

CITY COUNCIL STUDY SESSION

Bellevue Economic Development Plan – Discussion on the progress of the plan update

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DIRECTION NEEDED FROM COUNCIL**INFORMATION
ONLY**

Tonight's Study Session will provide Council with key findings of the data analysis for the Economic Development Plan Update.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS

This is the fifth of eight discussions with Council regarding the updates to the City's Economic Development Plan. Tonight's discussion will focus on key findings of the data analysis.

The Bellevue City Council adopted the current Economic Development Plan (the Plan) in July 2014. That 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 Strategies and Foundational Strategies. City staff have worked with various partners to implement those strategies over the last five years.

Bellevue's economic growth, the changing needs of Puget Sound businesses, and the evolving nature of major sectors like technology and retail, mean that a strategic update to the Economic Development Plan is essential for keeping the community prepared for the future. In July 2019 Council approved eight objectives for the Economic Development Plan:

1. Address ways to support the creative economy - arts, culture, and creative businesses - to ensure a high quality of life, and attractiveness for residents, visitors, and businesses.
2. Explore new opportunities to support entrepreneurs and retain local businesses, especially those of diverse backgrounds, in ways that fit within Washington State's regulatory environment.
3. Acknowledge the ongoing transformation of retail and identify ways the City and its partners can support more robust and sustainable activity.
4. Identify best practices for integrating Bellevue's newer businesses and employees into the local community.
5. Explore capacity-building of partner organizations, new partnerships, and alternative service delivery models that enable Bellevue to provide a higher level of service and support to small

businesses, non-profit organizations, and major community events beyond what it the City can do on its own.

6. Integrate work from prior studies like the 2017 Destination Development Plan and 2017 Creative Edge study.
7. Make the Plan easier to update by moving to a chapter-based approach which allows more frequent and targeted updates.
8. Support local workforce development options and programs; with a strong focus on internships, apprenticeships, and other tools that improve the local pipeline.

The national firm Avalanche Consulting was selected to facilitate the economic development planning process and came to Bellevue December 2 and 3, 2019 to conduct stakeholder outreach and present preliminary findings to Council. Avalanche Consulting returned in mid-January to continue stakeholder outreach.

Economic & Demographic Scan

An Economic & Demographic Analysis is attached that compares economic resiliency, small business & entrepreneurship, talent, retail, the creative economy and tourism economy to the benchmark cities of:

- Santa Monica, California
- Sunnyvale, California
- Cambridge, Massachusetts
- Boulder, Colorado
- Arlington County, Virginia

Below are key findings from the analysis based on quantitative research and qualitative outreach. Information was compiled from a variety of sources, including City of Bellevue staff, past City of Bellevue plans, the Puget Sound Regional Council, studies from other regional entities, as well as interviews and focus groups with over 60 participants including community groups such as the Bellevue Downtown Association (BDA), non-profit organizations as well as small and large business across all industries including creative and retail businesses. Attached is a list of all stakeholders that were reached out to.

Key Findings

Bellevue is becoming a true global business hub and earning a reputation as a great place to do business. Recognized as a technology center, Bellevue has one of the highest concentrations of Software Publishing employers in the country. By connecting the Innovation Triangle to the University of Washington, among other destinations, the new Sound Transit East Link and other planned long-term transit expansions will help Bellevue deliver the skilled workforce necessary for local employers to thrive.

The lack of both affordable commercial and residential real estate is a pressing concern among businesses in a variety of sectors including technology startups, artists and restaurants.

Continued investments in placemaking and creative assets within Downtown Bellevue and across the City are vital to local economic development efforts, benefiting residents, businesses, and visitors alike.

Economic Resilience

Partially due to the rapid growth of Information Technology jobs in Bellevue, the City is becoming less economically diverse. This higher concentration in one industry may put the City at greater risk of disruption during a future economic downturn.

However, Bellevue benefits from having concentrations in a wide range of technology subsectors like video game production, telecom, enterprise software development, e-commerce, and social media. Additionally, it has nascent clusters in emergent areas like artificial intelligence, aerospace software, and blockchain, among others. The varying maturity levels and business cycles of these different subsectors should help insulate the community from any disruption to a specific cluster. Further diversification of industry and employment categories would enhance economic resilience in future downturns.

Small Business & Entrepreneurship

Bellevue is an innovative and entrepreneurial community, with a high concentration of patent producing companies and individuals. In 2018, individuals living in Bellevue produced 14 patents for every 1,000 residents, more than ten times the State of Washington average and outperforming all benchmark communities except Sunnyvale, CA.

Bellevue continues to attract major global corporations and headquarters, but many small businesses still call the City home. At 17.2 employees, the average firm size was smaller than most benchmarks in 2016, and 97 percent of local businesses have fewer than 100 employees.

New questions were added in the 2019 business survey to gain additional insights into how small businesses feel the City Bellevue provides the support they need. Just under half of Bellevue's small businesses feel that their access to support service for new businesses is better than other cities or towns and those in the creative industry and retail sector were the least positive. This was further explored in the focus groups and interviews and will be incorporated into the recommendations included in the Economic Development Plan.

Talent

Bellevue residents are racially diverse and well-educated. In 2018, a majority (51 percent) of City residents are people of color. Among the country's 200 largest cities, Bellevue is the 3rd most educated City. Nearly 70 percent of residents over 25 hold a bachelor's degree or higher level of education.

It is important to note that Bellevue's employment patterns are very regional in nature with 75 percent of residents working outside the City. Additionally, 90 percent of local jobs are filled by people who live outside Bellevue.

This is similar to other benchmarks in large metropolitan areas, and Bellevue draws for a large and talented labor pool across the Seattle region, which has a population of nearly 4 million and is one of the fastest growing in the country.

A continued focus on enhanced placemaking, cultural amenities, transit connectivity, housing diversification, and other ongoing citywide efforts have the potential to address some concerns related to talent attraction and retention.

Retail

Retail sales in Bellevue have consistently risen in recent years and reach nearly \$3.5 billion in 2018, a 30 percent increase over five years. While retail sales are bolstered by anchors such as Bellevue Square and The Shops at the Bravern, automobile sales represent nearly 40 percent of the value of all retail sales in the City. Automobile retail sales continue to grow rapidly, rising 58 percent from 2013 to 2018 – faster than all other retail sectors except Home Furnishing and Health & Personal Care.

On a per capita basis, more retail sales occur in Bellevue than any other King County city except Tukwila. In 2018, per capita retail sales in Bellevue exceeded \$26,000, reflecting that the City is a primary retail destination for individuals from across the Eastside and not just residents alone.

Creative Economy

As defined by the City of Bellevue's 2018 Creative Edge report, the Creative Economy in Bellevue is quite large, making up 16 percent of the local economy. When examining the sub-clusters, however, Digital Creative comprises more than 90 percent of all Creative Economy employment within Bellevue. This includes some video game developers and other digital creatives who are important to the Creative Economy but potentially overinflates the size and affluence of Bellevue's Creative Economy. Traditional Creative jobs, which includes art galleries, dance studios and musicians, is relatively less-concentrated in Bellevue, comprising only 9 percent of the local Creative Economy, the lowest among all benchmarks.

Conversations with representatives from the local Creative community revealed that many individuals and organizations struggle to keep operating in Bellevue. Challenges facing Bellevue Creative businesses include affordability, organizational structure, a lack of non-commercial galleries, limited performance space, and misperceptions (or lack of perceptions) about the city's Creative Economy.

Tourism

Accommodation and Convention/Trade Show tax revenues continue to post strong growth in Bellevue. Accommodation tax collections grew 25 percent over the past five years, reaching \$5.2 million in 2018. Convention/Trade Show tax collections grew 60 percent, reaching \$7.4 million in 2018.

Accommodation & Food Services represents the lion share of Bellevue's tourism related spending at approximately \$6,200 per capita (measured by the value of sales divided by the number of residents). Arts, Entertainment, and Recreation expenditures in Bellevue total less than \$900 per capita.

Employment in all Tourism sub-clusters remains below the US average concentration, but with all sectors growing, their concentration can be expected to rise over time.

Capacity Building

The BDA is widely viewed as a highly effective organization, providing a platform for local property owners and businesses to connect, learn about City issues, and make a positive impact on the

Downtown community.

Under new leadership, the Bellevue Chamber of Commerce has been reinvigorated and is recognized as serving an increasingly important role in the City through connecting businesses, educating them about important topics, and helping navigate the community. They also are playing an increasingly important advocacy role for local businesses at the City and state level.

Tech employers in Bellevue are looking for ways to get involved in the community. If the City and its partners can create a structured system that nourishes and sustains Tech business involvement and investment in the community, this could be a model for the rest of the country.

Strategic Themes

While the consulting team is still developing recommendations for the updated Economic Development Plan, several initial strategic themes and direction have already emerged from their research and local engagement. The common threads running through most opportunities in the City are related to Connection, Communication, & Collaboration.

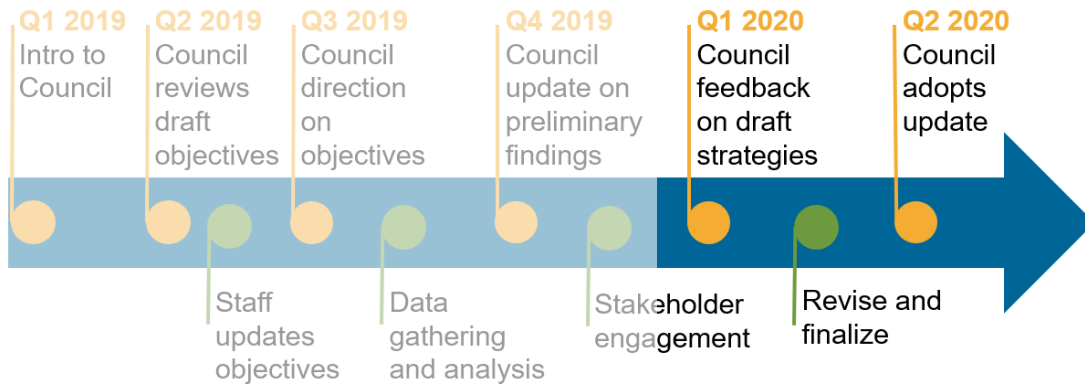
Connection – A thriving community is characterized by strong connections between people, business, non-profit organizations, and government. Transportation infrastructure and a quality-built environment serve to bring people together and facilitate interactions. Dense development and pedestrian traffic help retailers thrive. Musical performances, cultural events, and art exhibits help draw people together, inspire imagination, and contribute to a sense of community.

Communication – If a community does not tell its own story, somebody else will tell its story for them, and it might not be flattering or accurate. Bellevue, its residents, its businesses, and its many non-profits have a tremendous story to tell, but not everybody is hearing the same, consistent story both inside and outside the City. There are clear ways to improve outside awareness of the business, visitor, and lifestyle opportunities in Bellevue and address outdated and inaccurate perceptions of the City.

Collaboration – The City of Bellevue cannot solve all challenging issues on its own, but through collaboration with residents, private businesses, and non-profits, the entire community can have a positive, collective impact on a range of topics. The City's focus on alignment and capacity building is already inspiring new collaborations and has the potential for even greater impact through development in the plan update. These new partnerships can help facilitate positive change well beyond the City's efforts alone.

Next Steps and Timeline

Avalanche Consulting is preparing the plan framework and concept strategies that will be presented to Council on February 24.



POLICY & FISCAL IMPACTS

N/A

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Economic & Demographic Scan
- B. Stakeholder Outreach List

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan (adopted 2014)