



DATE: September 10, 2024

TO: Mayor Robinson and City Councilmembers

FROM: Emil A. King AICP, Director (452-7223)
Jesse R. Canedo, Assistant Director (452-5236)
Corbin Hart, Business Development Manager (452-5241)
Community Development Department

SUBJECT: Quarterly update on the City's recent economic development activities and progress on implementing the 2020 Economic Development (ED) Plan.

The City supports efforts to grow access to creative and economic opportunities on the Eastside. The division's work focuses more squarely on activities that directly support near-term economic activity like business attraction, public space management and activation, and business district development, while also providing subject matter expertise to workgroups that indirectly support the economy through items like transportation planning and comprehensive planning. The 2020 ED Plan provides a framework and set of medium-term objectives to help advance Bellevue's economy with a focus on six core areas:

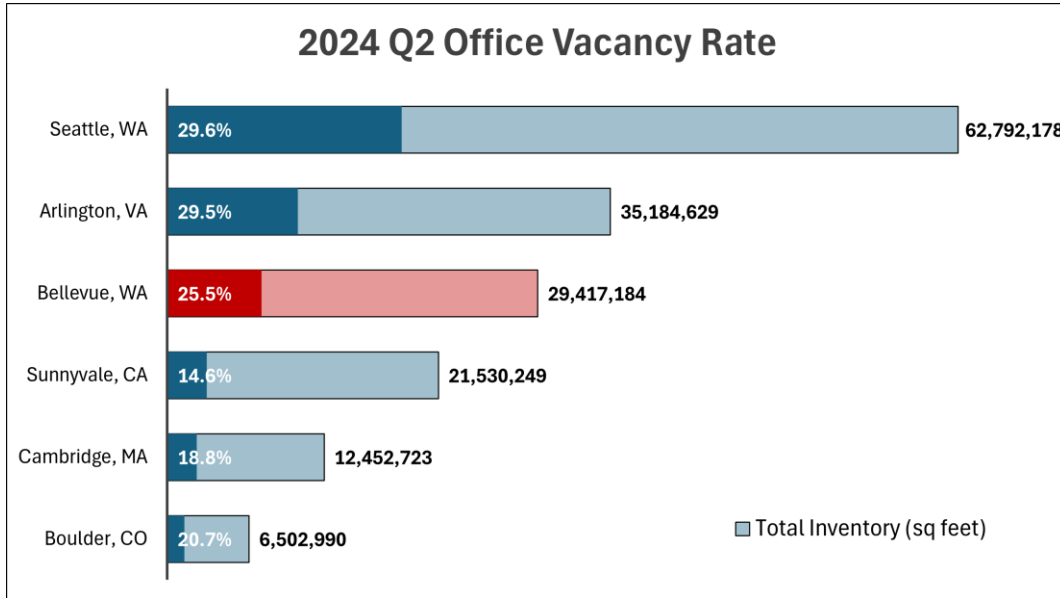
1. Capacity Building & Partnerships
2. Small Business & Entrepreneurship
3. Workforce
4. Retail
5. Creative Economy
6. Tourism

These topic areas provide focus for ongoing work on marketing, business attraction, business retention & expansion, cultural programming, and public space management.

EXECUTIVE SUMMARY

This quarterly update focuses on three primary areas: 1) Tourism, 2) Creative Economy, and 3) 2020 ED Plan Progress Report, along with a general market overview. The ED Plan's focus on building stronger foundations for a diverse economy has helped Bellevue's economy continue to improve, with strong leasing activity in Downtown and signs of life in suburban markets including Eastgate and BelRed. As outlined in Figure 1, Bellevue's overall vacancy rate sits in the middle of the range of its peer cities. While Downtown's performance has been strong, large blocks of space in Eastgate pull Bellevue's overall vacancy rate upwards. Improving the office occupancy rates further may require more focus on business development and a strategic plan for the Eastgate area.

Figure 1: Peer City Office Vacancy Rate



Bellevue’s cultural and economic activity continues to see positive trends, however macroeconomic instability presents potential risks as national unemployment rates rise. Expected drops in interest rates have potential to spur development after a one-two year period of stagnation with multifamily development likely to lead the way. If these drops occur, it will also improve capital access for Bellevue’s small businesses which is a frequent pain point the City hears.

Business Retention, Expansion, and Attraction

There are a significant number of changes with respect to Bellevue employers both in terms of expansions and downsizing that staff are actively engaged in. Listed below are some highlights.

MOD Pizza

- In early July this year, Bellevue-based MOD Pizza announced that it was being sold to Los Angeles-based company Elite Restaurant Group amidst bankruptcy concerns, a company with a history of purchasing distressed chains and revitalizing or reconceptualizing their brands. MOD has 170 employees at its headquarters in Northeast Bellevue and employs approximately 50 workers across its three Bellevue restaurant locations. It is unclear how the acquisition will affect the Bellevue administration team and there is currently no word on potential store closures with the sale. Staff have reached out to the company and will continue to monitor the sale for updates and potential impacts to Bellevue.

QFC

- Resulting from the proposed merger of Kroger and Albertsons grocery stores, a number of Bellevue QFC (Kroger) sites have been designated to-be-sold to east coast grocer C&S. Staff are actively tracking the merger to avoid or mitigate any potential closures of Bellevue sites.

Expansions and New Employers

- As outlined in Figure 2 below, Bellevue saw a large amount of new office leasing in Q2. Snowflake, TikTok, Perkins Coie, and Verizon all expanded their Bellevue footprints. TradeDesk, an advertising company, took 40,000 square feet in Downtown Bellevue. These additions, plus the Q1 leases from Robinhood and Pokémon, provide additional economic diversity in Bellevue beyond enterprise software.

Figure 2: New Leases >30,000 square feet (SF)

Business	Sector	Lease Size	District
Snowflake	Cloud Computing	326,000 SF	Spring District
TikTok	eCommerce / Social Media	168,000 SF	Downtown
TradeDesk	Advertising	46,000 SF	Downtown
Perkins Coie	Legal	40,000 SF	Downtown
Verizon	Telecommunications	32,000 SF	Eastgate

Tourism

Tourism continues to grow in Bellevue, with hotel occupancy on track to exceed two million visitors in 2024. Visitor spending is up for both domestic and international visitors.

Implementation of the recent Bellevue-Redmond Tourism Promotion Area (TPA) has infused new resources and investment into this sector's growth. TPA Administrators, Visit Bellevue & OneRedmond, are currently busy implementing programs and projects approved by Council. Early results of this program are promising, and hotel occupancy rates are expected to grow in 2025. Current hotel occupancy rates for Q2, 2024 can be found in Figure 3.

Visit Bellevue is currently underway on an update to the Destination Development Plan. Staff and the Tourism Board have provided input and helped ensure the draft aligns with the recommended 2024-2044 Bellevue Comprehensive Plan. Currently the Destination Development Plan identifies six Strategic Priorities:

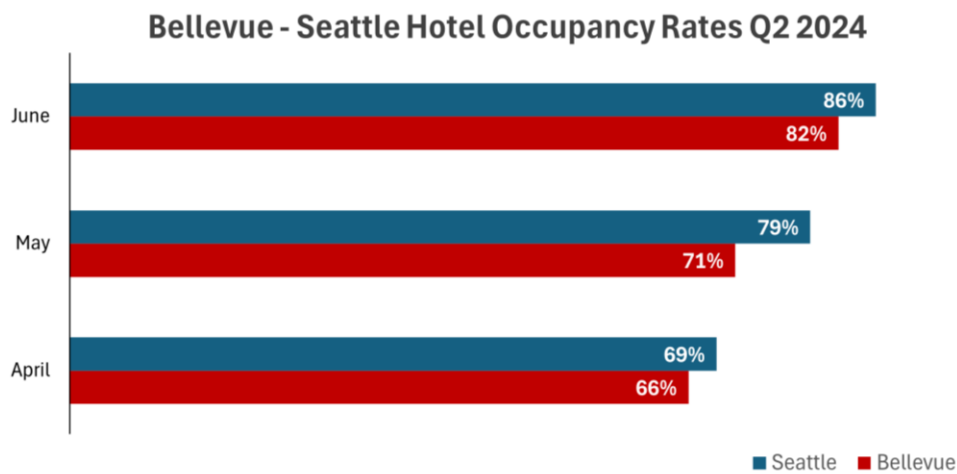
1. Urban Lifestyle & Placemaking
2. Arts & Innovation
3. Recreation & Experiences
4. Culinary Destination
5. Conferences & Events
6. Built Environment & Enabling Conditions

Each Strategic Priority has identified strategies and specific actions. Staff is working closely with Visit Bellevue, our Destination Management Organization, to ensure alignment with the forthcoming update to the Economic Development Plan. An update

on the Destination Development Plan will be given to Council in early 2025, and an early draft of the strategies within the six Strategic Priorities is attached.

Looking ahead in tourism work, six World Cup games are scheduled for Seattle in 2026, and with six Bellevue hotels selected to be part of the formal World Cup room block, we can expect to see exceptionally high tourism numbers during the tournament. Staff will continue work with Visit Bellevue to help prepare the City to put our best foot forward for this world event, by working to land and launch “watch parties” and associated World Cup events which are an opportunity to highlight our value of “Bellevue Welcomes the World.” The economic impact of these events is estimated at over \$100 million for the region, bringing more than 750,000 visitors to the region over the course of the tournament according to the Seattle Times.

Figure 3



Creative Economy

A strong, visible creative sector is a vital element of a community’s general livability and reflects a thriving culture. The creative economy also serves as a key driver of talent recruitment and retention for businesses.

Bellevue’s creative economy, much like Washington state overall, is divided between higher-wage creative technology jobs and lower-wage traditional arts jobs. To get a sense of what is included in the creative economy, in Figure 4 you can see the Washington state’s overall employment percentages for industries in the sector.

Creative Economy Strategies outlined in the Economic Development plan include pursuing regional collaborations; developing the BelRed Art District as a major

destination; and expanding festivals, events, and activities. Figure 5 in the following section outlines the progress of these strategies in advancing the creative economy.

BelRed Arts District

Working in partnership with the BelRed Arts District Community Alliance, promotion of the district is starting to hit its stride and awareness is growing. As the City's community partner works on promotion and placemaking, staff have been deeply engaged with the BelRed Look Forward process and will be involved with the upcoming land use code update to help find ways to reduce barriers for arts uses and improve prioritization of the arts incentive for new developments in BelRed. The update to the Economic Development Plan can look at ways to continue or accelerate the Arts District's Implementation Plan.

Festivals, Events, and Activities

Working with Visit Bellevue, more creative and multi-cultural organizations are applying for the Festivals and Events Grant from Visit Bellevue. This program saw an increase in funding to \$305,000 in 2024 with TPA investments and is delivering a range of both locally grown events and national events to the community. While the TPA funds require a focus on hotel-night generating events, local residents can also participate.

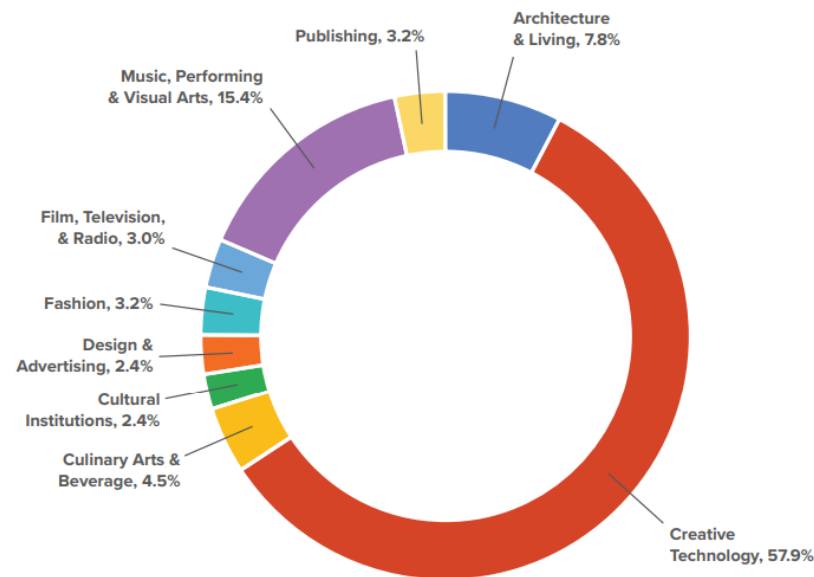
2020 Economic Development Plan Progress

Bellevue City Council adopted the current plan in November of 2020 with six focus areas aimed at supporting a more broad-based economy:

- Capacity Building and Partnerships
- Small Business and Entrepreneurship
- Workforce
- Retail
- Creative Economy
- Tourism

Below and attached is a progress tracker (Figure 5) on work to implement the 36 tactics. The City and its partners have been successful with 97 percent of the recommended actions. Local small businesses, global employers, visitors, event organizers, and community partners have responded positively to the changes. Going forward, deepening work in the six focus areas while also continuing work to diversify the City's economy will benefit Bellevue and the region.

Figure 4: Creative Economy Employment



It is important to note that a number of strategies outlined in the plan refer to operational changes that are not specifically time bound, therefore the “Completed” and “Ongoing” categories refer to accomplished elements of the Plan, whereas “Barrier” and “In-Progress” designations refer to incomplete elements. At the December 10 Council meeting, staff will provide a more detailed progress report, explain lessons learned, and provide recommendations for updating the plan in 2025. The 2020 Economic Development Plan is available in the Council Library.

Figure 5: ED Plan Progress Tracker

Status	Description	# of Actions	%
Not Started	Work has not yet begun	0	0%
In-Progress	Work has started/Implementation is partially complete	5	13%
Ongoing	Work has been incorporated into ongoing operations	15	41%
Complete	Work has been completed	14	38%
Barrier	Need to re-strategize approach. There is a barrier to implementing the action.	2	5%

A full accounting of the status of all specific ED Plan strategies is available in Attachment A: Economic Development Plan Progress Tracker.

LOOKING AHEAD

Tonight’s presentation provides an update on a smaller subset of cultural and economic development activity. Both the creative economy and tourism are elements of the wider efforts to ensure Bellevue is focused on holistic economic development that creates new opportunities and a more vibrant experience for our residents, workers, and visitors. Staff continue collaborative partnerships and programming on several other fronts.

Notable items in the coming months include but are not limited to:

- Initiation of the 2025 Economic Development Plan update
- Advancing the Grand Connection vision and I-405 crossing
- Updating the Destination Development Plan
- Improving work around corporate philanthropy
- Developing new support for small businesses
- Recommending the first slate of Cultural Facility Grant awardees to Council
- Final approvals for a new artwork in Crossroads Park

ATTACHMENTS

A. Economic Development Plan Progress Tracker

AVAILABLE IN COUNCIL LIBRARY

2020 Economic Development Plan

2022 BelRed Arts District Implementation Plan