



**DATE:** February 27, 2023

**TO:** Mayor Robinson and City Councilmembers

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*Community Development Department*

**SUBJECT:** Fourth quarter update on the City's recent economic development activities and progress on implementing the 2020 Economic Development Plan.

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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 Q4 experienced headwinds resulting from poor nationwide trends. Bellevue maintained positive activity in the tourism and retail sectors, however nationwide technology industry layoffs and commercial office market declines negatively impacted Bellevue's economy. Most notably, Microsoft announced layoffs and consolidation of operations on their Redmond campus. CED has continued its business retention and expansion work and continued to advance much of the work outlined in Q3, including implementation of the Tourism Promotion Area (TPA), scaling of Bellevue's workforce development program, small business support including Startup425, and initial findings of retail study work. Furthermore, CED has launched new programming in response to changing market conditions including increased business attraction activity.

**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:** In Q4 2022, staff conducted 8 outbound business relations meetings with Bellevue’s large and mid-sized employers to better understand the business community’s successes, pain points, and opportunities for partnership. These meetings provide qualitative context to available data and develop strong, collaborative relationships within the business community.

Companies with Layoffs	Bellevue Employees
10	1,715

While small and midsized businesses remain more optimistic about their operations in Bellevue, more are following the lead of industry pillars and undergoing layoffs. Staff continues to meet with employers to outline the value proposition of office space, including access to amenities, transit connectivity, and access to talent. In addition to office utilization, employers remain interested in employee amenities, workforce development programing, and transit. When demand for office space rebounds, Bellevue will likely be a top market.

- Business Attraction:** In Q4 2022, staff expanded business attraction efforts in response to elevating office vacancy rates. This includes expanding lead generation work, planning for inbound delegations including the Americas Competitiveness Exchange, SelectUSA’s Puget Sound visit, and Asia-Pacific Economic Cooperation meetings. Those events are being coordinated by regional partners with Bellevue staff coordinating tours and meeting opportunities on the Eastside. Additionally, staff are also working with Greater Seattle Partners (GSP) on their outbound delegations to Asia and Europe. All of these efforts will focus on industry diversification for Bellevue with a goal of building a more diverse economic base.

- Commercial Real Estate:**

Bellevue’s commercial office market is dealing with a significant change in demand for space due to Microsoft and other employers downsizing space. This will lead to increased vacancy rates across the city. Current market dynamics also reduces the probability that new office projects will break ground in the near term. The current headwinds provide an opportunity to diversify Bellevue’s economy allowing startups to expand, and new entrants who previously were locked out of the market to enter. While demand for office space is down, residential continues to be in very high demand. The current change coincides well with the City’s work to expand housing options and accelerate residential construction projects.

District	Q4 2022 Vacancy
Downtown	6.2%
Eastgate	14.7%
Citywide	8.1%

*\*Assuming 0 SF net absorption*

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

Bellevue’s tourism industry remained steady in Q4. Council adopted the Tourism Promotion Area (TPA) ordinance on February 13<sup>th</sup>. Initial revenue collections will begin July 1<sup>st</sup>, with TPA funded programming as early as Q4 2023.

Metric	Q4 2022
Hotel Occupancy	53.7% (+7.3% YoY)
Visitors	413,596 (+15% YoY)

**WORKFORCE DEVELOPMENT: *Expand access to education and work-based learning opportunities that lead to industry certifications, degrees, and local job placement.***

In Q4, Bellevue’s workforce pilot program continued providing workforce services to residents and employers. Broadly, Bellevue’s labor market is robust with an unemployment rate well below the national peer city average, however the city’s labor force participation rate remains slightly below peer city rates. 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 Q3, staff continued 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 Peer Avg.
Unemployment	2.5%	3.0%
Labor Force Participation	67%	71%

The program served 25 residents in Q4 with referrals to training providers, resume assistance, and other navigation services in pursuit of employment and upskilling. Tabling at cultural events and providing in-person outreach has led to a large uptick in resident inquiries, particularly among communities of color. Additionally, staff has supported organization of the Eastside job fair to provide direct employment opportunities for residents.

- **Employer Services**

In Q4, CED continued to develop partnerships between employers and workforce development partners. In addition to internship program development, CED has also started supporting employers in conducting worksite tours for students.

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

Metric	#
Businesses Contacted	36

- **Small Business Walks:** CED has continued its existing small business walk program in Q4. This effort meets businesses where they are to share helpful information on business resources, prevent business displacement, and build relationships. In Q4, CED partnered with the Homelessness Outreach Program to conduct business outreach ahead of the Safe Parking Pilot Program in addition to outreach to businesses in Wilburton and Downtown under threat of displacement from redevelopment. 

Shopping Centers Visited	3
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- **Startup425 Program Administration:** Startup425, previously administered by City of Kirkland, will be administered by City of Bellevue starting in 2023. The 5-city partnership held a visioning retreat in January to determine Startup425 programming and structure. This includes supporting small business owners and entrepreneurs in all industries and expanding equitable service delivery. Additionally, staff is working to update the 5-city Inter-Local Agreement to reflect changes in administration.

**RETAIL:** *Retain and recruit a healthy and diverse retail mix, preserve and create space for independent retail, neighborhood services, and experiences.*

- **Retail Study:** CED has onboarded a consultant to undertake a study of Bellevue's Retail market in Q4 2022 with a scope informed by Council, residents, business owners, staff, and other external stakeholders. This study will provide market analysis and policy and programming recommendations to support the provision of services (including culturally relevant services) for residents, small and independent businesses, and retention of auto related businesses. Staff are working with the consultant to draft an equitable engagement plan. Over the course of the study, findings will be used to inform existing planning projects including the Wilburton Vision Implementation, BelRed Look Forward, and Comprehensive Plan.

This study is expected to be completed in 2023 and information will be included in future reports.

**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.*

- **Old Bellevue Merchants Association (OBMA):** CED continues to partner and support OBMA in expanding programming and capacity. This year, the organization was able to use event revenue and donations to fund installation of holiday lights for the first time since 2020, and this time with no direct City funding. In the coming months, expect smaller activations and events (such as an Easter celebration) before outdoor dining ramps up again in May and June.

**CREATIVE ECONOMY:** *Create a thriving creative sector and provide support for arts and culture.*

- **Downtown Park Northeast Corner Artwork:** The long-awaited artwork for the NE corner of Downtown Park, which will serve as a key location on the Grand Connection is currently being installed. The large-scale piece consists of 6,665 individual parts, connected by over 180,000 rivets and will take between 6-8 weeks

to install. Created by THEVERYMANY, the work reflects Bellevue's innovative technology sector, love of natural forms and its robust creative community of thinkers and makers.

- **Utility Box Wraps Phase III:** The popular Utility Box Wrap program is returning in 2023, with a focus on youth art. Arts staff will work in partnership with the Bellevue School District to create collaborative works by elementary school students. Those artworks will then be installed on Utility Boxes near the school where the work was created. This phase expands the Box Wrap program across the city.
- **One-time Project Grants for Nonprofit Organizations:** During the 2023-2024 Budgeting process, City Council converted \$85,000 from the Public Art CIP to General Operating funds for additional Arts Grants. Staff has opened a one-time grant opportunity to fund nonprofit art and cultural projects in Bellevue taking place in 2023. Applications were due February 13, 2023 and response from the arts and culture community was strong.

### **LOOKING AHEAD**

Tonight's management brief 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:

- Administrative contracts related to the Tourism Promotion Area
- Updating and Simplifying Startup425 Interlocal Agreement
- Artspace Affordable Artist Housing / Arts Market Study
- Arts District Committee Development
- Bellwether Management Contract
- Retail Study Findings
- Grand Connection Implementation Work