

# HOUSE BILL REPORT

## ESB 6505

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**As Passed House:**

March 5, 2002

**Title:** An act relating to local improvement districts.

**Brief Description:** Revising local improvement district statutes.

**Sponsors:** By Senators Gardner and Hale.

**Brief History:**

**Committee Activity:**

Local Government & Housing: 2/27/02 [DP].

**Floor Activity:**

Passed House: 3/5/02, 97-0.

**Brief Summary of Engrossed Bill**

- Authorizes cities and towns to issue local improvement bonds that are not guaranteed using the local improvement guarantee fund.
- Exempts the local improvement guarantee fund from bondholder liability if local improvement bonds are issued without being guaranteed by the fund.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

**Majority Report:** Do pass. Signed by 11 members: Representatives Dunshee, Chair; Edwards, Vice Chair; Mulliken, Ranking Minority Member; Berkey, Crouse, DeBolt, Dunn, Hatfield, Kirby, Mielke and Sullivan.

**Staff:** Scott MacColl (786-7106).

**Background:**

A city or town may, by ordinance, issue local improvement bonds for improvements of a local improvement district. The city must create a local improvement fund to pay the principal and interest of the bond, or provide payment from the local improvement guarantee fund. The city may decide to pay interest on the bond from the general fund.

A 'local improvement guarantee fund' is created in every city and town to guarantee the

payment of local improvement bonds issued to pay for any local improvements, and requires that cities and towns maintain funds in the account equal to any warrants issued against the account. To maintain the account, a city is required to provide for a levy of a sum sufficient to pay the warrants in a fiscal year. A 'local improvement reserve fund' is a fund not to exceed 15 percent of the principal amount of the bond, and is established to secure the payments on local improvement bonds.

Bond owners remedy for non-payment is confined to enforcement of the special assessments made for the bond issuance and the guarantee fund for bonds issued after the creation of a local improvement guarantee fund. If bond payments are not made to bondholders, the bondholder may proceed to collect the assessments and foreclose the lien in court. The bondholder may also proceed to collect from the local improvement guarantee fund, if applicable.

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**Summary of Bill:**

Cities and towns are authorized, by ordinance, to issue local improvement bonds that are not guaranteed using the local improvement guarantee fund. If a bond is not secured using the guarantee fund, that information must be printed on the bond. If a city or town provides for local improvement bonds in this manner, the local improvement guarantee fund is not subject to claim by any bondholder. A city or town that, by ordinance, did not secure bond payment with the local guarantee fund is liable to a bond holder only for payment from the special assessments made for the improvement.

Bonds issued for a local improvement district are also required to provide payment out of the local improvement reserve fund, if one is established. The reserve fund, if established, is liable to the bond holders as a form of recourse for non-payment.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The Trend West is a resort developing next to Cle Elum. Cle Elum wants to issue LID's for the development, but if the development fails, it will cause stress to Cle Elum. This is due to the fact that currently LID guarantee funds requiring levying a property tax to pay off bondholders for non-payment after the fund is used up. This statute is unique to cities in Washington state. The city wants to issue bonds without that link. There are other security measures that a city can use to insure a LID not making payments.

**Testimony Against:** None.

**Testified:** David Thompson, Preston, Gates and Ellis; and Steve Gano, Trend West Resorts.