, Vice Chair; Angel, Ranking Minority Member; Fagan, Miloscia, Short, Springer, Upthegrove, White and Williams.

Minority Report: Do not pass. Signed by 1 member: Representative DeBolt, Assistant Ranking Minority Member.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Ethan Moreno (786-7386).

Background:

Annexation Methods.

Current law authorizes multiple methods for municipal annexations. While code and non-code cities and towns have separate statutory requirements for governance and operation, the annexation methods employed are generally similar. A summary of the methods is as follows:

- *resolution/election method* - requires approval of city or town resolutions by voters residing in the proposed annexation area;
- *petition/election method* - includes initiatives petitioned by and approved by the voters residing in the proposed annexation area;
- *direct petition method* - requires approval of direct petitions signed by property owners comprising a specific percentage of land value, without voter action. An alternative direct petition method based upon the signatures of qualifying property owners and registered voters meeting specified criteria is also authorized; and
- *resolution only method* - includes annexations for municipal purposes approved by a majority of the city or town legislative body, or other actions not requiring voter or property owner action.

In addition to these methods, qualifying cities and towns may annex certain territory by ordinance through one of two additional methods if specific requirements, including the negotiation of interlocal agreements between the participating jurisdictions, are satisfied.

Regional Transit Authority.

In 1992 the Legislature authorized creation of regional transit authorities (RTAs) for the purpose of developing and operating high capacity transportation systems. An RTA may only consist of two or more contiguous counties, each having a population of 400,000 persons or more. A high capacity transportation system is an urban public transportation system that operates principally on exclusive rights-of-way and provides a substantially higher level of passenger capacity, speed, and service frequency than traditional public transportation systems operating mainly on general purpose roadways.

An RTA is governed by a board of representatives appointed by the county executive and confirmed by the legislative authority of each member county. Membership is proportioned among counties based on population. Established in 1993, Sound Transit is the only RTA formed in the state, with boundaries that include parts of King, Pierce, and Snohomish counties.

Statutes governing RTAs include provisions for boundary alterations. If, at the time of formation of an RTA, a portion of a city is determined to be within the boundaries of the RTA, the entire city must be included within the RTA's boundaries. Additionally, after the initial voter approval of the RTA, elections to add areas contiguous to the RTA may be called by the RTA, provided consultation requirements have been met and the applicable county or city legislative authority agrees to the election. Only those areas that would benefit from the services provided by the RTA may be included in the annexation area and services or

projects proposed for the area must be consistent with a regional transportation plan. The election may include a single ballot proposition providing for annexation to the RTA and imposition of the taxes at rates already imposed within the RTA's boundaries.

Summary of Bill:

When unincorporated territory is annexed to a code or non-code city that is within the boundaries of an RTA, the annexed territory, as of the effective date of the annexation, is simultaneously included within the boundaries of the RTA. As of this same effective date, the annexed territory is also subject to all taxes and other liabilities and obligations pertaining to the RTA that apply to the city.

Code and non-code cities that are within the boundaries of an RTA must notify the RTA of annexations.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Department of Revenue (DOR) and local businesses have struggled to understand and implement tax provisions in areas that have been annexed to cities that are within the boundaries of an RTA. This bill is a response to those concerns and is prospective only. The provisions of this bill will become a factor when citizens are determining whether to support a proposed annexation.

Sound Transit contracts with the DOR to collect sales tax revenue within the boundaries of the RTA. A number of annexations have occurred since the original boundaries were established and pockets of incorporated territory are not in the RTA. These pockets create administrative difficulties. The DOR has been working to address this issue. The current situation is difficult for businesses that are attempting to pay the correct taxes. The business community supports this bill: it improves public transportation and makes the tax code less complex.

(Opposed) None.

Persons Testifying: Representative White, prime sponsor; Steve Sheehy, Sound Transit; Drew Shirk, Department of Revenue; and Amber Carter, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 15 members: Representatives Clibborn, Chair; Lias, Vice Chair; Dickerson, Eddy, Finn, Moeller, Morris, Rolfes, Sells, Simpson, Springer, Takko, Upthegrove, Williams and Wood.

Minority Report: Do not pass. Signed by 10 members: Representatives Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Armstrong, Campbell, Driscoll, Ericksen, Johnson, Klippert, Kristiansen and Nealey.

Staff: Kathryn Leathers (786-7114).

Summary of Recommendation of Committee On Transportation Compared to Recommendation of Committee On Local Government & Housing:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Sound Transit contracts with the Department of Revenue (Department) for the collection of sales tax and over the years cities have annexed property outside of the Sound Transit district. As a result, complications have arisen regarding the collection of the Sound Transit portion of the sales tax as it relates to the annexed property. The Department asked Sound Transit to work with them to pursue solutions to this problem. This bill addresses the problem and is prospective only. Voters in future Sound Transit annexation votes will have the opportunity to vote on joining the Sound Transit district at the same time they vote on the proposed annexation.

(Opposed) None.

Persons Testifying: Martin Flynn, Sound Transit.

Persons Signed In To Testify But Not Testifying: Amber Carter, Association of Washington Business.