

CITY COUNCIL AGENDA TOPIC

Bellevue Grand Connection-Tax Increment Finance update

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EXECUTIVE SUMMARY**DIRECTION**

Staff will provide an explanation of the tax increment finance (TIF) tool, specifically its principles of operation along with its required components and timelines, including the development of the tax increment area map/zone and the TIF Project Analysis. Staff will provide a review of partner taxing districts and engagement with said districts and their participation in contributing their tax allocation revenue to the City of Bellevue's TIF program and project.

RECOMMENDATION

Consider directing staff to prepare the TIF Ordinance for final action at a future meeting.

BACKGROUND/ANALYSIS**Grand Connection Crossing: Vision, Construction Methodology and Funding**

A Council priority since 2012, the Grand Connection Corridor is an ambitious 1.5-mile urban development initiative starting at Meydenbauer Bay Park and connecting to downtown Bellevue and the regional Eastrail trail in Wilburton. The Grand Connection is a vibrant, pedestrian and wheel-friendly corridor sustaining future growth, enhancing livability, and promoting multimodal safety.

With approval from the Washington State Capital Projects Advisory Review Board (CPARB), the city has elected to move forward with a Heavy Civil General Contractor/Construction Manager (GC/CM) delivery method for the Grand Connection Crossing project. This allows the city to engage with a contractor early in the project design lifecycle, referred to as pre-construction, to provide services such as cost estimating, value engineering, schedule planning and constructability reviews. Ultimately, the desired outcome is the reduction of schedule and cost risk during construction and financial stability with a negotiated Maximum Allowable Construction Cost (MACC) with the GC/CM prior to construction starting. Based on most recent estimates (February 2026) the total cost for design, real property acquisition, and construction is approximately \$200,000,000-225,000,000.

TIF has been under evaluation by the city since the legislature passed ESB 5801 and is intended to cover 20-30% of the overall debt service for the capital project. Staff are also evaluating other new revenue sources, including activation of the Transportation Benefit District, regional and federal grants, local improvement district (LID), Business & Occupation tax and banked property tax. The city will also

continue partnering with the Friends of the Grand Connection to engage the corporate and individual philanthropic community.

Overview of Tax Increment Financing Mechanism:

Tax increment financing (TIF) is a financing tool that local governments can use to fund public infrastructure in targeted areas to encourage private development and investment (Chapter 39.114 RCW). The steps are:

1. A local government wishing to utilize TIF will designate an "increment area" surrounding the site of the public improvements.
2. As private development occurs within the TIA resulting from the public agency's investment in public improvements, property values rise, and the public agency collects the property tax revenue from the incremental assessed value to pay down the debt service for the public improvements.
3. After the public improvement costs are paid (or 25 years whichever is first), the public agency retires the TIA, and the full assessed value (base + increment) returns to the taxing districts.

ESB 5801 requires that each participating taxing district within a TIA must approve by majority vote of the governing body its partial or full participation in contributing its tax allocation revenues to the City of Bellevue's TIF program and project. TIF is designed to provide a source of tax revenue to pay for needed public improvements that incentivize desired development while seeking no financial harm to those taxing districts that contribute tax allocation dollars as part of their levy inside a TIA.

While taxing districts may experience a temporary reduction in direct property tax revenue due to the allocation of increment funds to the TIA, the changes to the levy calculations such as increases in assessed values from new construction within the TIA and increment growth—can offset these outflows. These adjustments ensure that the district's overall levy capacity and ability to fund public services are preserved or enhanced over time, aligning with TIF's goal of creating no financial harm to contributing districts. In addition, at the conclusion of the TIA, the taxing district would benefit from significant "new" value that would not exist but-for the public investment.

As part of the process to establish a TIF area, a local government must prepare a project analysis, which must include stated objectives of the local government for the designated increment area, the duration of the increment area, identification of all parcels in the area, and other pertinent factors. The project analysis must be submitted 90 days after the formal notice to partner taxing districts to establish a TIF area. The City of Bellevue, working with Stowe Development & Strategies, LLC in association with ECONorthwest (SDS/ECO team), developed a thorough and comprehensive evaluation of a future Tax Increment Financing program and establishment of a Tax Increment Area (TIA) for a significant development opportunity in Bellevue.

The TIA includes property parcels that have a clear development nexus to the Grand Connection Crossing project, while also remaining within the statutory \$500 million assessed value cap for a tax increment area. The proposed TIA covers approximately 63.3 total acres of parcels and the taxable assessed valuation of this TIA for 2025 (based on 2025 certified values) is \$489,463,600. This amount is below both the \$500 million assessed valuation threshold and 20% of the city's total assessed valuation of \$92,820,250,067 for 2025 as it represents only 0.5% of the total.

The city evaluated three development scenarios and chose to assume a Market-Responsive Limited Buildout, which is the most conservative assumption for our debt repayment schedule. This scenario reflects a narrower development footprint based on current conversations with developers and includes only projects with near-term potential and proximity to the Grand Connection Crossing. This results in a nominal TIF revenue of \$84.4 million and a present value of \$41 million, the most conservative revenue outlook modeled.

Engagement Timeline and Project Analysis:

Consistent with the requirements in Chapter 39.114 RCW, the city provided notice of its intention to form a TIA to King County Executive, King County Council, King County Library System, King County Flood Control District, Sound Transit, and the Port of Seattle on October 16, 2025 and completed a project analysis to evaluate in detail the proposed TIA designation, the city's public improvement project – the Grand Connection Crossing, the envisioned private development, and the associated tax increment revenue to fund some of the Grand Connection Crossing costs. The report was then submitted to the Office of the State Treasurer (OST) on January 15, 2026, for review and comment as well as to all the participating taxing districts inside the proposed TIA. The project analysis demonstrates that the Grand Connection Crossing project is necessary to trigger the desired private development within the TIA including accelerated timelines, increased scale, and enhanced project quality. Many property owners indicated the existence of the Crossing would incentivize property owners to develop their adjacent properties on a more accelerated schedule.

Public Briefings:

As required under Washington State's TIF legislation, the City of Bellevue must hold two public briefings before the City Council can take action to establish a TIF district (RCW 39.114.020). Building public awareness of the project and the financing tools under consideration is essential ahead of upcoming Council discussions and potential action to fund construction of the Crossing. The Office of the Grand Connection conducted a virtual session on April 22nd and an in-person session at Bellevue City Hall on April 23rd in compliance with the requirements in RCW 39.114.020 and provided the public with an opportunity to learn about the benefits, current status and next steps for the Grand Connection Crossing. As per state law, the city published a notice of the public briefings in the Seattle Times and posted the information about said public briefings on the city news publication (It's Your City), the Grand Connection homepage and the City of Bellevue Facebook and Instagram accounts, keeping in compliance with the requirement that public briefings must be published in a legal newspaper or general circulation and posting information on the city's website and social media sites.

Action From Taxing Districts:

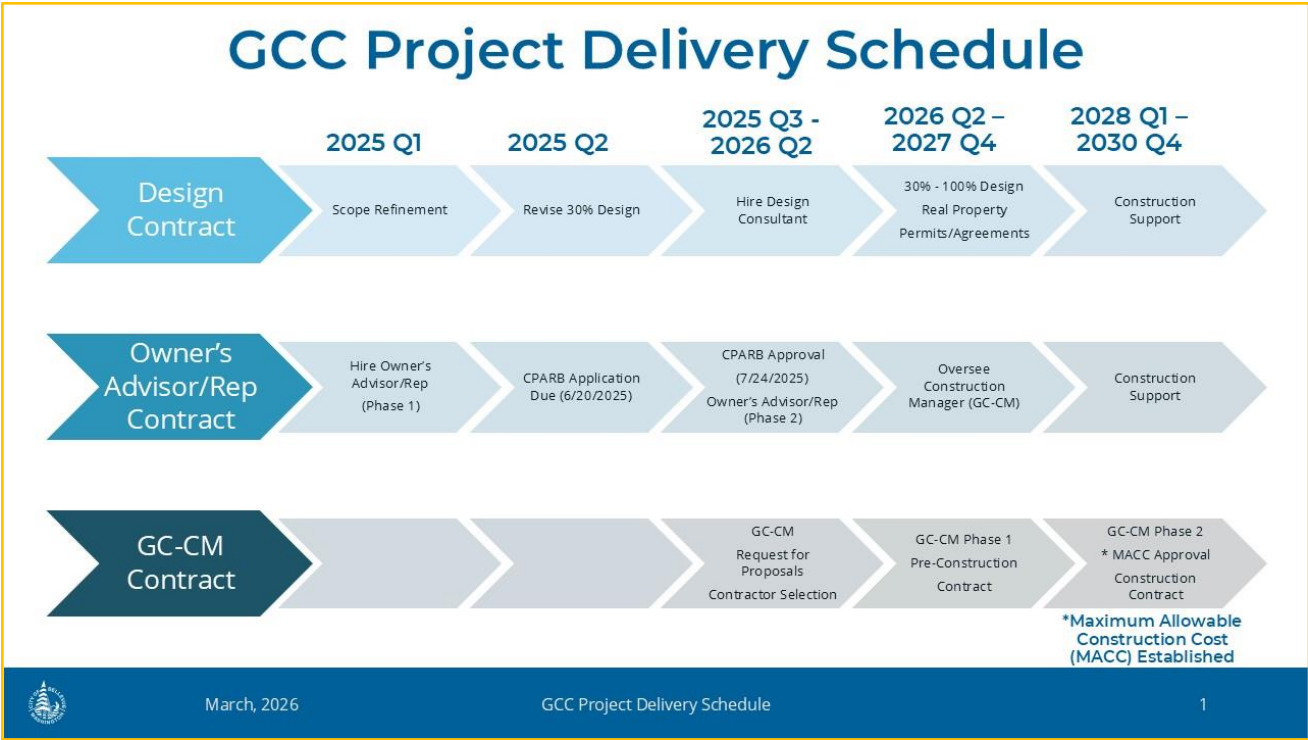
Between January 15 and May 19, the city has engaged with the partner districts to communicate the benefit of establishing a TIF. While each engagement was tailored to the organization's budget and shared policy alignment between organizations and Bellevue, the focus of engagement was centered around ensuring the amount of property tax revenue redirected to the TIA from each taxing district over the 25-year term (taxes in) is greater than the total increase in each district's maximum allowable levy during the same period, including both new construction and the increment add-on (taxes out).

As of April 30, the previous and upcoming engagement with taxing districts is:

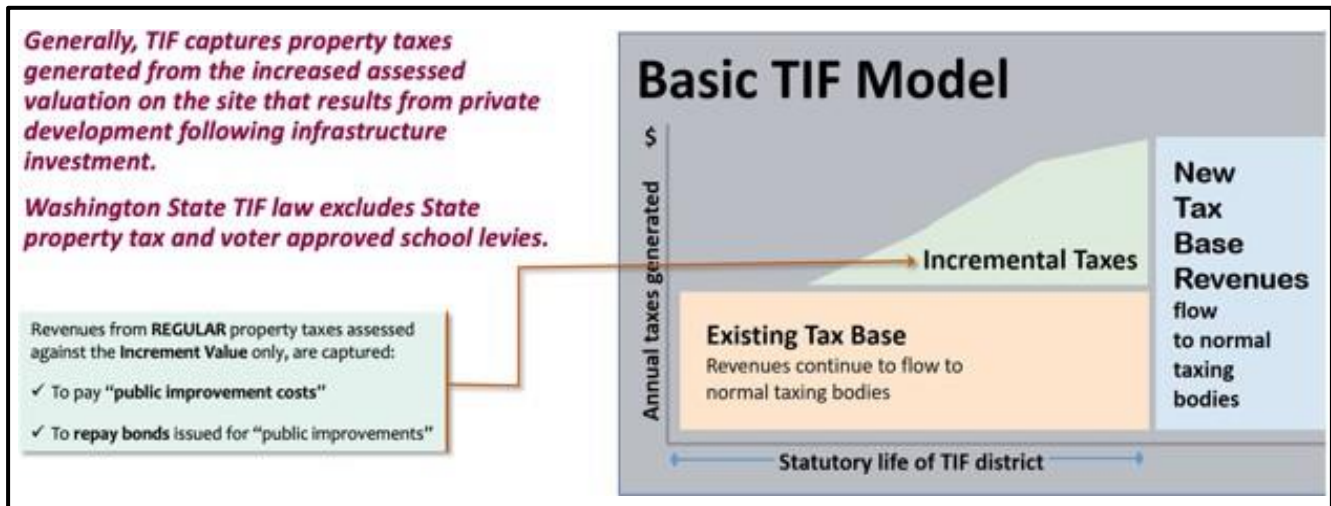
- King County Library System hosted a study session for its board of trustees on March 25 and the Board of Trustees unanimously passed the resolution to fully participate on April 29.

- The Port of Seattle hosted a presentation to its Commission on April 14, and the Commission unanimously passed the resolution to participate fully on April 28.
- Sound Transit had an Executive Committee presentation on April 2, and the Board of Directors unanimously passed the resolution to fully participate within TIF on April 23.
- The King County Flood Control District had an initial discussion of a motion to participate in TIF on April 22 and approved full participation on April 28.
- The King County Executive transmitted an ordinance to the King County Council on April 7 articulating partial participation for the County and King County EMS, at a maximum of \$30 million and with mitigation measures. The County Council’s Budget & Financial Management (BFM) Committee held hearings on April 8 and April 22, and it is tentatively on the agenda for possible action at the King County Council on May 5.

GCX Construction Timeline



TIF Model



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. The Grand Connection Crossing is part of the city's greater vision to make downtown more accessible for all those who live, work, learn and play in Bellevue while bolstering our regional transit network. The Grand Connection Crossing is also integral to implementing a coordinated strategy to transform Wilburton into a vibrant, mixed-income, transit-oriented neighborhood, creating housing and mobility opportunities.

Fiscal Impact

Action on this legislation has no immediate fiscal impact, unless the city establishes a full funding package of revenue for the Crossing. Should the Council take subsequent actions to fund the Crossing, action on this legislation would provide a revenue tool that is estimated to contribute a maximum of \$84.4 million in property taxes generated within the TIF Area that are exclusively limited to paying for construction of the Crossing, including debt service. Funding decisions for the Crossing are anticipated to be part of the city's 2027-2028 biennial budget process in the fall of 2026.

Without action establishing a TIF Area by June 1, 2026, the development of a full funding package will require alternative funding discussions and partnership that would likely result in delays more than a year for construction of the Crossing.

If TIF is not established or if the projected revenue is less than expected, the Office of the Grand Connection will have to investigate other revenue opportunities like state or federal grants or change the scope and delivery of the Crossing. Other funding opportunities could be engaging with the Friends of the Grand Connection for a more aggressive philanthropic scope or the City of Bellevue returning to the State Legislature to investigate other public financing options.

OPTIONS

1. Direct staff to prepare the TIF Ordinance establishing the Tax Increment Finance Area (TIA) for final action at a future meeting.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. Final Project Analysis – Submitted to and Reviewed by the Office of the State Treasurer
- B. Parcels and Owners in the Proposed Bellevue TIF Area
- C. TIF Public Briefings Affidavit and Meeting Notifications

AVAILABLE IN COUNCIL LIBRARY

N/A