

Interlocal Agreement Methods of Annexation & 2SHB 1425



Washington State Boundary Review Board for King County

April 11, 2024

2SHB 1425

- In 2023, the Legislature passed 2SHB 1425 which amended RCW 35.13.470 and RCW 82.14.415 and makes tax credits available to cities for annexations under certain conditions
 - City must use one of two interlocal agreement methods of annexation
 - RCW 35A.14.296 – Pertaining to code cities
 - RCW 35.13.470 – Pertaining to non-code cities
 - Both methods are subject to BRB review in BRB counties
- Tax credits available include:
 - 0.1% for each annexed area in which the population is greater than 2,000
 - 0.2% for each annexed area in which the population is greater than 10,000
- Credits are against the state sales and use tax
 - The Department of Revenue must collect the taxes and remit the tax to the city.
- Tax credits are available for a maximum of 10 years
 - No tax may be imposed under RCW 82.14.415 before 7/1/23, and a city may not begin to impose tax under RCW 82.14.415 after 7/1/28

RCW 82.14.415

- Regarding Tax Credits:
 - A city must determine by resolution or ordinance that the projected cost to provide municipal services to the annexation area exceeds the projected general revenue that the city would otherwise receive from the annexation area on an annual basis.
 - All credits received must be solely used to provide, maintain, and operate municipal services for the annexation area.
 - The credits received may not exceed the difference between the city's cost to provide, maintain, and operate municipal services for the annexation area and the general revenues that the city would expect to receive from the annexation during a given year.
 - If they do exceed that amount, the city must notify the Department of Revenue, and the credits will be suspended for the rest of the year.

King County Potential Annexation Areas with Population of 2,000+ Residents*

Associated City	PAA Name	Population
Renton	Fairwood	23,500
Seattle	North Highline Area Y	18,600
Renton	West Hill	17,000
Federal Way	North Federal Way	13,500
Unaffiliated	Redmond Ridge Gap	10,000
Federal Way	Lakeland South (East Federal Way)	8,600
Renton	East Renton	6,000
Redmond	English Hill	2,700

*Per King County Unincorporated Urban Area Annexation Area Databook, 2018 via [Database](#)

RCW 35A.14.296 - Highlights

- Available to code cities
- Requires a notice process to affected transportation networks of an adjacent city, fire protection districts, regional fire authorities, water-sewer districts and transportation benefit districts.
- ILA must provide the following for 5 years for any parcel zoned for residential development:
 - Maintain a zoning designation that provides for residential development
 - Not reduce minimum gross residential density below the density allowed for by the zoning designation for that parcel prior to annexation
- The ILA may only be executed after:
 - The city and county holds a public hearing (separately or jointly) that includes public comment
 - Publication of the availability of the agreement once per week for four weeks before the date of the hearing
 - Publication of the agreement of its website for the same four-week period
 - Passage of an ordinance in order to effect annexation

RCW 35A.14.472

- Applies to to code cities seeking to annex territory pursuant to RCW 35A.14.296
- The ILA must address the balancing factors and objectives for annexation review per RCW 36.93.170 and .180 in addition to:
 - A balancing of annexations of commercial, industrial, and residential properties so that any potential loss or gain is considered and distributed fairly as determined by tax revenue
 - Development, ownership, and maintenance of infrastructure
 - The potential for revenue-sharing agreements
- The ILA formation process must include:
 - Broad dissemination of proposals and alternatives
 - opportunity for written comments
 - public meetings after effective notice
 - consideration of and response to public comments
- The ILA may only be executed after:
 - Notice of availability of the agreement is posted on the website of each legislative body for four weeks; and
 - A public hearing by each legislative body, separately or jointly

King County Code Cities

Algona	Duvall	Mercer Island	Shoreline
Auburn	Enumclaw	Milton	Snoqualmie
Bellevue	Federal Way	Newcastle	Tukwila
Black Diamond	Issaquah	Normandy Park	Woodinville
Bothell	Kenmore	North Bend	
Burien	Kent	Pacific	
Carnation	Kirkland	Redmond	
Clyde Hill	Lake Forest Park	Renton	
Covington	Maple Valley	Sammamish	
Des Moines	Medina	SeaTac	

RCW 35.13.470

- Available to cities and towns located in counties that are subject to the "buildable lands" review and evaluation program under the GMA
- Requirements to use annexation method:
 - Be within UGA of that city or town
 - At least 60% of the boundaries of the territory proposed for annexation must be contiguous to the annexing city or town or one or more cities or towns.
- To qualify for a tax credit per RCW 82.14.415, the ILA must address:
 - A balancing of annexations of commercial, industrial, and residential properties so that any potential loss or gain is considered and distributed fairly as determined by tax revenue
 - Development, ownership, and maintenance of infrastructure
 - The potential for revenue-sharing agreements
- The ILA may only be executed after a public hearing held by each legislative body - jointly or separately. Notice of the hearing must be published once per week for two weeks.
- After adoption and execution of the ILA by the county and city/town, the city town shall adopt and publish notice of an ordinance providing for annexation per the ILA.

Resources

- [MRSC – Annexation Methods by Cities and Towns](#)
- [MRSC – Annexation Handbook by Cities and Towns \(2020\)](#)