

October 13, 2025

The Honorable Girmay Zahilay, Chair, King County Council
The Honorable Rod Dembowski, Chair, Budget and Fiscal Management Committee
The Honorable Claudia Balducci, King County Council
The Honorable Jorge Barón, King County Council
The Honorable Reagan Dunn, King County Council
The Honorable Teresa Mosqueda, King County Council
The Honorable Sarah Perry, King County Council
The Honorable De'Sean Quinn, King County Council
The Honorable Pete von Reichbauer, King County Council

RE: UW Medicine Input on 2026- 2027 Hospital Property Tax Funding

Dear Members of the King County Council:

Thank you for your support of Harborview Medical Center. On behalf of the University of Washington and UW Medicine, I write to provide UW Medicine's input on the expenditure of funds for the Harborview property tax assessment in King County 2026 - 2027 budget. We are deeply grateful to the King County Executive for advancing a budget that includes an increase of the County Hospital Tax levy to fifteen cents; this is a critical investment in Harborview Medical Center and will be crucial to our ability to maintain services for our community in the face of devastating federal cuts to the Medicaid program.

Background

As you know, the University of Washington and UW Medicine leadership worked with King County in the 2024 State Legislative session to secure county property tax authority up to twenty cents per \$1,000 of assessed property value to support Harborview. In 2024, the King County Council assessed ten cents of this authority, raising approximately \$86 million in annual funding for Harborview. The tax revenue was allocated across three categories which included Operating Expenses at \$46 million (approximately 54% of tax revenues), Harborview Capital Bond Program at \$21 million (approximately 22%), and Major Maintenance, Repair or Replacement for Other Capital Projects at \$19 million (approximately 24%).

Requests in Support of 2026 County Allocation of Harborview Property Tax

Over 60% of Harborview's patients are covered by Medicare and/or Medicaid, and over \$485.1 million of its revenue annually comes from these programs. The federal budget reconciliation bill, H.R. 1, will devastate the Medicaid directed payment program that UW Medicine secured for Harborview through state legislation and federal approval in 2023, with a direct loss of up to \$260 million in payments.

In addition, Harborview stands to lose hundreds of millions more as approximately 330,000 Washingtonians lose Medicaid coverage due to H.R. 1. This will significantly increase the number of patients seeking uncompensated care from Harborview. At the same time the federal restrictions on Medicaid coverage begin, the State's cap on reimbursement for providing healthcare to state public and school employees will commence, causing an additional estimated loss of \$19 million dollars per year.

We appreciate Executive Braddock's consideration of these challenges as demonstrated by the inclusion of a \$31M in funds to mitigate the impact of Medicaid cuts in the 2026–2027 proposed budget.

Furthermore, Harborview has significant capital needs to replace failing infrastructure and address the limited bed capacity and other space needs, and, as acknowledged during the Ordinance Work Group (OWG) process, there is a shortfall in funding to complete the 2020 Bond Projects. Earlier this year, in collaboration with the Board of Trustees, UW Medicine engaged in financial modeling exercises dimensioning the availability of tax funds to support Harborview operating and capital needs under various allocation and cost scenarios (see attached). Notably, no scenario, even at the twenty-cent tax level, was sufficient to comprehensively address Harborview's needs. None of the scenarios allowed Harborview to fulfill the OWG Bond priorities and simultaneously address Harborview's failing infrastructure and provide baseline operating funding. At the ten-cent tax level, the analysis showed insufficient funding to address even the lowest cost estimate of the OWG bond shortfall. The deficit under the ten-cent tax ranged as high as negative \$2.54 billion in certain scenarios. Updated construction cost projections will become available in the coming months as the design phase proceeds, but the shortfall is certain to exceed available resources due to construction cost inflation and other factors.

These challenges compound an already-strained financial outlook for Harborview. Harborview's long range financial plan, approved by the Harborview Board of Trustees in December 2024, projects a total five-year gap in its operating budget of \$966,086,000. These estimates do not take into account losses that will result from H.R. 1 or reductions in state reimbursement imposed in the last legislative session.

Given the enormous magnitude of demonstrated need, UW Medicine strongly supports the County Executive's proposal that the County increase the County Hospital Tax assessment from ten cents per \$1,000 of assessed property value to fifteen cents of assessed value beginning in 2026. The recommendations below are based on a fifteen-cent tax rate.

UW Medicine's Input on 2026 - 2027 Harborview Property Tax Allocation

In her 2026 proposed budget, the Executive allocates the tax proceeds in three categories – the Proposition 1 Capital Bond Program, Other Capital, and Operations – in line with how funds were allocated in 2025. UW Medicine staff have worked with the Executive's office to make some discrete changes to the allocation of funds across these categories, and have developed a proposal for tax allocation, outlined below, that reflects a consensus between UW Medicine and the King County Executive's Office. Assuming the tax is increased to fifteen cents and estimated revenue is \$275M over the 2026 – 2027 biennium, we are proposing to allocate 24.7% of Tax Revenue for Capital Bond needs (estimated \$68 million), 20.7% for other capital needs (estimated \$57 million), and 54.2% (estimated \$149 million) for operating needs, for the priorities outlined in the table below and described further in the letter.

Table 1. 2026-2026 Harborview Tax Allocation Proposal

	Total Budget (Capital Projects)	CY26-CY27 Proposed Funding
2020 Proposition 1 Capital Bond Program		
Proposition 1 Capital Bond Program		\$ 23,000
Parking Garage		\$ 45,000
Total OWG Bond Subtotal		\$ 68,000
Other Capital		
HMC Aux Loop CT-3 and 4 (approved in CY25)	\$ 13,890	\$ 10,177
HMC HVAC Controls (approved in CY25)	\$ 21,960	\$ 683
HMC NJB Major Heating Valves (approved in CY25)	\$ 825	\$ -
HMC NJB Heating Tube Bundle (approved in CY25)	\$ 313	\$ -
Pioneer Square Clinic Purchase (approved in CY25)	\$ 7,500	\$ -
HMC Subbasement Steam Valves (approved in CY25)	\$ 7,331	\$ 6,140
HMC Major Maintenance Projects (KC proposed)		
Additional HMC Major Maintenance Projects (KC proposed)		
Pioneer Square Clinic Renovation (CY26-27 proposed)		\$ 23,000
Center Hospital Switchgear (CY26-CY27 proposed)	\$ 35,000	\$ 9,700
East Hospital Steam Header (CY26-CY27 proposed)	\$ 3,600	\$ 3,600
HMC Campus ATS Replacement (CY26-CY27 proposed)	\$ 3,700	\$ 3,700
Total Other Capital Subtotal		\$ 57,000
Operations		
Harborview Operations		\$ 97,000
Harborview Operations: Medicaid		\$ 31,000
13th Floor 9th & Jefferson (CY26-CY27 proposed)	\$ 28,500	\$ 21,000
Total Operations Subtotal		\$ 149,000
Other		
KC Staff and Consulting Support for HMC BOT		\$ 1,000
Total Other Subtotal		\$ 1,000
Total Tax		\$ 275,000

1. 2020 Proposition 1 Capital Bond Program Fund (estimated \$68 million)

UW Medicine supports adding \$23 million of 2026 - 2027 hospital tax revenue to support the 2020 Proposition 1 Capital Bond Program projects. The bond team anticipates that additional, updated information on project cost will be available as the design phase commences. In the interim, UW Medicine affirms the recommendation that funds allocated to the capital bond be used to support the construction of additional floors and the building out of shelled floors in the new inpatient tower, as recommended in the Ordinance Work Group's 2023 report.

In addition, UW Medicine recommends that \$45M be allocated in 2026 – 2027 to support capital needs related to the construction of new parking. Harborview's existing parking shortage will be exacerbated by the construction of the new tower, which requires taking View Park Garage parking spots offline. Construction of new parking is a prerequisite to maintain patient access to care on campus during

construction and beyond. We anticipate more information will be provided to the King County Council when a site is identified and a plan for construction is determined in collaboration with the King County Executive's Office.

2. Other Capital Funding (Estimated \$57 million)

UW Medicine proposes that \$57 million of Other Capital funds (approximately 21% of tax revenue) in 2026 - 2027 be applied to continue to fund infrastructure projects, including those previously approved in 2025 and other key projects. Of this \$57 million, \$17 million is required for continuation of infrastructure projects initiated in 2025. The projects previously approved and requiring continued support include replacement of the Subbasement Steam Valves (\$6.140 million) and Aux Loop CT-3 & 4 Cooling Towers (\$10.177 Million) and HMC HVAC Controls (\$683,000). In 2026 – 2027, UW Medicine requests that \$17 million be allocated for additional critical infrastructure projects to be initiated in 2026 – 2027. These proposed projects include the Center Hospital Switchgear (9.7 million), East Hospital Steam Header (3.6 million) and the HMC Campus ATS Replacement (\$3.7M). These projects involve replacing major infrastructure systems that are past end of life and have potential to impact patient care if age-related equipment failure occurs. These projects, if funded, would obviate the need for the \$10 million of funding for “additional Harborview major maintenance projects” identified in the Executive's proposed budget.

Additionally, UW Medicine supports the Executive's recommendation that \$23 million be allocated for the Pioneer Square Clinic renovation. Due to aging of the current facility, the Pioneer Square Clinic must be relocated. The Duncan Building was identified as the future location of the clinic and funds were appropriated in 2025 for its purchase. The space must be renovated before clinical care can be delivered. UW Medicine has concerns about the timing of renovation, given that it will increase operating expenses for services provided at the Pioneer Square Clinic at a time of significant current and impending reimbursement reductions. However, we recognize the interest from King County in addressing this facility now and share the County's interest in improving facilities for patients and staff at the Pioneer Square Clinic. The Pioneer Square Clinic is part of Harborview's Downtown programs and provides primary care and other services to vulnerable patients, many of whom face concurrent medical and behavioral health concerns, and many of whom are unhoused.

3. Harborview Operations (estimated \$149 million)

UW Medicine appreciates the Executive's proposal for operating funds – both the increase of last year's operating support by 5%, as well as the addition of \$31M to respond to Medicaid cuts. UW Medicine also requests an additional \$19 million in operating funds (offset by reductions in other areas) which UW Medicine intends to use, in concert with philanthropic dollars raised, to renovate space in the 9th and Jefferson Building (NJB) for a Neuro Innovation Center.

Harborview operations incur losses for unfunded or underfunded community services totaling more than \$100 million in 2024, including charity care/financial assistance, primary care and behavioral health services to mission populations, respite care, services to King County jail patients, and others. These services target vulnerable and underserved populations including the unhoused and other medically complex mission patients. In 2026 - 2027, UW Medicine requests that \$97 million in operating support be provided to offset these costs.

Operating funding is especially critical considering the federal funding reductions and regulatory changes which will significantly increase the amount of uncompensated care provided by Harborview and impact healthcare finances negatively through several other mechanisms. UW Medicine appreciates the County's partnership in advocating against the harmful reductions implemented by the federal government through H.R.1. and the County's partnership in allocating 1.5 cents of the tax to mitigate the impacts of Medicaid funding cuts. We are united in our dedication to continuing to serve as the safety net ensuring that mission populations can access medical care. As previously mentioned, the total anticipated impact is anticipated to be in the hundreds of millions. The \$31 million in funding to mitigate Medicaid cuts will be a critical bridge as the hospital continues to advocate and develop new strategies and tactics to continue to serve the most vulnerable residents of King County. UW Medicine can demonstrate the need for these dollars today to offset current impacts and respond proactively to impending cuts. We ask that these funds be made available for under the same expenditure restriction as the other operating funds.

In addition, UW Medicine proposes to allocate \$21 million in operating funds to make necessary renovations to the 13th Floor of NJB to transition that space from administrative to patient care space. Harborview continues to be severely space constrained, and this project is part of Harborview's strategic plan to address growth in key service lines while awaiting the construction of the new tower. The neurosciences service line at Harborview builds on the expertise of the trauma program, which is integral to Harborview's mission and fills a critical need for specialty services for Harborview's patient population. Conversion of the NJB 13th Floor to clinical space for ambulatory and infusion services will allow Harborview to meet increasing patient demand for neurosciences services, including for new Alzheimer's infusion drugs. A preliminary estimate for the project is \$27.5 million over two years of design, construction, and activation. Harborview has received a \$6.5 million philanthropic donation for the Center for Neuro Innovation and proposes to pair that donation with the tax funds for 13NJB design and construction, while continuing to fundraise to offset costs. This proposal to match tax funding with philanthropic support is an exciting opportunity to leverage broad-based support for Harborview. UW Medicine would seek authorization from the Council for this project through Harborview's capital budgeting process.

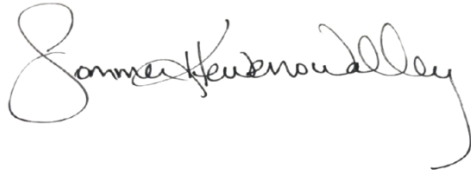
Integrated Spending Plan

Given the complexity and scale of projects identified in this letter and the critical importance of the tax funds, it will be essential for the County and UW Medicine to collaboratively develop an integrated financing plan and reporting process. This process should address Harborview's short-term and long-term cash flow needs for operating and capital considering the funds available from the 2020 Bond and the tax proceeds. The process should include, among other things, a specific evaluation of the options and impact of short-term and long-term investment of any unspent funds with a goal of optimizing funding. Ongoing cash flow planning is necessary to balance the capital and operational needs of Harborview and jointly optimize the use of bond dollars and county hospital tax revenue. It will be necessary to consider the sequencing of projects, estimated cash flow needed for the project, identify the source of funds to be used for each project, and provide transparency into the remaining availability of tax funds for new projects. The integrated financing plan should prioritize maximization of interest income investment return wherever possible so that these funds can be used to their greatest advantage to support the needs of Harborview. The plan should be updated annually and more often as needed to address changing priorities, especially as additional information is known regarding Bond project costs and the shifting healthcare funding environment. UW Medicine looks forward to continuing to work with the Executive's office to develop and iterate this plan and to share it with King County Councilmembers.

Conclusion

On behalf of UW Medicine, I am grateful to the County Executive's Office and County Council for all of your collaboration and for considering increasing the property tax to fifteen cents to support the crucial projects outlined above. We appreciate our partnership with King County in service of Harborview's patients and the community.

Sincerely,

A handwritten signature in black ink, reading "Sommer Kleweno Walley". The signature is fluid and cursive, with the first name "Sommer" being the most prominent.

Sommer Kleweno Walley, MHA, MA, CCC-SLP
Chief Executive Officer
Harborview Medical Center

cc: The Honorable Shannon Braddock, King County Executive
Steffanie Fain, President, Harborview Board of Trustees
Tony Wright, Director of Facilities Management, King County
Kelli Carroll, Special Projects Director, King County Executive's Office
Tom Goff, Director of Local & Regional Affairs, King County Council
Rhonda Lewis, Chief of Staff, Councilmember Girmay Zahilay
Jeannie Macnab, Chief of Staff, Councilmember Claudia Balducci
Lan Nguyen, Chief of Staff, Councilmember Jorge Barón
Kristina Logsdon, Chief of Staff, Councilmember Rod Dembowski
Cody Eccles, Chief of Staff, Councilmember Reagan Dunn
Erin House, Chief of Staff, Councilmember Teresa Mosqueda
Libby Hollingshead, Chief of Staff, Councilmember Sarah Perry
BrynDel Swift, Chief of Staff, Councilmember De'Sean Quinn
Theo Madura, Chief of Staff Councilmember Pete von Reichbauer

Attachment

Harborview County Hospital Tax Planning Scenarios*

- 1 Allocations align with the 2025 tax revenue split: 54% to Operations, 22% to Other Capital, and 24% to Harborview Bond Program
- 2 Other capital benchmarked to maximize critical infrastructure repair and replacement, and operating funding maintained: 54% allocated to operations, Other Capital fixed at \$32M growing at 2% annually, and the remainder to OWG Bond Program
- 3 Other capital benchmarked to maximize critical infrastructure repair and replacement, and Bond Program funding prioritized: 35% allocated to operations, Other Capital fixed at \$32M growing at 2% annually, and the remainder to OWG Bond Program

	Tax Levels		
	\$0.10	\$0.15	\$0.20
Operations (avg. annual amount)	\$64.5M	\$96.0M	\$127.5M
Other Capital (avg. annual amount)	\$26.7M	\$39.7M	\$52.7M
Bond Program (total debt proceeds before financing costs)	\$459.9M	\$684.3M	\$908.7M

	Tax Levels		
	\$0.10	\$0.15	\$0.20
Potential Shortfall			
\$1.74B + \$1B	(\$540M)	(\$316M)	(\$91M)
\$1.74B + \$2B	(\$1,540M)	(\$1,316M)	(\$1,091M)
\$1.74B + \$3B	(\$2,540M)	(\$2,316M)	(\$2,091M)

	Tax Levels		
	\$0.10	\$0.15	\$0.20
Operations (avg. annual amount)	\$64.5M	\$96.0M	\$127.5M
Other Capital (avg. annual amount)	\$43.3M	\$43.3M	\$43.3M
Bond Program (total debt proceeds before financing costs)	\$200.3M	\$628.0	\$1,056M

	Tax Levels		
	\$0.10	\$0.15	\$0.20
Potential Shortfall			
\$1.74B + \$1B	(\$800M)	(\$372M)	\$56M
\$1.74B + \$2B	(\$1,800M)	(\$1,372M)	(\$944M)
\$1.74B + \$3B	(\$2,800M)	(\$2,372M)	(\$1,944M)

	Tax Levels		
	\$0.10	\$0.15	\$0.20
Operations (avg. annual amount)	\$42.2M	\$62.8M	\$83.4M
Other Capital (avg. annual amount)	\$43.3M	\$43.3M	\$43.3M
Bond Program (total debt proceeds before financing costs)	\$549.1M	\$1,147M	\$1,745M

	Tax Levels		
	\$0.10	\$0.15	\$0.20
Potential Shortfall			
\$1.74B + \$1B	(\$800M)	(\$372M)	\$56M
\$1.74B + \$2B	(\$1,800M)	(\$1,372M)	(\$944M)
\$1.74B + \$3B	(\$2,800M)	(\$2,372M)	(\$1,944M)

* These scenarios are not exhaustive of the many options for allocating tax dollars and are meant to be illustrative. Cost estimates for Bond Program priorities used in this exercise were informed by analysis from a consultant and by benchmarking of recent comparable scale healthcare projects on the West Coast