
HOUSE BILL 2120

State of Washington 59th Legislature 2005 Regular Session

By Representatives McIntire and Ericks

Read first time 02/18/2005. Referred to Committee on Local Government.

1 AN ACT Relating to urban impact districts; and adding a new chapter
2 to Title 36 RCW.

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

4 NEW SECTION. **Sec. 1.** LEGISLATIVE INTENT. Counties provide
5 regional services to all residents living in both incorporated and
6 unincorporated areas. They also provide an array of additional local
7 governmental services to those living in unincorporated areas. Those
8 services often include sheriff patrols, misdemeanor prosecution, public
9 defense, district courts, misdemeanant detention, land use regulation
10 and oversight, parks and recreation facilities, and road construction
11 and maintenance.

12 Counties across Washington are facing difficult budget challenges
13 in providing all of these services. These challenges are especially
14 difficult in counties that include urban areas. The challenges are
15 further exacerbated by unincorporated urban "islands" -- areas of urban
16 density and service demands that remain unincorporated because
17 surrounding cities lack the incentives to annex them.

18 The legislature therefore finds that it is in the best interest of
19 the people of the state of Washington to be able to establish urban

1 impact districts as municipal corporations and independent taxing units
2 to address the particular needs of unincorporated areas that are
3 characterized by urban growth and demand for urban governmental
4 services. These districts are intended to facilitate the annexation or
5 incorporation of unincorporated areas that lie within designated urban
6 growth areas and to provide resources to support the provision of urban
7 governmental services to areas that remain unincorporated.

8 NEW SECTION. **Sec. 2.** DEFINITIONS. Unless the context clearly
9 requires otherwise, the definitions in this section apply throughout
10 this chapter.

11 (1) "Annexation priority neighborhood" means an unincorporated area
12 characterized by urban growth and/or a demand for urban governmental
13 services, as those terms are defined in RCW 36.70A.030, that a county
14 legislative authority has, by resolution or ordinance, designated as a
15 priority for annexation or incorporation into one or more cities.

16 (2) "Local governmental services" includes county rural
17 governmental services, county urban governmental services, and those
18 services historically and typically provided by city government to its
19 residents.

20 (3) "Urban governmental services" or "urban services" has the
21 meaning given in RCW 36.70A.030.

22 (4) "Utility service" means a light and power business or a natural
23 gas distribution business, as defined in RCW 82.16.010; a telephone
24 business, as defined in RCW 82.04.065; cable television services; sewer
25 or water services; drainage services; solid waste services; steam
26 services; and any other business or service traditionally taxed as a
27 utility.

28 NEW SECTION. **Sec. 3.** URBAN IMPACT DISTRICT--AUTHORIZED--
29 BOUNDARIES--POWERS--GOVERNING BOARD. (1) The legislative authority of
30 any county that is required to plan under chapter 36.70A RCW is
31 authorized to establish one or more urban impact districts within the
32 county for the purpose of: (a) Providing significant incentives and
33 financial support to cities to promote annexation of unincorporated
34 areas that lie within designated urban growth areas; (b) providing
35 incentives and financial support to new cities that may be incorporated

1 within such areas; and (c) providing resources to support the provision
2 by the county of urban governmental services to areas that remain
3 outside of incorporated cities.

4 (2) An urban impact district shall include all unincorporated
5 territory within its boundaries that is designated as an urban growth
6 area pursuant to chapter 36.70A RCW, and shall not include any area
7 within the corporate limits of a city or town. The county legislative
8 authority may modify the boundaries of the urban impact district,
9 consistent with these requirements, by the same procedure used to
10 establish the boundaries of the district.

11 (3) The county legislative authority shall be the governing board
12 of an urban impact district. The electors of an urban impact district
13 shall be all registered voters residing within the district.

14 NEW SECTION. **Sec. 4. URBAN IMPACT DISTRICT--ESTABLISHMENT,**
15 **MODIFICATION, OR DISSOLUTION--HEARING--NOTICE.** (1) A county
16 legislative authority proposing to establish an urban impact district,
17 or to modify an existing urban impact district, shall conduct a hearing
18 at the time and place specified in a notice published at least once not
19 less than fifteen days prior to the hearing in a newspaper of general
20 circulation within the proposed urban impact district. This notice
21 shall be in addition to any other notice required by law to be
22 published. Additional notice of such hearing may be given by mail,
23 posting within the proposed urban impact district, or in any manner
24 local authorities deem advisable to notify affected persons. All
25 hearings shall be public and the county legislative authority shall
26 hear objections from any person affected by the formation or
27 modification of the urban impact district and make such changes in the
28 boundaries of the district or any other modifications that the county
29 legislative authority deems necessary.

30 (2) No urban impact district shall be established within a county
31 unless the county legislative authority determines, following a hearing
32 held pursuant to this section, that it is in the public interest to
33 form the district and the county legislative authority adopts an
34 ordinance creating the urban impact district and establishing its
35 boundaries. The creation of an urban impact district is not subject to
36 review by a boundary review board under chapter 36.93 RCW.

1 Notwithstanding any other statute or county charter provision, the
2 creation of an urban impact district shall not be the subject of a
3 local initiative or be subject to local referendum.

4 (3) The governing board of an urban impact district may dissolve
5 the district by holding public hearings in the same manner required for
6 formation of the district and adopting a resolution declaring that the
7 district has wound up its affairs. Alternatively, an urban impact
8 district shall be automatically dissolved upon annexation of all of the
9 territory included within the district into one or more cities and the
10 adoption of a resolution of its governing board declaring that the
11 district has wound up its affairs.

12 NEW SECTION. **Sec. 5. URBAN IMPACT DISTRICT--POWERS--**

13 **RESTRICTIONS--EXCISE TAX.** (1) An urban impact district is a quasi-
14 municipal corporation, an independent taxing authority within the
15 meaning of Article VII, section 1 of the state Constitution, and a
16 taxing district within the meaning of Article VII, section 2 of the
17 state Constitution. An urban impact district shall constitute a body
18 corporate and shall possess all the usual powers of a corporation for
19 public purposes as well as all other powers that may now or hereafter
20 be specifically conferred by statute, including, but not limited to,
21 the power to enter into contracts, to sue and be sued, and all other
22 powers necessary or incident to carrying out its purpose. An urban
23 impact district shall not have the power of eminent domain. An urban
24 impact district may, by interlocal agreement or otherwise: (a) Make
25 payments, with or without consideration, to a county for the support of
26 urban governmental services; and (b) make annexation incentive payments
27 to one or more cities to offset costs connected with annexation of the
28 area and costs related to extending municipal services and
29 infrastructure to the residents of the district. Nothing in this
30 chapter permits urban impact districts to provide local governmental
31 services except indirectly, by contracting with a county or city to
32 support those services provided by the county or city.

33 (2) An urban impact district may, by resolution of the governing
34 board, levy and collect an excise tax on the privilege of engaging in
35 any business that provides a utility service to customers within the
36 district. This utility tax shall be measured by the gross receipts or
37 gross income received from the business of providing a utility service

1 to customers within the district, and shall not exceed a maximum rate
2 of five percent except with the approval of a majority of the electors
3 residing in the district. Voter approval shall not otherwise be
4 required.

5 (3) All money received by an urban impact district shall be used
6 exclusively for district purposes as follows:

7 (a)(i) For a period of twenty-four months following the date that
8 a district first collects any utility tax under this chapter, the
9 district shall create one or more special funds or accounts for the
10 support of: (A) Specific annexation priority neighborhoods, and (B)
11 one or more urban services areas, which may be identified individually
12 or as a class. All utility tax revenues received by the district shall
13 be allocated to these funds or accounts on such basis as the district
14 governing board shall determine, after considering factors such as:
15 The number of residents in the corresponding area, the amount of
16 utility gross receipts generated by utility customers within that area,
17 the cost of providing local governmental services in the area, or any
18 other factor deemed reasonable.

19 (ii) Money in any fund or account for a specific annexation
20 priority neighborhood shall be used to provide incentive payments to
21 cities to encourage annexation of that neighborhood. Incentive
22 payments authorized by this section shall be determined by interlocal
23 agreement between the district and the city or cities annexing the
24 neighborhood, and shall be authorized only in relation to annexations
25 with effective dates earlier than thirty months from the date the
26 utility tax is first collected. Any funds remaining unused in an
27 annexation priority neighborhood fund or account more than thirty
28 months after the date of first collection may be transferred to an
29 urban services area fund or account and used for the purposes of that
30 account.

31 (iii) Money in any fund or account for an urban services area may
32 be used to: (A) Provide incentive payments to cities to encourage
33 annexation of areas within the urban services area; (B) supplement
34 annexation incentive payments for an annexation priority neighborhood
35 under (a)(ii) of this subsection; or (C) support urban governmental
36 services.

37 (b) Upon the expiration of the twenty-four-month period described
38 in (a) of this subsection, the district governing board may cease

1 allocating revenues into separately designated funds or accounts, in
2 which case utility tax revenues may be used for any proper district
3 purpose.

4 NEW SECTION. **Sec. 6.** SEVERABILITY. If any provision of this act
5 or its application to any person or circumstance is held invalid, the
6 remainder of the act or the application of the provision to other
7 persons or circumstances is not affected.

8 NEW SECTION. **Sec. 7.** CAPTIONS. Captions used in this act are not
9 any part of the law.

10 NEW SECTION. **Sec. 8.** CODIFICATION. Sections 1 through 7 of this
11 act constitute a new chapter in Title 36 RCW.

--- END ---