

CITY COUNCIL STUDY SESSION

Cultural and Economic Development Quarterly Update

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DIRECTION NEEDED FROM COUNCIL**INFORMATION
ONLY**

Tonight's Study Session will provide Council with an update of the City's recent economic development activities and progress on implementing the 2020 Economic Development Plan.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS

This Council item is a routine update on ongoing programs of the City's Economic Development work and progress on implementing the 2020 Economic Development Plan (the Plan).

Under the Plan, "Direct Strategies" are primarily the responsibility of the City's Cultural and Economic Development (CED) team and provide a strong focus for its efforts within the next five years. These activities are focused in six areas: Capacity Building & Partnerships, Small Business & Entrepreneurship, Workforce, Retail, Creative Economy, and Tourism.

In addition to the strategic areas outlined in the Plan, staff manages ongoing activities for Marketing & Business Attraction, Business Retention & Expansion, and the Arts Program. 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. These actions are critical to creating a physical and regulatory environment that attracts talent and investment. CED staff often serves as subject matter experts on these efforts.

EXECUTIVE SUMMARY

Bellevue's cultural and economic activity in Q2 was mixed after a positive Q1, with Bellevue seeing positive trends in employment and tourism, but negative trends in the commercial office market. CED has maintained standard business retention and expansion work and continued to advance much of the work outlined in Q1, including creation of a Tourism Promotion Area, launch of Bellevue's workforce development program, and placemaking efforts.

Macroeconomic forces tied to increasing inflation and resulting interest rates, in addition to increased hybrid work, have cooled Bellevue's office market in Q2. Hybrid work continues to impact Bellevue, with an average of only 40-50 percent of employees assigned to Bellevue offices actually coming into the office. CED is working with partners such as Visit Bellevue and the Bellevue Downtown Association (BDA) for targeted projects to welcome residents, visitors, and workers back to activity in Bellevue.

Additionally, CED expects to have a consultant onboard in October to launch into the Retail Study scope of work presented earlier in the year. This will inform how Bellevue can provide more and better amenities to draw employees into the office.

BUSINESS RETENTION & EXPANSION (BRE): *Build supportive relationships with existing businesses and provide technical assistance that facilitates their continued presence and growth in Bellevue.*

- Business Retention and Expansion Meetings

In the first half of 2022, staff conducted 26 outbound business relations meetings among Bellevue’s large and mid-sized employers with the goal of better understanding the business community’s successes, pain points, and opportunities for partnership. These meetings are intended to provide qualitative context to available data and develop strong, collaborative relationships within the business community.

Businesses interviewed continue to be broadly optimistic about doing business in Bellevue; however, they pointed to concerns around workforce having impacts on their respective businesses. Where appropriate, employers are connected to Bellevue’s new workforce development program to support talent development. Additionally, employers are more frequently asking about homelessness and the City’s response. CED has partnered with the Development Services and Bellevue Police Departments to outline how the City is addressing homelessness to the business community.

Many businesses are continuing some level of hybrid work environments, with varying impacts on their demand for space. Staff is meeting with midsized employers to assess space demand from existing employers and outline the value proposition of office space, including access to amenities,

transit connectivity, and access to talent. Staff are working to ensure office employers remain optimistic about doing business in Bellevue by conducting business retention visits.

Company	Net SF Change
Egencia	+46,000 SF (New)
Tegria	+26,000 SF (New)
Apptio	-28,000 SF (Downsize)
VMware	-35,000 SF (Downsize)

- Major Employers

In Q2 both Amazon and Microsoft adjusted their office footprints in Bellevue. Microsoft is reviewing its lease of the Eastgate Advanta campus in 2023, likely due to additional space coming online on the Redmond campus, hybrid work, and decreased employee demand for suburban office parks. Staff are working with the property owner and brokers to prevent vacancy of the property.

Additionally, Amazon announced that they would be “reimagining work areas to foster collaboration and socialization” due to the new hybrid work policy the company has adopted. This will result in a pause on

Project	Status
Binary Towers	Occupied
Center 425	Occupied
Tower 333	Occupied
Summit III	Occupied
West Main I	To-Be Completed
555 Tower	50% To-Be Completed
Artiste	Tenant Improvement Delayed
Bellevue 600 I	Tenant Improvement Delayed
West Main II / III	Tenant Improvement Delayed
Bellevue 600 II	Delayed

tenant improvement in four towers and half of a fifth. Additionally, the company announced they would delay construction of Bellevue 600 Phase II.

Amazon has also announced these changes have no impact on their hiring and total employment levels in Bellevue, still aiming for 25,000 total jobs in Bellevue. Amazon currently has nearly 10,000 employees on the Eastside and 2,000 job postings open in Bellevue.

- **Commercial Real Estate**

Amazon’s and Microsoft’s announcements will have a cooling impact on Bellevue commercial office development pipeline as it indicates Amazon has no additional demand for space in Bellevue in the short to medium term, meaning developers see less demand for additional space overall. However, Bellevue still saw leasing demand from small – medium footprint users and some adjustments of space footprints from existing employers. It is unclear if demand from smaller footprint users will drive office development absent demand from large footprint users. On net, these forces canceled each other out in Downtown with the market remaining flat in Q2.

There is currently 1M SF of speculative office space under construction in Bellevue’s development pipeline. Many projects which are not already under construction are unlikely to break ground without substantial pre-leasing activity at the two speculative towers currently under construction. City staff will continue to collaborate with Greater Seattle Partners, brokers, and others on business attraction activity that adapts to the changing market dynamics.

District	Vacancy
Downtown	6.0%
Eastgate	14.0%
Citywide	8.4%

TOURISM: Promote Bellevue as a destination of choice by promoting and developing events, activations, and unique assets

Bellevue’s tourism industry saw a large increase in activity representing a nearly complete recovery from COVID-19’s massive impact on the tourism industry after a slow start to 2022.

Metric	June 2019	June 2022
Occupancy	83.9%	79.3%
Visitors	217,149	203,843

City staff continues to work with Visit Bellevue, City of Redmond, One Redmond, and local hoteliers on the development of a Tourism Promotion Area to support additional marketing and event incubation to support recovery and growth of the local tourism market. As required under state law, City of Bellevue has developed a draft interlocal agreement that is currently under review by the City of Redmond. This draft interlocal agreement and other legislative documents will be brought to Council for consideration in the coming months.

On September 3 and 4, Bellevue hosted the Rock N’ Roll running series, a major tourism draw for the region. City departments collaborated with Visit Bellevue to plan the event and perform community outreach.

Staff will provide more information on both the Tourism Promotion Area and Rock N’ Roll running series during the update presentation.

WORKFORCE DEVELOPMENT: *Expand access to education and professional experience that lead to industry certifications, degrees, and local job placement.*

In Q2, Bellevue’s inaugural workforce development program began directly serving Bellevue residents for the first time. Broadly, Bellevue’s labor market is robust with an unemployment rate well below the national average. However, the City also has a labor force participation rate well below the national average. The majority of navigation appointments have served women of color, in alignment with data showing Bellevue’s minority female population as having the lowest labor-force participation rate of all working age demographic groups. CED continues to adjust programming to better serve and reach residents in this pilot program. This program is a three-year pilot funded with Federal recovery funds.

- Resident Services

In Q2, staff began serving residents by holding weekly office hours at Mini City Hall in the Crossroads shopping center and collaborated with local, community-based organizations to table at cultural events.

Metric	Bellevue	National
Unemployment	1.9%	3.6%
Labor Force Participation	60.1%	62.9%

The program served 12 residents in Q2 with referrals to training providers, resume assistance, and other navigation services in pursuit of employment and upskilling. The number of residents assisted will increase as awareness of the program grows.

- Employer Services

In Q2, CED met with four employers interested in launching workforce development programs including apprenticeships and internships. CED will continue to work with these employers to connect them to the appropriate training providers including Bellevue College, Apprenti, and the Seattle-King County Workforce Development Council to develop meaningful training pathways for these employers and Bellevue residents.

SMALL BUSINESS AND ENTREPRENEURSHIP: *Enhance the small business and startup ecosystem in Bellevue to facilitate the growth of small business.*

- Small Business Walks

Initiated in Q1, CED has continued small business walks in Q2. This effort is intended to meet businesses where they are, to share helpful information on business resources, build relationships and contacts that align with CED workstreams including the Retail Study, BelRed Arts District, and others. In Q2, business walks focused on the BelRed area to support Arts District organizing and to notify creative industry businesses of the upcoming Working Washington 5 grant program. Staff also visited businesses in the Lake Hills Shopping Center and East Downtown and will continue to build relationships with Bellevue’s neighborhood businesses. This program builds trusted connections with businesses via multiple visits and conversations. Staff partners with internal and external organizations to assist in fostering trust and engagement through outreach efforts.

- Startup425 Program Administration

In 2023, the City of Bellevue will resume administration of the Startup425 Program. Staff, in partnership with partner cities, are currently assessing gaps within the current entrepreneurship and

small business assistance ecosystem to ensure the program provides relevant, inclusive, and equitable programming.

CAPACITY BUILDING & PARTNERSHIPS: *Build supportive, mutually beneficial relationships with regional partners, local private firms, and non-profit organizations that support delivery of world class service to Bellevue's businesses, residents, and entrepreneurs.*

- Bellevue Downtown Association
CED continues to partner and support Bellevue Downtown Association place management efforts and in development of its new strategic plan. The Bellevue Downtown Association will provide a presentation to Council on October 24 on these items.

LOOKING AHEAD

Tonight's presentation provides an update on a smaller subset of cultural and economic development activity. Staff continues collaborative partnerships and programming on several other fronts. Notable items in the coming months include but are not limited to:

- Bellevue Downtown Association Strategic Plan
- Tourism Promotion Area Interlocal Agreement and formation legislation
- Artspace Affordable Artist Housing Study
- Arts District Committee Development
- Bellwether Management RFP

POLICY & FISCAL IMPACTS

Policy Impact

The work in tonight's report aligns with and implements existing policies.

Fiscal Impact

Funding for the work outlined tonight comes from the approved 2021-2022 budget.

OPTIONS

N/A

ATTACHMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan (adopted 2020)