

CITY COUNCIL STUDY SESSION

Bellevue Economic Development Plan – Economic Development Plan Update #7

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DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Tonight's Study Session will provide Council with an update on the Economic Development Plan process in response to COVID-19 impacts.

Staff requests direction from Council to return with a draft version of the Economic Development Plan.

RECOMMENDATION

Provide feedback for staff to return in September with a draft Economic Development Plan.

BACKGROUND & ANALYSIS

This is the seventh of nine discussions with Council regarding the updates to the City's Economic Development Plan. The 2020 Economic Development Plan update was last in front of the Council on February 24, 2020 to present high-level strategies. Staff was scheduled to present the implementation tactics on March 23, 2020, but that meeting was cancelled due to COVID-19 disruptions and corresponding public health orders. Over the last four months, the City's economic situation has shifted significantly, and staff has focused almost exclusively on COVID relief work, which highlighted the critical nature of many of the draft strategies.

The Bellevue City Council adopted the previous Economic Development Plan (the Plan) in July 2014. That plan focused on four direct strategies.

1. Cultivate Bellevue's Next Generation of Technology Entrepreneurs
2. Position Bellevue as a Pacific Rim Gateway
3. Strengthen Bellevue's Tourism and Visitor Cluster
4. Develop a Multi-pronged Economic Development Marketing Campaign

Under the Plan, the direct strategies provided direction for the highly targeted activities of Economic Development Staff. Each year, the Economic Development staff develops an Action Plan that summarizes the specific tasks, roles, resource requirements and partnerships needed that year to continue delivering on the current Plan's recommendations.

Since 2014, the Economic Development program has evolved to include the arts program and Visit Bellevue Washington (the City's destination marketing organization) has added organizational capacity to implement their 2017 Destination Development Plan.

Additionally, due to Bellevue's economic growth, the changing needs of Puget Sound businesses, and

the evolving nature of major sectors like technology and retail, a strategic update to the Economic Development Plan is essential for keeping the community prepared for the future.

In July 2019, Council approved eight objectives for the Economic Development Plan Update:

1. Identify ways to support the **creative economy**
2. Explore new opportunities to support **small business**
3. Support more robust **retail** activity
4. Identify best practices for integrating **new businesses** into the community
5. Support **capacity building** for community groups
6. Integrate key recommendations from **Tourism Plan**
7. Make the Plan easier to update
8. Support local **workforce development** options and programs

Based on the Council-approved objectives, staff worked with Avalanche Consulting to review previous studies and documents, perform a data analysis of Bellevue's economic position, and conduct extensive stakeholder outreach with more than 75 participants. These combined inputs help to inform the strategies and implementation tactics of the six focus areas in the updated plan.

In March, Avalanche Consulting was acquired by EY (formerly Ernst & Young), a global professional service firm who will complete the terms of the Contract. Our consultant lead Tony DeLisi remains with the project.

Impact of COVID-19 on the 2020 Economic Development Plan

The COVID-19 pandemic significantly impacted the global and local economies. In Bellevue, we saw non-essential businesses close due to the stay at home order and the unemployment rate rise to over 10 percent. As we emerge from the pandemic, impacts are still visible and evolving as businesses recalibrate their business models to fit the new normal.

Bellevue's economy was relatively resilient thanks to the high percentage of technology and professional services firms which allowed employees to transition to remote work more easily. The City's high education attainment and high-quality telecommunications infrastructure have enabled sizeable parts of the economy to continue unscathed. However, highly impacted sectors include retail trade, accommodation and food services, make up about 20 percent of Bellevue employment. These highly impacted sectors are also significant contributors to the City's quality of place, residents' quality of life, and general attractiveness for businesses and their employees, making their recovery important for Bellevue's long-term health. While the focus of CED work over the past four months has been on the immediate need in response to COVID-19, we inherently leaned on the findings and strategies that were developed through the Economic Development Plan process. The COVID-19 pandemic highlighted the value of many of the strategies that were developed for the plan and staff tested several implementation tactics to help provide an effective response to the COVID-19 impacts on local business.

Knowing that the new economic normal is still evolving, staff also instructed the consultants at EY to review Bellevue's draft plan in relation to the responses nationwide and the City's future needs. EY opined that the Plan, "continues to inherently provide a framework for addressing Bellevue's core economic development needs and goals. Across the country, COVID-19 has often exacerbated existing

economic development challenges versus creating new ones. With the Bellevue Economic Development Plan, the City had the foresight to focus on strategically important topics that have now become even more important following the pandemic outbreak.”

Therefore, staff recommends moving forward with the high-level strategies, but adapting the implementation tactics to support the nascent economic recovery. This will provide the City a higher return on investment and effectively lay the groundwork for growth-accelerating tactics when the time is right. While conditions will continue to change and the new normals are yet to be discovered, it is forecasted that recovery strategies will need to be the focus of the first two years of this five-year plan.

Measuring Bellevue’s Recovery from COVID-19 for a Shift to Growth Strategies

Conditions will continue to change in response to the COVID-19 pandemic and there will be “new normal(s)” to consider in defining what recovery looks like. Vigilance in continuously monitoring conditions and trends is vital as we track toward recovery success.

Economists are currently predicting it will be 2-3 years before economic indicators return to pre-COVID levels. For the purposes of this plan, the road to recovery will be recognized when the majority of Key Performance Indicators have sustained positive trending over a six to nine-month period and have regained more than 70 percent of their declines attributable to COVID-19. To ensure a robust and holistic recovery, staff recommend a quarterly review of indicators including:

- Unemployment Rate
- Job Growth Rate
- Sales Tax by Sector
- Admission Tax
- Startup 425 Participants
- New Business Starts
- Number of Visitors
- Building Permit Applications

In addition to measuring the raw metric, where possible staff will also monitor against the nation, region as well as the Plan’s benchmark cities. It is expected that the economy will likely rebound in fits and starts, so paying attention to the overall growth trends will be important to fully understand success toward recovery targets.

Recovery Strategies

To accelerate and ensure Bellevue’s economic recovery and growth, while also being conscious that the continuing impacts of COVID-19 are still being realized, strategies and associated tactics that the consultant and staff recommend be the immediate focus for the recovery phase are highlighted (in bold).

Capacity Building and Partnerships: Cities and regions with strong partnerships and organizational capacity are displaying the greatest resilience through the COVID-19 pandemic. In Bellevue, the pandemic has highlighted the importance of strong partnerships with local and regional organizations that can efficiently work together to deliver services to the business community. The relationship and

partnership development that has been advanced through the relief work should continue and be leveraged to put the city's growth back on solid footing.

Capacity Building and Partnership Strategies:

- 1. Work with partner organizations to be a more active convener on topics of importance.**
 - 1.1 Utilize a shared leadership model to convene, support and build the capacity of community organizations that the city can partner with.
- 2. Apply a partnership approach to strategies throughout economic development efforts to expand and improve service delivery.**
 - 2.1 Increase opportunities for community partners to assist or lead the visioning and implementation of economic development projects.
 - 2.2 Develop additional public-private partnership tools and funding mechanisms.
3. Increase business and employee engagement in the community. (Growth)

Workforce: Prior to the COVID-19 pandemic, the need for workforce development programs to reskill and upskill Bellevue residents was acknowledged and prioritized. Now the need has drastically increased with April unemployment reaching 10.5 percent and further increases forecasted. Addressing the needs of workers displaced during the pandemic is a top priority in all American cities. This topic is especially important because it disproportionately affects lower-income individuals and people of color, further emphasizing the need for equitable and inclusive workforce solutions.

Workforce Strategies

- 1. Expand access to education and experience opportunities within the city that directly lead to industry certifications, degrees, and job placement.**
 - 1.1 Work with service providers and employers to expand internship, apprenticeship and training opportunities.
 - 1.2 Encourage the development of a "Welcome Back Center" that fosters opportunities for residents to gain necessary experience to return to the workforce.
 - 1.3 Work with education providers and private industry to create a permanent presence for a four-year research university in Bellevue. (Growth)
- 2. Create stronger links between local employers, education and service providers, and residents.**
 - 2.1 Create a webpage with a list of regional resources that can be shared with Bellevue employers and residents to help connect them to training opportunities, service providers and jobs.
 - 2.2 Explore opportunities to fund a new position dedicated to Workforce Development on the Eastside.
3. Continue to expand transportation options. (Growth)

Small Business and Entrepreneurship: Nationally, small businesses are the most impacted by the COVID-19 pandemic, and businesses owned by people of color are disproportionately impacted within this subset. Small businesses especially those in the retail and hospitality industry have been severely

impacted by loss of business due to the Governor's Stay Home Stay Healthy order. Recognizing that small businesses are hurting significantly today and in turn will drive recovery in the future, best practices include boosting programs and resources for small businesses and entrepreneurs. Additionally, business starts have historically increased after a recession so programs to ensure small business success are vital.

Small Business Strategies:

1. **Work with partner organizations to expand access to technical training for entrepreneurs and small business owners with a focus on those of diverse backgrounds.**
 - 1.1 Work with Startup425 partners to expand the website as a centralized one-stop-shop with additional resources in multiple languages.
 - 1.2 Support efforts to expand in-person and virtual training options.
2. **Expand Bellevue's existing business retention and expansion program to build relationships with entrepreneurs and small businesses across sectors so they receive proactive services.**
 - 2.1 Promote business resiliency and preparedness by aggregating and promoting best practices.
 - 2.2 Streamline the city's approach to resolving business technical issues.
 - 2.3 Explore opportunities to fund a dedicated small business support position. (growth)
3. Encourage the preservation of existing spaces and the creation of new spaces that are suitable for small businesses. (Growth)

Retail: As we see businesses start to re-open in modified fashions, we are still discovering what the new normal will look like for brick and mortar retail and restaurant establishments, and what best practices for placemaking and retail district development may include. With traditional retail unlikely to return to "normal" in the short-term, cities are enabling creative solutions that encourage shopping, dining, and socializing in safe ways.

Retail Strategies:

1. **Retain and recruit a healthy retail mix based on local needs**
 - 1.1 Encourage capacity building at partner organizations that can support merchants in the city's retail destination districts.
 - 1.2 Work with partner organizations to develop and implement retail action plans that foster unique district identities and increased visibility for local establishments. (Growth)
2. Encourage the preservation of existing spaces and the creation of new spaces that are suitable for independent retail, neighborhood services, restaurant, and beverage establishments. (Growth)
3. Create contiguous, high-quality retail experiences in major employment centers by designating streets as active or non-active in future land use updates. (Growth)
4. Develop an auto services retention strategy that ensures a future presence for auto related businesses to preserve services for residents. (Growth)

Creative Economy: Creative Economy businesses have long struggled for funding and self-sufficiency across the nation and in Bellevue, and COVID-19 has made those struggles even greater. A survey by

Americans for the Art in March found that 62 percent of artists and creative workers became fully unemployed due to the pandemic and 95percent have experienced income loss. With lowered discretionary spending by consumers due to the poor economy, limitations on public events due to health concerns, and public and private art budgets tightening, it becomes challenging for many creative organizations to survive. Supporting the creative economy through the COVID-19 pandemic will require creative thinking and collaboration across public, private, and non-profit organizations.

Creative Economy Strategies:

- 1. Enhance Bellevue's leading position in the digital creative sector and encourage linkages with the traditional creative sector where possible.**
 - 1.1 Pursue regional collaboration that supports and promotes the creative cultural sector in Bellevue.
 - 1.2 Expand audiences for Bellevue's multi-cultural organizations and offerings.
 - 1.3 Partner with Visit Bellevue to create a High-Tech working group to foster collaboration and explore opportunities for technology focused festivals and events (Growth)
- 2. Develop the built and institutional infrastructure needed to position the BelRed Arts District as a major destination.**
 - 2.1 Establish a working group to convene, foster and promote the BelRed Arts District.
 - 2.2 Reduce barriers to arts uses and improve prioritization of the arts incentive for new development in the BelRed Arts District.
 - 2.3 Recruit an anchor arts-education institution to BelRed. (Growth)
 - 2.4 Explore options for the City to deliver multi-purpose creative arts spaces via public private partnerships. (Growth)
- 3. Promote and expand festivals, events and activities to grow the creative economy sector and promote a strong creative brand for Bellevue. (Growth)**

Tourism: Tourism is one of the hardest hit sectors by COVID-19. Travel restrictions, stay-at-home orders, and public health fears have led to almost complete stoppage of leisure travel, especially international travel. In April, the impacts of COVID-19 were felt by the Bellevue tourism industry with 24,900 visitors (-88percent) and just a 9.7 percent Citywide hotel occupancy rate (-85.7percent). As economies reopen, business travel may be expected to slowly resume, but many industry experts predict very slow growth in leisure travel until a vaccine is developed and consumer fear of exposure subsides. Staff will work closely with Visit Bellevue to monitor the return of visitors and assist in positioning Bellevue as a destination of choice as growth begins.

Tourism Strategies:

1. Develop more activities and product offerings that take advantage of the City's assets and proximity to regional activities. (Growth)
2. Facilitate development of expanded visitor-related facilities to increase the number of conventions, performances, and special events the City can host. (Growth)

Next Steps and Timeline

Based on tonight's feedback staff will proceed with continued development of the Economic Development Plan. Staff will return in September 2020 with a draft version of the Economic Development Plan.

POLICY & FISCAL IMPACTS

Policy Impact

The recommended strategies most closely align with and support the following adopted policies:

Comprehensive Plan

ED-1. Maintain a business climate that supports the retention and expansion of the city's economic base.

ED-2. Promote local businesses and locally produced goods and services.

ED-5. Develop and maintain regulations that allow for continued economic growth while respecting the environment and quality of life of city neighborhoods.

ED-11. Provide city leadership and direction to maximize the business retention and recruitment efforts of Bellevue's economic development partners.

ED-13. Promote on-going communication between city and private sector to help guide the city's marketing and development efforts.

ED-14. Recognize the economic development benefits of city and private sector investments in urban amenities like arts and culture, open space and recreational facilities, and high-quality urban design. Strengthen the city's assets in these areas as an explicit component of the city's economic development strategy.

ED-17. Develop an environment that fosters respect for all individuals and groups and promotes equal opportunity. ED-18. Promote opportunities for self-sufficiency for all Bellevue residents by encouraging employers to hire people with special needs and disabilities.

ED-20. Recognize retail strength as an engine of economic activity and a magnet for visitors.

ED-21. Support economic development in the city's commercial areas.

ED-22. Support efforts that promote tourism, hotel, retail and arts businesses.

ED-29. Encourage provision of life-long learning opportunities.

ED-30. Facilitate efforts of businesses and institutions to train workers for today's and tomorrow's jobs and support continuing education in the community.

ED-35. Promote and nurture entrepreneurial development in Bellevue by exploring ways to retain or create areas where small or emerging businesses can develop and flourish.

ED-36. Maintain and regularly update the Economic Development Plan to ensure the city's focus areas and goals are forward-looking and targeted while being flexible enough to be able to respond to market changes.

ED-37. As part of on-going Economic Development strategic planning, consider the use of organizational and financial tools or investments, including public-private partnerships where appropriate, to catalyze or leverage private sector and other resources to accomplish the City's economic development and land use vision.

The new strategies also build on the strong foundations put in place through implementation of the 2014 Plan. Adoption of the recommended strategies may inform future updates to Bellevue's Comprehensive Plan in 2023.

Fiscal Impact

Development of the Economic Development Plan comes from the general fund in the adopted 2019-2020 City budget. Initial implementation of the plan will be based on the existing 2019-2020 resource levels. Implementation of some strategies and tactics will be contingent on identifying additional resources in the future.

OPTIONS

1. Direct staff to work with EY to prepare a full draft of the Economic Development Plan based on the recommended strategies and implementation approach. Then return to Council in September 2020 to present those items.
2. Provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Economic & Demographic Scan
- B. Stakeholder Outreach List
- C. Focus Group Summaries

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan (adopted 2014)