

CITY COUNCIL STUDY SESSION

Cultural and Economic Vitality Office Fourth Quarter Update, October – December 2018.

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Community Development Department

DIRECTION NEEDED FROM COUNCIL

DIRECTION

Staff will provide an update on the Cultural and Economic Vitality Office's activities for Q4 of 2018. Staff is also seeking direction to return to a future meeting for approval of two inter-local agreements with regional partners in economic development.

RECOMMENDATION

Direct staff to bring the interlocal agreements back to Council on a future consent agenda.

BACKGROUND & ANALYSIS

Background on Interlocal Agreements

The two interlocal agreements (ILAs) being presented for Council consideration will formalize and enhance two regional economic development partnerships that Bellevue has been leading. The ILAs will allow staff to improve service delivery and provide reliability to the business community through continuity of service.

Over the past three years, in partnership with economic development staff in neighboring cities, the City of Bellevue's Cultural and Economic Development team has placed a significant emphasis on developing a regional economic development ecosystem on the Eastside. Driven by a recognition that our work often crosses municipal boundaries, the priority has been to amplify and partner wherever possible, to reduce duplicative efforts and to provide a better experience for businesses. Staff's regional efforts are currently centered on two major programs:

- **Startup 425**, which provides support to early-stage entrepreneurs on the Eastside, and is a partnership between the Cities of Bellevue, Issaquah, Kirkland, Redmond, and Renton. Startup 425 holds workshops across the region in partnership with the King County Library System and Greater Seattle SCORE.
- **Innovation Triangle**, which markets the Eastside to international and domestic technology firms, and is a partnership between the Cities of Bellevue, Kirkland, and Redmond, and OneRedmond.

These partnerships are a prime example of Bellevue's leadership at the regional level and are viewed favorably by organizations like the Port of Seattle and King County Library Foundation, which in 2017 and 2018 awarded grants to support them. Neighboring economic development groups are pursuing

similar sub-regional groupings, like the Soundside Alliance and Startup 253, in part based on the success of our partnerships.

More details on each of the ILAs are included later in this document.

The remainder of this Council item is a routine update on the progress of implementing the Economic Development Plan (the Plan) adopted by Council in July 2014. The process included a Situation Assessment outlining the major drivers and key economic clusters leading the Bellevue economy, stakeholder interviews focusing on insights and priorities from over 50 civic and business leaders, and ultimately a set of Direct Economic Development Strategies and Foundational Strategies.

Under the Plan, “Direct Strategies” are highly targeted activities that have the most immediate effect on businesses’ satisfaction and job count. These strategies are primarily the responsibility of the City’s economic development staff and provide a strong focus for their efforts in the near- to mid-term (within the next 5 years).

The Plan also recommends “Foundational Strategies” that span multiple functional areas of the City and have positive benefits for the City’s general vitality and quality of place. They are carried out by multiple departments as part of their individual work plans. These actions are critical to creating a physical and regulatory environment that attracts talent and investment.

Each year, the Economic Development staff develops an Action Plan that summarizes the specific tasks, roles, resource requirements and partnerships needed that year to continue delivering on the Plan’s recommendations. The 2018 Economic Development Action Plan is attached with up to date performance metrics. The Economic Development staff provide Council with an update on the Action Plan and performance metrics at regular intervals.

The following update primarily highlights work on the Direct Strategies undertaken by economic development staff. Updates are laid out by functional program.

Business Attraction: Attract new companies to Bellevue that align with the City’s economic development strategy, competitive industries, and complement local businesses. (See attached 2018 Office of Economic Development Action Plan.)

- Leads and Prospects: For Q4 of 2018, the Cultural and Economic Vitality Office (CEVO) curated two leads and four prospects in our target industries. The leads were developed through City staff and staff at Greater Seattle Partners (GSP). CEVO’s partnership with GSP yielded dividends in Q4, as the organizations conducted significant business development work for the Innovation Triangle partners. GSP assisted in cultivating three technology industry leads/prospects, including two international firms.
- Innovation Triangle Interlocal Agreement (ILA): This partnership began in 2016 between the economic development teams in Bellevue, Kirkland, and Redmond, and is a joint economic development marketing program. It is designed to market and recruit top-tier technology

companies to open offices and create new jobs in the partner communities. It has a focus on international business recruitment, with an emphasis on enterprise software, cloud computing, e-commerce, interactive media, and commercial space.

Each year the partners create a joint action plan and divide the projects so that each partner contributes approximately an equal amount. This is supported by outside funds like the Port of Seattle's Economic Development Grants.

On August 30, 2018, the three cities agreed that they should explore a memorandum of understanding (MOU) as a mechanism to enhance the program's effectiveness and continue recruitment of new companies to the Eastside. It does not add new work items or programs. Instead, it provides a framework and formalization of the existing partnership, to ensure it continues in future years.

The draft Innovation Triangle ILA is provided as Attachment C. Staff is seeking direction to bring back the ILA on a future consent agenda.

2018 Invest in Bellevue Performance Metrics	2018					
	Goal	Actual	Q1	Q2	Q3	Q4
Number of company leads	15	29	2	3	22	2
Number of company prospects	10	10	2	2	3	4
Number of companies that relocate/expand to Bellevue (target & non-target industries)	4	2	0	0	1	1
Number of jobs created in Bellevue (target & non-target industries)	200	4,000	0	0	2,000	2,000
Foreign Direct Investment (FDI) prospects	10	16	0	0	16	0
FDI locations (expansions and mergers/acquisitions: target & non-target sectors)	2	0	0	0	0	0
FDI job creation (target & non-target sectors)	50	0	0	0	0	0
Number of trade & investment missions	2	4	1	2	1	0

Business Retention & Expansion (BRE): Build supportive relationships with existing businesses and provide technical assistance that facilitates their continued presence and growth in Bellevue. (See attached 2018 Office of Economic Development Action Plan.)

For Q4, the office continued its work to support existing local employers. In Q3, we welcomed the news of T-Mobile's lease extension at its Factoria headquarters, and during Q4, we continued our work to support the company. Specifically, staff assisted with land use and transportation needs related to T-Mobile's site in BelRed, which has been impacted by East Link construction. Late in the quarter, the company also announced a multimillion-dollar renovation of its Factoria campus, including skybridges between buildings and new, indoor-outdoor spaces for enhanced workplace collaboration.

Given that many of the company meetings we held in 2018 referenced transportation as an immediate need, in Q4 we initiated planning for a focus group of larger tech companies focused on transportation and corporate real estate. The session took place January 18, and included representatives from major downtown employers, the Bellevue Downtown Association, and various City departments. Staff will

share the results from that event at the next quarterly update.

2018 Grow in Bellevue Performance Metrics	2018					
	Goal	Actual	Q1	Q2	Q3	Q4
Number of company visits	5	6	0	2	3	1
Number of major employer visits	5	6	1	1	3	1
Number of visits with SWMBE-owned firms	5	2	0	1	1	0
Number of visits with arts and cultural organizations	5	6	1	0	3	2
Number of technical assistance cases resolved	15	17	3	3	9	2
Number of business retention/expansion prospects	2	6	0	2	2	2
Number of companies retained/expanded	2	3	0	0	1	2
Number of jobs created and retained	50	5,510	0	0	5,000	510

Small Business and Entrepreneurship: Enhance the small business and startup ecosystem in Bellevue to facilitate the growth of small business through educational programs.

- Startup 425 Foundations Series: This series provides introductory information to members of the community who are interested in starting a business for the first time. A total of six sessions were held in Bellevue in Fall 2018, garnering 178 registrants exploring entrepreneurship. Regional results show the program is reaching a diverse audience with approximately 50 percent of post-workshop survey respondents identifying as non-white and over 62 percent identifying as women. The Bellevue sessions are part of the larger partners’ program, which provided 47 workshops across the five cities in 2018. The 2018 program was conducted in partnership with SCORE and the King County Library System.
- Startup 425 Interlocal Agreement (ILA): This partnership between the economic development staff in Bellevue, Kirkland, Issaquah, Redmond, and Renton came together in 2016 and is designed to promote small business, startups, and entrepreneurship in the partner communities. Over the last two years, the five cities have successfully supported over 700 entrepreneurs across the Eastside. On July 31, 2018, the five cities agreed to explore ways to formalize the partnership and improve service delivery to small businesses. This was briefed to Council during the Q3 update on October 8, 2018. The partners agreed to conclude an interlocal agreement, and negotiations have been underway since the fall. The draft Startup 425 ILA is provided as Attachment B. Staff is seeking direction to bring back the ILA on a future consent agenda.

The draft agreement presented to Council represents the desired outcomes of Bellevue and its four partner communities. The critical deal points include:

- a) Staff from the partner cities will continue to manage the program and no new or separate legal or administrative entity is created. The City of Kirkland expressed a desire to participate more fully in the program’s administration and their economic development staff will serve as the primary coordinator in 2019. The partners can transfer the coordinator duties to another partner city in the future, as needed.

- b) Startup 425 will coordinate the provision of business services and workshops in partnership with a variety of community organizations.
- c) Startup 425 begin a long-range planning effort in 2019 that will build a business plan and road map for the program. The partners will engage the business community to identify unmet needs, and identify sustainable revenue and operations models. Staff will report to Council on the results of the planning exercise.
- d) Financing: Bellevue, Issaquah, Redmond and Renton will each provide \$15,000 annually for 2019 and 2020 to the City of Kirkland for management of the Startup 425 program. This is funded by the existing Economic Development professional services budget.
- e) Kirkland will contribute up to \$40,000, to manage the program and its day-to-day operations, and provide all the necessary infrastructure for the staff.

Despite the change in day-to-day management, Bellevue will continue to play a strong role in the partnership, as the most populous partner city and the home to the Eastside’s central business district.

- Livable City Year: Economic Development submitted a project as part of the City’s larger Livable City Year (LCY) partnership with the University of Washington. Through the program, undergraduate students at UW Bothell worked with staff to explore potential long-term program and financial models for Startup 425. Students conducted in-depth research of successful entrepreneurship programs in other cities, and analyzed potential long-term funding models, including larger grants and participant fees for highly comprehensive, in-depth programs. This research and analysis will be used as part of the Startup 425 strategic planning process in 2019.

2018 Made in Bellevue Performance Metrics	2018					
	Goal	Actual	Q1	Q2	Q3	Q4
Number of new business receiving assistance from SBDC	16	18	16	2	0	0
Number of businesses in Global Passport programs	6	3	3	0	0	0
Number of registrants in Foundations series (Bellevue-only)	180	392	92	122	0	178
Number of registrants in Foundations series (all locations)	800	1,317	92	512	293	420
Percentage of Foundations registrants that identify as persons of color	50%	50%	48%	57%	N/A	49%
Percentage of Foundations registrants that identify as female	50%	66%	68%	68%	N/A	62%

POLICY & FISCAL IMPACTS

Policy Impact

Both ILAs align with and do not modify existing City policy.

The City of Bellevue’s Economic Development Plan, adopted in 2014, made support for small business and entrepreneurship a priority within the City of Bellevue. The plan specifically calls to “cultivate

Bellevue's next generation of technology entrepreneurs" through entrepreneurial support, training, and creative programming. Startup 425 meets this policy objective.

In addition, the Economic Development Plan envisions the creation of a regional ecosystem for economic development on the Eastside. According to the plan, "Bellevue's economy and neighboring communities are interlinked; businesses and residents alike choose to locate in a healthy and attractive region. Which city they land in is almost incidental." The document further suggests a "regional, collaborative approach" to areas of common interest among Eastside communities. Both the Startup 425 and Innovation Triangle ILAs support the Plan's vision of a streamlined, cohesive, and collaborative regional economic development ecosystem.

Fiscal Impact

Startup 425 Interlocal Agreement (ILA)

The Startup 425 ILA includes a financial contribution in the amount of \$15,000 from the City of Bellevue in 2019 and 2020 to the City of Kirkland for management of the Startup 425 program. This includes:

- Hosting, editing, and maintaining the Startup 425 website.
- Coordinating Startup 425 Foundations free workshop series, including active participation in the Eastside startup and small business community.
- Management of a long-range planning effort by the parties in 2019, including convening a business advisory committee to identify unmet needs, revenue-generating activities, and a sustainable operations model, plus implementation in 2020.
- Quarterly updates for the parties on activities and relevant metrics.

This amount will come from the existing Economic Development professional services budget. Considering in-kind, staff, and cash contributions from the City of Bellevue, this amount is expected to result in a net savings for the City of Bellevue compared to 2017 and 2018 expenditures.

In 2019 and 2020, each Startup 425 community besides Kirkland (Bellevue, Issaquah, Redmond, and Renton) will contribute \$15,000 annually toward the partnership. As the Administrator for 2019-2020, the City of Kirkland will contribute \$40,000 in cash and in-kind support.

Innovation Triangle Interlocal Agreement (ILA)

The Innovation Triangle ILA does not include a financial contribution and has no fiscal impact.

OPTIONS

1. Direct staff to bring the interlocal agreements back to Council on a future consent agenda.
2. Direct staff to study changes and then return to Council for additional direction.
3. Provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. 2018 Action Plan Results
- B. Startup 425 inter-local agreement
- C. Innovation Triangle inter-local agreement

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan (adopted 2014)