

## CITY COUNCIL STUDY SESSION

Bellevue Economic Development Plan – Discussion of the draft strategy recommendations

Mac Cummins, Community Development Director; 452-6191

Jesse R. Canedo, Chief Economic Development Officer, 452-5236

Philippa Marsh, Economic Development Manager, 452-7909

*Community Development Department*

## DIRECTION NEEDED FROM COUNCIL

### DIRECTION

Tonight's Study Session will provide Council with draft strategies for the updated Economic Development Plan. Staff seeks direction from Council on the recommended strategies.

## RECOMMENDATION

Direct staff to prepare a full draft of the Economic Development Plan based on the recommended strategies with additional details on implementation, and return to Council on March 23 to present those items.

## BACKGROUND & ANALYSIS

This is the sixth of eight discussions with Council regarding the updates to the City's Economic Development Plan. In January, Council was presented key findings from the data analysis. Tonight's discussion will focus on the draft strategies recommended by the Consultant and staff.

The Bellevue City Council adopted the current Economic Development Plan (the Plan) in July 2014. That plan focused on four direct strategies.

1. Cultivate Bellevue's Next Generation of Technology Entrepreneurs
2. Position Bellevue as a Pacific Rim Gateway
3. Strengthen Bellevue's Tourism and Visitor Cluster
4. Develop a Multi-pronged Economic Development Marketing Campaign

Under the Plan, the direct strategies provided direction for the highly targeted activities of Economic Development staff. 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 current Plan's recommendations.

Since 2014, the Economic Development program has evolved to include the arts program and Visit Bellevue Washington (the City's destination marketing organization) has added organizational capacity to implement their 2017 Destination Development Plan.

Additionally, due to Bellevue's economic growth, the changing needs of Puget Sound businesses, and the evolving nature of major sectors like technology and retail, 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 Update:

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 for 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 Economic Development 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.

Based on the Council-approved objectives, staff has worked with Avalanche Consulting to review previous studies and documents, perform a data analysis of Bellevue's economic position, and conduct extensive stakeholder outreach with more than 75 participants. The combined inputs help to inform the strategies of the updated plan.

Based on these inputs, Avalanche has developed comprehensive themes, affirmed the current plan's foundational strategies (with one addition), and recommended concept strategies for six direct focus areas in order to achieve the City's vision for the future and address identified gaps in Bellevue's economic development approach. These strategy concepts reflect community needs and are informed by best practices nationwide to ensure Bellevue stays competitive among peer cities across the country. In addition to these new focus areas, staff will continue to sustain the ongoing economic development operations that includes: business attraction, business retention and expansion (BRE), supporting entrepreneurs, fostering public private partnerships, and supporting the creative economy.

Avalanche also noted Bellevue's limited staff, budget, and partner resources dedicated to economic development compared to peer cities. The City's fast growth means there are growing needs across all lines of City business. For that reason, the consultant recommends looking for efficiencies utilizing existing resources and then sequencing work to make the best use of new resources if they become available. The feedback provided during tonight's study session will be used to prepare their recommendations for prioritizing and sequencing the implementation work.

### **Strategic Themes for the Economic Development Plan Update**

The following themes will run throughout the City's updated Economic Development Plan and describe key aspects of how Bellevue should approach all economic development efforts.

Collaboration: Through collaboration, Bellevue will work with other public and private partners to leverage outside resources and organizational strengths to achieve greater outcomes that could be

accomplished individually. Wherever practical and beneficial, public private partnerships will be utilized to enhance economic development goals.

Regionalism: Bellevue's economy, workforce, and cultural community is intrinsically linked to the Eastside and Puget Sound region. The City will be both a leader and collaborator, working with other communities in the region to address issues that require regional, state, and national solutions, notably transportation and housing. Regional partners also play a critical role in direct economic development, for example through business attraction efforts by the Greater Seattle Partnership and regional tourism cooperation as outlined in the Bellevue Destination Development Plan.

Internationalism: Bellevue is a global city, with residents, businesses, employees, and visitors from across the world. Wherever possible, this international connectivity should be celebrated and leveraged to attract new businesses, talent, and investment to the City.

Connection: Fostering a strong economy and community relies on bringing people together. Infrastructure, such as the light rail, parks, and pedestrian walkways, help connect individuals to each other and to local businesses, including retail and creative establishments. These connections are necessary for a thriving economy, and Bellevue will continue to encourage greater connectivity between people, businesses, public spaces, and different geographic parts of the City.

Communication: Physical connections help bring a community together, and communication is critical to building a sense of shared identity and priorities. Bellevue has a highly diverse community, including residents of many different races, ethnicities, cultures, and ages. Bellevue's community is also comprised of businesses, both large and small, with thousands of employees who spend most of their days in the City. Residents and businesses are further spread across different geographic parts of town. As Bellevue grows, it will be critical to bring together these different parts of the community to share their stories, discuss and understand how the City is changing, and advocate for common needs. Pro-active, transparent communication plays a critical role in this effort and will also help spread Bellevue's unique story outward to the rest of the region and world.

### **Foundational Strategies**

Foundational Strategies are long-standing, ongoing efforts and initiatives carried out by a variety of staff throughout the City organization that impact the economic development climate. Avalanche has affirmed that the current Plan's Foundational Strategies continue to be relevant and recommend one additional strategy. In order to align with the City's Diversity Advantage Initiative and feedback from stakeholder outreach, Avalanche recommends a seventh foundational strategy on diversity, equity and inclusion.

1. Provide a business climate and related infrastructure that facilitate and encourage desirable business investment.
2. Cultivate attractive and diverse business districts across the City.
3. Support the development, and attraction of world-class talent.
4. Continue to make Bellevue a great place to live, work, and visit.
5. Take both a local and regional approach to solving transportation challenges through innovative solutions.
6. Encourage a variety of housing choices within the City.

7. *View all activities through a lens of diversity, equity and inclusion (recommended new strategy).*

### **Direct Strategy Recommendations**

To capitalize on opportunities in Bellevue's economic development environment, Avalanche has proposed the following strategies for the six focus areas. These strategies respond to the Council objectives for the plan's update and will position Bellevue as an attractive place for businesses of all types and sizes for the long-term.

The outline below includes a situation summary that reflects the data findings and stakeholder feedback used to develop the associated strategy recommendations.

In addition to these new focus areas, staff will continue to sustain the ongoing economic development program that includes, business attraction, business retention and expansion (BRE), supporting entrepreneurs, fostering public private partnerships, and supporting the creative community.

As a continuation of the current practices, an implementation plan will be updated annually to provide more specificity about what will be done, by whom, with what resources and in collaboration with which partners. This annual implementation planning process will ensure we advance aggressively towards the end points established in this plan while maintaining flexibility to respond to opportunities and challenges as they arise.

### **CAPACITY BUILDING**

#### Capacity Building Situation Summary:

Bellevue is recognized as a great place to do businesses with a strong pipeline of new development, new businesses, and new residents. Businesses, employees, and residents are also asking for a higher level of service, more befitting a city of Bellevue's size and stature. Some of these services and visionary infrastructure projects are outside the City's expertise or capacity to deliver on its own. Therefore, it needs to expand partnerships with local businesses, non-profits, and others to achieve shared goals. Partners will be needed to help with advocacy, funding, technical support, and practical expertise to address big projects and topics, from affordable housing to the Grand Connection and from downtown placemaking initiatives to enhancing workforce development.

There is opportunity to continue discussions with partner organizations (Bellevue Downtown Association, the Bellevue Chamber, and Visit Bellevue) for role refinement. Outside of these organizations, there is a distinct need for greater organizational capacity in a few areas within Bellevue, notably the Retail and Creative Economy communities.

Furthering conversations about capacity to identify and achieve shared goals will also require building connection and communication between residents, businesses, and employees. All three of these groups make up the Bellevue community, but currently there is limited connectivity between the three. The City serves an important role as a convener that brings together all three groups to speak to their needs and concerns in order to identify shared goals and actionable steps to achieve them.

#### Capacity Building Recommended Strategies:

1. Apply a partnership approach to strategies in the Economic Development Plan to expand and improve service delivery.
2. Work with partner organizations to be a more active convener of the business community on

topics of importance.

3. Develop a communications strategy around the community's principal needs and clearly articulate pathways for employers and employees to engage.

## **SMALL BUSINESS**

### Small Business Situation Summary:

A healthy economy depends on the presence of businesses from a variety of industries and in a variety of sizes. Affordability, availability of space, and workforce remain top concerns for many small businesses in Bellevue, whether retailers, tech entrepreneurs, or business-to-business operators. In Q4 2019, at an average \$58.3 per square foot, Class A office space in Bellevue was more expensive than the Seattle Central Business District and many benchmarks. The rising cost of commercial and office space make it difficult for many small businesses to operate in Bellevue. The current development pipeline will deliver an impressive amount of new office and retail spaces; however, the size and cost of those spaces will be beyond the means of many small businesses.

Bellevue remains home to many small businesses though, with 97 percent of firms employing 100 or fewer workers at an average size of 17.2. While Bellevue and the Eastside are home to a variety of small business support organizations, including Startup 425 and OneRedmond, there are some gaps in available services. For local small, or micro, businesses to continue thriving, expanded resources are needed to support diversity within the ecosystem and improve their long-term viability, like more consolidated and easily accessible sources of information. There are also opportunities to expand access and outreach that supports more diverse small business ownership, including immigrants and non-English speakers.

### Small Business Recommended Strategies:

1. Expand Bellevue's existing business retention and expansion activities to build relationships with entrepreneurs and small businesses across sectors so they receive proactive services.
2. Work with partner organizations to expand technical training and access to information for entrepreneurs and small business owners to support business growth, with a focus on those of diverse backgrounds.
3. Encourage the preservation of existing spaces and the creation of new spaces that are suitable for small businesses.

## **WORKFORCE**

### Workforce Situation Summary:

Employers are attracted to locations that have a skilled workforce. Bellevue is home to many well-educated residents, incredible K-12 schools, and two successful post-secondary educational institutions, Bellevue College and the Global Innovation Exchange. With nearly 70 percent of adults holding a bachelor's degree or higher, Bellevue is the 3<sup>rd</sup> best educated among the nation's 200 largest cities. Employers in Bellevue also draw from a large, well-skilled labor pool that stretches across the Puget Sound, which includes other institutions such as the University of Washington and Lake Washington Institute of Technology. The strength of Bellevue as an employment destination is seen in the magnitude of its labor draw, which pulls 90 percent of local workers from outside the City. Despite

this abundant labor pool, many employers struggle to find and retain skilled workers.

This includes technology workers, such as software developers, who are in high demand in the region's booming Information Technology industry; skilled professionals, such as teachers and firefighters, who struggle to afford increased housing costs in Bellevue; and lower-wage service workers, such as restaurant servers and janitors, who are critical to a functioning economy but must often commute long distances to work in Bellevue. With the right training opportunities, less skilled or unemployed Bellevue residents could better compete for future local jobs. Workforce strategies must take a broad approach to addressing these needs by training students for future local jobs; helping upskill under- and unemployed adult residents returning to the workforce; and attracting and retaining talent from across the region, nation, and world. At 80.4 percent, Bellevue has the lowest prime working age labor force participation rate among benchmark cities, which indicates a large share of residents could potentially return to the workforce with the right training and opportunity.

#### Workforce Recommended Strategies:

1. Create stronger direct links between local employers, education and service providers, and residents so that training programs match specific employment needs.
2. Expand access to education opportunities within the City that directly lead to industry certifications and degrees.
3. Continue to expand public transit and other transportation options between Bellevue and major commuter origins/destinations.

## **RETAIL**

#### Retail Situation Summary:

Retail serves multiple roles in an economy including as a tourism and placemaking element, an entry point for workers, and a generator of sales tax revenue. The nature of retail is also rapidly changing in Bellevue and across the world, with fewer dry goods being sold in storefronts and an increased customer demand for services and experiential retail. Like other small businesses, affordability, availability of space, and workforce are also top concerns for most retailers and restaurants in Bellevue, especially non-chain, locally owned establishments. Within Bellevue, there is a distinct need for greater organization among local retailers and restaurants to help them share resources and build their capacity to promote their businesses and advocate for their needs in the community. This will result in increased merchant community building and placemaking activities within the various retail districts across the City.

#### Retail Recommended Strategies:

1. Work with partner organizations to develop and implement retail action plans.
2. Encourage the preservation of existing spaces and the creation of new spaces that are suitable for independent retail, neighborhood services, restaurant, and beverage establishments.
3. Encourage more contiguous retail corridors in the City's major employment centers to create dense, high-quality retail experiences.
4. Develop an auto services retention strategy that ensures a future presence for auto dealerships and related businesses to preserve services for residents.

## **CREATIVE ECONOMY**

### Situation Summary:

A strong, visible creative sector is important for general livability as well as a key driver of talent recruitment and retention for businesses. This is especially important in Bellevue's competitive environment where firms are vying to attract the best and brightest. Bellevue's Creative Economy can be generally separated into two sub-sectors - Digital Creative and Traditional Creative. The City's Digital Creative includes many successful global gaming companies, such as Bungie and Valve. Digital Creative comprises nearly 91 percent of Bellevue's Creative Economy. The Traditional Creative, which captures visual and performance artists, studios, art teaching spaces, performance spaces, and similar activities, is less concentrated at only 9 percent, and many of the individuals and organizations in this sector face significant challenges affording space in Bellevue. Bellevue's Creative Economy also suffers from a lack of organizational capacity and a lack of awareness about the City's cultural offerings.

### Creative Economy Recommended Strategies:

1. Enhance Bellevue's leading position in the digital creative sector and encourage linkages with the traditional creative sector where possible.
2. Promote and expand festivals and events to grow the cultural tourism sector and promote a strong cultural brand for Bellevue.
3. Align City policy and codes to encourage the retention and development of the traditional creative economy.
4. Support the development of a Bel-Red Arts District into a resident and tourist-attracting destination.

## **TOURISM**

### Situation Summary:

A successful economy hosts visitors throughout the year who inject new dollars into the local economy and evangelize the City's brand to others; creating a virtuous cycle of tourism growth. Bellevue's tourism sector has traditionally been focused on business travelers and conventions but continues to grow and evolve each year. Despite the steady growth, most tourism sub-sectors, such as dining, lodging, arts/culture/recreation, and bars/breweries, are less concentrated than the national average with opportunity to grow.

Food services is the largest and most concentrated sub-sector, with a location quotient of 0.9, whereas bars & breweries are much less concentrated, with a location quotient of 0.4, but are growing more rapidly. Many of these operations are retail establishments and small businesses and will thus benefit from strategies identified in those related chapters of this plan. Visit Bellevue's Destination Development Plan is also well developed and outlines important strategies already underway to build this sector, which can be reinforced and supplemented by additional efforts outlined below.

### Tourism Recommended Strategies:

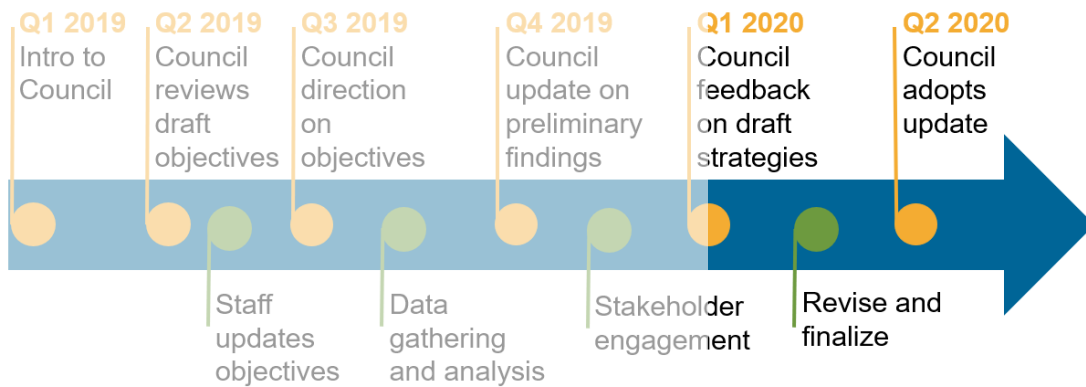
1. Facilitate development of expanded visitor-related facilities to increase the number of conventions, performances, and special events the City can host.
2. Develop more outdoor activities and product offerings that take advantage of the City's assets

and proximity to regional activities.

3. Improve City codes and permit structures to encourage more activities and events that enhance placemaking, community building, and promotion of Bellevue.

### Next Steps and Timeline

Based on tonight's feedback, staff will work with Avalanche Consulting to prepare implementation tactics and a draft of the final strategy document. Avalanche Consulting will present those drafts to Council on March 23.



## POLICY & FISCAL IMPACTS

### Policy Impact

The recommended strategies most closely align with and support the following adopted policies:

#### Comprehensive Plan

ED-1. Maintain a business climate that supports the retention and expansion of the City's economic base.

ED-2. Promote local businesses and locally-produced goods and services.

ED-5. Develop and maintain regulations that allow for continued economic growth while respecting the environment and quality of life of City neighborhoods.

ED-11. Provide City leadership and direction to maximize the business retention and recruitment efforts of Bellevue's economic development partners.

ED-13. Promote on-going communication between City and private sector to help guide the City's marketing and development efforts.

ED-14. Recognize the economic development benefits of City and private sector investments in urban amenities like arts and culture, open space and recreational facilities, and high-quality urban design. Strengthen the City's assets in these areas as an explicit component of the City's economic development strategy.

ED-17. Develop an environment that fosters respect for all individuals and groups and promotes equal opportunity.



- ED-18. Promote opportunities for self-sufficiency for all Bellevue residents by encouraging employers to hire people with special needs and disabilities.
- ED-20. Recognize retail strength as an engine of economic activity and a magnet for visitors.
- ED-21. Support economic development in the City's commercial areas.
- ED-22. Support efforts that promote tourism, hotel, retail and arts businesses.
- ED-29. Encourage provision of life-long learning opportunities.
- ED-30. Facilitate efforts of businesses and institutions to train workers for today's and tomorrow's jobs, and support continuing education in the community.
- ED-35. Promote and nurture entrepreneurial development in Bellevue by exploring ways to retain or create areas where small or emerging businesses can develop and flourish.
- ED-36. Maintain and regularly update the Economic Development Plan to ensure the City's focus areas and goals are forward-looking and targeted while being flexible enough to be able to respond to market changes.
- ED-37. As part of on-going Economic Development strategic planning, consider the use of organizational and financial tools or investments, including public-private partnerships where appropriate, to catalyze or leverage private sector and other resources to accomplish the City's economic development and land use vision.

The new strategies also build on the strong foundations put in place through implementation of the 2014 Plan. Adoption of the recommended strategies may inform future updates to Bellevue's Comprehensive Plan in 2023.

### **Fiscal Impact**

Development of the Economic Development Plan comes from the general fund in the adopted 2019-2020 City budget. The implementation plan for the recommended strategies will be based on the existing 2019-2020 resource levels.

### **OPTIONS**

1. Direct staff to work with Avalanche Consulting to prepare a full draft of the Economic Development Plan based on the recommended strategies with additional details on implementation, and return to Council on March 23 to present those items.
2. Provide alternative direction to staff.

### **ATTACHMENTS & AVAILABLE DOCUMENTS**

- A. Economic & Demographic Scan
- B. Stakeholder Outreach List
- C. Focus Group Summaries

### **AVAILABLE IN COUNCIL LIBRARY**

Economic Development Plan (adopted 2014)

