

**CITY COUNCIL AGENDA TOPIC**

Ordinance designating an increment area; setting a sunset date for the increment area; identifying the public improvements to be financed; indicating the City's intent to issue bonds to finance public improvement costs in an estimated maximum principal amount not to exceed \$84.4 million; providing that the increment area will take effect on June 1, 2026; imposing a deadline for commencement of construction; and providing for related matters.

Genesee Adkins, Deputy City Manager  
*City Manager's Office*

John Resha, Chief Financial Officer/Director  
*Finance and Asset Management Department*

**EXECUTIVE SUMMARY****ACTION**

This ordinance designates an increment area; sets a sunset date for the increment area; identifies the public improvements to be financed; indicates the City's intent to issue bonds to finance public improvement costs in a maximum principal amount not to exceed \$84.4 million, to take effect on June 1, 2026; imposes a deadline for commencement of construction; and provides for related matters.

**RECOMMENDATION**

Move to adopt Ordinance No. 6919

**BACKGROUND/ANALYSIS****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 (RCW 39.114). 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 earlier), the public agency retires the TIA, and the full assessed value (base + increment) returns to the taxing districts.

Engrossed Senate Bill 5801 from the 2025 state legislative session requires that the governing body of each affected taxing district within Bellevue's Grand Connection Crossing TIA take action to approve by majority vote its partial or full participation in the City of Bellevue's TIF program prior to the Bellevue City Council taking its action to establish the TIF area in order to participate in the TIF. 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 jurisdiction would benefit from significant “new” value that would not exist but-for the public investment.

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 Bellevue’s Grand Connection Crossing 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 maximum and 20% of the city’s total assessed valuation of \$100,140,581,225 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 Scenario, which is the most conservative assumption for the city’s 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.

**Public Briefings:**

As required under Washington State’s TIF statute, the City of Bellevue must hold two public briefings before the City Council can take action to establish a TIF district. The Office of the Grand Connection conducted a virtual session on April 22 and an in-person session at Bellevue City Hall on April 23 in compliance with the requirements in RCW 39.114.020. As per state law, the city published a notice of the public briefings in the Seattle Times and posted the information about the public briefings on the city’s website and social media sites.

**Action From Taxing Districts:**

Between October 16, 2025 and May 5, 2026, the city engaged with the partner districts to communicate the benefit of establishing a TIF. Each engagement was tailored to the organization’s budget and shared benefits between each organization and Bellevue. The engagement included discussion of the projected financial impact on each taxing district, the ability of each district to make itself whole through underlying “no-harm” state authority, and other unique circumstances for each governing body.

The following taxing districts have approved participation:

- The 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 including an upper limit on its 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 Emergency Medical Services (EMS), at a maximum of \$30 million and with mitigation measures. The King County Council held hearings on April 8 and April 22 and unanimously approved partial participation on May 5.

Jurisdiction	Taxes Allocated to TIF (over 25 years)
City of Bellevue	\$21,941,000
King County Library System	\$7,047,000
Port of Seattle	\$1,407,000
Sound Transit	\$4,685,000
King County Flood Control District	\$2,659,000
King County & King County EMS	\$30,000,000
<b>Total</b>	<b>\$67,739,000</b>

**Feedback and Direction from May 5 Study Session**

On May 5, city staff presented an update on TIF to City Council with the request for Council to direct staff to prepare an ordinance to establish a TIF area for action at a future meeting. After the update, Councilmembers offered feedback and support to the initiative, as well as a few questions that were answered by the staff presenters. Deputy Mayor Hamilton offered the motion to direct staff to prepare an ordinance, which was seconded by Councilmember Robinson. The Council voted 7-0 to prepare an ordinance.

Public notice of the proposed ordinance was published in the Seattle Times consistent with the requirements of RCW 39.114.040.

**POLICY & FISCAL IMPACTS**

**Policy Impact**

The adoption of the TIF area will advance the Grand Connection program vision. The expected revenue from the TIF area, approximately 20-30% of the entirety of the Grand Connection Crossing project cost, will be a significant funding source while not adding a new tax on Bellevue residents. TIF will contribute to a diversified funding stack, which ensures the city is being a good steward of public resources.

**Fiscal Impact**

This action will allow the city to utilize a revenue tool that is estimated to contribute \$67,739,000 in property taxes generated within the TIF Area that are exclusively limited to paying for construction of the Grand Connection Crossing, including debt service. This allocation will be a component of a full funding Grand Connection Crossing package, to be developed during the city’s 2027-2028 biennial budget process in fall 2026.

## **OPTIONS**

1. Adopt the Ordinance designating an increment area; setting a sunset date for the increment area; identifying the public improvements to be financed; indicating the City's intent to issue bonds to finance public improvement costs in an estimated maximum principal amount not to exceed \$84.4 million; providing that the increment area will take effect on June 1, 2026; imposing a deadline for commencement of construction; and providing for related matters.
2. Do not adopt the Ordinance and provide alternative direction to staff.

## **ATTACHMENTS**

- A. Publication Notice of Intent to Create Tax Increment Finance (TIF) Area  
Proposed Ordinance No. 6919

## **AVAILABLE IN COUNCIL LIBRARY**

N/A