

SENATE BILL REPORT

SHB 1401

As of March 10, 2011

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: House Committee on Local Government (originally sponsored by Representative Upthegrove).

Brief History: Passed House: 3/02/11, 96-0.

Committee Activity: Government Operations, Tribal Relations & Elections: 3/10/11.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Staff: Sharon Swanson (786-7447)

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.

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.

Methods 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 foreclosure of delinquent assessments, or installments of assessments, if on January 1:

- two installments of any local improvement assessment are delinquent; or

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- 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 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.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This is a good bill that provides flexibility for cities and towns. The bill allows for a payment plan instead of requiring a city or town to proceed with foreclosure proceedings against a residential property owner for non-payment of local improvement district assessments. This allows the property owner to enter into an agreement to settle delinquent assessments without having to lose their home.

Persons Testifying: PRO: Doug Levy, City of Kent.