

**CITY COUNCIL AGENDA TOPIC**

Quarterly update on the City's recent economic development activities and progress on implementing the 2020 Economic Development Plan.

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**EXECUTIVE SUMMARY****INFORMATION  
ONLY**

This is a regular update on ongoing programs of the City's Cultural and Economic Development division and progress on implementing the 2020 Economic Development Plan.

**RECOMMENDATION**

N/A

**BACKGROUND/ANALYSIS**

The City's Cultural and Economic Development division supports citywide efforts to grow access to creative and economic opportunities on the Eastside. The division's work focuses more squarely on activities that directly support 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 Economic Development 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 key areas; the 2023 Business Survey, a study of Bellevue's retail landscape, and ongoing economic diversification work.

Entering 2024, Bellevue continues to be economically well positioned compared to regional and national peers. The fifth edition of the business survey shows that Bellevue continues to deliver an

exceptional business environment where 80% of businesses say Bellevue is a better place to operate a business than other cities and towns – the highest rating the City has ever received. However, regional issues around affordability and mobility continue to constrain growth and impact certain sectors disproportionately.

The retail study finds that Bellevue continues to be a regional destination for shopping and dining, with a few notable gaps in local offerings. Retail amenities are key attractors for primary employers and residents alike as they draw highly qualified workers into the city. Current work on Wilburton and the Comprehensive Plan offer opportunities to fine tune certain sections of the code to better enable new independent businesses to open and find success in Bellevue. Looking into the future, staff will discuss the growing regional competition for retail and dining and large contributors to sales tax revenues.

Both reports help inform the continuing work to grow and diversify Bellevue’s economy into adjacent business sectors that will improve long-term resilience and create new opportunities for residents and workers.

### 2023 Business Survey Findings

Since 2015, the City has conducted a comprehensive survey of businesses in odd-numbered years to gather quantitative data on the business environment within Bellevue to inform policy and programming. The latest business survey was conducted in late 2023. Conducted over email, postal mail, telephone, and social media, it had a total sample size of 436. Changes of plus or minus 4.5 percent from the previous survey are within the margin of error. Results are available at [Bellevuewa.gov/BusinessSurvey](http://Bellevuewa.gov/BusinessSurvey) and the data can be sorted by business district and industry.

Broadly, this year’s survey results showed strong overall results. Small improvements were made in some areas and declines were present in some areas due to macro-economic trends and decreased governmental aid such as COVID-19 relief grants.

The survey’s key findings are outlined in Table 1. Bellevue’s rating as a place

to do business and perceptions of its economy maintained high rankings from 2021, and the quality of services provided saw a large increase. At the same time, value of services for tax dollar paid saw a decline, likely highlighting tighter revenue environments for businesses.

Notable declines took place in both planned capital investment and hiring due to increased interest rates and macroeconomic slowdowns which have disproportionately impacted the tech sector. About a quarter of businesses plan to decrease capital expenditures in 2024, up 19% from 2021. The percentage of large employers (>100 employees) anticipating increasing their headcount dropped 25

Key Findings – Table 1	Results
<b>Bellevue as a Place to Operate a Business</b> - better than other cities and towns	80% (+1)
<b>Quality of Services Provided to Businesses</b> - exceeds expectations	75% (+6)
<b>Value of Services for Tax Dollar Paid</b> – good value for city tax dollar	62% (-4)
<b>Likelihood of Recommending Doing Business in Bellevue</b> – likely	66% (-1)
<b>Perceptions of Bellevue’s Economy</b> – better than other Puget Sound cities	92% (-)
<b>Direction City is Headed</b> - right direction	72% (-1)

percentage points from 2021, which is reflective of ongoing hiring freezes and layoffs.

Other findings of note include:

- Small businesses rated their access to support organizations and service providers **13** percentage points lower compared to 2021, likely due to decreased small business support programs such as ARPA-funded relief grants.
- Affordability of housing and childcare for employees continue to be the top barriers to businesses success within Bellevue. This highlights the importance of the City's ongoing work around affordable housing and workforce development.
- Over **85 percent** of businesses rated Bellevue's Police and EMS, physical appearance, and education system as better than other cities
- Customer service ratings for the Tax Division (Finance and Asset Management Department) and Development Services Department increased **8** percentage points and **7** percentage points, respectively.
- Only **66 percent** of businesses would recommend Bellevue as a vibrant arts and culture destination.

These findings will be used to inform future research, modifications to existing programming, new program opportunities, and internal process improvements. For example, results from the 2021 survey informed the need for the Retail Study covered below. The full survey findings are available at [Bellevuewa.gov/BusinessSurvey](http://Bellevuewa.gov/BusinessSurvey).

### Retail Study Findings

Successive business surveys and meetings with retail and restaurant business owners identified a need for Bellevue to do more to support the city's retail environment. Over the course of 2023 staff, Community Attributes Inc. and Greensfelder Real Estate conducted a comprehensive study of Bellevue's retail market and landscape. Retail is one of the six focus areas of the 2020 Economic Development Plan and a vital part of Bellevue's economy, employing over 13,000 people and generating over \$92M in sales tax revenue annually. Both the Study and Implementation Plan are available in the Attachments section.

The study identified key findings including:

1. Bellevue's per capita retail spending of over **\$33,000** was almost double the countywide average, indicating Bellevue draws retail spending from across the region.
  - The only area of "leakage," where Bellevue residents go to other cities to purchase goods, was in "General Merchandise Retailers" – typically warehouse stores such as Sam's Club or Costco.
2. Small retail and food businesses continue to be pressured by lack of affordability and lack of access to capital.
3. Many retail districts' lack of a unique identity is likely restraining the city's retail potential. This was outlined both in resident surveys and consultant analysis of peer districts.
  - Placemaking efforts like outdoor dining and various events in Old Bellevue have yielded strong results with foot traffic up **200 percent** over the past three years. Similar efforts in other retail districts would benefit businesses and sales tax revenues.

4. Auto dealerships make up 32 percent of all taxable retail sales in Bellevue and are the largest projected single user of new retail space.
  - Despite this, Bellevue does not have adequate zoned capacity for the projected **1.8M SF** of demand by 2044 from expansion and auto brands not currently in the city. The auto industry is also in the midst of its transition to electric vehicles, creating an opportunity for Bellevue to drive up sales per square foot by allowing urban and innovative concepts (e.g. ground floor showrooms, small footprints) as outlined in the implementation plan.
5. BelRed's current retail stock will require more cultural amenities to attain its vision as a vibrant Arts District. The BelRed Arts District Implementation Plan and the new BelRed Arts District Community Alliance will both help with this need.
6. To accommodate planned population and employment growth through 2044, Bellevue will need **5.6M** square feet of additional retail space.

The study and corresponding implementation plan outlined several actions intended to address these findings. A detailed list of implementation plan items is available in Attachment 2.

1. Expand technical assistance offerings to small businesses both in terms of services offered and outreach via trusted messengers to underrepresented communities.
2. Create new programs to support small businesses including capital access and access to temporary commercial space.
3. Incentivize affordable commercial space for small and independent businesses in BelRed and Wilburton via the floor area ratio incentive system.
4. Build robust district-based organizations to hold events, beautify districts, and support area businesses via business improvement districts and other mechanisms.
5. Target recruitment of retailers with high leakage or community demand such as general merchandise retailers, night life, or multicultural services such as cultural experiences, ethnic grocers, and others.
6. Allow auto dealer showrooms as street activating uses in vertical developments and protect existing areas where auto dealers are allowable uses.

The recommendations included in the study and implementation plan will help retain and diversify Bellevue's retail offerings as that sector continues to evolve. The additional flexibility and increased activity will also benefit the city's work on tourism, cultural vibrancy, and attracting new office employers.

### Economic Diversification

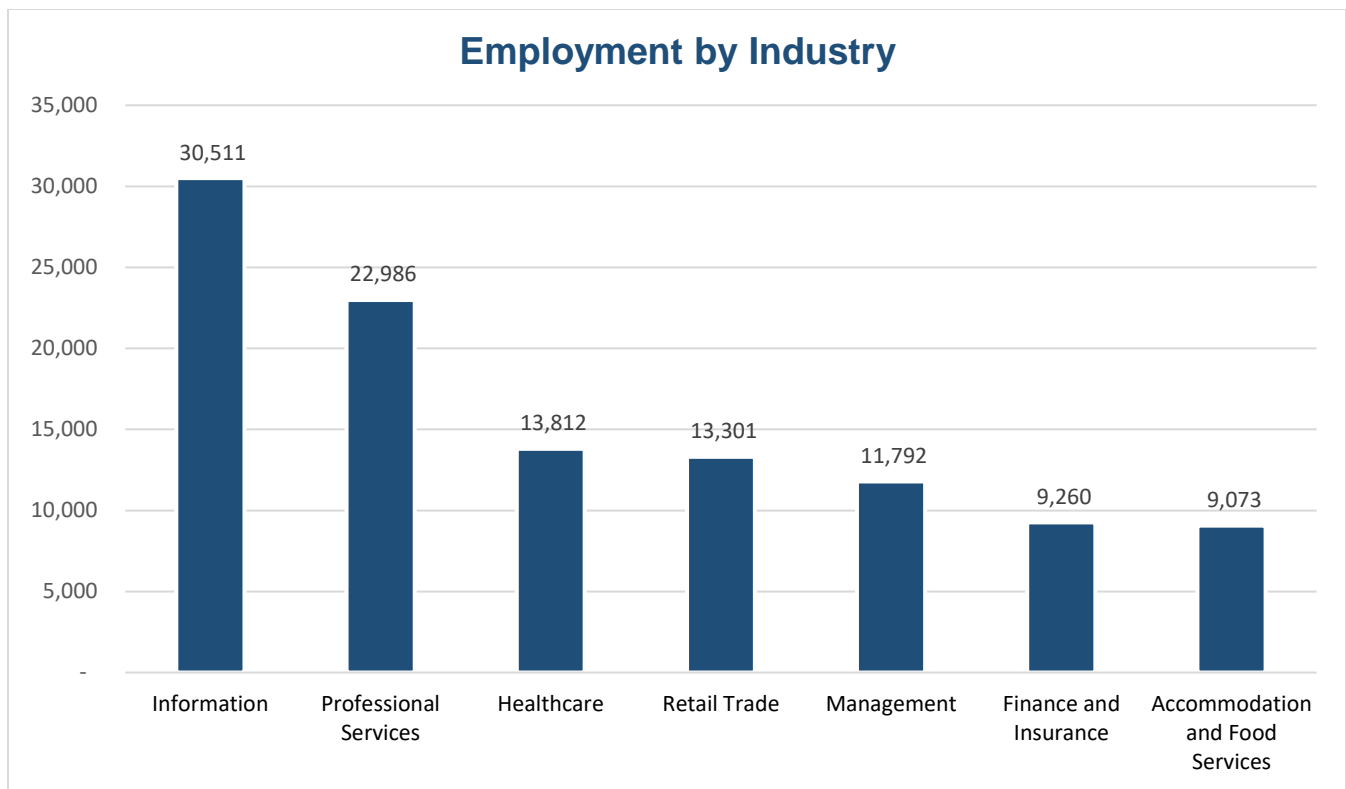
Since the early 2000's, Bellevue's economy and employment growth has been largely concentrated in the technology sector. A concentration in any one sector presents a risk to Bellevue's overall economic health. **Bellevue has an economic diversity index of 39.7 – far below the national benchmark of 100 as outlined in the 2020 Economic Development Plan.** Only Sunnyvale, CA ranks lower among Bellevue's peer cities. Furthermore, 23 percent of

Bellevue's total employment is concentrated in its top 10 employers. While the concentration in technology and large employers are a significant benefit and point of pride, they also leave the City's economy less resilient to global macroeconomic changes. As the U.S. Federal Government continues to invest in innovation hubs in the interior of the country, competition in the technology sector could increase. Sustaining the important technology sector while proactively working to diversify employment types and support new innovation will benefit residents and workers in the long-term.

To address these factors, CED has been working to identify and promote sectors where Bellevue has the potential to be competitive on a national level. This includes sectors that benefit from Bellevue's strengths such as its highly educated workforce, international community, and business-friendly environment. Sectors that have been identified include life sciences research and development, commercial space and satellites, interactive media, and artificial intelligence. Each of these sectors will require dedicated effort from the public and private sector to make Bellevue a feasible destination for these industries.

Economic diversification will be a core theme in upcoming conversations about the Economic Development Plan update. City staff are assessing programmatic and policy interventions necessary to support these target industries, which includes engagement in the ongoing BelRed, Wilburton, and Comprehensive planning processes.

Bellevue's Top Ten Employers, 2022		
Employer	Number of Employees	Sector
Amazon	10,200	Technology
Microsoft	6,700	Technology
T-Mobile	5,300	Telecommunications
Meta	3,500	Technology
Overlake Hospital	3,400	Healthcare
Bellevue School District	2,500	Education
City of Bellevue	1,600	Government
Salesforce	1,200	Technology
Bellevue College	1,100	Education
Bungie	1,000	Gaming



## LOOKING AHEAD

Tonight's presentation provides an update on a smaller subset of cultural and economic development activity. Both the retail study and business survey are elements of the wider efforts to diversify Bellevue's economy into adjacent industries that will improve long-term resilience and create new opportunities for residents and workers. Staff continue collaborative partnerships and programming on several other fronts. Notable items in the coming months include but are not limited to:

- Advancing the Grand Connection vision and I-405 crossing
- Arts and Cultural Facilities Grants
- Business District development
- Introduction to Tax Increment Financing
- Public Space Management and public events

## POLICY & FISCAL IMPACTS

N/A

## OPTIONS

N/A

## ATTACHMENTS

- A. Retail Study Final Report
- B. Retail Study Implementation Plan

**AVAILABLE IN COUNCIL LIBRARY**

2020 Economic Development Plan