

CITY COUNCIL STUDY SESSION

Economic Development 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 reopening efforts.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS

This Council item is a routine update on the ongoing economic development activities of the City's economic development staff and partners. Tonight's presentation is a special focus on current re-opening efforts in the wake of COVID-19.

The separate work on the 2020 Economic Development Plan are not part of tonight's presentation and will be presented to Council on September 21. After the new 2020 Economic Development Plan is adopted, quarterly reports on the economic development areas reflective in the plan will resume.

City of Bellevue Re-Opening Efforts

The City of Bellevue continues to work with partner organizations to proactively communicate current re-opening guidelines and collaborate in responding to the needs of our businesses and community in safe reopening efforts.

PPE Distribution

With face coverings mandated by the State of Washington for all public places, the Bellevue Chamber is leading distribution efforts to continue safe business operations. As of mid-August, the Chamber has distributed over 127,080 disposable and cloth masks and over 3,400 bottles of sanitizer to local businesses and nonprofits. Additionally, the City of Bellevue partnered with the Bellevue Chamber to provide 40,000 free masks to encourage the availability and use of personal protective equipment.

Expanded Outdoor Operations

As part of the gradual reopening, The City of Bellevue is committed to supporting businesses who want to adapt their operations to align with public health and social distancing requirements. For example, restaurants may be more interested in patio dining, and fitness studios may be interested in accessing park space. We've developed guides for a variety of ways businesses can use public and private

space. As of mid-August, the City has received 14 right-of-way and land use temporary use permits for expanded operations.

Additionally, the City has been working closely with the Bellevue Downtown Association (BDA) and Old Bellevue Merchant Association to evaluate the unique challenges facing businesses operating in Old Bellevue. After extensive engagement with area stakeholders, the City has responded by supporting restaurants and cafés to expand sidewalk café permits into the adjacent on-street parking lane. This effort expands access to additional outdoor dining space for at least ten Old Bellevue restaurants and cafés and as of mid-August five restaurants and cafés have implemented expanded outdoor dining.

Welcome Back Messaging

The City partnered with the Bellevue Chamber of Commerce on an Eastside “Welcome Back” messaging strategy. The Eastside has an opportunity to be among the first to model rapid and robust recovery. By leveraging the whole Eastside, business leadership can champion the region’s economic strength and business-friendly culture. The Eastside’s resilience and strong sense of community present an opportunity to stand out as a growing global epicenter.

The goal of this campaign is for our Eastside communities to unite and drive a rapid and robust economic recovery from the COVID-19 pandemic. We will do this by leveraging our tradition of cross-sector collaboration, visionary approach to problem solving, and business-friendly environment.

The objectives of this messaging strategy include; increased confidence among key audiences to re-emerge and re-engage in our safe, healthy communities; broad participation by business and civic leaders in the Eastside-wide recovery effort; positive sentiment among key audiences about the Eastside’s unique attributes and specific collective actions to recover from COVID-19. The Bellevue Chamber anticipates a soft launch on September 1 with a website and #EastsideTogether social media campaign.

Heart of Bellevue

The City has partnered with the BDA on a recovery campaign designed to connect and promote the local businesses in Downtown Bellevue. Critical to facilitating a competitive urban environment for economic development under normal circumstances, these efforts take on added meaning and importance in the face of the COVID-19 pandemic as partnership-based placemaking efforts will be essential to supporting and retaining businesses and attracting customers back to downtown.

This partnership builds off the success of the City’s 2019 Grand Connection activation partnership with the BDA and has been designed to promote downtown offerings, drive activity and foot-traffic back to downtown, strengthen downtown’s sense of place, connect customers with local businesses, and boost economic activity.

Since launching earlier this summer, the BDA’s multi-faceted campaign has included: one-on-one engagement with local small businesses; print and digital marketing efforts highlighting local businesses, and downtown stories of activity, creativity and recovery; installation of lanterns and banners along the Grand Connection; and a Heart of Bellevue construction fencing wrap in partnership with Vulcan’s 555 site.

Current Office Outlook

The City, Bellevue Chamber, and BDA have been engaged with our major employers throughout the pandemic period. As of late July, the timeframe for employees to return to their offices and potential long-term structural changes in office use are still uncertain, reflecting the uncertainty of the pandemic's trajectory. However, feedback from Bellevue's largest employers and office users on the need of space in Bellevue continues to be optimistic.

In June, the BDA conducted a member survey to understand how COVID-19 has impacted their organization and what the future may hold as things bounce back. Among their members, 68 percent transitioned to primarily working from home. While 32 percent of the businesses surveyed said remote-work trends will impact their future need for space, 41 percent said their need for office space would not be impacted and 27 percent were currently unsure. The results reflect the wide spectrum of operational impacts, diversity of corporate cultures, and unknowns that employers are managing.

Despite the uncertainty around timelines, as of late July, companies still see an important role for offices and in-person collaboration reflected by an occupancy rate that was largely stable and a development pipeline that continues to be robust. Major developments by Vulcan, Trammel Crow, Hines, and others continue full construction under the "Safe Start" guidelines. As a sign of the continued confidence in Bellevue's office market, Skanska (The Eight) and Schnitzer (Artise) have publicly signaled their intent to move forward with construction. Developers are adapting to the new needs of office in their proposed Bellevue developments with leading adaptations including improved HVAC/air filtration systems, operable exterior windows, and touchless doors and elevator buttons, among others. Despite the impacts of COVID-19, the Bellevue CBD vacancy rate remains healthy at 3.9 percent with Class A+ properties at 1.97 percent vacancy with rates between \$46 to \$53 per SF.

Notable Exits

COVID has created major impacts at local and national retailers, who continue to adapt and innovate around their workforce and workplaces. In late July and early August, two companies made announcements about changes in their local footprint.

1. Neiman Marcus - On July 24, luxury department store Neiman Marcus announced the closure of their Bellevue location. The local closure is part of a nationwide restructuring that includes closures of stores in Florida, Washington D.C., and a recently opened location in New York's Hudson Yards. The closures are part of the retailer's bankruptcy and restructuring plan. Staff has spoken with the retail brokers and ownership for the Shops at the Bravern and will support their efforts to attract future retail tenants.
2. REI Headquarters - On August 12, REI announced plans to sell its newly finished corporate campus in Bellevue and opt for multiple "satellite" locations across the Puget Sound region. REI has noted they intend to continue being an important partner in our business community. Staff will continue working closely with the co-op in an effort to find a location in Bellevue that fits into their new strategy. REI's staff is scheduled to make a brief presentation to the Council on September 8.

While both exits are notable, Bellevue's office and retail markets remain remarkably stable at this time. The City continues to be recognized as a valuable technology and innovation center, offering many

advantages for businesses of all sizes. Staff will continue working with the Bellevue Chamber, the BDA, and regional partners to monitor risks, opportunities, and trends in the local office and retail markets in order to respond to major trends and opportunities.

POLICY & FISCAL IMPACTS

N/A

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

A. Eastside Together FAQ

AVAILABLE IN COUNCIL LIBRARY

N/A