

CITY COUNCIL STUDY SESSION

Cultural and Economic Development Quarterly 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 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 its 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 & 2021 YEAR-END EXECUTIVE SUMMARY

Q4 2021 marks the first full year of the Economic Development Plan's five-year implementation period.

Within the first year of the plan's implementation, work has begun on or has been incorporated into the ongoing operations for 58 percent of the actions within the Plan. Many of the strategies remaining were designated as growth strategies to be acted on when lasting impacts of COVID were clearer. The launch of a Retail Strategy in 2022 will advance many the outstanding strategies and tactics by conducting a Citywide market analysis, looking at the strengths and opportunities of retail areas outside downtown, land use code review, and an initial review of ways to retain auto sales and services.

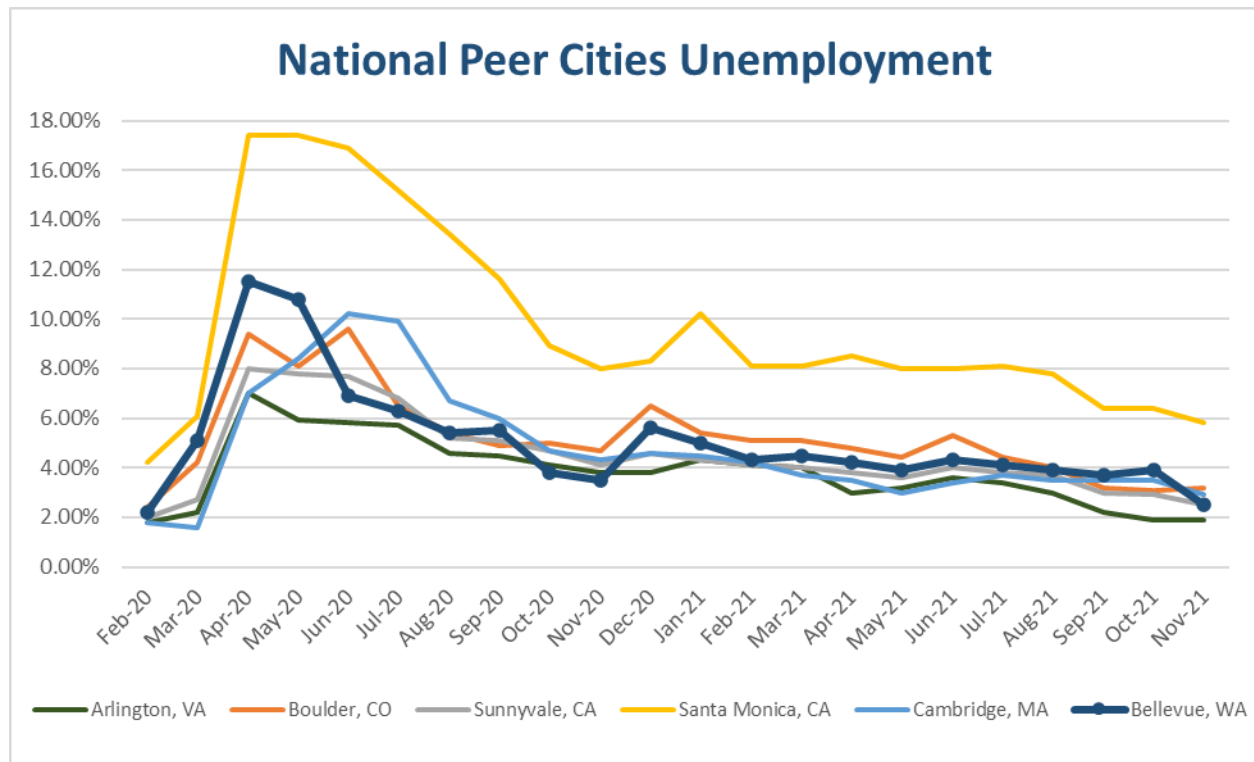
Understanding and improving the local retail environment is important due to the changing nature of retail, which makes up 10 percent of the City's General Fund budget.

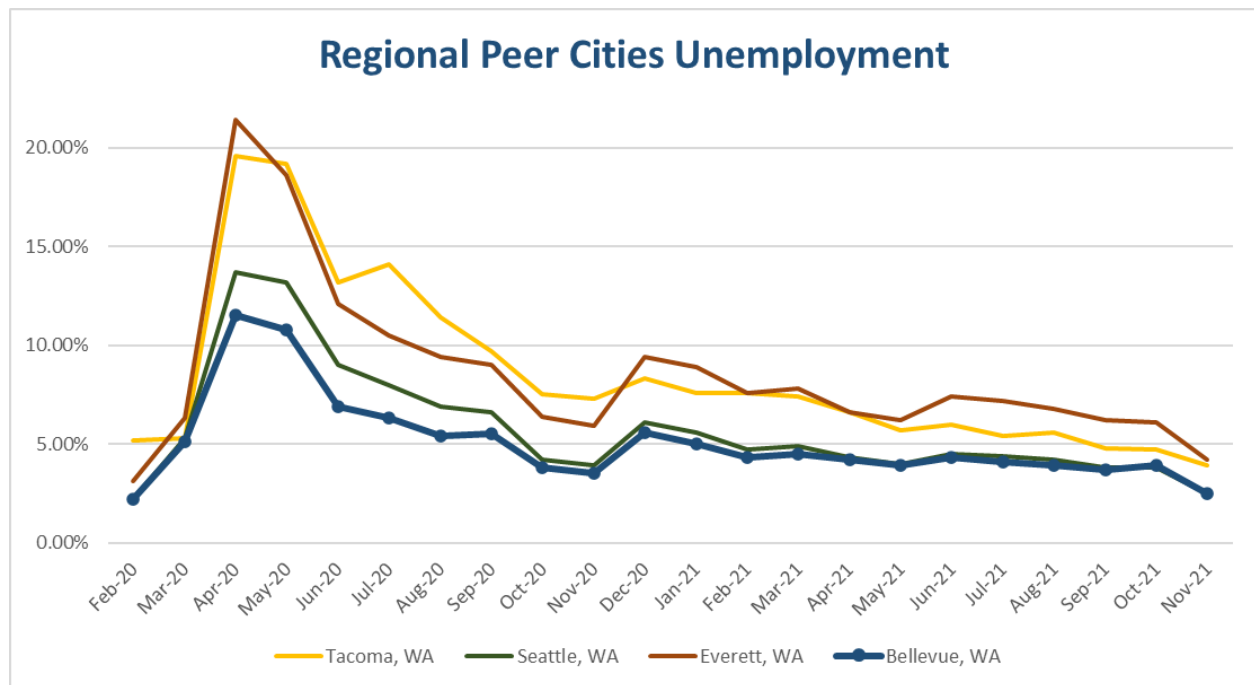
Overall, the City's economy continues to be strong and grow, reflected in a stable office market and the continuing affordability challenges for smaller businesses. Tourism continues to struggle due to the impacts of the Omicron variant. Continuing existing work on business engagement, workforce, tourism, and partnerships will help position Bellevue for sustained recovery and long-term success.

BELLEVUE'S ECONOMIC RECOVERY: The impacts of the COVID pandemic continued through the end of 2021 with the rise of the Omicron Variant. The impact was most notably felt by small businesses in the creative economy, retail, and hospitality sectors. Staff continues efforts to connect businesses to available forms of relief and assistance. Compared to regional and national benchmarks, Bellevue continues to perform well in both unemployment and commercial real estate.

Unemployment:

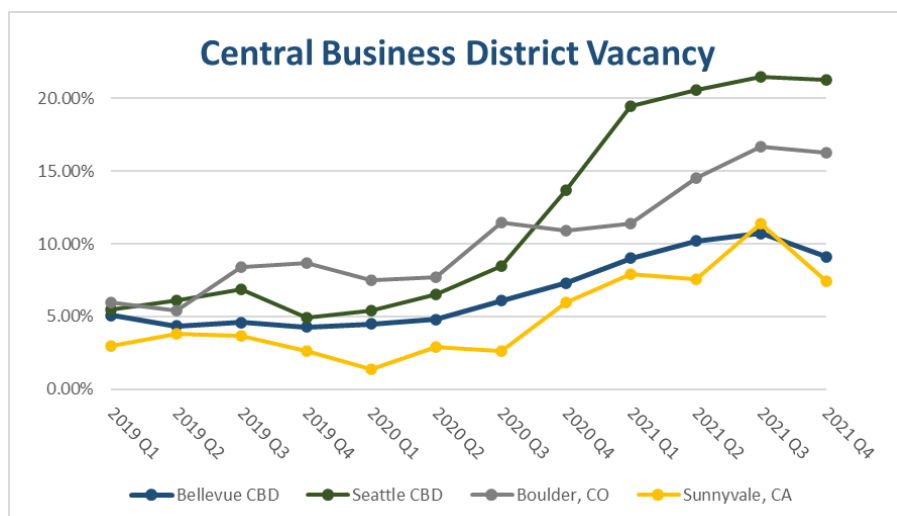
Bellevue's Year-End unemployment rate dropped to 2.5 percent in November 2021, down from 3.9 percent the month prior. Bellevue's unemployment rate in November was largely in line with national peer cities that range between 1.9 percent-5.8 percent and below the regional MSA unemployment rate, as shown in the charts below. November 2021 represents the first month where unemployment reached pre-pandemic levels.





Commercial Real Estate:

Over 2021, Bellevue's office vacancy rate has remained flat at 9–10 percent. While higher than historical rates, Bellevue continues to outperform regional and national peers, with many professional brokers pointing to Bellevue's commercial office market as one of the strongest in the nation. Disparities do exist in the market, with the lowest vacancy rates being present in Downtown and BelRed, and the highest in the Eastgate business district. CED plans to address these disparities by focusing business engagement activities in Eastgate in 2022. Increased sublease availability in the market has allowed small and mid-sized office tenants to acquire space where previously space was much harder to acquire. Bellevue continues to have a strong new construction market with over 1.2M SF of new office space coming online in 2021 and eight million square feet of office development under construction or permitting review, and another 4M SF in pre-development phases.

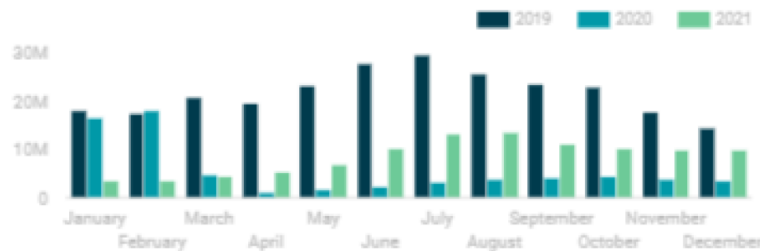


Tourism:

In 2021 Bellevue hosted 1,359,548 overnight visitors representing a 51% increase from 2020 but still 38 percent less than 2019. Overnight visitor spending in 2021 was just shy of \$408 million. While an improvement from 2020, spending is still 40 percent lower than 2019 spending of \$691 million.

The three-year trend (2019 – 2021) of Bellevue lodging revenue.

Bellevue lodging revenue **2019 = \$261.6m** **2020 = \$ 68.9m** **2021= \$ 103.2m**



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 and leads picked up substantially at the end of 2021. Staff continues to work closely with Greater Seattle Partners (GSP) to identify target companies to attract to Bellevue. Tech companies increasingly view Bellevue as an attractive place to do business. However, affordability is a barrier in attracting non-well capitalized businesses, particularly SWMBE businesses. Multiple SWMBE and creative business leads have not moved forward due to issues locating affordable space.
- 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 including continued positioning of Bellevue as a global innovation hub for technology businesses.

2021 Marketing and Business Attraction Metrics	Year Goal	Year End Actual
Number of Trade & investment missions	1	1
Number of Company leads (national and international)	10	12

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

- Business Relations: In 2021, Staff engaged with over 50 businesses including 14 major employers. Additionally, through a partnership with the Bellevue Chamber of Commerce, staff conducted door-to-door walking visits with over 30 businesses in the Crossroads Business District to provide information on business assistance programs.

- **Business Survey:** The 2021 Business Survey found that 92 percent of businesses rated Bellevue's economy as better than other cities, and there was a 9 percent increase in likelihood of recommending doing business in Bellevue. Top level findings were presented at a November 8, 2021 Council Meeting and detailed findings can be found at <https://bellevuewa.gov/city-government/departments/community-development/economic-development/economic-data>
- **Small Business Relief Grants:** As part of the City's ARPA allocation, CED provided a \$500,000 Commercial Rental Relief grant program to the small business community. A total of 155 businesses and organizations applied for grants. The City's allocation funded 42 grants that met 38 percent of the demonstrated need. The awarded businesses represent diverse ownership across the industries most impacted by COVID-19.

2021 BRE Performance Metrics	Year Goal	Year End Actual
Number of company meetings	25	50
Number of major employer visits	5	14
Number of focus groups	2	1
Number of visits with WMBE-owned firms	5	6
Number of visits with creative businesses and orgs	5	5

SMALL BUSINESS AND ENTREPRENEURSHIP: *Enhance the small business and startup ecosystem in Bellevue to facilitate the growth of small business.*

- The 2021 Business Survey findings saw a 10% increase in small business rating of access to business support organizations and technical assistance.
- **(re)Startup425 Technical Assistance:** Bellevue businesses continue to receive free 1x1 business assistance through a partnership with Business Impact NW. Last year 85 Bellevue businesses were assisted with some returning multiple times for additional assistance and guidance.
- **Startup425 Program:** Startup425 Programming continued in a virtual environment and created programming to address digital marketing challenges of small businesses as well as concluded the second year of the Innovation Lab, a partnership with Bellevue College that incubated 13 minority or women-owned businesses.
- **Small Business Development Center:** Bellevue partners with OneEastside 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. In 2021, current advisor Shawn Palmer consulted 50 businesses that supported over 1,000 jobs.

2021 Small Business Performance Metrics	Year Goal	Year End Actuals
Number of businesses receiving assistance from SBDC	15	50
Number of businesses receiving assistance from BINW	75	85
Number of registrants in Startup425 Programming	250	338

TOURISM: *Partner with Visit Bellevue Washington, the City's official destination marketing organization to grow Bellevue's tourism industry.*

- Rock 'n' Roll Marathon: In Q4, staff worked with Visit Bellevue and assisted in the attraction and evaluation of the Rock 'n' Roll Half Marathon coming to Bellevue. Recently, CED led a study mission with select Bellevue Special Events Committee representatives to Arizona for a behind-the-scenes, hands-on experience of the Rock 'n' Roll Marathon. Over final preparations and production of the event, staff shadowed city counterparts and witnessed the operational details of the event in real life. These lessons learned and best practices will be incorporated into the event in Bellevue this September.
- Tourism Promotion Area: Outreach and development of the Tourism Promotion Area continue. Visit Bellevue has secured signed petitions from over 80 percent of Bellevue Hotels and an ILA with the City of Redmond is in development and expected to come to Council in Q2.
- City of Bellevue Noise Code Amendment: As the City continues to mature, residents and workers of all backgrounds have a growing desire to connect and celebrate. Many City planning efforts have received stakeholder input that there is a desire for more gatherings and celebratory activities throughout the city. This includes neighborhood gatherings and celebrations, multifamily tenant gatherings as well as events in our plazas and other public spaces to highlight our multi-cultural community and add additional vibrancy. In response to this feedback, CED staff completed a process and policy analysis regarding the noise code as it relates to special events and community activations under 500 people. This review identified minor changes that will better support smaller events and community activations while still limiting negative impacts to neighbors. At tonight's meeting, a separate agenda item will seek Council direction to initiate work on minor amendments to the Bellevue City Code Chapter 9.18, Noise Control Code, to better support smaller events consistent with the Economic Development Plan.

RETAIL: *Work with partners to support more robust and sustainable retail activity in Bellevue.*

- Retail Study: Staff is developing a scope of work for a retail study that will define the current and future retail needs of Bellevue to ensure a diverse retail mix throughout the City. The components of the study will include market analysis, district capacity building, land use code review, and auto services retention plan. The retail study is a key implementation step of the City of Bellevue Economic Development Plan.

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

- Workforce Development Specialist: In Q4, staff began recruitment for the new Workforce Development Specialist funded with 3-year ARPA allocation to assist with workforce recovery in alignment with the Workforce Chapter of the Economic Development Plan. This position will provide community assistance in navigating training, apprenticeship and employment opportunities as well work with partners to expand opportunities for the residents of Bellevue.

LOOKING AHEAD

CED will continue to build on the continued momentum of 2021 across all new focus areas to align and accelerate efforts through a collaborative approach with partners.

- Rock 'n' Roll Marathon corporate and community engagement launch in Q1
- Workforce Program launch to accelerate Workforce Chapter strategies in Q1
- Tourism Promotion Area ILA expected in Q2
- City-wide Retail Study will launch to assist in implementation of retail chapter strategies in Q2
- Noise Control Amendments to allow for expanded placemaking activations to be presented to Council in Q2
- Arts Space Study to launch in Q2

POLICY & FISCAL IMPACTS

N/A

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan (adopted 2020)