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Small City in Washington State Files Rare Bankruptcy Over Developer Dispute.

Takeaways

- A small city in Washington State, Cle Elum, has filed for municipal bankruptcy due to its inability to pay a $26 million court judgment to developer City Heights Holdings LLC.
- The city claims it is insolvent and cannot afford to pay the debt, which was the result of a long-running dispute over a housing development, and has offered a payment plan that was refused by the developer.
- The court will determine whether the city is indeed insolvent, and if so, will enter negotiations to adjust its debt, which includes a budget of $4.5 million and about $4 million in long-term bond debt.

A small city in Washington State filed a rare municipal bankruptcy after failing to reach an agreement with a developer over a $26 million court judgment.

Cle Elum, a city of 2,200 about 80 miles east of Seattle, said it couldn’t afford to pay the debt to developer City Heights Holdings LLC, and was insolvent.

While there have been some high profile municipal Chapter 9 filings — like Detroit and Orange County, California — they are relatively unusual and the last local government to go bankrupt was Chester, Pennsylvania in November of 2022.

Continue reading.

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By Martin Z Braun

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