

HOUSE BILL REPORT

HB 1401

As Reported by House Committee On:
Local Government

Title: An act relating to the foreclosure process for delinquent local improvement district assessments.

Brief Description: Providing flexibility with respect to the foreclosure process for delinquent local improvement district assessments.

Sponsors: Representative Upthegrove.

Brief History:

Committee Activity:

Local Government: 2/1/11, 2/15/11 [DPS].

Brief Summary of Substitute Bill

- Provides cities and towns with an option for delaying the foreclosure process for delinquent local improvement district assessments under certain circumstances.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Takko, Chair; Tharinger, Vice Chair; Angel, Ranking Minority Member; Asay, Assistant Ranking Minority Member; Fitzgibbon, Rodne, Smith, Springer and Upthegrove.

Staff: Miranda Leskinen (786-7291) and Ethan Moreno (786-7386).

Background:

Local improvement districts are special assessment districts that finance improvements to benefit property owners within the district. Local improvement districts are generally paid for by assessments on the benefitting properties. Deferred assessment collection is available for disadvantaged property owners in first-class cities.

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.

Local improvement districts are not special purpose districts because they are sponsored by a city or town rather than being self-governing. Both the municipal government and affected property owners must approve, subject to public notice and hearing requirements, the creation of a local improvement district.

Method of Calculating Local Improvement District Assessments.

Cities and towns, by ordinance, must determine the time frame requirements for the payment of local improvement assessments or installment payments of assessments, as well as the interest rate for assessments. Penalties, in addition to interest, are applied to delinquent assessments or assessment installments at a rate of at least 5 percent.

Foreclosure Proceeding Process.

Cities and towns must proceed with the foreclosure of delinquent assessments, or installments of assessments, if on January 1:

- two installments of any local improvement assessment are delinquent; or
- the final installment of any local improvement assessment has been delinquent for more than a year.

Cities and towns bring foreclosure proceedings before their county superior court, which must begin no later than March 1 or before the date established by general ordinance. However, the affected tenants and property owners must be notified by the municipal treasurer using certified mail delivery 30 days before the foreclosure proceeding may begin. This notification must specify the terms of the foreclosure. Additionally, a copy of the affidavit of the person mailing the notice must be filed with the clerk of the county superior court when foreclosure proceedings begin.

Summary of Substitute Bill:

Cities and towns are required to initiate foreclosure proceedings against delinquent assessments or assessment installments unless a residential property owner enters into an acceptable installment plan, in which case foreclosure plans may be delayed for up to one year. However, foreclosure proceedings may not be delayed for delinquencies that occur within two years of the final assessment installment due date. Cities and towns may not apply this provision retroactively.

Substitute Bill Compared to Original Bill:

Cities and towns are required, rather than allowed, to begin foreclosure proceedings against delinquent assessments or delinquent assessment installments. A city may, however, delay these proceedings for up to a year if a residential property owner enters into an acceptable installment plan for a delinquency not occurring within two years of the final assessment installment due date. Additionally, the retroactive effective date is deleted.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) Many people are struggling to make their local improvement district assessment payments due to the current economic climate, yet delinquent local improvement assessments may result in the foreclosure of someone's home. Although it may not be possible to lift the foreclosure proceedings initiation requirement on the part of cities, there is a need to provide a way for property owners to be able to settle delinquent assessments without having to potentially lose their home.

(Opposed) None.

Persons Testifying: Representative Upthegrove, prime sponsor; and Melina Harris.

Persons Signed In To Testify But Not Testifying: None.