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Contact: Marcus Young  
[marcus@wearejsa.com](mailto:marcus@wearejsa.com)  
415-505-2524

## **City of Cle Elum Files for Chapter 9 Bankruptcy to Protect Residents and City Services**

*Filing Seeks to Secure a Fair Resolution in Developer Dispute*

**Cle Elum, WA – June 24, 2025** – Today, the City of Cle Elum filed for Chapter 9 bankruptcy protection, a legal mechanism designed specifically for municipalities, after negotiations with developer City Heights Holdings, LLC failed to reach a sustainable resolution. The filing comes in response to a \$25.9 million damages award issued by an arbitrator following a legal dispute relating to a development agreement entered in 2011, which accrues interest at 12%.

The City made increasingly generous offers during the 3 months' long mediation process, but the City's final offer was rejected by City Heights. The City was willing to make significant concessions to avoid a bankruptcy filing, but it could go no further without jeopardizing the ability to pay for necessary city services over the next 20 years. City Heights initiated garnishments to seize the City's bank accounts prior to the final mediation session, which forced the City to seek Chapter 9 protection when its final offer at the June 16 mediation session was rejected.

### **Why Chapter 9?**

The City's decision to seek Chapter 9 protection was made to preserve essential public services and protect residents' interests, ensuring that the City of Cle Elum remains financially stable while working toward a fair resolution with City Heights. The timing was necessary to free the City's bank accounts from garnishments that City Heights refused to release.

"We did not make this decision lightly," said Mayor Matthew Lundh. "For months, we pursued every reasonable avenue to reach a fair and responsible settlement with City Heights. Unfortunately, we were unable to do so. Our priority continues to be protecting Cle Elum's residents, essential services, and our financial future. Chapter 9 allows us to do just that."



### **What This Means for Cle Elum**

The Chapter 9 filing does not eliminate the City of Cle Elum’s financial obligation to City Heights, but it allows the City, subject to Bankruptcy Court review and approval, to work toward a more sustainable resolution—likely reducing the City’s total payment obligations to reflect the City’s financial realities.

This process ensures that the City can continue to provide vital services for its residents—including those who may eventually live in the City Heights development.

### **Next Steps**

The City remains committed to good-faith negotiations and will work through the legal process to find a balanced resolution that safeguards the City’s financial future.