

**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 (CED) 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 Arts 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.

**EXECUTIVE SUMMARY**

Bellevue's cultural and economic activity continues to trend in positive directions, with a strong focus on visitor-supporting projects and place management. Q1 2022 saw positive return to office trends and confidence in Bellevue's commercial real estate market. A highlight in Q1 is the launch of the Eastside's first proactive workforce program, focused on providing job seekers with active navigation support. Working with regional workforce development agencies, training providers, and Bellevue's major employers, the program will help the community access the myriad resources available to them.

## **BELLEVUE'S ECONOMIC RECOVERY**

Return to office ramped up at the end of Q1 and has had positive impacts on economic recovery especially for the hospitality industry. Unemployment rate is down to pre-pandemic levels and confidence in commercial real estate is strong. The tourism industry is slowly returning, and CED is working with partners such as Visit Bellevue and BDA for targeted projects to welcome residents, visitors and workers back to activity in Bellevue.

- **Commercial Real Estate**

The first quarter of 2022 saw muted activity across the Eastside resulting from uncertainty around the Omicron variant. However, employers in Bellevue have quickly rolled out hybrid work models resulting in higher occupancy of office space by employees. Most major employers currently operating under a hybrid model with more than 50 percent of an employee's time being in the office.

Leasing activity was particularly strong among smaller tenants with eight leases signed ranging in size from 11k SF to 26k SF. Additionally, Mid Station Bellevue (Formally 110 Atrium) filled a large vacancy of 76k SF. This activity collectively dropped Bellevue Downtown's vacancy rate to 6 percent with strong leasing activity remaining in the pipeline.

Bellevue's development pipeline remains strong with 7.3M SF of space in the immediate pipeline and 12.48M SF in pre-application phases across Bellevue.

- **Tourism**

With the rise of the Omicron Variant, the tourism industry saw a slow start to 2022. In January, Bellevue's hotel occupancy was just 35 percent. However, by March hotel occupancy has increased to 53 percent, with Bellevue hosting 136,500 overnight visitors who spent an estimated \$41 million.

As mentioned on November 8, 2021, City staff is working with Visit Bellevue, One Redmond, and local hoteliers on the development of a Tourism Promotion Area (TPA) to support additional marketing and event incubation to support recovery and growth of the local tourism market. Work is progressing well with over 83 percent of hotels in support through the signing and submission of a petition for establishment. The next step in the process is for the City of Bellevue to develop an Interlocal Agreement (ILA) with the City of Redmond, as required under state law. Staff is working with counterparts at the City of Redmond on a draft ILA and other legislative documents, which will be brought to Council for consideration in the coming months.

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

- **Workforce Development Specialist:** At the end of Q1, the City of Bellevue hired an inaugural workforce development specialist. Pranaya Sathe joins the Cultural and Economic Development team to advance the strategies in the Workforce Chapter of the Economic Development Plan. This includes providing workforce navigation services to residents, collaborating with local/community partners to identify resources and opportunities for engagement, and forming relationships with employers throughout the City to expand internships, apprenticeships, and other work-based opportunities with a focus on technology career pathways. This position is a three-year LTE, funded with Federal recovery funds.

- Career Navigation Services with Mini City Hall Office Hours: In May, CED began piloting in-person career navigation services to help residents find the best matching resources for their career needs. Office hours at Mini-City Hall will provide more direct and accurate provision of workforce services and be an opportunity to better understand needs to inform continued program development.
- Promotion of Tech Career Pathways: Bellevue is a global innovation hub with leading technology companies looking for skilled employees. The workforce program will inform residents of the various pathways available for technology upskilling. This includes degree and certificate programs from our educational institutions, a variety of free and paid tech skill training programs as well as employer-based programs. The workforce navigation specialist will work closely with Bellevue College, GIX, other educational institutions, and employers to understand opportunities and career pathways for the community as well as available employment resources.

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

- Business Retention and Expansion Meetings: In the first Quarter of 2022, staff conducted 16 outbound business relations meetings among Bellevue small and mid-sized employers with the goal of better understanding the business community's successes, pain points, and opportunities for partnership. These meetings are intended to provide qualitative context to the 2021 Business Survey's quantitative findings and develop strong, collaborative relationships within the business community.

Businesses interviewed routinely pointed to their access to talent, specifically tech talent, in the Puget Sound region as a benefit to doing business in Bellevue. However, a continuing trend among mid-sized and smaller employers is their difficulty competing with major employers in attracting general business services employees (Ex: marketing, finance, administrative skillsets). Bellevue's major employers often have advantages in both direct compensation and general "prestige" over mid-sized and smaller employers resulting in difficulty recruiting staff. These insights inform workforce development efforts including promotion and development of internships, work-based learning, and upskilling programs.

- Technology Sector Trends: Technology companies continue to be drawn to Bellevue and perform well. The City has recently welcomed Snapchat, joining other high-profile newcomers Chewy and ByteDance who continue hiring after entering the market. As a reflection of Bellevue's continuing strength as an innovation hub, T-Mobile recently opened a 24,000 square foot 5G technology incubator in the Spring District. This expands Bellevue's position as a premier market for the 5G technology cluster. T-Mobile's new facility is close to the 5G Open Innovation Lab now housed at the GIX building. Together these two facilities help brand BelRed as a growing innovation district.

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

- Small Business Walks: To best reach small businesses across the City, CED has launched a small business walk program. This effort is intended to meet businesses where they are, to share helpful

information on business resources, build relationships and contacts for future programs such as the retail study. Small business in the Eastgate Shopping Center, BelEast Shopping Center and Factoria Area have been visited with more to follow. Often, establishing a trusted connection to businesses requires multiple visits and conversations. The first visit is a warm introduction to the City and resources available, and to collect appropriate contact information for follow-up. Staff will partner with a variety of organizations to assist in fostering trust and engagement through outreach efforts.

- Culturally Competent Delivery of Service: Unfortunately, companies owned by women and people of color have been far less likely to benefit from business resources due to a wide variety of barriers, including awareness, experience accessing government programs, and language barriers. Staff is actively meeting with community-based organizations and trusted community partners to understand needs and opportunities to reach our diverse businesses. This includes participating on the program design committee for the new, regional Trusted Community Partner Network (TCPN). This regional program is intended to bring together existing community-based organizations and trusted community messengers in a supported network in order to best connect businesses in their diverse communities to the business assistance, resources and programs available to result in more culturally competent delivery of service and improve equity.
- Mini City Hall Office Hours: In 2021, Mini City Hall received 1,506 inquiries related to business and employment. In order to better reach sole proprietors and microenterprise businesses through culturally competent delivery of service, Cultural and Economic Development will pilot onsite office hours at Mini City Hall. This will facilitate connection with businesses that find information through this trusted location, and better provide them with the resources to help them thrive.
- Startup425 Program Administration: In 2023, the City of Bellevue will resume administration of the Startup425 Program. Staffing and capacity changes at the City of Kirkland necessitated this change, which is also an opportunity to realign the program to fill gaps within the current entrepreneurship and small business assistance ecosystem to provide relevant, inclusive, and equitable programming.

**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.*

- Downtown Place Management Partnership: CED continues to partner and support Bellevue Downtown Association place management efforts. 2022 programs will include additional street furniture (tables, chairs, and umbrellas) along the Grand Connection and a pilot wayfinding program, among other efforts. The goal is to build connections between people and place, with a particular focus on improving the downtown experience as people begin to return. In the coming years, the City will continue to partner with BDA on efforts to implement its new strategic plan, which is currently in development. The strategic plan may include changes to the BDA's program model and identify ways to grow the organization's budget and impact. Downtown organizing delivers Citywide benefits, such as increased visits, consumer spending, and associated B&O and

sales tax revenue. It also helps retain businesses and jobs and encourages repeat visitation, leisure, and recreation.

- Arlington Study Tour: In late April, City staff and officials joined other Bellevue stakeholders for the BDA Study Tour of National Landing in Arlington, Virginia. The study tour is a follow-up to a 2019 visit by City staff to learn more about how that community was managing growth and its relationship with major employers. Arlington is also a benchmark community for Bellevue in economic development due to its similar history growing from a bedroom suburb to become the second city for the Washington, DC area, with a strong presence of large technology employers. These tours are designed as a collective learning experience to gain insights and innovative ideas related to downtown city building, economic development, and emerging opportunities and trends. This year's study tour was particularly relatable as the destination has a similar experience with the growth of Amazon.

## **LOOKING AHEAD**

Tonight's presentation provides an update on a smaller subset of cultural and economic development activity. Staff continues collaborative partnerships and programming on several other fronts. Notable items in the coming months include but are not limited to:

- BDA Strategic Plan
- Tourism Promotion Area Interlocal Agreement and formation legislation
- City-wide Retail Study
- Arts Space Study
- Arts District Committee Development
- Outdoor Dining Program
- Rock 'n' Roll Marathon corporate and community engagement

## **POLICY & FISCAL IMPACTS**

N/A

## **OPTIONS**

N/A

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

N/A

## **AVAILABLE IN COUNCIL LIBRARY**

Economic Development Plan (adopted 2020)