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TO: Mayor Robinson and City Councilmembers

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Community Development Department

SUBJECT: Third quarter update on the City's recent economic development activities and progress on implementing the 2020 Economic Development Plan

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 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. These actions are critical to creating a physical and regulatory environment that attracts talent and investment. CED staff often serves as subject matter experts on these efforts.

EXECUTIVE SUMMARY

Bellevue's cultural and economic activity in Q3 remained mixed, with Bellevue seeing positive trends in tourism, no change in overall employment statistics, and continuing negative trends in the commercial office market. CED has maintained standard business retention and expansion work and continued to advance much of the work outlined in Q2, including Tourism Promotion Area (TPA) creation, scaling of Bellevue's workforce development program, small business support including Startup425, and launch of retail study work.

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:** In Q3 2022, staff conducted 10 outbound business relations meetings among Bellevue's large and mid-sized employers to better understand the business community's successes, pain points, and opportunities for partnership. These meetings provide qualitative context to available data and develop strong, collaborative relationships within the business community.

Businesses interviewed continue to be broadly optimistic about doing business in Bellevue, however disparities exist among employer size. Major employers interviewed in Q3 continue to have low office utilization rates. Small and mid-sized employers have higher office utilization rates and in some cases have demand for new space. Staff continues to meet with employers to outline the value proposition of office space, including access to amenities, transit connectivity, and access to talent. In addition to office utilization, employers remain interested in employee amenities, workforce development programming, and transit.

- **Business Attraction:** In Q3 2022, Bellevue realized two attraction projects conducted over the course of the year. Spaceflight, a commercial satellite manufacturer opened their new 48,000 SF headquarters and manufacturing facility in Eastgate. Databricks, an AI enterprise software company, opened a satellite office in Downtown in Q3. Additionally, staff successfully retained an expanding employer in Downtown Bellevue resulting in a 20,000 SF lease expansion. City staff will continue to collaborate with Greater Seattle Partners, brokers, and others on business attraction activity in addition to expanding efforts in Q4 and beyond.

- **Commercial Real Estate:**

Bellevue's commercial office market is seeing increasing negative trends resulting from macroeconomic forces and hybrid work. While commercial office vacancy was only up .3 percent in Downtown in Q3, future lease expirations and a large amount of available sublease space both have the potential to drive up vacancy in the absence of robust demand for space. According to brokers and CED leads, there is little demand for large footprint office space in the market.

District	Vacancy
Downtown	6.3%
Eastgate	13.8%
Citywide	8.1%

Demand for smaller footprint spaces, particularly from small and mid-sized employers, remains present in the market,

Company	District	Square Feet	Lease
Expeditors	Eastgate	+61,900	New
Infosys	Eastgate	29,990	Renewal
Chempoint	Downtown	23,343	Sublease
Walmart	Downtown	19,871	Sublease
SunPower Corp.	Downtown	+17,969	New
ZS Associates	Downtown	10,796	Sublease

however it is unclear if this demand can absorb potential givebacks from major employers.

Amazon's and Microsoft's recent announcements have had a cooling impact on Bellevue's commercial office development pipeline with many developers opting to

delay development of new office projects. Some office projects are exploring switching to residential, and multiuse projects are opting to phase residential before office.

TOURISM: *Promote Bellevue as a destination of choice by promoting and developing events, activations, and unique assets*

Bellevue's tourism industry continued its recovery to pre-pandemic levels of activity with hotel occupancy sitting 3 percent below pre-pandemic levels.

Metric	August 2019	August 2022
Occupancy	76%	79%
Visitors	196,338	205,502

Council received an in-depth update on the TPA on November 28, and staff continues to work with Visit Bellevue, City of Redmond, One Redmond, and local hoteliers on the development of the Tourism Promotion Area (TPA).

WORKFORCE DEVELOPMENT: *Expand access to education and work-based learning opportunities that lead to industry certifications, degrees, and local job placement.*

In Q2, Bellevue's inaugural workforce development program began directly serving Bellevue residents for the first time. Broadly, Bellevue's labor market is robust with an unemployment rate well below the national peer city average, however the City's labor force participation rate remains well below peer city rates. CED continues to adjust programming to better serve and reach residents in this pilot program.

This program is a three-year pilot funded with Federal recovery funds.

- **Resident Services**

In Q3, staff continued serving residents by holding weekly office hours at Mini City Hall in the Crossroads shopping center and collaborated with local/community-based organizations to table at cultural events.

Metric	Bellevue	National Peer Avg.
Unemployment	2.6%	3.0%
Labor Force Participation	67%	71%

The program served 25 residents in Q3 with referrals to training providers, resume assistance, and other navigation services in pursuit of employment and upskilling. Tabling at cultural events and providing in-person outreach has led to a large uptick in resident inquiries, particularly among communities of color. Additionally, staff has supported organization of the Eastside job fair to provide direct employment opportunities for residents.

- **Employer Services**

In Q3, CED continued to develop partnerships between employers and workforce development partners, including connecting three employers to potential internship programs in partnership with the Global Innovation Exchange. In addition to these connections, CED will continue to work with employers to connect them to the appropriate training providers including Bellevue College, Apprenti, and the Seattle-

King County WDC to develop meaningful training pathways for these employers and Bellevue residents.

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

- **Small Business Walks:** CED has continued its existing small business walk program in Q3. This effort to meets businesses where they are is to share helpful information on business resources, prevent business displacement, and build relationships. These walks often align with other City initiatives; in Q3, CED's business walks were conducted in Wilburton in partnership with Planning to obtain feedback on the Wilburton Vision Implementation process. This program builds trusted connections with businesses via multiple visits and conversations; also in Q3, CED revisited creative businesses in BelRed contacted in Q2.

Metric	#
Businesses Contacted	54
Shopping Centers Visited	3

- **Startup425 Program Administration:** Startup425, previously administered by City of Kirkland, will be administered by City of Bellevue starting in 2023. The five-city partnership has engaged a consultant to conduct a needs assessment that will provide insight into gaps in the region's small business support network to ensure the program provides relevant, inclusive, and equitable programming. The final report is expected to be complete early December and will inform 2023 programming. Additionally, staff is working to update the 5-city Inter-Local Agreement (ILA) to reflect changes in administration.

RETAIL: *Retain and recruit a healthy and diverse retail mix, preserve and create space for independent retail, neighborhoods services, and experiences.*

- **Retail Study:** CED has onboarded a consultant (Community Attributes and Greensfelder Real Estate Strategy) to undertake a study of Bellevue's Retail market. Staff previously received feedback from Council in May 2022 on the scope-of-work issued with the RFP. This study will provide market analysis and policy and programming recommendations to support the provision of services (including culturally relevant services) for residents, small & independent businesses, and retain auto related businesses. As a part of the study, the consultant is required to develop and execute an equitable engagement plan. This study is expected to be completed in May 2023. Over the course of the study, findings will be used to inform existing planning projects including the Wilburton Vision Implementation, BelRed Look Forward, and Comprehensive Plan.

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.*

- **Old Bellevue Merchants Association (OBMA):** CED continues to partner and support OBMA in expanding programming and capacity. Notably, the Old Bellevue Fall Wine Walk on Main was back after an extended hiatus. The event was successful with more than 500 tickets sold—a total sell-out. CED will continue to support OBMA in developing programming as the holiday season begins.
- **BelRed Arts District Association:** CED staff have been convening community stakeholders in the BelRed Arts District to develop a formal management organization for the district, most likely a 501c3 nonprofit. This initiative will establish a management structure, provide marketing, events management, and support for the artists, nonprofits, and creative economy businesses in the district. Council will receive an in-depth report on BelRed Arts District in Q1 of 2023.

LOOKING AHEAD

Tonight's management brief 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
- Updating and Simplifying Startup425 Interlocal Agreement
- Artspace Affordable Artist Housing / Arts Market Study
- Arts District Committee Development
- Bellwether Management Contract
- Consultant's work on Retail Study
- Grand Connection Implementation Work