



**COMMISSION
AGENDA MEMORANDUM**

Item No. 11a

BRIEFING ITEM

Date of Meeting April 14, 2026

DATE: April 1, 2026

TO: Stephen P. Metruck, Executive Director

FROM: Nate Caminos, Director Government Relations
Chris Wimsatt, Chief Financial Officer

SUBJECT: City of Bellevue Grand Connection Tax Increment Area Briefing

EXECUTIVE SUMMARY

During the April 14 Commission meeting, Port staff and representatives from the city of Bellevue will brief Commission regarding the ‘Bellevue Grand Connection I-405 Crossing’ project. As a reminder, the project consists of multiple builds and initiatives designed to improve the pedestrian experience through downtown Bellevue and to connect the downtown area to the Eastrail. However, this specific project is the largest and highest profile development.

To generate adequate capital resources for the project, the city is seeking to create a ‘tax increment area’ (TIA) encompassing major portions of downtown Bellevue. As described in more detail below, the process to enact and draw funding from a TIA will impact the Port’s tax base and in this specific instance requires that the Commission ‘opt in’ to participate in the TIA.

FINANCIAL IMPLICATIONS

The City of Bellevue project analysis considered three scenarios ranging from limited buildout to full build out and estimated that the portion of the Port’s tax revenue allocated to the projects would total \$1.41 to \$2.15 million over 25 years. The analysis relied on certain assumptions including the increase in assessed value within the increment area and the Port’s tax levy rate. Port staff reviewed the analysis and concluded that the assumptions used are not unreasonable, however the actual increment value and levy rate could vary significantly from this analysis.

Port Finance Staff concern for financial impacts has been mitigated by the acknowledgement that potential for investments catalyzed by the TIA will not necessarily be confined to the borders of the TIA, and growth in value outside the borders can be expected to be accretive to Port Tax Levy revenues. The Port retains significant flexibility in the management of the Tax Levy to ensure its continued utility as a resource for the funding of capital needs, community programs, and environmental liabilities.

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ADDITIONAL BACKGROUND

State law:

- Prior to 2021, the State of Washington did not formally allow use of ‘tax increment financing’ tools by local governments. This was partially due to a longstanding interpretation of the State’s constitutional prohibition against use of public funds for private-sector benefit. Legislation passed in 2021 (codified under [RCW 39.114](#)) formally authorized local governments to establish ‘tax increment areas’ (TIAs) to fund certain public improvements. Additional legislation was passed in 2023 and 2024 providing technical revisions, a minor portion of the transportation revenue package passed in 2025 amended allowable thresholds, and comprehensive ‘TIF reform’ legislation was passed and signed into law this year. Relevant details from each piece of legislation are included below.
- TIAs are areas where regular property taxes are apportioned to pay for public improvement costs to the area. Any local government (including cities, towns, counties, ports, or any combination thereof) may designate up to two TIAs and use the resulting tax revenues to pay for public improvement costs. To do so, local governments must adopt an ordinance designating a specific increment area within its boundaries and specify the public improvements that are going to be financed with the use of related revenues.
- Prior to adoption, the sponsoring jurisdiction must complete a project analysis. State law includes various requirements regarding information that must be included in that analysis, including:
 - Description of anticipated development with the area, and comparisons of growth with TIF-funded improvements and without;
 - Description of public improvements, estimated costs, estimated amount of bonds/other obligations to be issued to fund the public improvements and repaid with tax revenues;
 - County assessor certified value of real property within the increment area, as well as an estimate of the increment value and tax revenues to be generated from the growth;
 - Estimate of job creation, resulting from the public improvements and private development.
 - Assessment of impacts to (amongst other things) other taxing jurisdictions.
- Sponsoring local governments must make the finding that the TIA is necessary to achieve anticipated development in the area. This is often referred to as the ‘but/for analysis’.
- Various restrictions and requirements apply to TIAs. The following are relevant to the city of Bellevue’s project:
 - An increment area may not cover the entirety of the local government’s boundaries.
 - Generally, at the time an ordinance creating a TIA is passed the assessed value of property within that area cannot exceed \$200 million, or more than 20% of the local government’s total assessed valued, whichever is less. However, this project has unique authorization under state law to exceed that \$200 million threshold up to \$500 million.

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- This ordinance enacting this project’s TIA must be adopted by June 30, 2026.
- The governing body of each taxing district located within this project’s TIA must approve, by majority vote, full or partial participation in the project. If not approved, the taxing district’s portion of regular property taxes will not be apportioned to the city.
- A local government may not have more than two active increment areas and those areas cannot overlap.
- The ordinance must set an expiration date for the TIA, and the area may exist for a maximum of 25 years following the first year that taxes are apportioned from the area.
- Increment areas must take effect on June 1 following the adoption of the ordinance.
- Additional public improvements cannot be added to the project after adoption of the ordinance, but the sponsor jurisdiction may expand, alter, or add to the existing public improvements if doing so is necessary to complete the originally approved improvements.
- The enacting ordinance must set a deadline for when construction begins, which must be at least five years in the future, and may be extended for cause.
- Prior to adopting an ordinance authorizing a TIA, the city must follow a lengthy process involving multiple public briefings, provide the project analysis to impacted taxing districts at least 90 days prior to adoption, submit information to the State Treasurer’s office, and publish notice in several places.
- The creation of an increment area will have an impact on county assessor’s levy calculations. The levy limit will be increased based on the increase in assessed value within the increment area, similar to how an increase in state assessed utility value is added to a district’s levy limit. However, the revenue increase based on the increase in assessed value within the increment area is not carried forward as part of the district’s highest lawful levy.
 - For this project, levy limitations will not be impacted for taxing districts that do not approve its full or partial participation in an increment area.
- Property taxes to be apportioned as part of a TIA include most property tax levies subject to the Constitutional 1% and \$5.90 aggregate limits. Taxes levied by port districts or public utility districts specifically for the purpose of making payment on bonds (interest and principal on general obligation debt) are excluded from apportionment.
- Each taxing district will receive the portion of its regular property taxes produced by the rate of tax levied by the taxing district based on the tax allocation base value of real property located in the increment area for taxes imposed in the year that the area was first designated.
- Relevant sections HB 2451 (2026)
 - Ensures that active TIAs created by different taxing authorities do not overlap.
 - Clarifies further that a TIA may only exist for a maximum of 25 years, and that it may cease earlier if public improvements are paid off.
 - Ensures that construction on improvements must begin within 5 years of an ordinance passing.
 - Strengthens the ‘but/for’ analysis.
 - Analysis must include possible funding sources.
 - Assessment of impacts must be done in consultation with each taxing district and include estimate of revenue impacts, tax allocation, levy rate adjustments, etc.

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- Requires Treasurer’s office to take comments from impacted taxing jurisdictions when filed and provide comment.
- Requires sponsoring jurisdictions to provide annual reports.
- Clarifies that apportionment shall never interfere with the calculation and implementation of a taxing district’s highest allowable levy.

Local Government Relations:

- Port staff became aware of Bellevue’s desire to pursue an expanded TIF capability during the middle of the 2025 legislative session.
- Over the past year, Port staff and City of Bellevue staff have been working closely to understand the details of the project and impacts of the TIF district.
- Several members of the Bellevue City Council have engaged with both Port staff and Commissioners requesting support for the project.
- It is recognized that the Port of Seattle has made a significant investment in Eastrail and this project is an important piece of connecting the downtown Bellevue core to the multimodal trail.
- The Grand Connection creates a connection to a currently underutilized area (Wilburton), allowing for upzoning to create much needed housing and new commercial space.
- Consensus among the Government Relations team is to recommend supporting the TIF, noting that the financial impacts to the Port are low, and it is a positive way to support a key city in East King County that brings significant economic impact to our region.
- The feedback from other TIF area jurisdictions has so far been positive and we anticipate other affected entities to be supportive.

ATTACHMENTS TO THIS REQUEST

- (1) External (City of Bellevue) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None