

**CITY COUNCIL STUDY SESSION**

Cultural and Economic Development Quarterly Update — Q4 2020 and year-end update on the program's activities.

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**DIRECTION NEEDED FROM COUNCIL****INFORMATION  
ONLY**

Tonight's Study Session will provide Council with an update of the City's recent economic development activities and progress on implementing the 2020 Economic Development Plan.

**RECOMMENDATION**

N/A

**BACKGROUND & ANALYSIS**

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 team and provide a strong focus for their efforts in the near- to mid-term (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 Public Art 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. They are carried out by multiple departments as part of their individual work plans. These actions are critical to creating a physical and regulatory environment that attracts talent and investment and CED staff often serves as subject matter experts on these efforts.

**Q4 2020 Executive Summary**

The end of 2020 continued to see economic and business impacts from the COVID pandemic and stay at home restrictions. Staff prioritized efforts related to immediate relief and assistance for businesses while continuing to forge partnerships necessary to implement the Plan.

As unemployment rates and commercial construction continue to outperform peer communities, staff and partner organizations continue to be optimistic about Bellevue's long-term recovery. The extension of Work from Home (WFH) options by major employers continues to impact the hotel, retail, entertainment, and restaurant markets Citywide, particularly downtown. The City and its partners

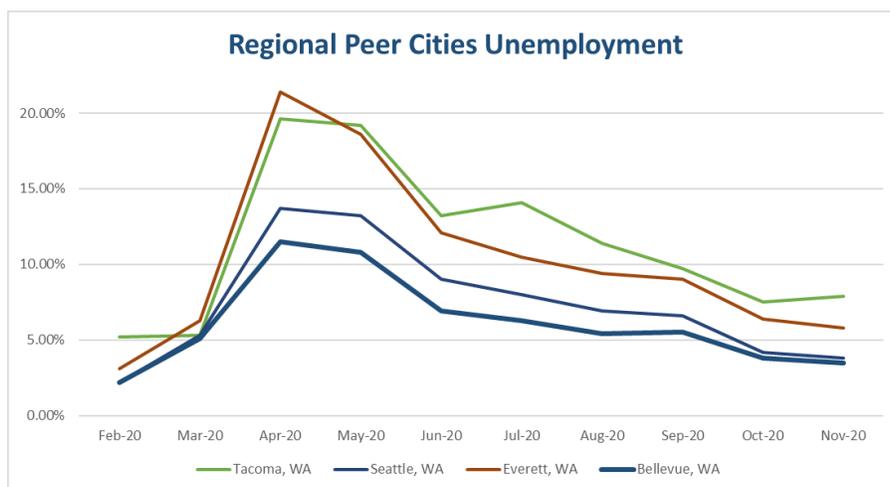
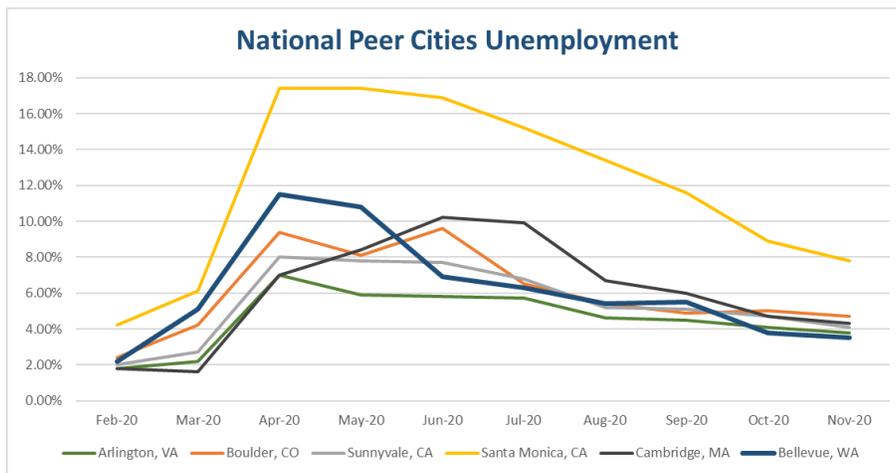
continue active marketing efforts to draw an appropriate amount of activity back to the City. However, strategic prioritization of projects and flexibility continue to be necessary to optimize current staff capacity, partner capacity, and leverage immediate opportunities for both recovery and growth.

**Bellevue’s Economic Recovery**

The impacts of the COVID pandemic continued through the end of 2020, most notably felt by small businesses in the retail and hospitality sectors. However, compared to regional and national benchmarks, Bellevue continues to perform well in both unemployment and commercial real estate.

Unemployment

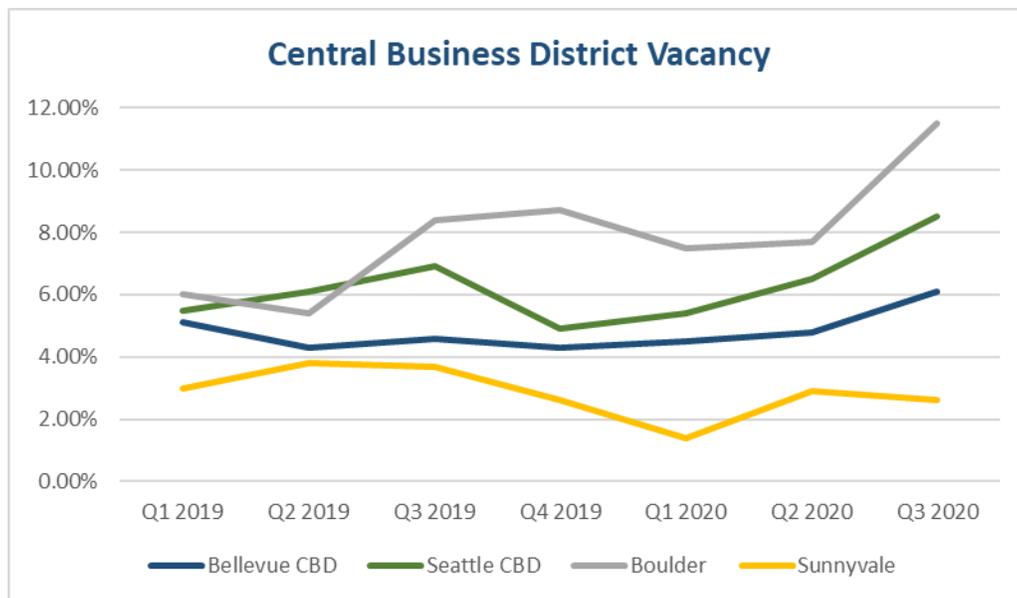
Bellevue’s November unemployment rate dropped to 3.5 percent, down from 3.8 percent the month prior. Pre-pandemic Bellevue had an unemployment rate of 2.2 percent that spiked to 11.5 percent in April. Bellevue’s unemployment rate in November was the lowest out of its regional and national peer cities, as shown in the charts below.



### Commercial Real Estate

Commercial real estate markets across the nation have seen increases in vacancy and dropping rental rates resulting from COVID-19 workplace shutdowns and adjustment to work from home. Bellevue's commercial real estate market has seen similar impacts, however at much smaller degrees due to the concentration of technology companies in the market. Much of the increasing vacancy comes from subleases of small to mid-sized footprints that have soft demand as the space cannot be immediately used.

While the vacancy rate has increased over a short amount of time, in conversations with many professional brokers they unanimously note that Bellevue's commercial office market is one of the strongest in the nation if not the world with sustained interest from both the tenant and property owner communities. According to Broderick group, at the close of the year there were a handful of initial 'inquiries' from unnamed or confidential tenants with an eye towards opening new offices in the greater Bellevue area. Despite the pandemic and work from home speculation, Bellevue continues to have a strong new construction market with over eight million square feet of office development in the pipeline that is almost all pre-leased.



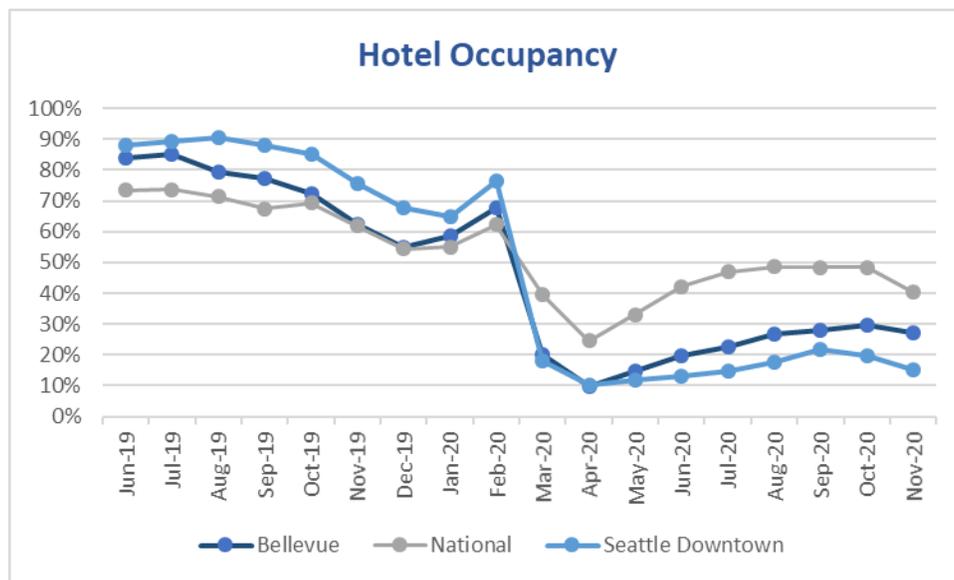
Source: CBRE

### Business Licenses

In 2020, there were 2053 businesses that obtained a business licenses in Bellevue. This figure represents little change from 2019 and the lack of growth has likely been impacted by COVID-19. Following economic downturns, new business starts typically increase and help drive recovery. Therefore, we expect to see business starts increase in 2021 as recovery begins. Through the Eastside's Startup 425 partnership, the City continues to provide entrepreneurship education, access to regional programs, and small business technical assistance to assist first-time and returning business owners.

## Tourism

Bellevue's tourism sector has seen mild recovery since the initial lockdowns in March and April but has lagged behind national averages. This is predominantly attributed to the lack of business travel, which accounted for much of Bellevue's hotel occupancy pre-pandemic. Hotel occupancy dipped in November of 2020 due to the increased level of restrictions within the state and across the nation. Fortunately, early 2021 has seen a strong and growing confidence regarding leisure and business travel planning and Visit Bellevue will increase investment in earned media efforts, marketing and partnership development to drive an increase in visitor travel to Bellevue.



## Continual Monitoring of COVID Impacts

Staff continues to coordinate and align with regional and partner surveys that measure the impacts and lasting effects of COVID-19. The 2021 biennial business survey will launch in Q2 and have COVID-19 related questions incorporated. Staff is also participating with a Chamber-led University of Washington project to measure the business impacts of COVID on the Eastside.

## **Regional Economic Recovery**

Bellevue is an active leader in Greater Seattle Partners' (GSP) efforts in developing a regional recovery plan. The goal of that work is for the Puget Sound region to emerge from the economic recession in a more equitable, globally competitive and coordinated way. The Recovery Framework identified 150+ opportunities for action that have the potential to accelerate long-term regional economic recovery. Bellevue has shared its prioritization of immediate actions focused on Marketing & Business Attraction, Small Business & Entrepreneur Support and Workforce Development. GSP is now leading the coordination efforts to align regional champions for the implementation of signature projects. A report will be presented in the Q1 2021 update.

**Marketing and Business Attraction:** *Brand and message Bellevue to attract new companies that align with our economic development strategy, competitive industries, and complement local businesses.*

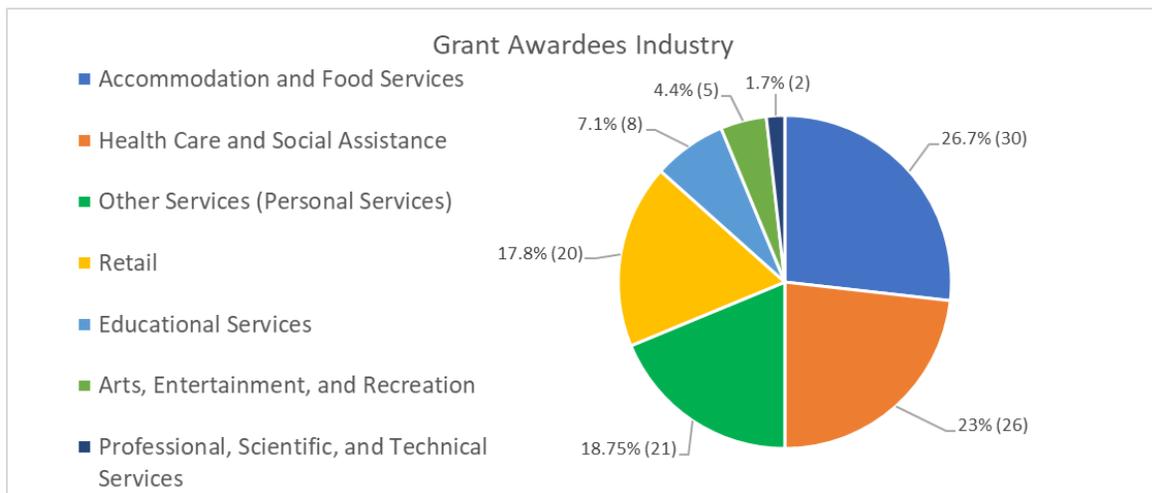
- **Leads and Prospects:** Business attraction efforts continue to be impacted due to travel restrictions from COVID-19. A slow uptick in inquires and engagements was seen at the end of 2020 and included Mayor Robinson participating in a virtual delegation from Scotland. Staff continues to work closely with GSP and the Innovation Triangle to develop foreign delegation visits, albeit virtual. Proactive strategic planning is beginning for outbound missions to occur after travel restrictions are lifted.
- **Marketing:** Staff continues to work closely with GSP’s Marketing Advisory Council, the Bellevue Chamber, Visit Bellevue and others to brand and message the benefits of visiting, working, and doing business in Bellevue.

2020 Marketing and Business Attraction Metrics	Year Goal	Year End Actual
Number of Trade & investment missions	4	2
Number of Company leads (national and international)	10	2

**Business Retention & Expansion (BRE):** *Build supportive relationships with existing businesses and provide technical assistance that facilitates their continued presence and growth in Bellevue.*

- **Large Employer Support:** During 2020, staff continued to work with the City’s largest employers, including Amazon, Microsoft, Facebook, Salesforce, Symetra, among others to understand Work From Home trends and offer support to impacted employees. Currently, the City’s largest tech employers have announced extended work from home options through summer 2021 and staff will continue to work closely with employers and partner organizations in return to work plans.
- **COVID Outreach:** In response to the COVID-19 pandemic, CED staff focused outreach efforts on connecting businesses to available information, resources and tools to help mitigate the impacts of the pandemic. This included; direct outreach to over 750 businesses, development of an up-to-date business resources webpage, 1x1 meetings with Community Based Organizations, weekly COVID resources newsletters, partnership with the BDA to launch outdoor dining and the Heart of Bellevue program, and restaurant and retail listening sessions.
- **Small Business Relief Grants:** As part of the City’s CARES-funded grant program, a total of 296 businesses and organizations applied for grants. The City’s \$560,000 allocation funded 112 grants that met 38 percent of the demonstrated need. The awarded businesses represent diverse ownership across the industries most impacted by COVID-19, as detailed in the table below.

As specified by Council, this grant program prioritized businesses who have not received other sources of aid and industries most impacted by COVID-19. These industries include accommodation and food services, personal services, educational services, health care and social assistance, arts, entertainment, and recreation, and retail.



This program had a focus on providing relief to diverse business owners. Throughout the application process outreach to Community Based Organizations was conducted in addition to direct outreach to diverse business owners. Translated applications and materials were available and shared with relevant organizations, additionally 1x1 technical assistance was available in any language. These program elements lead to a diverse group of awardees, with 41 percent of awardees being immigrant or refugee owned companies, 66 percent being minority owned, and 64 percent being female owned.

The grants had direct, measurable impacts on Bellevue’s local economy. Across all grant awardees, grants helped businesses retain 336 jobs among Bellevue’s low-income populations. Forty-eight percent of grant funds were used on payroll, with the other major categories of spending being rent, or inventory, typically to other Bellevue businesses keeping funds within Bellevue or the wider Eastside enhancing the multiplier effect of this funding.

- **Paycheck Protection Program (PPP):** In the first run of the PPP that ran from early April to early August, 4,068 Bellevue businesses received \$632,570,383 in funding which supported 36,419 jobs. CED continues to promote the second round of PPP funding and provides technical assistance in preparing applications for loans and loan forgiveness via Bellevue’s partnership with (re)Startup425 and Business Impact Northwest.

2020 BRE Performance Metrics	Year Goal	Year End Actual
Number of company meetings	5	64
Number of major employer visits	5	13
Number of focus groups	4	6
Number of visits with WMBE-owned firms	5	11
Number of visits with creative businesses and orgs	5	29
Number of technical assistance cases resolved	15	9

**Small Business and Entrepreneurship:** *Enhance the small business and startup ecosystem in Bellevue to facilitate the growth of small business.*

- **(re)Startup425 Technical Assistance:** Bellevue businesses continue to receive free 1x1

business assistance through a partnership with Business Impact Northwest. In 2020, over 154 Bellevue businesses used this resource, including 22 which requested service in a language other than English. While the early demand was for information and assistance in accessing and applying for federal relief loans, many of the clients are now returning to receive in depth financial and business resiliency coaching. Personalized outreach was made to community-based organizations representing the City's diverse communities to learn how best to connect their navigators to the assistance available through Business Impact Northwest.

- **Small Business Development Center:** Bellevue partners with OneRedmond to fund an advisor through the Washington Small Business Development Center (SBDC). The advisor provides free mentoring and advising services for existing businesses that are growing or seeking to improve their existing operations. Since being hired in the spring our advisor Mari Wruble has assisted over 77 Bellevue businesses.

2020 Small Business Performance Metrics	Year Goal	Year End Actuals
Number of business receiving assistance from SBDC	16	77
Number of businesses receiving assistance from BINW	100	154
Number of registrants in Foundations and Essentials Series	500	307

**Workforce:** *Expand access to education and professional experience that lead to industry certifications, degrees and local job placement.*

**Research and Partnership Development:** In 2020, staff advanced significant efforts to develop a workforce program with neighboring cities and regional partners, including relationship building with the Workforce Development Council of Seattle King-County, Seattle Foundation, Ballmer Group, Bellevue College, GIX, Eastside Pathways among many others. This work included discovery of needs within the current workforce development ecosystem, mapping opportunities for strategic alignment, and partnership possibilities.

**Eastside Workforce Initiative:** The above efforts led to the submission of a grant application to the Economic Development Agency (EDA) to fund an Eastside Workforce Initiative. Staff worked with several of the larger employers in Bellevue to secure local matching funds. Government partners and employers were eager to scale up the Eastside's workforce support, with a program designed with an equitable and inclusive approach to meet the growing workforce development and reskilling needs specific to East King County that have been exacerbated to COVID-19. Bellevue staff led the development of this program in partnership with six East King County cities – Bellevue, Bothell, Issaquah, Kirkland, Redmond and Renton. Unfortunately, the City received notification on January 27 that the program was not selected for funding.

Staff will continue to monitor opportunities to invest in the full potential of the program and as capacity allows continue to join regional workforce conversations to ensure Eastside benefit, foster connections between employers and service providers and improve resident facing navigation and communication of resources and opportunities.

**Creative Economy:** *Support the creative economy to ensure a high quality of life and attractiveness for residents, visitors and businesses.*

- **Eastside Arts and Culture Coalition:** Staff is working to support the growth and effectiveness of this coalition of roughly 25 Eastside arts and cultural organizations. 2021 work will include supporting the group through organizational model and goal development, and strategies achievable in 2021 that work to increase the creative capacity and resiliency of the arts on the Eastside.
- **EastHUB Development:** EastHUB is a new nonprofit focused primarily on developing and managing cultural facilities on the Eastside. Staff are working with EastHUB to identify possible partnership opportunities focused on supporting the broader arts community. Staff will provide a more detailed update to Council at a future meeting.
- **BelRed Arts District:** Staff continues work on the BelRed Arts District Implementation Plan, which aims to create a tangible action plan for formalizing and enhancing the arts activity in the eastern portion of the BelRed neighborhood. In Q1 2021, staff will work with a consultant to finalize a report that summarizes findings from a survey that received over 220 responses and one-on-one interviews with community members and stakeholders. Early takeaways from the outreach include a huge need for affordable spaces for the arts and the desire for a community organization that can help the City establish and grow the district.

**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.*

- **Partnership Development:** In Q4, CED continued to lay the foundation for work set to get underway in 2021 on private- and public-sector partnerships. Staff concluded a partnership with the Bellevue Downtown Association called "Heart of Bellevue" meant to promote and market downtown small businesses operating in light of COVID-19 restrictions, which included both in-person activations (such as lights in Downtown Park and lanterns along the Grand Connection) and virtual programs (such as online storytelling, social media, and video content).
  - ***Downtown Placemaking:*** CED began planning for a stakeholder organizing opportunity focused on placemaking and activation in downtown Bellevue, in partnership with the Bellevue Downtown Association. This effort will engage 16 major downtown stakeholders in five meetings in Q1, with a full report to the BDA board in Q2 on advancing placemaking goals. The effort is aligned to BDA organizational development efforts for the coming year.
  - ***External Grants and Partnerships:*** CED began developing materials, relationships, databases, and storytelling for an effort aimed at identifying private-sector and public-sector grant funding for economic development work. This program will ramp up significantly in Q1 as we work to identify external funding sources for work to implement the Economic Development Plan.

- Grants to Organizations: Throughout the pandemic, Bellevue's non-profit organizations have supported a wide range of businesses and arts and cultural organizations with valuable resources and tools. In order build the capacity of these critical partners to continue to support the community in the long-term, CED led the development of the Bellevue Partner Relief Grant program. Leveraging \$100,000 in federal CARES Act funding, Bellevue was able to provide grants to 12 organizations in Q4 to address costs and losses incurred during the pandemic.

### **2021 Action Plan**

Attached to this memo is the 2021 Action Plan for the Cultural and Economic Division. This action plan reflects ongoing work as well as the new strategies within the updated Economic Development Plan that staff will begin to tackle. The new Economic Development Plan added four new functional areas to the Cultural and Economic Division's ongoing work. Much of the work in 2021 is focused on organizing and developing partnerships within these new areas for accelerated program implementation in future years. Council will continue to receive quarterly reports on the progress of implementing the Cultural and Economic Development body of work.

### **POLICY & FISCAL IMPACTS**

N/A

### **OPTIONS**

N/A

### **ATTACHMENTS & AVAILABLE DOCUMENTS**

A. 2021 Cultural and Economic Development Action Plan

### **AVAILABLE IN COUNCIL LIBRARY**

Economic Development Plan (adopted 2020)