
Local Government & Housing Committee

ESB 6505

Brief Description: Revising local improvement district statutes.

Sponsors: Senators Gardner and Hale.

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.

Hearing Date: 2/27/02

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. A 'local improvement reserve fund' is a fund not to exceed fifteen 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.

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.

Appropriation: None.

Fiscal Note: Not Requested.

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