

# LIDs in Bellevue: Frequently Asked Questions

## **Q: What is a Local Improvement District (LID)?**

**A:** An LID, or Local Improvement District, is a financing method used to pay for the design and construction of public works improvements, such as expansion of street capacity, new sidewalks, water lines, sewer extensions or streetlights.

## **Q: How does an LID work?**

**A:** A narrowly defined district is formed that includes only those properties that gain a special benefit from the proposed project. The city then issues bonds to fund the design and construction of the improvement(s). Once the project is complete, property owners in the district are assessed a proportionate share of the project costs. The assessment may be paid in one lump sum or through annual installments.

## **Q: How is an LID formed?**

**A:** There are two ways to form an LID. Property owners can initiate the formation process through the “petition method,” or the City Council can initiate an LID using the “resolution method.”

## **Q: How does the petition method work?**

**A:** Under the petition method, an LID is created when the owner(s) of property totaling at least two-thirds of the “lineal frontage” along the proposed improvement sign a petition of request, which is submitted to the City Clerk. City staff then conduct a feasibility analysis of the proposed improvement and its cost to determine if the city will proceed with forming the LID.

## **Q: How does the resolution method work?**

**A:** The second way to form an LID is through the resolution method, in which the City Council initiates the LID formation process by passing a “resolution of intent” to form an LID. The resolution describes the proposed improvements and district boundaries. It also sets a hearing date when property owners may appear and present their objections related to the LID boundaries.

## **Q: What improvements might an LID help pay for in Bellevue?**

**A:** The LIDs currently under consideration in Bellevue would support improvements in two different, but adjacent areas:

**Wilburton Connections LID:** This LID would help fund two separate, but connected construction projects built in phases. The first is the 120<sup>th</sup> Avenue NE Widening Project. It calls for widening 120<sup>th</sup> Avenue from NE 4<sup>th</sup> Street to NE 8<sup>th</sup> Street. The new five-lane road would include sidewalks and bike lanes. The second phase is the NE 4<sup>th</sup> Street Extension, connecting the interchange at I-405 and NE 4<sup>th</sup> Street to 120<sup>th</sup> Avenue NE. It, too, is anticipated to include a five-lane road, sidewalks and bike lanes.

**Bel-Red area LID:** This LID would be formed sometime after the Wilburton LID. It would support construction of a new roadway – NE 15<sup>th</sup> Street – from 116<sup>th</sup> Avenue NE to 124<sup>th</sup> Avenue NE. The new street is the centerpiece of a larger strategy to reinvigorate the Bel-Red area. It would create a corridor for East Link, the planned

extension of light rail from Seattle to Redmond, and provide vehicle, bike and pedestrian access to new development in the area. The Bel-Red LID may also include improvements to 120<sup>th</sup> Avenue NE, from NE 8<sup>th</sup> Street to Northup Way, and to 124<sup>th</sup> Avenue NE, from the new NE 15<sup>th</sup> Street to Northup Way.

**Q: How much does an LID assessment cost a property owner?**

**A:** The assessment for a specific property depends on a variety of factors. It includes (but is not limited to): the number and scope of projects to be funded by the district; the number, size, and proximity of benefitted properties; the degree of special benefit attributed to each parcel; and the number of years scheduled to pay off the bond financing.

**Q: What does the assessment pay for?**

**A:** When the city forms an LID, the estimated total project costs and preliminary assessment are provided to property owners. Eligible expenses that the LID may pay for include: the project's construction cost, engineering and surveying, right-of-way and easement purchases, property owner searches, advertising, mailing and publishing expenses, and accounting and clerical costs. Because these costs can change over the course of a project(s), property owners are provided an updated and final assessment when the project(s) is completed. Depending on the improvement and the formation method, the LID assessments may cover all, or, more likely, a portion of the total cost.

**Q: How are LID assessments determined?**

**A:** All property owners within an LID boundary are charged a proportionate share of the project costs based on the degree of special benefit their property gains from the improvement. A special benefit is defined as the difference in property value before and after the project is constructed. A certified appraiser is hired to consider the highest and best use of the property with and without the improvement. Factors that may influence the assessment are the area (square footage) of the property, how close the property is to the improvement and the lineal feet of the property bordering the improvements.

**Q: For property owners, what are the advantages and disadvantages of an LID?**

**A:** LIDs can accelerate the construction of improvements that benefit a property owner by increasing access, improving safety and reducing congestion. It can even increase a property's development potential if zoning changes are contingent on the road capacity provided by the new project (the NE 4<sup>th</sup> Street Extension is an example). Also, while an LID does place a financial responsibility on property owners, the assessments are often shared by multiple properties and the city, and can be paid over several years to minimize burden. On the down side, the LID process can be hard to understand and take a long time. To minimize frustration, city staff will work with property owners to ensure they understand each step along the way.

**Q: How long does the LID process take?**

**A:** The time it takes to form an LID varies considerably, depending on the complexity of the improvements and the degree of property owner support. The initial formation steps may take one to two years. The design, engineering and construction of the project can

take one to five years or more. After the project is completed, it can take up to a year to confirm all of the costs that will be included in the assessments before repayments may begin. After that, annual installments are paid for whatever period is associated with the bond issuance, which may be up to 20 years.

**Q: What are the main steps in the LID process?**

**A:** Significant steps include:

- ✓ Property owners, using the “petition method,” request a specific improvement. A feasibility analysis is conducted. If not already prepared, city staff generate a cost estimate for the requested improvement.
- ✓ A resolution of intent is prepared for the City Council to initiate the LID process (in this step, the resolution either confirms the petition or establishes the city-initiated process).
- ✓ A public hearing is scheduled to hear objections to the boundaries of the district.
- ✓ The City Council reviews the Hearing Examiner’s recommendation resulting from the public hearing and may adopt an ordinance creating the LID and ordering the improvements.
- ✓ The formation ordinance step is followed by a 30-day protest period (for the resolution method only).
- ✓ Project design is finalized and construction work is put out for public bid. Upon project completion, final costs are confirmed and documented.
- ✓ A public hearing is held to confirm the final assessment roll for properties within the district.
- ✓ The City Council publishes an ordinance confirming the assessments, which opens a 10-day appeal period.
- ✓ Once the city publishes notice that the final assessment roll is confirmed, a 30-day window opens allowing property owners to pay all or part of the assessment, thus avoiding or reducing interest and other charges.
- ✓ The city sends out the first annual billing notices.

**Q: Why can’t the City pay for LID improvements using general tax revenue?**

**A:** The scale of the projects proposed for LID funding is considerably greater than typical road projects in Bellevue, requiring a variety of revenue sources to make them possible. The funding package often includes some general tax revenue, state and federal grants, and other revenue sources such as developer impact fees. LIDs are needed to complete the project funding. An important reason to utilize the LID mechanism is that the improvements will bring specific and substantial benefits to property owners in the improvement district in the form of higher property values and better access.

**Q: What if a property owner thinks the assessment is too high and wants to protest the LID formation?**

**A:** The LID formation process includes several points when property owners may object to elements of the planned LID. At the initial public hearing, property owners can make an argument for why their property should not be included within the boundaries. If written protests amounting to 60 percent or more of the total of preliminary assessments

within the district are received during the protest period (under the resolution method only), the City Council is prohibited by state law from proceeding with the formation of the LID. Property owners may also object to the amount of the assessment during the public hearing to confirm the final assessment roll. All affected property owners will receive notice of all hearings related to the LID formation. A final 10-day appeals period is available once the Council adopts the ordinance confirming the final assessments.

**Q: How do property owners make payments?**

**A:** Property owners are given the option to pre-pay their assessment within 30 days of the final assessment hearing. Property owners who do not pre-pay will be billed annually. The first annual payment is due about one year from the time of the final assessment hearing. Payments are divided into equal principal installments plus accrued interest.

**Q: How many years must annual payments be made?**

**A:** Annual payments typically run for 10 to 20 years.

**Q: Can payments be deferred?**

**A:** State law allows people who qualify to defer payments until the sale of their property or settlement of an estate in the case of death. The law includes income restrictions and is generally aimed at senior citizens on a fixed, low income.

**Q: Where can I learn more about LIDs?**

**A:** For Washington state law governing LIDs, see [the Revised Code of Washington](http://apps.leg.wa.gov/RCW/default.aspx?cite=35.43) (<http://apps.leg.wa.gov/RCW/default.aspx?cite=35.43>). For more information about City of Bellevue regulations on LIDs, see [the Bellevue City Code](http://www.bellevuewa.gov/bellcode/Bellevue15/Bellevue1504.html#15.04) (<http://www.bellevuewa.gov/bellcode/Bellevue15/Bellevue1504.html#15.04>). And for specific questions about current LIDs in the city, contact Eric Miller at 425-452-6146 and [emiller@bellevuewa.gov](mailto:emiller@bellevuewa.gov).