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HOUSE BILL 1681

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State of Washington                      65th Legislature                      2017 Regular Session

By Representatives Appleton, Kirby, and Griffey

Read first time 01/26/17. Referred to Committee on Environment.

1            AN ACT Relating to encouraging the annexation of unincorporated  
2 urban growth areas; and amending RCW 82.14.415, 35.13.182,  
3 35.13.1821, and 35.13.470.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 82.14.415 and 2016 c 5 s 1 are each amended to read  
6 as follows:

7            (1) The legislative authority of any city that is located in a  
8 county with a population greater than six hundred thousand that  
9 annexes an area consistent with its comprehensive plan required by  
10 chapter 36.70A RCW may impose a sales and use tax in accordance with  
11 the terms of this chapter. The tax is in addition to other taxes  
12 authorized by law and is collected from those persons who are taxable  
13 by the state under chapters 82.08 and 82.12 RCW upon the occurrence  
14 of any taxable event within the city. The tax may only be imposed by  
15 a city if:

16            (a)(i) The city has commenced annexation of an area having a  
17 population of at least ten thousand people, or four thousand in the  
18 case of a city described under subsection (3)(a)(i) of this section,  
19 prior to January 1, 2015; or

20            (ii) The city has commenced annexation of an area prior to  
21 January 1, 2022, and the annexed area is located in a county that has

1 a population greater than six hundred thousand but less than one  
2 million five hundred thousand and the annexed area has a population  
3 of at least one thousand five hundred; and

4 (b) The city legislative authority determines by resolution or  
5 ordinance that the projected cost to provide municipal services to  
6 the annexation area exceeds the projected general revenue that the  
7 city would otherwise receive from the annexation area on an annual  
8 basis.

9 (2) The tax authorized under this section is a credit against the  
10 state tax under chapter 82.08 or 82.12 RCW. The department of revenue  
11 must perform the collection of such taxes on behalf of the city at no  
12 cost to the city and must remit the tax to the city as provided in  
13 RCW 82.14.060.

14 (3)(a) Except as provided in (b) of this subsection, the maximum  
15 rate of tax any city may impose under this section is:

16 (i) 0.1 percent for each annexed area in which the population is  
17 greater than ten thousand and less than twenty thousand. The ten  
18 thousand population threshold in this subsection (3)(a)(i) is four  
19 thousand for a city with a population between one hundred fifteen  
20 thousand and one hundred forty thousand and located within a county  
21 with a population over one million five hundred thousand; ~~((and))~~

22 (ii) 0.2 percent for an annexed area in which the population is  
23 greater than twenty thousand; and

24 (iii) 0.1 percent for each city where the population of the  
25 annexed area or areas is greater than one thousand five hundred and  
26 is located within a county that has a population greater than six  
27 hundred thousand but less than one million five hundred thousand.

28 (b) Beginning July 1, 2011, the maximum rate of tax imposed under  
29 this section is 0.85 percent for an annexed area in which the  
30 population is greater than sixteen thousand if the annexed area was,  
31 prior to November 1, 2008, officially designated as a potential  
32 annexation area by more than one city, one of which has a population  
33 greater than four hundred thousand.

34 (4)(a) Except as provided in (b) of this subsection, the maximum  
35 cumulative rate of tax a city may impose under subsection (3)(a) of  
36 this section is 0.2 percent for the total number of annexed areas the  
37 city may annex.

38 (b) The maximum cumulative rate of tax a city may impose under  
39 subsection (3)(a) of this section is 0.3 percent, beginning July 1,  
40 2011, if the city commenced annexation of an area, prior to January

1 1, 2010, that would have otherwise allowed the city to increase the  
2 rate of tax imposed under this section absent the rate limit imposed  
3 in (a) of this subsection.

4 (c) The maximum cumulative rate of tax a city may impose under  
5 subsection (3)(b) of this section is 0.85 percent for the single  
6 annexed area the city may annex and the amount of tax distributed to  
7 a city under subsection (3)(b) of this section may not exceed seven  
8 million seven hundred twenty-five thousand dollars per fiscal year.

9 (5)(a) Except as provided in (b) of this subsection, the tax  
10 imposed by this section may only be imposed at the beginning of a  
11 fiscal year and may continue for no more than ten years from the date  
12 that each increment of the tax is first imposed. Tax rate increases  
13 due to additional annexed areas are effective on July 1st of the  
14 fiscal year following the fiscal year in which the annexation  
15 occurred, provided that notice is given to the department as set  
16 forth in subsection (9) of this section.

17 (b) The tax imposed under subsection (3)(b) of this section may  
18 only be imposed at the beginning of a fiscal year and may continue  
19 for no more than six years from the date that each increment of the  
20 tax is first imposed.

21 (6) All revenue collected under this section may be used solely  
22 to provide, maintain, and operate municipal services for the  
23 annexation area.

24 (7) The revenues from the tax authorized in this section may not  
25 exceed that which the city deems necessary to generate revenue equal  
26 to the difference between the city's cost to provide, maintain, and  
27 operate municipal services for the annexation area and the general  
28 revenues that the cities would otherwise expect to receive from the  
29 annexation during a year. If the revenues from the tax authorized in  
30 this section and the revenues from the annexation area exceed the  
31 costs to the city to provide, maintain, and operate municipal  
32 services for the annexation area during a given year, the city must  
33 notify the department and the tax distributions authorized in this  
34 section must be suspended for the remainder of the year.

35 (8) No tax may be imposed under this section before July 1, 2007.  
36 Before imposing a tax under this section, the legislative authority  
37 of a city must adopt an ordinance that includes the following:

38 (a) A certification that the amount needed to provide municipal  
39 services to the annexed area reflects the city's true and actual  
40 costs;

1 (b) The rate of tax under this section that is imposed within the  
2 city; and

3 (c) The threshold amount for the first fiscal year following the  
4 annexation and passage of the ordinance.

5 (9) The tax must cease to be distributed to the city for the  
6 remainder of the fiscal year once the threshold amount has been  
7 reached. No later than March 1st of each year, the city must provide  
8 the department with a certification of the city's true and actual  
9 costs to provide municipal services to the annexed area, a new  
10 threshold amount for the next fiscal year, and notice of any  
11 applicable tax rate changes. Distributions of tax under this section  
12 must begin again on July 1st of the next fiscal year and continue  
13 until the new threshold amount has been reached or June 30th,  
14 whichever is sooner. Any revenue generated by the tax in excess of  
15 the threshold amount belongs to the state of Washington. Any amount  
16 resulting from the threshold amount less the total fiscal year  
17 distributions, as of June 30th, may not be carried forward to the  
18 next fiscal year.

19 (10) The tax must cease to be distributed to a city imposing the  
20 tax under subsection (3)(b) of this section for the remainder of the  
21 fiscal year, if the total distributions to the city imposing the tax  
22 exceed seven million seven hundred twenty-five thousand dollars for  
23 the fiscal year. A city may not impose tax under subsection (3)(b) of  
24 this section unless the annexation is approved by a vote of the  
25 people residing within the annexed area. A city may not impose tax  
26 under subsection (3)(b) of this section if it provides sewer service  
27 in the annexed area.

28 (11) The resident population of the annexation area must be  
29 determined in accordance with chapter 35.13 or 35A.14 RCW.

30 (12) The following definitions apply throughout this section  
31 unless the context clearly requires otherwise:

32 (a) "Annexation area" means an area that has been annexed to a  
33 city under chapter 35.13 or 35A.14 RCW. "Annexation area" includes  
34 all territory described in the city resolution.

35 (b) "Commenced annexation" means the initiation of annexation  
36 proceedings has taken place under the direct petition method or the  
37 election method under chapter 35.13 or 35A.14 RCW.

38 (c) "Department" means the department of revenue.

39 (d) "Municipal services" means those services customarily  
40 provided to the public by city government.

1 (e) "Fiscal year" means the year beginning July 1st and ending  
2 the following June 30th.

3 (f) "Potential annexation area" means one or more geographic  
4 areas that a city has officially designated for potential future  
5 annexation, as part of its comprehensive plan adoption process under  
6 the state growth management act, chapter 36.70A RCW.

7 (g) "Threshold amount" means the maximum amount of tax  
8 distributions as determined by the city in accordance with subsection  
9 (7) of this section that the department must distribute to the city  
10 generated from the tax imposed under this section in a fiscal year.

11 **Sec. 2.** RCW 35.13.182 and 1998 c 286 s 1 are each amended to  
12 read as follows:

13 (1) The legislative body of a city or town planning under chapter  
14 36.70A RCW as of June 30, 1994, may resolve to annex territory to the  
15 city or town if there is, within the city or town, unincorporated  
16 territory containing residential property owners within the same  
17 county and within the same urban growth area designated under RCW  
18 36.70A.110 as the city or town(~~+~~

19 ~~(a) Containing less than one hundred acres and having at least~~  
20 ~~eighty percent of the boundaries of such area contiguous to the city~~  
21 ~~or town; or~~

22 ~~(b) Of any size and having at least eighty percent of the~~  
23 ~~boundaries of the area contiguous to the city if the area existed~~  
24 ~~before June 30, 1994)) having at least eighty percent of the~~  
25 ~~boundaries of such area contiguous to the annexing city or town or~~  
26 ~~one or more cities or towns.~~

27 (2) The resolution (~~shall~~) must describe the boundaries of the  
28 area to be annexed, state the number of voters residing in the area  
29 as nearly as may be, and set a date for a public hearing on the  
30 resolution for annexation. Notice of the hearing (~~shall~~) must be  
31 given by publication of the resolution at least once a week for two  
32 weeks before the date of the hearing in one or more newspapers of  
33 general circulation within the city or town and one or more  
34 newspapers of general circulation within the area to be annexed.

35 (3) For purposes of subsection (1)(~~(b)~~) of this section,  
36 territory bounded by a river, lake, or other body of water is  
37 considered contiguous to a city that is also bounded by the same  
38 river, lake, or other body of water.

1       **Sec. 3.** RCW 35.13.1821 and 2006 c 344 s 22 are each amended to  
2 read as follows:

3       (1) The annexation ordinance provided for in RCW (~~35.13.182~~)  
4 35.13.1822 is subject to referendum for forty-five days after its  
5 passage. Upon the filing of a timely and sufficient referendum  
6 petition with the legislative body, signed by qualified electors in  
7 number equal to not less than (~~ten~~) fifteen percent of the votes  
8 cast in the last general state election in the area to be annexed,  
9 the question of annexation (~~shall~~) must be submitted to the voters  
10 of the area in a general election if one is to be held within ninety  
11 days or at a special election called for that purpose according to  
12 RCW 29A.04.330. Notice of the election (~~shall~~) must be given as  
13 provided in RCW 35.13.080 and the election (~~shall~~) must be  
14 conducted as provided in the general election law. The annexation  
15 (~~shall~~) must be deemed approved by the voters unless a majority of  
16 the votes cast on the proposition are in opposition thereto.

17       (2) After the expiration of the forty-fifth day from but  
18 excluding the date of passage of the annexation ordinance, if no  
19 timely and sufficient referendum petition has been filed, the area  
20 annexed (~~shall~~) must become a part of the city or town upon the  
21 date fixed in the ordinance of annexation.

22       **Sec. 4.** RCW 35.13.470 and 2003 c 299 s 1 are each amended to  
23 read as follows:

24       (1) The legislative body of a county, city, or town planning  
25 under chapter 36.70A RCW and subject to the requirements of RCW  
26 36.70A.215 may initiate an annexation process for unincorporated  
27 territory by adopting a resolution commencing negotiations for an  
28 interlocal agreement as provided in chapter 39.34 RCW between a  
29 county and any city or town within the county. The territory proposed  
30 for annexation must meet the following criteria: (a) Be within the  
31 city or town urban growth area designated under RCW 36.70A.110, and  
32 (b) at least sixty percent of the boundaries of the territory  
33 proposed for annexation must be contiguous to the annexing city or  
34 town or one or more cities or towns.

35       (2) If the territory proposed for annexation has been designated  
36 in an adopted county comprehensive plan as part of an urban growth  
37 area, urban service area, or potential annexation area for a specific  
38 city or town, or if the urban growth area territory proposed for  
39 annexation has been designated in a written agreement between a city

1 or town and a county for annexation to a specific city or town, the  
2 designation or designations (~~shall~~) must receive full consideration  
3 before a city or county may initiate the annexation process provided  
4 for in RCW 35.13.480.

5 (3) The agreement (~~shall~~) must describe the boundaries of the  
6 territory to be annexed. A public hearing (~~shall~~) must be held by  
7 each legislative body, separately or jointly, before the agreement is  
8 executed. Each legislative body holding a public hearing (~~shall~~)  
9 must, separately or jointly, publish the agreement at least once a  
10 week for two weeks before the date of the hearing in one or more  
11 newspapers of general circulation within the territory proposed for  
12 annexation, or in lieu of publishing the entire agreement, may  
13 publish a summary of the agreement at least once a week for two weeks  
14 before the date of the hearing in one or more newspapers of general  
15 circulation within the territory proposed for annexation and  
16 concurrently post the full agreement on the legislative body's  
17 official web site.

18 (4) Following adoption and execution of the agreement by both  
19 legislative bodies, the city or town legislative body shall adopt an  
20 ordinance providing for the annexation of the territory described in  
21 the agreement. The legislative body (~~shall~~) must cause notice of  
22 the proposed effective date of the annexation, together with a  
23 description of the property to be annexed, to be published at least  
24 once each week for two weeks subsequent to passage of the ordinance,  
25 in one or more newspapers of general circulation within the city and  
26 in one or more newspapers of general circulation within the territory  
27 to be annexed. If the annexation ordinance provides for assumption of  
28 indebtedness or adoption of a proposed zoning regulation, the notice  
29 (~~shall~~) must include a statement of the requirements. Any territory  
30 to be annexed through an ordinance adopted under this section is  
31 annexed and becomes a part of the city or town upon the date fixed in  
32 the ordinance of annexation, which date may not be fewer than forty-  
33 five days after adoption of the ordinance.

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