

SENATE BILL REPORT

HB 1882

As Reported By Senate Committee On:
Government Operations & Elections, April 4, 2003

Title: An act relating to local improvement districts.

Brief Description: Modifying local improvement district provisions.

Sponsors: Representatives Grant, Delvin, Miloscia, Jarrett and Upthegrove.

Brief History:

Committee Activity: Government Operations & Elections: 3/26/03, 4/4/03 [DP].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass.

Signed by Senators Roach, Chair; Stevens, Vice Chair; Kastama, McCaslin and Reardon.

Staff: Diane Smith (786-7410)

Background: Local improvement districts (LIDs) are a means of assisting benefitting properties in financing capital improvements through the formation of special assessment districts. These special assessment districts permit improvements to be financed and paid for over a period of time through assessments on the benefitting property. LID processes ultimately lead to the sale of bonds to investors and the retirement of those bonds through annual payment by the property owners within a district.

Each local improvement bond issued must, among other requirements, provide that the principal and interest on the bonds be payable out of the local improvement fund created for the cost and expense of the improvement; out of the local improvement guaranty fund, unless provided otherwise by ordinance; or out of a reserve fund, if established for such bonds.

If the city elects to pledge its LID guaranty fund, it would be required to levy taxes in the event of delinquent bond payments.

Interest only payments may be made from the general revenues of the city, if provided in the bond ordinance.

Bonds are issued in numerical order from one upwards. When there is sufficient money in the local improvement fund over and above what is needed for payment of interest on all unpaid bonds of that issue, the county treasurer must redeem one or more bonds. The bonds must be paid in their numerical order.

Like cities and towns, counties have the authority to create road improvement districts (RIDs) and to issue bonds to finance RIDs. The assessments against the benefitting property are liens against the property and are subject to foreclosure.

Summary of Bill: A city or town may transfer money from its general fund to its local improvement guaranty fund or any local improvement fund to cover the payment of LID bonds, interest coupons, warrants, or other short term obligations.

A city or town may redeem one or more LID bonds issued in chronological order by maturity date, and within each maturity date, by estimated redemption as determined in the bond authorizing ordinance.

When there are funds sufficient to redeem one or more RID bonds, over and above the amount necessary to meet the interest payments next accruing on outstanding bonds, the treasurer must call such bonds for redemption as determined in the bond authorizing ordinance.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This is a clean-up bill on the local improvement district statutes. Our law has a peculiarity that inhibits modern transactions regarding bond redemption and the calling of bonds. When the assessments and guarantee fund fall short, the bill allows bonds to be paid from the municipalities' general fund instead of levying a special property tax on the whole city.

Testimony Against: None.

Testified: Ron Musson, City of Richland (pro); Hugh Spitzer, Foster Pepper Shefelman.