

CITY COUNCIL AGENDA TOPIC

Bellevue Grand Connection – Program updates and Funding Proposal

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EXECUTIVE SUMMARY

City staff will share updates about recent and upcoming developments that are related to the Grand Connection, and staff will present a high-level funding plan for feedback and direction from Council.

DIRECTION

Staff are seeking Council direction to move forward with the process for state approval of alternative delivery design and construction method of project delivery, and with steps necessary to prepare to fund the next phase of the Grand Connection program.

RECOMMENDATION

Consider directing staff to move forward with the process for state approval of alternative delivery design and construction method of project delivery, and with steps necessary to prepare to fund the next phase of the Grand Connection program.

BACKGROUND & ANALYSIS**Introduction and Background**

The Bellevue City Council has included the Grand Connection in its Council priorities since 2014. Significant work has taken place since that time, including the preliminary design work of the crossing and place-making and space activation work with the Bellevue Downtown Association. Further development such as installation of public art like Piloti along the Grand Connection, raised intersections at the transit center, and completion of Meydenbauer Bay Park phase 1 also occurred to support the Grand Connection vision.

The Grand Connection is Bellevue's signature downtown place-making initiative. This program functions as a series of cohesive, connected, and memorable spaces and pedestrian-focused experiences and initiatives through Bellevue's thriving central business district. With a length of more than 1.5 miles, the Grand Connection begins at the waterfront of Lake Washington at Meydenbauer Bay Park, and winds through Old Bellevue and Downtown Park. It continues through Bellevue's dynamic retail and civic-focused parts of downtown, across I-405 and ultimately connects with the regional Eastrail in the Wilburton commercial area.

In 2023, the City officially launched the engineering effort for a pedestrian- and bicyclist-oriented crossing of I-405 as part of the Grand Connection Program. Over the past year, a matrixed team of in-house staff and consultants have been working in concert to advance the crossing itself, as well as key steps forward on the corridor as a larger program.

Program Updates

Since the last update to Council in March, there have been additional progress and accomplishments, both on the program more comprehensively as well as directly related to the I-405 crossing.

- Formation of the Office of the Grand Connection, including a new director, Nathan Torgelson. This action equips the team to fully activate the city's main pedestrian corridor through downtown and move beyond 30% design on the Grand Connection Crossing, the critical car-free connection over Interstate 405 to Eastrail in the Wilburton neighborhood. The Office includes a core team of staff who are currently in multiple departments and are moving to a centralized office model, facilitating clear decision-making, project oversight, and stakeholder communication.
- Tax Increment Financing (TIF) Authority Granted by the 2025 State Legislature. The City had elevated the Grand Connection as a priority in the 2025 session, seeking both \$900K for capital budget improvements to City Hall Plaza and \$50M as a state contribution to this significant regional project as part of a state transportation package. A state package did not materialize, and the legislature instead found a path to give Bellevue special TIF authority to use in the upcoming year to help finance the crossing. Bellevue also received \$250K from the capital budget to support City Hall Plaza improvements.
- Successful deployment of the first round of Community Programming Fund grants. These grants were made available to support community-driven programs, events and installations in outdoor public spaces across Bellevue. Two-thirds of the funding is focused within the Grand Connection corridor, stretching from Meydenbauer Bay Park through downtown to Eastrail on the east end. Following an overwhelming response to the call for programming, all funds for 2025 have been allocated, and the city is very excited to see the variety of activations bring extra life to the corridor.
- Interactive community engagement pilot launching in late July. Prior to the Bellevue Arts Fair, Bellevue will launch a pilot project throughout the corridor to facilitate two-way information sharing about the Grand Connection and nearby amenities, including basic transit information and wayfinding. A partnership with the Friends of the Grand Connection and the Bellevue Downtown Association, this series of interactive nodes, available in 9 translated languages, seeks to increase awareness of and generate excitement for the Grand Connection program and crossing vision.
- Engagement of a consultant to serve as the city's Owner Advisor/Project Manager. Following Council direction to move ahead toward general contractor/construction manager (GC/CM) delivery method approval from the state, the Transportation Department advertised an opportunity to hire a consultant team to guide the City through the initial steps of the process. The successful firm was HNTB, and their work includes helping the City prepare its application to the state agency in the fall as well as the contracts to advertise to put the GC/CM contractors

in place upon securing approval to proceed from the state so that we may move beyond 30% design.

- Continued Value Engineering and Design Refinements. At the March update to Council, staff reported on accomplishment of the 30% design milestone in December, which had been a design for the “visionary” crossing. The visionary crossing estimates came in far above City expectations, and the staff team began working with design consultant WSP on ways to refine the design to fit within the City’s more constrained crossing budget of \$150-200M. That work continues this spring and summer in preparation for state approval for GC/CM delivery.

Funding Proposal

The project’s funding status is an important component of the City’s application to the state committee that would grant approval of the use of alternative delivery. The City hopes to submit its application to the Project Review Committee (PRC) of the Capital Projects Advisory Review Board (CPARB) in August for their September meeting agenda. Below is a description of the proposed funding plan for the project, and staff are seeking Council feedback and direction to move ahead consistent with this plan.

Consistent with the update to Council in March, staff continues to recommend that the project remain within a \$150-200 million budget for the City. With that objective, below is a proposed plan, with context included about potential sources.

Tier 1 Funding Tools: Most likely candidates

Tax Increment Financing (TIF)

- The state legislature gave Bellevue in 2025 authority to establish a TIF area no later than June 2026 containing one zone with a maximum property assessed valuation of \$500 million.
- If implemented, this tool would allow the City to capture property taxes generated from increased assessed valuation on the site that results from private development following the investment in infrastructure.
- Because of state law requirements, the city would need to present a project analysis to both the other current taxing districts as well as to the state treasurer, each with a minimum of 90 days to consider the proposal.
- Staff are still conducting the in-depth analysis to develop a confident and data-informed estimate for what the TIF might generate. At present, the range of revenue it is expected to generate ranges from \$26.7 million to \$44.6M in present value dollars, which would in turn generate between \$55.9 million to \$93.3 million if bonded against. A note: These estimates are for the full 25-year period of the TIF Area and presuming all jurisdictions agree to participate.

Transportation Benefit District (TBD)

- A Transportation Benefit District can be used for acquiring, constructing, improving, providing, and funding transportation improvements within the area of the district. Projects may also include operations, preservation, and maintenance of transportation facilities.
- Current state law allows for TBDs to raise money in various ways. Certain funding options are either approved by the district's governing body (also referred to as councilmatic) or voter-approved. The governing body of the Transportation Benefit District is the City Council, and the

Council will determine the funding mechanism. Council-approved options include a 0.1% sales tax, a vehicle fee, a building construction or land development fee, or a vehicle toll on city streets.

- The City Council voted to create a TBD in 2023 but has not acted to raise and invest funds.
- Using only councilmanic TBD authority, FAM estimates that the \$20 annual vehicle fee could generate \$2M directly, which would raise \$60M if bonded against for a 25-30-year period. The 0.1% sales tax is estimated to generate \$10M directly, which would raise up to \$100M for the 10-year authorized period of the sales tax.

Tier 2 Funding Tools: Would offset City-backed obligations if they come to fruition

Philanthropic and private funds

- City staff have been working with the Friends of the Grand Connection organization to explore strategies which could be employed by that community constituent group to help generate funds for the crossing.
- The conversation is still early, but there is energy and interest among the Friends to initiate an organized effort to raise interest, enthusiasm, and funds for the crossing and the corridor more broadly.

Dedicated or specific use funds

- Depending on the details of the crossing design, other dedicated or specific use fund sources may make sense to incorporate into the overall funding plan.
- Possible examples could be related sources for County, regional, or local parks, trails, open spaces and facilities, or utilities if the crossing can support conveyance purposes.

Federal grants

- The availability of federal grants is uncertain at this moment. Staff had hoped to apply for a significant competitive grant program through USDOT for the crossing's construction phase.
- Nevertheless, the project to date has fulfilled steps and requirements to remain compliant with the National Environmental Protection Act (NEPA) to preserve that opportunity.
- In 2024, Bellevue was partially successful in advancing a discretionary grant (congressionally directed spending) through the Fiscal Year 2025 Appropriations process in Washington, DC, but it, along with all similar discretionary grants, was set aside because Congress adopted a continuing resolution instead of adopting routine appropriations bills. That same request is moving in Congress again as part of the FY 2026 process, but its likelihood remains unclear.

State grants

- There are a small number of state transportation grants for which the Grand Connection could be an eligible candidate, including the Urban Active Transportation Program (ATP) program through the Transportation Improvement Board and the Pedestrian/Bicyclist Grant Program at WSDOT.

Local improvement district (LID)

- These districts are a tool to finance capital improvements that will primarily benefit property owners within a specific area. LIDs are formed by a city, town, county, or other local government with the approval of a majority of the property owners but are not self-governing special purpose districts.

- The City could choose to establish an LID, which would levy a special assessment within the LID area to pay for specific capital investments.

Tier 3 Funding Tools: Could utilize if necessary

Business & Occupation (B&O) tax

- The B&O tax includes gross receipts and square footage taxes on persons, firms, associations, or corporations doing business within city limits.
- Most businesses report B&O tax under one or more gross receipts tax classifications, and businesses with a physical location in Bellevue will also report under the square footage tax classification.
- Some are exempt from the tax, including those who report \$210,000 or less in taxable receipts and those businesses with a physical location in Bellevue with 250 square feet or less of taxable square footage.
- Bellevue has ~\$5-\$7 million/year of capacity. This could be another source for funding the project if necessary, but it is currently viewed as an alternative to the Tier 1 tools.

Banked property tax

- Property tax is applied to the assessed value (AV) of all taxable real and personal property located within the city, with several exceptions such as public structures (government buildings, roads, etc.), property owned by several types of non-profit organizations, personal property (up to a specified dollar value), and others.
- Banked property tax is another revenue tool available if needed.

POLICY & FISCAL IMPACTS

Policy Impact

The Bellevue City Council has consistently advanced the Grand Connection program vision, including it in their Council priorities since 2014. This program also advances other identified Council Priorities and Council vision themes about both Eastrail and transportation infrastructure to prevent serious injuries and deaths among users.

Fiscal Impact

Direction to staff at this meeting could result in staff returning to Council on future dates to take discrete action on some of the funding tools listed above in order to fully fund the Grand Connection. Depending on the funding tools utilized at a future date, those tools could increase costs to users or residents, and/or they could dedicate some portion of future revenues to this priority investment area for the city.

OPTIONS

1. Direct staff to move forward with the process for state approval of alternative delivery design and construction method of project delivery, and with steps necessary to prepare to fund the next phase of the Grand Connection program.
2. Provide alternative direction to staff.

ATTACHMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

N/A