

**ORDINANCE NO. 2025-014**

**AN ORDINANCE OF THE CITY OF SEQUIM, WASHINGTON, ADOPTING A NEW SEQUIM MUNICIPAL CODE CHAPTER, SMC 20.40, FORMATION OF LOCAL IMPROVEMENT DISTRICTS; AND PROVIDING FOR SEVERABILITY AND EFFECTIVE DATE**

**WHEREAS**, RCW Chapter 35.43 and other State statutes authorize cities to form Local Improvement Districts (LIDs) and Utility Local Improvement Districts (ULIDs) as mechanisms to finance public infrastructure projects to specific areas; and

**WHEREAS**, the processes by which LIDs and ULIDs are formed and how they are regulated and accounted for after formation are sufficiently complex to require guidance in City code as well as policies, and procedures; and

**WHEREAS**, the existing Sequim Municipal Code did not provide any guidance on LID and ULID formation; and

**WHEREAS**, the City has not promulgated detailed policies and procedures related to LID and ULID formation; and

**WHEREAS**, Staff researched the applicable statutes and other cities' guidelines and drafted language for a new SMC chapter; and

**WHEREAS**, at the August 11, 2025 first touch on the proposed new chapter, the Sequim City Council were given the option to have the language refer to the Planning Commission or alternatively to the Hearing Examiner as the body that would provide recommendations to the Council on LID/ULID formation; and

**WHEREAS**, the Council decided to designate the Planning Commission as the recommending body; and

**WHEREAS**, no new fees are anticipated to be necessary to implement SMC 20.40; however, if any new fee is later determined to be necessary, it will be adopted with the annual update of SMC 3.68, Rates and Fees; and

**WHEREAS**, the attached language exhibit reflects Council's decision and direction regarding the new SMC Chapter; and

**WHEREAS**, the revised language codified in this ordinance contains no substantive standards respecting use or modification of the environment, and is therefore exempt from State Environmental Policy Act (SEPA) procedures under WAC 197-11-800;

**NOW, THEREFORE**, the City Council of the City of Sequim do ordain as follows:


**Section 1. Adoption of New Municipal Code Chapter.** A new chapter of the Sequim Municipal Code, SMC 20.40 (Formation of Local Improvement Districts) is adopted as described in Exhibit A, attached hereto and incorporated by this reference as if set forth in full.

**Section 2. Corrections.** The City Clerk and the codifiers of this Ordinance are authorized to make necessary clerical corrections to this Ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

**Section 3. Severability.** If any section, subsection, paragraph, sentence, clause or phrase of this Ordinance is held to be invalid or unconstitutional by a court of competent jurisdiction, such decision does not affect the validity or constitutionality of the remaining parts of this Ordinance.

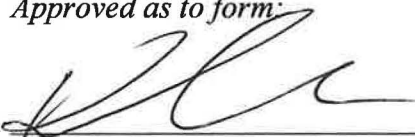
**Section 4. Effective Date.** This Ordinance becomes effective five days after publication of the ordinance, or a summary thereof, in the official newspaper of the City.

**PASSED** by the City Council of the City of Sequim at its regular meeting held the 8<sup>th</sup> day of September 2025.

  
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Brandon Janisse, Mayor

*Attest:*

  
\_\_\_\_\_  
Heather Robley, City Clerk

*Approved as to form:*  
  
\_\_\_\_\_  
Kristina Nelson-Gross, City Attorney

Publication Date: 9/12/2025

Effective Date: 9/17/2025

**Exhibit A**

**— NEW —**

**Chapter 20.40**

**Formation of Local Improvement Districts**

**Sections:**

- 20.40.010 Adopted by reference.**
- 20.40.020 Purpose and authority.**
- 20.40.030 Administration – Decisionmaking body – Review board.**
- 20.40.040 Definitions – Fees and costs – Posting of guarantee.**
- 20.40.050 Formation options.**
- 20.40.060 Conversion of LID to ULID.**
- 20.40.070 Formation by city resolution.**
- 20.40.080 Formation by petition.**
- 20.40.090 Staff review authority and procedures.**
- 20.40.100 Council action.**
- 20.40.110 Collecting, accounting, and foreclosure.**
- 20.40.120 Waivers of protest – Exceptions limiting enforceability.**
- 20.40.130 Appeals.**

**20.40.010 Adopted by reference.**

Revised Code of Washington (RCW) Chapters 35.43, 35.44, 35.45, 35.47, 35.48, 35.49, 35.50, 35.53, 35.54, 35.55, and 35.56, as adopted and amended, are incorporated into this chapter by reference as if fully set out here.

**20.40.020 Purpose and authority.**

- A. This chapter regulates the formation of Local Improvement Districts (LIDs) and Utility Local Improvement District (ULIDs) in accordance with RCW Chapter 35.43. It is intended to provide clear guidelines for the public, city staff, and the city council for a consistent and effective formation process.
- B. RCW 35.43.030 through -.040 authorize cities to pass ordinances forming the municipal improvement districts covered in this chapter. RCW 35.43.042 specifically authorizes cities to establish ULIDs. LIDs or ULIDs may be composed entirely or partially of unincorporated territory outside of the city's corporate limits but within its Urban Growth Area (UGA).
- C. The city may issue bonds or warrants in accordance with RCW 35.54 and SMC 3.32 for improvements funded by the city.
- D. All statutes and regulations cited in this chapter are as enacted and as may be amended.

**20.40.030 Administration – Decisionmaking body – Review board.**

A. This chapter is administered by the director of the public works department and the director’s designees.

B. Determinations on whether to approve or deny a petition for formation of an improvement district are at the discretion of the city council. Decisions must be made by majority vote of the members of council at an open public meeting. The ordinance authorizing the proposed improvement district must receive an affirmative vote of a majority plus one members of the city council if written objections are filed by a majority of property owners of the lineal frontage in the improvement area.

C. Formation of a water or sewer local improvement district lying outside city limits is subject to review by the Clallam County Boundary Review Board pursuant to RCW 36.93.

**20.40.040 Definitions – Fees and costs – Posting of guarantee.**

A. Definitions. “Local improvements,” including “utility local improvements,” are as described in RCW Chapter 35.43 and include without limitation the improvements enumerated in RCW 35.43.040.

B. Fees and Costs. Any fees or costs related to any action covered by this chapter are as set forth in SMC 3.68 Rates and Fees, and will be borne by the proponent of the action unless otherwise specifically noted. Specifically, but without limitation, any costs associated with notices to property owners or to the public, fees for Boundary Review Board review, or for recording documents with the auditor, will be borne by the person or entity initiating the formation process.

C. Posting of Guarantee. Before considering formation of an improvement district by the petition method, the city may require that petitioners post a guarantee sufficient to cover the payment of the fees and costs petitioner may be obligated to pay, including without limitation those described in subsection (B) of this section. Such guarantee may be in the same form as described in SMC 3.78 Guarantees and Bonds for Land Use and Public Improvements and will be processed similarly.

**20.40.050 Formation options.**

A. Initiation of the process to form an improvement district must be either by resolution of the city council or by a petition filed by proponents owning property within the boundary of the proposed improvement district.

B. Formation of the improvement district occurs through adoption of an ordinance receiving a majority vote of council. If any affected property owner timely files written objections to formation, the ordinance must receive a majority plus one vote of council for passage.

C. Any improvement district formed pursuant to this chapter must be provided an identifying name such as “LID No. XXX” or “ULID No. XXX” and the resulting funds will be accounted for in accordance with SMC Section 20.40.110 below.

**20.40.060 Conversion of LID to ULID.**

An existing LID formed pursuant to applicable code or statute can be converted to a ULID if the conversion occurs before adoption of the ordinance confirming the final assessment roll of the LID. RCW 35.43.043.

**20.40.070 Formation by city resolution.**

A. The city council by resolution may initiate formation of an improvement district to levy and collect assessments to pay for improvements.

B. The resolution must meet the requirements of RCW 35.43.140, including publication and hearing provisions. Notice to affected property owners must be made in accordance with RCW 35.43.150.

C. Formation by resolution is subject to the exceptions found in RCW 35.43.110, which make formation by petition mandatory.

**20.40.080 Formation by petition.**

A. Owners of property within the boundaries of a proposed improvement district may petition the city council for formation of an improvement district.

B. The petition must be signed by the owners of property aggregating a majority (51 percent) of the area within the proposed district.

C. The petition must meet the requirements of RCW 35.43.120.

D. The city council may deny a petition for formation of an improvement district lying in whole or in part outside existing city limits. Such determination must be by majority vote in an open public meeting.

E. The same notice and public hearing requirements as those set forth in the process for formation by resolution apply to formation by petition.

**20.40.090 Staff review authority and procedures.**

A. The public works director and city engineer are the designated staff responsible for determining the accuracy and adequacy of any resolution passed or petition filed to initiate a proceeding for the formation of an LID or ULID. If formation is approved, the director and city engineer are authorized to prepare the final plans and contract documents and seek bids for construction of the improvements.

B. Upon receipt by the city of a resolution or petition for LID or ULID formation, the city engineer will timely review the proposed improvements and district boundaries and cause an estimate to be made of the cost and expense of the proposal, including a statement of what portion of same should be borne by the property owners within the proposed district. The city engineer's review and estimate will be rendered into writing, combined with all supporting materials, and certified for presentation to council.

C. LID and ULID formation proposals, whether initiated by council resolution or petition by property owners, will be a collaboration between the proponents and the designated city staff with expertise on the subject and reviewed on a case-by-case basis. At a minimum, proposals submitted for staff review must consist of the following:

1. Initial boundary limits to encompass an area to include property owner interest, public works' long range utility plan, and environmental concerns.
2. Initial project improvements to meet the needs of the property owners and the city.
3. Initial cost estimates/benefit based on the list of improvements. From the project cost, a range for assessments will be calculated and the initial analyses will be completed to determine the need for a special benefit analysis.

D. Public outreach will be required to apprise the property owners of the proposed project through circulation of an interest survey, informational meetings, and in-person and mail contacts. The proponents are responsible for conducting any required public outreach and bearing the costs of doing so. City staff may attend informational meetings to answer questions.

E. Proponents and staff must be prepared to present the proposal to the county's boundary review board and meet any conditions imposed by that board.

F. Petitions for formation of an LID or ULID must be submitted to the city on a standardized petition form approved by the city and containing instructions for proper execution.

G. At a minimum, petitions must contain the following information:

1. Type of improvement district (LID, ULID);
2. Legal description of proposed improvement district boundary;
3. Map of proposed improvement district;
4. Current county assessor's tax parcel information for all parcels within the proposed district, including legal owner's name and address;
5. Description of improvements to be constructed or installed;
6. Estimated range of preliminary costs of improvements that will be borne by property owners, including the caveat that potential assessments may be adjusted based on further analysis of the special benefit for each property;
7. Signature line for all property owners; and
8. Date of signature.

H. Proponents of the LID or ULID are responsible for circulating petitions for formation in accordance with applicable laws, and ensuring that necessary approvals, such as boundary review board approval and county assessor determinations of signature sufficiency, are timely obtained before the matter is brought before council for potential adoption of the formation ordinance.

I. In addition to the tasks related to review, revision, preparation, and certification of a proposed LID/ULID described in this chapter, the city engineer and/or public works director must prepare a staff report for the city council in advance of council’s decision on whether to approve the improvement district formation by ordinance. The staff report must include:

- 1. Overview of the project;
- 2. Petition summary with indication of level of interest;
- 3. Preliminary project costs;
- 4. Any special benefit analysis results;
- 5. Financial impacts to the utility or to transportation plans; and
- 6. Recommendations from the county boundary review board.

J. The city council designates the planning commission as its designee to conduct required hearings pursuant to RCW 35.43.140. The planning commission will make a recommendation to the city council, who will make the final determination.

**20.40.100 Council action.**

The city council, through the improvements’ adopting ordinances as approved by the city attorney, may provide for terms and provisions consistent with RCW 35.43 et. sequential.

**20.40.110 Collecting, accounting, and foreclosure.**

A. The procedures for collecting and accounting for local improvement district funds are as set forth in RCW 35.49.

- 1. As soon as the city’s finance director receives the assessment role, the director or designee will publish a notice in the city’s official newspaper once a week for two weeks, notifying residents that the assessment role is ready for collection and assessments must be paid within 30 calendar days of the date of first publication. Such notice must comply with RCW 35.49.010.
- 2. Within 15 calendar days after the city council has formed an improvement district, the finance director will cause the filing of the improvement district to be posted on the city’s website in accordance with RCW 35.50.005.

B. Funds collected from local improvement districts can be expended in any manner allowed by law.

C. Foreclosures of assessment liens will be in accordance with RCW 35.50 as enacted or amended.

**20.40.120 Waivers of protest – Exceptions limiting enforceability.**

A. The objection of any property owner who previously entered an agreement with the city that waived the right to protest the future formation of an improvement district will not be deemed a valid protest under RCW 35.43.180, and will not be considered by council in determining whether or not to form the improvement district.

B. Exceptions: If the agreement containing the waiver of protest is more than 10 years old, or does not specify the improvements proposed to be financed, or is not recorded with the county auditor, the waiver will be deemed ineffective and the property owner may dispute the formation of the improvement district as allowed by any applicable law.

**20.40.130 Appeals.**

A. Decisions of the city council made pursuant to this chapter are final and not subject to administrative appeal of any kind.

B. Judicial challenges must be filed within 30 days of passage of the ordinance forming the district or, if applicable, within 30 days after the expiration of the protest period provided for in RCW 35.43.180.