



Local Improvement Districts, State of Washington

The State of Washington has a diverse landscape ranging from mountains with active volcanoes to beaches and fjords. It also has extensive forests that cover half the State. Along with outdoor sports, its 7.5 million residents enjoy an innovative art and food scene, eclectic music, and a pioneer spirit. The State has a thriving economy and is home to many Fortune 500 companies, including Boeing, Amazon, Starbucks, and Microsoft.

Financing Challenges and Indicative Solution

Washington wanted to increase economic growth and fill gaps in the infrastructure of its cities, such as extending sewer and water mains, paving gravel streets and paths, undergrounding or relocating utilities, and providing street lights. To accomplish this, they created Local Improvement Districts (LIDs)—a sustainable financing solution that individual cities can implement.

LIDs

The State's LIDs make it possible for whole neighborhoods to enhance residents' quality of life by joining with the government to improve services and appearance of their community. LIDs work by letting private companies obtain long-term financing for public infrastructure development at relatively low interest rates. This involves selling bonds to investors, then retiring the bonds through annual assessments on the property owners within a district.

Most municipal governments can create LIDs, which are usually used for on-site infrastructure improvements but can also go toward projects like securing large industrial plant startups or relocations. Counties can utilize LIDs for water, sewer, and storm system improvements, but they cannot be used for roads, which require Road Improvement Districts. Depending on how they are set up, LIDs can match grants from Federal and State agencies. For instance, Tacoma, Spokane, Everett, and other cities allocate matching funds each year for neighborhood projects.

LID-financed projects allow property owners to decide collectively whether they will pay assessments for improvements. Ideally, a LID-financed project would address specific property owner needs as well as overall city goals, at minimal cost to both, with no adverse environmental impact. This is seldom the case, though, and most projects result in compromises that create dissatisfaction on one or both sides. To smooth the way, public relation plans for each project are created that include notifying property owners, public hearings, and reviews and approvals by the mayor, city council, and city or local agencies.

Formation Process

State LIDs can be formed in one of two ways. In the resolution of intention method, the legislative body initiates the process by adopting a resolution stating intent to order the improvement, explaining the project and its need, and setting a date for a public hearing. The other method, petition, permits property owners to initiate LID formation. The only difference



is that a formal petition from a majority of property owners in the proposed assessment district must be submitted to the legislative body that establishes a public hearing date.

After the council adopts a resolution of intention or accepts a petition, it schedules a public hearing. A notice of the hearing is published in at least two consecutive issues of the city or town's official newspaper, and the first publication is at least 15 days before the public hearing. The hearing is held before the city or town council or a committee of the council. At the conclusion of the hearing, the city or town council adopts an ordinance creating the LID and orders the improvement. Then, within 15 days of ordinance adoption, the LID administrator files with the city treasurer the title for improvements, LID number, and documents showing the district boundaries. Documentation on the areas to be assessed are also filed, and these are posted.

Property owners have a 30-day protest period and, if there are written protests from property owners who would pay at least 60 percent of the improvement cost, the LID is dissolved. Otherwise, the LID is official (though it can be appealed if a written protest is filed before the formation hearing).

Assessments

Assessments, which exclude any funding from grants, the city, or other sources, can be done in one of two ways. The mathematical method calculates the assessment using the property's area and street frontage, zone, termini, and unit. The special benefit analysis method, which is more expensive but more accurate, requires a certified appraiser to determine before and after values. The difference between these values is the special benefit, and this ratio determines the assessment. Assessments must not exceed the improved value of a property and be proportionate to one another. Any property that does not benefit from the improvement is not assessed.

Assessments may be deferred indefinitely for qualified senior citizens and economically disadvantaged owners can receive a deferral for up to four years. These deferrals become liens against the properties. Other owner relief options are in place, such as model mitigation and allowing single-family development rights purchase agreements.

Closeout Process

The LID closeout process begins when construction is, or almost is, completed and total costs can be accurately estimated. To reduce financial, legal, and administrative costs, LIDs may be combined into a consolidated bond issue known as a Consolidated Local Improvement District.

The city clerk files the final assessment roll, which lists all property owners who must pay the assessment. They each receive a hearing notice at least 15 days before the hearing date, stating that objections must be made in writing and filed on or before the hearing date, and the notice is published at least once a week for two consecutive weeks in the local newspaper. The last publication must be at least 15 days before the hearing date, and the hearing is recorded and/or videotaped to protect against potential future litigation.



In the final assessment roll hearing, the city council considers the correctness of the assessment for each parcel. Testimony protesting the assessment roll is only permitted if a property owner files a written protest. The legislative body can revise or amend the final assessment roll, but this could necessitate a new notice and hearing. If any assessments are reduced, shortfalls are covered from another source, like public funds or a reassessment of the remaining property owners—which requires a new hearing and adds to the costs.

After the assessment roll is confirmed, it goes to the treasurer for collection. On the date of the confirmation ordinance, a 10-day appeal period begins and anyone who filed a written objection to the final roll can appeal to the superior court. After the appeal period, the treasurer distributes a notice that the assessment roll has been filed for collection. At this point, all or part of each property owner's assessment is due within 30 days, and the funds are used to retire the bonds that pay construction costs.

Because of the revenue LIDs provide and the sustainable way they work, neighborhoods are continually being enhanced in Maryville, Poulsbo, Spokane, Tacoma, and other cities and towns throughout Washington. As a result, the State has become an even more desirable place to live and work.

Sources:

[Washington State MRSC – Local Improvement Districts](#)

[Britannica – Plant and Animal Life](#)

[Choose Washington – Washington: The Evergreen State](#)

[Wikipedia – Washington \(state\)](#)