

February 16, 2016

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Supporting Bellevue's Startups and Entrepreneurs

STAFF CONTACTS

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POLICY ISSUES

City Council adopted a new Economic Development Plan on July 7, 2014. The Plan outlines a set of strategies to focus the City's economic development efforts, under the overarching vision:

Bellevue is a prosperous and vibrant international city with innovative and entrepreneurial businesses and a high quality of life for residents.

Tonight's Study Session will provide Council with an overview of the Office of Economic Development's analysis of Bellevue's startup community, proposed areas where the City can provide leadership and support and a recommended initiative to establish programs to support startups and entrepreneurs throughout the Eastside.

DIRECTION NEEDED FROM COUNCIL

☐ Action
☐ Discussion
☒ Information

This update is for information purposes; no Council action is requested at this time.

BACKGROUND/ANALYSIS

A vibrant economy benefits all residents through increased employment opportunities, expansion of business services, contributions to the local tax base, and overall community enrichment. When Bellevue's workers can start and grow businesses, the entire community benefits.

Bellevue's 2014 Economic Development Plan includes an emphasis on entrepreneurship. The City's Diversity Advantage Plan also includes a recommendation to "Improve regional efforts to support entrepreneur and small business creation, including training, loan assistance, mentoring opportunities, gathering spaces, and networking" and a separate recommendation to "reinvigorate the Bellevue Entrepreneur Center." In May 2014, Council approved a motion directing staff to explore the City's ability to support a funding portal.

FINDINGS

In response to Council direction, the Office of Economic Development (OED) commissioned BERK Consulting to research Bellevue's startup community and evaluate the possibility of publically supporting equity crowdfunding tools for startups. The subsequent report recommended the City not pursue crowdfunding. Instead, the City should focus on developing resources and establishing a stronger ecosystem to support startups. Based on BERK's findings, and OED's discussions with startups, we have found that:

- Equity investments fund only 1-3% of new firms, but the mentorship and networks provided by investors are equally or more valuable in building a sustainable company;
- Founders' understanding of finance options is sometimes limited;
- Investors' understanding of startups and how to invest in them is sometimes limited;
- Equity crowdfunding has not been utilized across the United States due to a number of factors such as perceived loss of ownership by the founders, the inability to keep the company nimble and flexible due to changing business conditions and the complexity of "exit events" due to multiple shareholders; and
- Developing and managing a crowdfunding marketplace website or portal requires staffing beyond current levels.

Throughout 2015, OED has continued to meet with local companies, interview entrepreneurs, and engage thought leaders on the best ways to move Bellevue's startup and entrepreneurial ecosystem forward and the role OED can play in that effort. Based on OED's discussions with the startup community, OED can play an impactful role in:

- Empowering entrepreneurs from diverse backgrounds to start and grow businesses;
- Encouraging an ecosystem that is equitable and open to a wide array of entrepreneurs;
- Providing support for workers making the "enterprise-to-entrepreneur" transition;
- Creating new opportunities for business owners to connect with investment capital;
- Increasing the visibility of Bellevue's startups; and
- Building a supportive innovation ecosystem to support the GIX program.

RECOMMENDATIONS:

Based on the City's economic development and community goals and existing gaps in the ecosystem, OED recommends the City of Bellevue should:

- Focus efforts on expanding educational and peer-to-peer resources for founders so that their businesses become sustainable long-term.
- Work with startups to help them become "globally conscious" and "investment-ready." Providing easy access to networking events with investors will provide help to a wider group of entrepreneurs within Bellevue.

Startup 425, a part of OED's 2016 work plan, is an initiative to address the gaps in Bellevue's and the Eastside's startup ecosystem. The initiative would be a partnership with Issaquah, Kirkland, Renton and Redmond to put in place a startup support structure that better reflects the

Eastside startup community and its needs. There are three initiatives planned for Startup 425 in 2016:

- Startup 425 Entrepreneur Center: The Startup 425 Entrepreneur Center will provide better access to fundraising, education and networks for founders so that they can determine the funding option that makes the most sense for their company. Through a startup certification program, Founders will have access to experts who can help them refine ideas, perfect pitches, prepare filing documents, or enter new markets. Providing access to free and low-cost services increases access for founders from non-traditional and diverse backgrounds. It also provides resources for entrepreneurs who may have businesses in non-tech or longer-term growth industries such as retail and food services.
- Startup 425 Global Bootcamp: The Startup 425 Global Bootcamp will help local and international startups become globally competitive. The program will provide traditional and peer-to-peer education and support for local and international companies to better understand and take advantage of US and global markets.
- Startup 425 Website: A specialized website will serve an integral role in the implementation of the Entrepreneur Center as well as the Global Bootcamp. Specifically, the website will provide startup resources for and direct entrepreneurs to additional information to help them launch their business. In addition, OED will examine incorporating a marketplace into the website. The marketplace feature would facilitate startup funding by providing an on-line site where startups who are “investment-ready” can connect with potential investors.

BUDGET:

OED recommends utilizing existing funds to support the initial implementation of the Startup 425 program.

CONCLUSION:

Startup 425 will fill a number of the gaps that currently exist in our startup ecosystem. Moreover, Startup 425 will reinforce the City’s goal that “Bellevue welcomes the world” by providing local and international businesses and founders with a solid pipeline of support to help them become successful.

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

Council Adopted Bellevue Economic Development Plan