

TAX INCREMENT FINANCING PROJECT ANALYSIS REVIEW

— CITY OF BELLEVUE —

MARCH 5, 2026



March 5, 2026

Diane Carlson
City Manager
City of Bellevue
450 110th Avenue NE
Bellevue, WA 98004

Dear Diane Carlson:

This letter confirms the Office of the State Treasurer’s (“OST”) receipt and review of the City of Bellevue’s (the “City”) tax increment financing (“TIF”) draft project analysis, dated January 14, 2026. OST and PFM Financial Advisors LLC, the state’s municipal advisor, have reviewed the provided materials. Based on our review, which is detailed in the sections to follow, we believe that the City’s project analysis generally addresses the topics listed in section 020(2) of RCW 39.114 (the “TIF Statute”). However, please see our recommendations provided at the end of this letter.

Please note that this review is based on the information, projections, and assumptions provided by the City and its consultants in the project analysis. OST has not independently verified the data, as to either its accuracy or completeness, nor performed any feasibility analyses or projections of its own.

Statutory Role and Purpose of Review

RCW 39.114.020(7)(c) of the TIF Statute requires that prior to the adoption of an ordinance authorizing the creation of a tax increment area (“TIA”), the local government proposing the TIA must provide a project analysis to OST for review. Upon completing the review, OST must provide to the local government any comments regarding suggested revisions or enhancements to the project analysis that OST deems appropriate. OST received the City’s draft project analysis on January 14, 2026.

OST’s primary goal in our statutorily mandated review is to ensure that the project analysis addresses the topics listed in the TIF Statute and also adequately discloses the potential risks that might result from the implementation of the project.

Project Team

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|---|
| Jurisdiction: City of Bellevue |
| Redevelopment Area: Downtown Bellevue & Wilburton – Grand Connection Crossing |
| Consultants: Bob Stowe, ECONorthwest |

Proposed Tax Increment Area

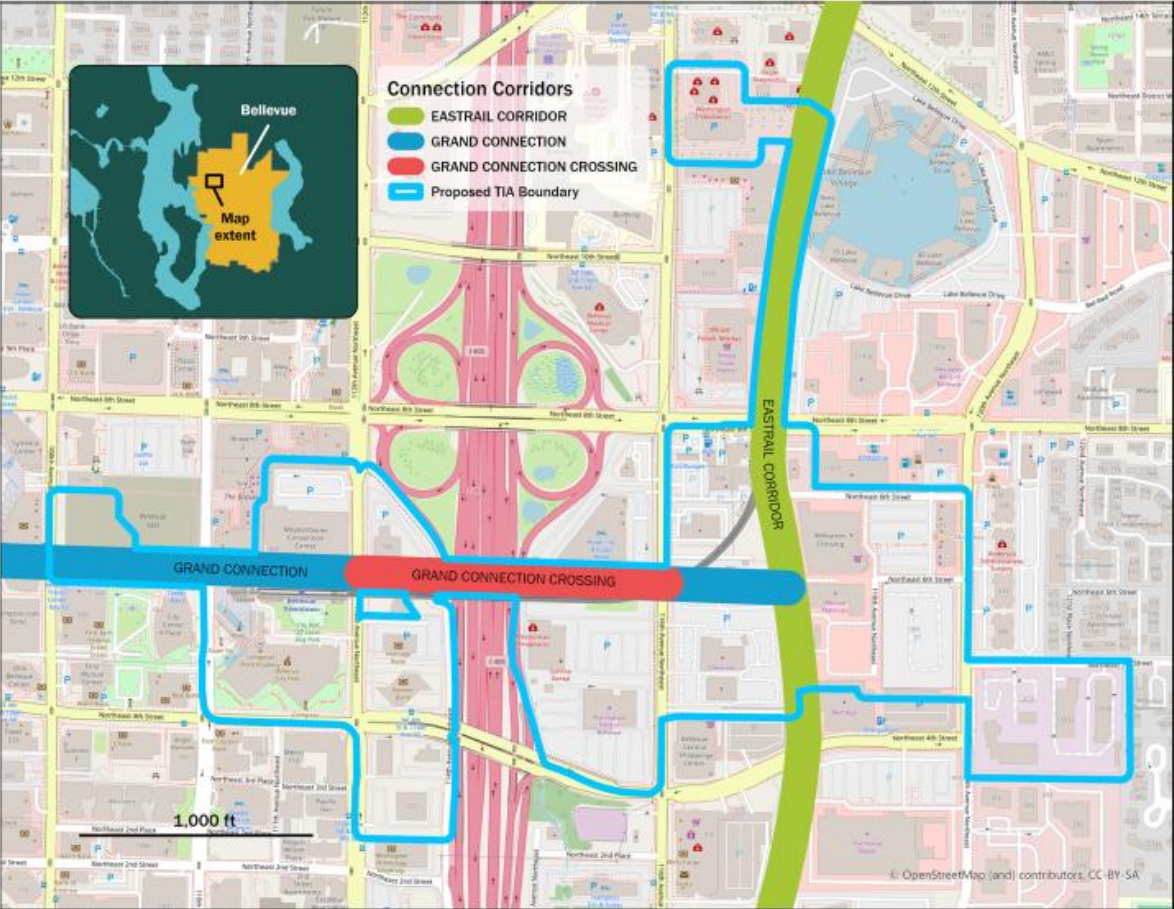
The City’s proposed TIA encompasses approximately 63.3 total acres of parcels in downtown Bellevue and the Wilburton neighborhood (not including right-of-way). The objective of the TIA is to create a pedestrian-friendly downtown area that supports the City’s growth, economic competitiveness, and transportation goals.

According to the project analysis, the parcels selected “are well positioned to benefit from Grand Connection Crossing improvements – such as enhanced public spaces, connectivity, and infrastructure – and includes a mix of sites with known development interest, underutilized private parcels and publicly-owned properties with long-term redevelopment potential” (page 12 of the project analysis). The area outlined in light blue in Figure 1 represents the proposed TIA boundary.

When developing the TIA boundary, three categories of parcels were targeted:

- 1. Sites with known development interests
- 2. Underutilized private parcels, relative to allowed zoning capacity
- 3. Publicly owned properties, which will likely become surplus and suitable for long-term redevelopment

Figure 1 – Map of Proposed Tax Increment Area



Source: The City of Bellevue, ECONorthwest.

Engrossed Substitute Senate Bill 5801 (Chapter 417, Laws of 2025)

In 2025, the Legislature approved Engrossed Substitute Senate Bill 5801 (“ESSB 5801”), which included an amendment to the TIF Statute for certain projects meeting specific criteria. The new provisions in RCW 39.114.020(1)(c)(ii) enable a sponsoring jurisdiction to exceed the \$200 million assessed valuation (“AV”) limit, up to a maximum \$500 million of total assessed value, if:

- (A) The sponsoring jurisdiction is a city with a population over 150,000 but less than 170,000 and is located in a county with a population of over 1,500,000;
- (B) The tax increment area is connected to Interstate 405 and the transportation-related public improvements that will be funded enhance the integration and connection of neighborhoods within and adjacent to the increment area;
- (C) The sponsoring jurisdiction enacted an ordinance designating the increment area no later than June 30, 2026; and
- (D) A governing body of any taxing district within the increment area approves by a majority vote, and according to the governing body's ordinance and publication procedures, the taxing district's partial or full participation in the tax increment project. If the governing body does not approve its participation, the taxing district's property taxes are not subject to apportionment under this chapter and the taxing district is excluded from the provisions of this section.

The City of Bellevue’s 2024 estimated population is 155,000 (addressing 39.114.020(1)(c)(ii)(A)), King County’s population exceeds 1.5 million, and the proposed TIA is connected to Interstate 405 and is expected to fund transportation related improvements (addressing 39.114.020(1)(c)(ii)(B)). Accordingly, the City of Bellevue is able to rely on the higher maximum AV limit for its proposed TIA. The authority granted to the City by ESSB 5801 expires on June 30, 2026.

Impacted Taxing Districts

Seven taxing districts with regular property tax levies have been identified as being directly impacted by the TIA. The impacted districts identified in the project analysis are:

- (1) City of Bellevue,
- (2) King County*,
- (3) Port of Seattle,
- (4) Sound Transit,
- (5) EMS (County),
- (6) King County Library District, and
- (7) Flood Control

*Includes current expense, Veterans’ Aid, Mental Health, Parks, Family-Seniors, Crisis Care, Best Start for Kids, Countywide Hospital, Transportation, Marine/Ferry, and Conservation Futures.

After the effective date of the TIA, the levy rate for each of these taxing districts whose governing body approves their participation will be applied to the increased AV within the TIA. The tax increment revenues

generated will be remitted to reimburse the City for debt service on any bonds issued in connection with the project and to potentially pay for any remaining unfunded public improvements.

The TIF Statute requires a mitigation plan if at least 20% of the AV of a public hospital district, regional fire protection district, and/or EMS district is expected to be impacted by the TIA. In the “Impact Assessment and Mitigation” section of the project analysis (page 74), the text recognizes the statutory requirement for mitigation on behalf of fire districts and hospital districts but does not mention EMS districts. We suggest adding language to the project analysis to confirm that there is no need for a mitigation plan with the King County EMS district.

Additionally, the list of levies included in Table 4 of the project analysis includes the King County-wide hospital levy. The TIF statute is unclear about whether mitigation would be required for a County-owned hospital, as opposed to a standalone hospital district. RCW 39.114.020(2)(j) states the project analysis must include an assessment of impacts and any necessary mitigation to local public hospital **service**, but 39.144.020(5)(a) states mitigation is only required for public hospital **districts** (emphasis added). While the County-wide AV is large enough to likely not require mitigation, we suggest adding language to confirm the relative impact to the County hospital, and whether there is a need for a mitigation plan, in the project analysis.

ESSB 5801 specifies that in order for the City of Bellevue to exceed the \$200 million AV limit, the City must receive approval by the governing body of each impacted taxing district by a simple majority vote (RCW 39.114.020(1)(c)(ii)(D)). The project analysis states that outreach to the impacted districts has begun and is ongoing, and the City expects to pursue formal agreements with each participating district.

Project Description

Public Improvements within the TIA

There is only one capital project associated with the TIA: the Grand Connection Project. The initial phase of the project is the Grand Connection Crossing (the “Crossing”). The Crossing is a 1.5-mile walkway that will allow pedestrian access between the edge of Lake Washington at Meydenbauer Bay Park, through Old Bellevue and Downtown Park, and continuing to the Wilburton area and the Eastrail Corridor. The Crossing will be a minimum of 30 feet wide, expanding to 40 feet over I-405. Other project elements include modal separation, landscaping, gathering spaces, vertical connections to an elevated walkway, and modifications to City Hall Plaza. The estimated project cost of the Crossing is \$230 million, with the project expected to be open by 2030. The project analysis references the Crossing as the initial phase, and does not include description of any additional phases.

The project is expected to be funded through a variety of sources, which the analysis breaks down into three “tiers”, classified by political viability and ease of access:

- **Tier 1:** TIF; Transportation Benefit District (“TBD”) sales tax and vehicle tax
- **Tier 2:** Philanthropic and Private Funds, Dedicated or Specific Funds, Federal and State Grants, and Local Improvement Districts
- **Tier 3:** Business and Occupation Tax, Banked Property Tax levy capacity

TIF revenues are projected to cover between \$84.45 and \$128.81 million (depending on levels of private development, described later in this review) of the \$230 million project and related debt service. The project analysis acknowledges that other sources will be required to pay the difference between projected increment revenue and total project costs and related debt service, but does not provide a clear breakdown of these other sources.

Private Development within the TIA

As seen below in Table 1, the City’s project analysis describes four major types of private development within the Bellevue TIA: multi-family housing, office, convention, and retail.

The analysis identifies three development scenarios: full buildout, phased full buildout, and market-responsive limited buildout (the “base case”), the latter of which is assumed as the most likely scenario. The three scenarios are projected to add between 6.5 million and 10.7 million square feet of development. The development horizon ranges between the scenarios. For the Full Buildout, construction is assumed to take place from 2028 to 2031, 2035 to 2036, and 2040 to 2046. The Phased Full Buildout has initial construction from 2030 to 2034, 2037 to 2039, and 2042 to 2049. Finally, the base case assumes construction from 2028 to 2031 and 2035 to 2036.

Table 1 – Comparison of Buildout Scenarios (Sq. Ft)

| Product Type | Full Buildout | Phased Full Buildout | Market-Responsive Limited Buildout |
|--------------|-------------------|----------------------|------------------------------------|
| Multi-Family | 2,867,000 | 2,867,000 | 2,338,000 |
| Office | 7,555,610 | 7,555,610 | 4,114,400 |
| Convention | 200,000 | 200,000 | 0 |
| Retail | 86,630 | 86,630 | 86,630 |
| Total | 10,709,240 | 10,709,240 | 6,539,030 |

Source: City of Bellevue, ECONorthwest.

The project analysis identifies the base case as the most refined and realistic of the three private developments, as it “focuses on the parcels most likely to redevelop in the near to mid-term – those with known development interest, favorable market conditions, or adjacency to public infrastructure investments” (page 19). However, the project analysis does acknowledge that much of the projected development within the TIA is uncertain and speculative.

The City has a multifamily tax exemption (“MFTE”) program. The MFTE applies to existing multifamily projects for a 12-year period and can be recertified for an additional 12-year period. Additionally, the project analysis cites state legislation passed in 2025 that extends the MFTE up to a 20-year period. As such, the multi-family developments are excluded from the TIA revenue projections. Finally, the Convention Center, as a publicly-owned facility, is also excluded from the revenue projections. As a minor note, the project analysis cites the 2025 MFTE bill as HB 1490, which appears to be a typo. We believe HB 1494 is likely the correct legislation since it concerns property tax exemptions for new and rehabilitated multiple-unit dwellings in urban centers.

“But For” Finding

In the project analysis, the City includes a comprehensive analysis framework that establishes the foundation for its “but for” finding, concluding that the analysis “demonstrates that the Grand Connection Crossing is necessary to attract private investment at the scale, timing, and quality envisioned by the community” (page 66). Table 2 shows the expected increases in taxable assessed values among the three development scenarios, as well as a scenario without the establishment of the TIA.

Table 2 – Taxable Real Property – TIF Enabled Scenarios compared to No TIF Scenario

| Assessment Year | 2027 | 2032 | 2037 | 2042 | 2047 | 2052 |
|------------------------------------|------|-----------------|-----------------|-----------------|-----------------|------------------|
| Full Buildout | \$0 | \$1,449,000,000 | \$3,630,100,000 | \$5,343,490,000 | \$7,735,300,000 | \$10,351,600,000 |
| Phased Full Buildout | \$0 | \$676,500,000 | \$2,345,000,000 | \$4,583,250,000 | \$7,077,500,000 | \$9,636,300,000 |
| Market-Responsive Limited Buildout | \$0 | \$1,245,800,000 | \$2,543,100,000 | \$3,403,280,000 | \$4,554,400,000 | \$6,094,800,000 |
| No TIF | \$0 | \$0 | \$905,200,000 | \$2,164,170,000 | \$3,064,600,000 | \$4,101,200,000 |

Source: ECONorthwest Calculations, 2025.

Assessed Value of the TIA

As previously mentioned, ESSB 5801 permits the City’s proposed TIA to exceed the \$200 million AV established in the TIF Statute, with an amended maximum AV of \$500 million. The project analysis states that the parcels listed within the TIA have an aggregate AV of \$489.46 million (based on 2025 certified values), which is below the amended statutory limit of \$500 million.

Assessed Value Growth Within the TIA

The timing and magnitude of real property development in the TIA will drive growth in incremental AV, which in turn will determine the amount of tax increment revenues generated by the TIA. As shown in Table 2, the project analysis includes three development scenarios which assume different levels and/or timing of private investment in the TIA, and thus different corresponding amounts of tax increment revenues. By the end of the TIA, the full buildout, phased full buildout, and market-responsive limited buildout scenarios are expected to add \$10.4 billion, \$9.6 billion, and \$6.1 billion of AV, respectively. In addition to new construction, a 3% annual inflation assumption is applied to calculate the estimated growth in AV over time. We note that the values in Table 2 (Figure 11 in the project analysis), which are cited here, do not match the projected AV growth included in Tables 10 through 16 of the project analysis. We suggest updating the project analysis to bring consistency to these projections.

The project analysis offers different estimations of when private development will be completed for each of the three scenarios. Private development is assumed to conclude in 2046 for the full buildout scenario, 2049 for the phased full buildout scenario, and 2036 for the market-responsive limited buildout scenario.

Levy Rate

Under the TIF Statute, only certain regular levies are included in the calculation of tax increment revenues. Both parts of the state school levy, local school district excess levies, voted bond levies, and levies of port districts used for bond payments are excluded from the TIA levy rate. The TIA’s annual levy rate may change year-to-year based on several factors including future increases in the AV of the TIA, the future AV and levy rates of the overlapping taxing districts, and relevant levy limits. The project analysis includes

the 2025 levy rate for each of these jurisdictions for the base year, which is applied to the projected incremental AV within the TIA to calculate the projected tax allocation revenues provided below in Table 3. The levy rate is adjusted annually based on the forecasted assessed value increases and each jurisdiction's highest lawful levy.

As previously noted, ESSB 5801 requires the legislative bodies of impacted taxing districts to approve their participation in the proposed TIA. If a district doesn't approve the City's proposal, that district's levy rate will be omitted from the tax increment revenue calculation.

Tax Increment Revenue Projections

The project analysis assumes 2027 is the base year for the TIA, with 2028 representing the first year of possible collections. The project analysis conservatively assumes no new assessed value will be added in 2028. The City expects to approve the TIA in May of 2026, which would enable 2027 to serve as the base year as included in the projections.

The full buildout scenario projects that \$10.4 billion in incremental AV will be added to the TIA over the 25-year period, resulting in \$128.8 million in total tax increment revenues. The phased full buildout scenario projects \$9.6 billion in incremental AV will be added to the TIA over the 27-year period, resulting in \$104.4 million in total tax increment revenues. The market-responsive limited buildout scenario projects \$6.1 billion in incremental AV will be added to the TIA over the 27-year period, resulting in \$84.4 million in total tax increment revenues. See Table 3 – Tax Allocation Revenues.

Table 3 – Tax Allocation Revenues

| Year | Full | Phased Full | Market-Responsive |
|-------|----------------|----------------|-------------------|
| 2026 | \$ - | \$ - | \$ - |
| 2027 | \$0 | \$0 | \$0 |
| 2028 | 0 | 0 | 0 |
| 2029 | 337,000 | 0 | 249,000 |
| 2030 | 671,000 | 0 | 495,000 |
| 2031 | 1,763,000 | 217,000 | 1,474,000 |
| 2032 | 2,847,000 | 433,000 | 2,447,000 |
| 2033 | 2,880,000 | 1,344,000 | 2,475,000 |
| 2034 | 2,914,000 | 2,045,000 | 2,503,000 |
| 2035 | 2,948,000 | 2,741,000 | 2,533,000 |
| 2036 | 4,300,000 | 2,773,000 | 3,244,000 |
| 2037 | 5,647,000 | 2,805,000 | 3,953,000 |
| 2038 | 5,714,000 | 3,687,000 | 4,000,000 |
| 2039 | 5,779,000 | 4,564,000 | 4,044,000 |
| 2040 | 5,846,000 | 5,439,000 | 4,093,000 |
| 2041 | 6,034,000 | 5,501,000 | 4,139,000 |
| 2042 | 6,221,000 | 5,565,000 | 4,187,000 |
| 2043 | 6,660,000 | 5,706,000 | 4,236,000 |
| 2044 | 7,099,000 | 5,846,000 | 4,284,000 |
| 2045 | 7,182,000 | 6,226,000 | 4,333,000 |
| 2046 | 7,365,000 | 6,530,000 | 4,384,000 |
| 2047 | 7,547,000 | 6,834,000 | 4,434,000 |
| 2048 | 7,633,000 | 6,975,000 | 4,484,000 |
| 2049 | 7,722,000 | 7,120,000 | 4,536,000 |
| 2050 | 7,811,000 | 7,262,000 | 4,587,000 |
| 2051 | 7,901,000 | 7,347,000 | 4,640,000 |
| 2052 | 7,993,000 | 7,433,000 | 4,693,000 |
| Total | \$ 128,814,000 | \$ 104,393,000 | \$ 84,447,000 |

Source: City of Bellevue, ECONorthwest.

While much of the private development is speculative, adding risk to the revenue projections, the exclusion of multi-family developments adds some conservatism to the tax increment revenue projections.

Financing Plan for Public Improvements

The project analysis indicates that the Crossing will be funded using three series of LTGO bonds, timed and structured to align with the project's construction schedule. The plan of finance includes a bond issuance of \$75 million in 2026, \$80 million in 2027, and \$75 million in 2028. All three series are structured as 20-year bonds with level debt service. The City assumes a 4.5% planning interest rate.

TIF revenues are expected to be sufficient to only cover a portion of the total debt service. Because of the general obligation pledge, the City will be required to pay the full debt service due on the bonds from

available resources, regardless of the amount of tax increment revenues generated within the TIA. The project analysis provides a five-level mitigation framework to address the projected shortfall between the tax increment revenue generated by the TIA and debt service on bonds issued to finance project costs. The various levels of mitigation roughly track with the tiers of funding discussed on page four of this review, which represent the political viability and ease of access of each revenue source.

Level 1 of the mitigation framework includes an alternative debt structure that includes up to five years of interest only payments, as well as interfund loans from the General Fund. The project analysis states the City maintains approximately \$158 million in reserves that can be deployed as interfund loans that could be available to cover tax increment revenue deficiencies.

Level 2 incorporates additional non-tax increment revenues that are generated within the TIA. These include increased sales taxes from construction and commercial activity in the TIA, Business & Occupation (“B&O”) taxes, utility taxes, and Real Estate Excise Taxes. In the Market-Responsive Limited Buildout Scenario, the project analysis estimates an additional \$146 million in additional non-property tax incremental revenue over the 25-year period, with 30% (approximately \$43.8 million) expected to be used to cover a portion of the shortfall between the tax increment revenue generated by the TIA and debt service on bonds issued to finance project costs.

Level 3 is specific to the City’s Transportation Benefit District (“TBD”). The TBD was approved by City Council in 2023 and is expected to fund approximately 40% (\$141.4 million) of the total cost of the Grand Connection Crossing Project. Additionally, philanthropic private funds and dedicated/specific funds of the City are expected to cover 36% (approximately \$127.8 million) of Grand Connection Crossing costs.

Level 4 considers the deployment of reserves and the reprioritization of capital projects. If the revenues identified in Levels 1 through 3 prove to be insufficient, the City could strategically deploy its \$158 million of reserves directly, rather than through interfund loans. Additionally, the City could elect to delay other capital projects, as necessary, if additional city revenue is required to pay the debt service on the bonds issued in connection with the project.

Finally, in Level 5 of the mitigation framework, the City could tap into its banked property tax levy capacity if needed. Additionally, Council could consider increasing its B&O taxes. The Level 5 measures are considered a strategy of last resort.

Debt Capacity

Based on its 2024 total AV, the City has \$1.4 billion in total non-voted debt capacity (1.5% of 2024 tax year AV). With \$297.2 million of outstanding non-voted general obligation debt, the current net non-voted debt capacity is \$1.1 billion, before \$230 million of bonds are issued to fund the public improvements. After the debt issuances, the City’s remaining non-voted debt capacity will be approximately \$863.6 million, or 62.10%. We note that while the project analysis specifies the TIA AV is based off 2025 values, the debt capacity table is using 2024 AV figures.

Table 4 – Non-Voted Debt Capacity

| | |
|---|-----------------------|
| Assessed Valuation for 2025 Tax Year | \$ 92,718,111,139 |
| Non-Voted Debt Capacity (1.5% of AV) | 1,390,771,667 |
| Less: Outstanding Non-Voted Debt | 297,152,000 |
| Remaining Non-Voted Debt Capacity | 1,093,619,667 |
| Less: Proposed Financing (in total) | 230,000,000 |
| Projected Remaining Non-Voted Capacity | \$ 863,619,667 |
| Projected Remaining Non-Voted Capacity % | 62.10% |

Source: City of Bellevue, Stowe Development & Strategies.

Projected Debt Service Coverage

The City provided one financing scenario, which was modeled and compared to the three development scenarios. Tables 5 and 6 below summarize the total tax increment revenues, revenue surpluses (deficits), and debt service coverage for the \$230 million financing. The aggregate debt service coverage ratio is 0.36x for the full buildout scenario, 0.30x for the phased full buildout scenario, and 0.24x for the market-responsive limited buildout scenario. Increment revenues are never projected to exceed annual debt service while all three series of bonds are outstanding.

Table 5 – Tax Allocation Revenues and Debt Service Coverage¹

| Buildout Scenario | First Year Tax Increment Revenues Exceed Debt Service | Years of Shortfall | Year That Tax Increment Revenues Fully Reimburse Debt Service Shortfalls | Total Projected TIF Revenue (\$MMs) | Total Projected TIF Debt Service (\$MMs) | Projected Maximum Cumulative Shortfall (\$MMs) | Total Surplus/ (Shortfall) Through End of TIA (\$MMs) | Aggregate Debt Service Coverage Ratio |
|---------------------------|---|--------------------|--|-------------------------------------|--|--|---|---------------------------------------|
| Full | 22 | 21 | N/A | \$128.81 | \$353.63 | (\$265.66) | (\$224.82) | 0.36x |
| Phased Full | 22 | 21 | N/A | \$104.39 | \$353.63 | (\$286.44) | (\$249.24) | 0.30x |
| Market-Responsive Limited | 22 | 21 | N/A | \$84.45 | \$353.63 | (\$292.12) | (\$269.18) | 0.24x |

¹ May not foot due to rounding.

Source: City of Bellevue, ECONorthwest.

Table 6 – TIF Debt Service Coverage¹

| Year | Full Buildout Scenario | | | | | Phased Full Buildout Scenario | | | | | Market-Responsive Limited Buildout Scenario | | | | |
|-------|------------------------|------------------|---------------------|--------------------------------|---------|-------------------------------|------------------|---------------------|--------------------------------|---------|---|------------------|---------------------|--------------------------------|---------|
| | Tax Increment Revenues | TIF Debt Service | Surplus (Shortfall) | Cumulative Surplus (Shortfall) | TIF DSC | Tax Increment Revenues | TIF Debt Service | Surplus (Shortfall) | Cumulative Surplus (Shortfall) | TIF DSC | Tax Increment Revenues | TIF Debt Service | Surplus (Shortfall) | Cumulative Surplus (Shortfall) | TIF DSC |
| 2026 | \$ - | \$ 5,765,711 | \$ (5,765,711) | \$ (5,765,711) | 0x | \$ - | \$ 5,765,711 | \$ (5,765,711) | \$ (5,765,711) | 0x | \$ - | \$ 5,765,711 | \$ (5,765,711) | \$ (5,765,711) | 0x |
| 2027 | - | 11,915,802 | (11,915,802) | (17,681,513) | 0x | - | 11,915,802 | (11,915,802) | (17,681,513) | 0x | - | 11,915,802 | (11,915,802) | (17,681,513) | 0x |
| 2028 | - | 17,681,513 | (17,681,513) | (35,363,026) | 0x | - | 17,681,513 | (17,681,513) | (35,363,026) | 0x | - | 17,681,513 | (17,681,513) | (35,363,026) | 0x |
| 2029 | 337,000 | 17,681,513 | (17,344,513) | (52,707,539) | 0.02x | - | 17,681,513 | (17,681,513) | (53,044,539) | 0x | 249,000 | 17,681,513 | (17,432,513) | (52,795,539) | 0.01x |
| 2030 | 671,000 | 17,681,513 | (17,010,513) | (69,718,052) | 0.04x | - | 17,681,513 | (17,681,513) | (70,726,052) | 0x | 495,000 | 17,681,513 | (17,186,513) | (69,982,052) | 0.03x |
| 2031 | 1,763,000 | 17,681,513 | (15,918,513) | (85,636,565) | 0.1x | 217,000 | 17,681,513 | (17,464,513) | (88,190,565) | 0.01x | 1,474,000 | 17,681,513 | (16,207,513) | (86,189,565) | 0.08x |
| 2032 | 2,847,000 | 17,681,513 | (14,834,513) | (100,471,078) | 0.16x | 433,000 | 17,681,513 | (17,248,513) | (105,439,078) | 0.02x | 2,447,000 | 17,681,513 | (15,234,513) | (101,424,078) | 0.14x |
| 2033 | 2,880,000 | 17,681,513 | (14,801,513) | (115,272,591) | 0.16x | 1,344,000 | 17,681,513 | (16,337,513) | (121,776,591) | 0.08x | 2,475,000 | 17,681,513 | (15,206,513) | (116,630,591) | 0.14x |
| 2034 | 2,914,000 | 17,681,513 | (14,767,513) | (130,040,104) | 0.16x | 2,045,000 | 17,681,513 | (15,636,513) | (137,413,104) | 0.12x | 2,503,000 | 17,681,513 | (15,178,513) | (131,809,104) | 0.14x |
| 2035 | 2,948,000 | 17,681,513 | (14,733,513) | (144,773,617) | 0.17x | 2,741,000 | 17,681,513 | (14,940,513) | (152,353,617) | 0.16x | 2,533,000 | 17,681,513 | (15,148,513) | (146,957,617) | 0.14x |
| 2036 | 4,300,000 | 17,681,513 | (13,381,513) | (158,155,130) | 0.24x | 2,773,000 | 17,681,513 | (14,908,513) | (167,262,130) | 0.16x | 3,244,000 | 17,681,513 | (14,437,513) | (161,395,130) | 0.18x |
| 2037 | 5,647,000 | 17,681,513 | (12,034,513) | (170,189,643) | 0.32x | 2,805,000 | 17,681,513 | (14,876,513) | (182,138,643) | 0.16x | 3,953,000 | 17,681,513 | (13,728,513) | (175,123,643) | 0.22x |
| 2038 | 5,714,000 | 17,681,513 | (11,967,513) | (182,157,156) | 0.32x | 3,687,000 | 17,681,513 | (13,994,513) | (196,133,156) | 0.21x | 4,000,000 | 17,681,513 | (13,681,513) | (188,805,156) | 0.23x |
| 2039 | 5,779,000 | 17,681,513 | (11,902,513) | (194,059,669) | 0.33x | 4,564,000 | 17,681,513 | (13,117,513) | (209,250,669) | 0.26x | 4,044,000 | 17,681,513 | (13,637,513) | (202,442,669) | 0.23x |
| 2040 | 5,846,000 | 17,681,513 | (11,835,513) | (205,895,182) | 0.33x | 5,439,000 | 17,681,513 | (12,242,513) | (221,493,182) | 0.31x | 4,093,000 | 17,681,513 | (13,588,513) | (216,031,182) | 0.23x |
| 2041 | 6,034,000 | 17,681,513 | (11,647,513) | (217,542,695) | 0.34x | 5,501,000 | 17,681,513 | (12,180,513) | (233,673,695) | 0.31x | 4,139,000 | 17,681,513 | (13,542,513) | (229,573,695) | 0.23x |
| 2042 | 6,221,000 | 17,681,513 | (11,460,513) | (229,003,208) | 0.35x | 5,565,000 | 17,681,513 | (12,116,513) | (245,790,208) | 0.31x | 4,187,000 | 17,681,513 | (13,494,513) | (243,068,208) | 0.24x |
| 2043 | 6,660,000 | 17,681,513 | (11,021,513) | (240,024,721) | 0.38x | 5,706,000 | 17,681,513 | (11,975,513) | (257,765,721) | 0.32x | 4,236,000 | 17,681,513 | (13,445,513) | (256,513,721) | 0.24x |
| 2044 | 7,099,000 | 17,681,513 | (10,582,513) | (250,607,234) | 0.4x | 5,846,000 | 17,681,513 | (11,835,513) | (269,601,234) | 0.33x | 4,284,000 | 17,681,513 | (13,397,513) | (269,911,234) | 0.24x |
| 2045 | 7,182,000 | 17,681,513 | (10,499,513) | (261,106,747) | 0.41x | 6,226,000 | 17,681,513 | (11,455,513) | (281,056,747) | 0.35x | 4,333,000 | 17,681,513 | (13,348,513) | (283,259,747) | 0.25x |
| 2046 | 7,365,000 | 11,915,802 | (4,550,802) | (265,657,549) | 0.62x | 6,530,000 | 11,915,802 | (5,385,802) | (286,442,549) | 0.55x | 4,384,000 | 11,915,802 | (7,531,802) | (290,791,549) | 0.37x |
| 2047 | 7,547,000 | 5,765,711 | 1,781,289 | (263,876,260) | 1.31x | 6,834,000 | 5,765,711 | 1,068,289 | (285,374,260) | 1.19x | 4,434,000 | 5,765,711 | (1,331,711) | (292,123,260) | 0.77x |
| 2048 | 7,633,000 | 0 | 7,633,000 | (256,243,260) | N/A | 6,975,000 | 0 | 6,975,000 | (278,399,260) | N/A | 4,484,000 | 0 | 4,484,000 | (287,639,260) | N/A |
| 2049 | 7,722,000 | 0 | 7,722,000 | (248,521,260) | N/A | 7,120,000 | 0 | 7,120,000 | (271,279,260) | N/A | 4,536,000 | 0 | 4,536,000 | (283,103,260) | N/A |
| 2050 | 7,811,000 | 0 | 7,811,000 | (240,710,260) | N/A | 7,262,000 | 0 | 7,262,000 | (264,017,260) | N/A | 4,587,000 | 0 | 4,587,000 | (278,516,260) | N/A |
| 2051 | 7,901,000 | 0 | 7,901,000 | (232,809,260) | N/A | 7,347,000 | 0 | 7,347,000 | (256,670,260) | N/A | 4,640,000 | 0 | 4,640,000 | (273,876,260) | N/A |
| 2052 | 7,993,000 | 0 | 7,993,000 | (224,816,260) | N/A | 7,433,000 | 0 | 7,433,000 | (249,237,260) | N/A | 4,693,000 | 0 | 4,693,000 | (269,183,260) | N/A |
| Total | \$ 128,814,000 | \$ 353,630,260 | \$ (224,816,260) | | 0.36x | \$ 104,393,000 | \$ 353,630,260 | \$ (249,237,260) | | 0.3x | \$ 84,447,000 | \$ 353,630,260 | \$ (269,183,260) | | 0.24x |

¹ Totals may not foot due to rounding

Source: City of Bellevue, ECONorthwest.

Key Risks

From OST's review of the project analysis, it appears that the proposed public improvements and the corresponding plan of finance are reasonably well developed. Nonetheless, the proposed project comes with certain risks and concerns, which we attempt to summarize below:

General Obligation Pledge: In aggregate, the City projects that tax increment revenues will fund, at most, 36% of the estimated debt service in the full buildout scenario, and 24% in the market-responsive limited scenario (described as the most likely scenario). The LTGO bonds expected to be issued in connection with the project's plan of finance will obligate the City to pay the full amount of debt service due from City revenues and resources, regardless of the amount of tax increment revenues generated by the TIA. If tax increment revenues are insufficient to make a full debt service payment, as projected in most years of each financing scenario, the City will be required to make the payment from other sources of funds.

Participating Taxing District Approvals: Unique to the City of Bellevue's project, ESSB 5801 requires the legislative body of every impacted taxing district to approve its participation in the TIA before the City establishes the increment area, subjecting the City to risk and uncertainty until resolved. If the governing body of an impacted taxing district does not approve participation in the TIA, then the apportionment of that entity's respective tax levy will be omitted, negatively impacting the ability of the TIA to generate the projected revenues.

Economic Conditions: Growth in the TIA's assessed value could be negatively impacted by depressed economic conditions. A variety of factors could negatively impact the demand for development, jeopardizing the timeline, scale, and market value of private development, potentially reducing tax increment revenues.

Private Development Assessed Valuations: As private developments are completed, the actual assessed values will depend on factors considered by the County Assessor's office. Tax increment revenues could potentially be lower than projected if the assessed values of the projects are lower than expected or take longer than anticipated to be reflected in the City's tax rolls. The project analysis notes that much of the private development is speculative.

Construction Delays: Delays in constructing either the public improvements or the private developments could impact the TIA's assessed value, potentially reducing tax increment revenues.

Escalation of Project Costs: Inflation could have a significant impact on the cost and timeline of delivering the public improvements, potentially delaying the private developments which in turn could impact the TIA's assessed value and may reduce the amount of tax increment revenues.

Permits: Delays in permitting could negatively impact the construction of private developments within the TIA, potentially reducing tax increment revenues.

Interest Rate Risk: The City will be exposed to interest rate risk until all of the anticipated bonds are sold. The project analysis assumes an interest rate of 4.5%, which we note is appropriately conservative given the strength of the City's credit rating.

Risk Summary: The general impact to the City from any of the risk factors outlined above could potentially be lower than projected tax increment revenues and a greater than expected reliance on the City's other revenues and reserves to pay the debt service on the Bonds issued to fund the public improvements, reducing the City's ability to allocate those funds to other projects or operations.

Recommendations

To help minimize the unanticipated costs and risks associated with the project and to promote transparency, we recommend the City consider the following measures:

1. Prior to approving the TIA, we recommend the City coordinate closely with the County Assessor and the County Finance and Business Operations Division to ensure that all parties have an accurate understanding of the assessment, levy, apportionment process, and timeline, and to provide sufficient time to work through concerns.
2. Prior to approving the TIA, we recommend the City coordinate closely with the impacted taxing districts to ensure that all parties have an accurate understanding of how the TIA will impact them and that each governing body has ample time to approve its participation in the TIA.
3. We recommend that the City establish a clear plan of what sources will be used and prepare future budgets to account for future projected debt service costs that exceed projected tax increment revenues.
4. In the project analysis, the amount of incremental assessed value projected to be added by the TIA as shown in Tables 10 through 16 do not match the amount of additional incremental assessed value shown in Figure 11. We suggest adding language explaining the discrepancy, and/or updating Figure 11 to match the expected added value in each development scenario.
5. We recommend including language in the "Impact Assessment and Mitigation" section (page 74) of the project analysis to confirm whether there is a need for a mitigation plan with the King County EMS.
6. We recommend adding language to the project analysis to confirm if the King County hospital levy will be treated the same as a standalone hospital district and whether or not there is a need for a mitigation plan.
7. We recommend updating the AV figures in the debt capacity table to reflect 2025 actuals for the 2026 tax year.
8. We recommend confirming the house bill number for the 2025 legislation that established the new MFTE.

Thank you for the opportunity to review the City's project analysis. Based upon the information provided to date in connection with these projects, this concludes our review. If there are material changes in the scope, timing, or cost of the projects, please let us know. We wish the City all the best with its project.

Respectfully,

Mike Pellicciotti
Washington State Treasurer

A handwritten signature in black ink, appearing to read 'JR', with a long horizontal line extending to the right.

Jason Richter
Deputy Treasurer