

CITY COUNCIL STUDY SESSION

Cultural and Economic Development Quarterly Update on the program's activities.

Mac Cummins, Director, 452-6191

Jesse R. Canedo, Assistant Director, 452-5236

Philippa Marsh, Economic Development Manager, 425-7909

Community Development Department

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 their 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 Cultural and Economic Development (CED) staff often serves as subject matter experts on these efforts.

Q2 2021 EXECUTIVE SUMMARY

Q2 2021 marks the second quarter of the Economic Development Plan five-year implementation. Reopening efforts from the COVID pandemic have continued, and all recovery indicators are trending positively.

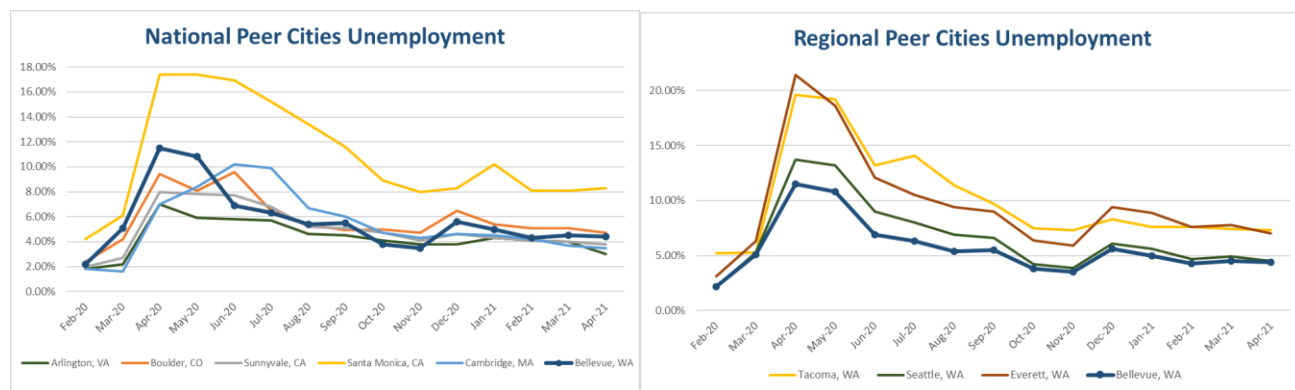
This Q2 update will provide a snapshot in recovery trends and focus on work in capacity building & partnerships including the Partners for Prosperity Plan and 5G Innovation Partnership Zone, entrepreneurship support, business attraction and workforce development. Future updates will focus on additional areas of work in the CED Portfolio.

Strategic prioritization of projects and flexibility continue to be necessary to optimize current staff capacity, partner capacity, and leverage immediate opportunities for both recovery and growth. Recent staff turnover within the division have created capacity challenges and work in several areas will be slowed or paused until new staff is onboard in Q3.

BELLEVUE'S ECONOMIC RECOVERY AND TRENDS: While Bellevue has not yet recovered to pre-pandemic levels, the City is showing steady signs of recovery. Many major employers have started a slow return to the office with more stabilized “in-office” occupancy anticipated in September. Many employers have adopted hybrid work from home models and the City, and its partners continue to implement activations and active marketing efforts to highlight Bellevue and remain the destination of choice for employer office space, employees, and visitors.

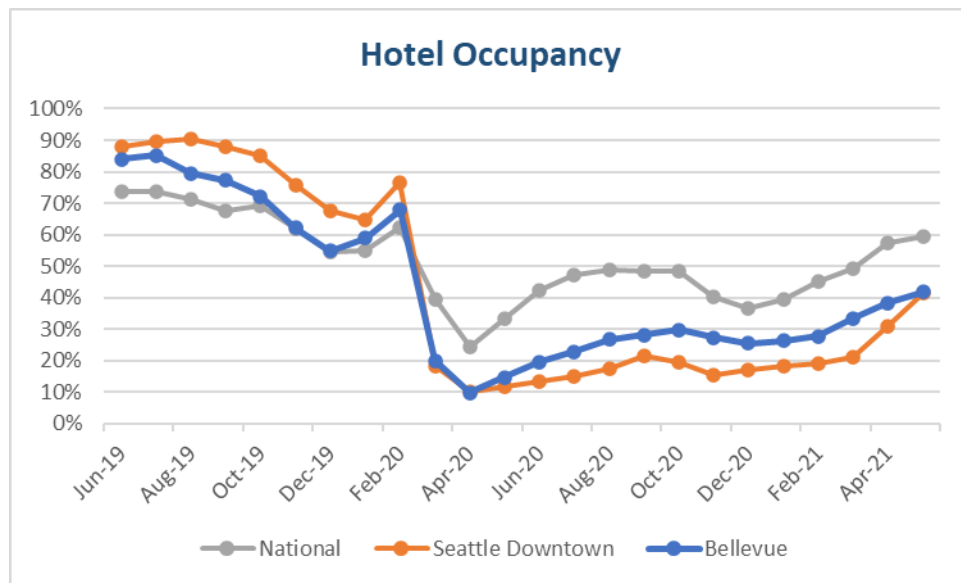
Unemployment:

Bellevue's April 2021 unemployment rate remained steady at 4.4 percent. Due to faster re-opening efforts across the country, peer cities saw a quicker lowering of unemployment rate. Bellevue still has the lowest unemployment rate in the region.



Tourism:

Late Q2 2021 has seen a strong and growing confidence regarding leisure and business travel planning. While Bellevue is still behind the national market because of the region's share of international tourists, the Puget Sound region is starting to see healthy recovery which is supportive of Bellevue's tourism market. Bellevue reached 41.7 percent hotel occupancy in May, the highest since the start of the pandemic. Visit Bellevue continues to increase paid advertising and marketing efforts to attract both corporate and leisure travel back to Bellevue. CED staff participates on the Visit Bellevue Advisory Board, Visitor Experience Committee, and Events and Festival Council.



Commercial Real Estate:

Commercial real estate reports note that there is an increase in tenant demand and signed leases. However much of recent activity has not yet been recorded and reflected in over market statistics. Over the next 18 months vacancies will continue to drop as recently signed and pending leases are recorded. At the end of Q2, the Bellevue Central Business District (CBD) vacancy sits at 8 percent with the entire Eastside Market at 9.61 percent.

CONTINUED COORDINATION OF RECOVERY EFFORTS:

Staff continues to coordinate and align with regional and local partners for accelerated recovery from the COVID-19 pandemic.

Partners for Prosperity Plan: Mayor Robinson and Councilmember Lee along with Bellevue staff participated on taskforces led by Greater Seattle Partners to develop an equitable and inclusive regional economic recovery framework. The Partners for Prosperity Plan reflect the contributions of 200 leaders from diverse backgrounds across public, private, and community organizations who volunteered their time and expertise during a one-year collaborative endeavor.

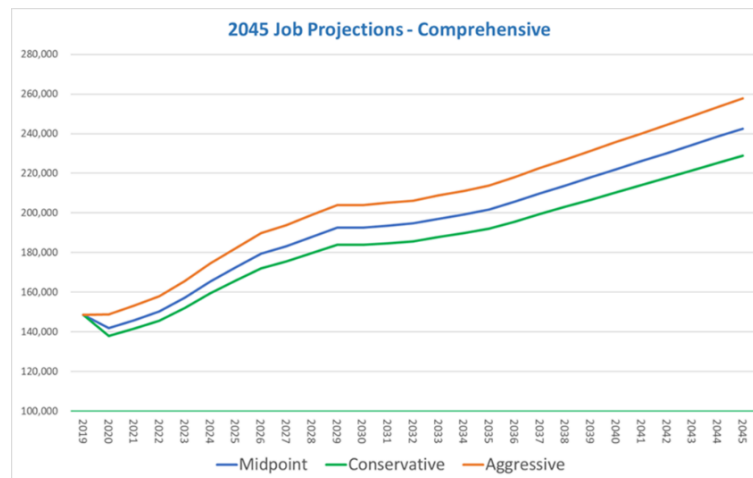
Ten signature initiatives were selected and meet the Task Force's criteria of being discrete, measurable, evidence-based, focused on equity, regional in scope, and backed by engaged public and private sector leaders. This portfolio of initiatives spans four inter-related areas of activity: job creation and business growth, talent development, business practices, and access to opportunity.

Each of these initiatives will be designed and carried out by a specific team of implementers, with a regional organization serving as project manager. These project managers, in addition to other key organizations, will continue to convene as "Partners for Prosperity," a group that will track metrics, raise funding, and identify opportunities for collaboration across initiatives. Project Managers and initiative design is continuing through Q3 of 2021. A future Council presentation will focus on the design of these initiatives and Bellevue alignment.

	Initiative	Initiative	Initiative
① Job Creation and Business Growth	Minority Business Accelerator \$10M	Equity Loan Fund for Scale-Up Firms \$15M (loan)	Business Attraction for Emerging Industry Clusters \$1M
② Talent Development	Shared Supportive Services for Earn and Learn Programs \$10M + \$2M loan	Expand Pre-Apprenticeship Training \$4M	
③ Business Practices	Corporate Racial Equity Coalitions \$6M	Apprenticeship Development for Mid-Sized Firms \$2.5M	Evidence Based Hiring Academy \$3.5M
④ Access to Opportunity	Job Hubs \$0.4M + \$8M loan	Childcare Expansion \$7.5M	

BELLEVUE'S ECONOMIC GROWTH TRENDS:

- Development and Commercial Transactions: In addition to the 9M+ square feet of office development in the pipeline, early 2021 also saw high investor interest. Brookfield Properties added to their Spring District portfolio with the acquisition of two additional buildings and Lake Washington Partners continued to expand their Eastside footprint with the purchase of Corporate Campus East. As tenant activity continues to increase the commercial real estate community predicts that investors will become even more confident in the Eastside market.
- Job Projections: CED staff is supporting City of Bellevue efforts in the Comprehensive Plan update job projections. Accounting for historical growth rates, the current development pipeline, anticipated redevelopment, and businesses' public announcements, projections show Bellevue gaining from 80k-100k total jobs, Citywide, over the next 25 years in an unregulated market. This growth would result in total employment potentially reaching 230k-250k by the 2044 planning horizon and require a total inventory of ~49M commercial square feet. From an employment perspective, Bellevue would be in parity with current-day Arlington, VA or about 40 percent of current-day Seattle.



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.*

- 5G Innovation Partnerships Zone (IPZ): In 2019, the City of Bellevue was the enabling municipal partner in what has become the most successful IPZ in the State of Washington. The 5G IPZ reinforces Bellevue as a global tech hub for emerging clusters and has grown to be a very successful public-private partnership. The expertise of the private sector has taken a lead in program implementation through the 5G Open Innovation Lab. Over 30 corporate partners support biannual cohorts of 15 to 20 early- to late-stage companies to become members of the 5G ecosystem. Forty-seven mix-staged companies have participated and the 5G Open Innovation Lab is currently selecting its fourth cohort of startups from around the world. As a municipal partner, CED often meets with companies to evaluate and connect to potential use case opportunities.

The City of Bellevue is supporting the 5G Innovation Zone and 5G Open Innovation Lab in grant funding opportunities for cluster growth. Currently, Washington State Department of Commerce is launching the inaugural statewide Innovation Cluster Accelerator Program to support the development of high-impact, high-value clusters built around Washington's industries of the future. The 5G IPZ has been targeted as a potential Super Cluster.

The work within the 5G Open Innovation Lab does not influence the regulatory side of 5G infrastructure deployment. However, through the Smart Cities initiative, the City is close to implementing permits for the inaugural 5G sites through the City of Bellevue Transportation Department.

- Downtown Placemaking and Events: Staff continues to work with partner organizations on placemaking activities and events to welcome residents, employees, and visitors to Downtown. September will be especially celebratory with the Downtown Art Market, Bellwether with the addition of an outdoor concert hosted by EastHub and continuation of Al Fresco dining on Main Street and on sidewalks across the City.
- Spring District Placemaking: The Bellevue Downtown Association has partnered with the Spring District to host Bellevue Beats on select Wednesdays in July and August. These concerts will be held in conjunction with the Bellevue's Farmers Market on the same dates so residents, employees and visitors can enjoy the activated space with live music, lunch and favorite vendors.

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

- Return to Office: Staff continues to work closely with employers and partner organizations in return to work plans and welcoming activities. Most major employers are signaling September as the start of the new normal.

- **Tech Industry Growth:** Bellevue remains a global epicenter for tech growth and is in close competition to the strongest in the region as measured by startup valuation. Currently, Bellevue is home to four of the region's ten Unicorn companies (companies valued at over 1 Billion) and Bellevue startups continue to secure funding and acquisition activity. Staff has met with many of these companies and continues outreach to ensure satisfaction in Bellevue's business climate and identify opportunities to support their continued growth. Additionally, staff is beginning to meet specifically with video game and interactive companies to understand needs and opportunities to elevate the awareness of Bellevue's gaming industry.

2021 BRE Performance Metrics	Year Goal	Year to Date
Number of company engagements	30	25
Number of major employer engagements	10	10
Number of visits with WMBE-owned firms	5	5
Number of visits with creative businesses and orgs	5	4

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

- **Continued COVID Recovery:** Q2 saw a needed shift from relief mode to recovery mode for small businesses and staff continued to provide information and resources necessary for businesses to reopen, recover stronger and be more resilient in the future. This is paired with the need and opportunity to foster entrepreneurship in the wake of the pandemic.
- **Lease Arrears Study Results:** CED recently partnered with Eastside neighbors on a survey, outreach phone calls, and data analysis to gauge the extent of commercial lease arrears in the region as a result of the COVID-19 pandemic. Lease arrears occur when businesses are unable to pay their commercial rent, usually due to lost revenue.

The study found that the commercial lease situation on the Eastside is starting to stabilize, with many businesses beginning to successfully mitigate their arrears with use of federal, state, and local loans and grants. Commercial property owners have granted substantial financial assistance during the pandemic period, including full or partial lease abatements, lease deferrals, and changes to lease requirements, such as operating hours. Outreach generally indicates that property owners and some businesses have taken additional financial burdens, and that any additional relief should be targeted in certain sectors which were heavily impacted by pandemic-related shutdowns, but which did not receive specific assistance in federal relief packages, such as health, fitness, personal services, and cultural nonprofit organizations.

- **Small Business Education Hub:** Supported with the City of Bellevue's Human Services Community Development Block Grant (CDBG) funding, the Small Business Education (SBE) Hub empowers micro and small entrepreneurs who are economically and socially disadvantaged through business technical assistance, coaching, and mentoring while assisting owners in creating livable-wage jobs, protecting their assets, developing equity and building a legacy for future generations. This contract began in June and metrics will be reported in future updates. In addition to City CDBG funding, CED staff assisted SBE Hub in applying for a

\$20,000 grant from the Washington State Microenterprise Association (WSMA), including some one-on-one application assistance. SBE Hub was awarded the grant in June.

2021 Small Business Performance Metrics	Year Goal	Year to Date
Number of business receiving assistance from SBDC	20	43
Number of businesses receiving assistance from BINW	100	55
Number of registrants in Startup425 Programming	500	225

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

- Bellevue's Workforce Profile: Bellevue ranks the 3rd best educated city among the nation's 200 largest cities. Bellevue's current unemployment rate is 4.4 percent which represents 3,309 residents. There are a variety of organizations funded through Bellevue's Human Services fund that provide services to help residents reenter the workforce. Also, of note is that 20 percent of Bellevue residents between the ages of 25 and 64 do not participated in the workforce. Of those not in the labor force:
 - 60 percent have a bachelor's degree
 - 42 percent have children under 18 at home
 - 75 percent are women
 - 62 percent are White | 35 percent are Asian

Workforce strategies will continue to examine reasons for residents not working and address the barriers to labor force participation. This year's business survey incorporated questions pertaining to availability of accessible childcare in Bellevue to understand the extend of the challenge and inform strategies.

- Bellevue Employment Services: In Q1, over 345 residents were assisted with employment services through seven City of Bellevue funded organizations. These individuals were assisted with employment services, spanning career assessment, job search, resume and cover letter writing, job applications, interview preparation and connection to regional training and job opportunities such as construction apprenticeships, and upskilling opportunities. Reported annually, the goal of many of these organizations is to have 75 percent of residents served report a job placement or continued training.
- Welcome Back Center at Bellevue College: Staff continues to stay in communication with Bellevue College on the implementation and expansion opportunity of the Welcome Back Center programing through a partnership with Highline College. CED Staff connected Bellevue College with Eastside for All for help in promotion of this opportunity to the Eastside immigrant community. The Welcome Back Center assists in the navigation of transferring internationally obtained professional credentials to be able to practice in Washington State. An event in June had 106 registrants for those interested in engineering/IT, healthcare, and general career services and job search. Participants' feedback was that they now have a roadmap to begin their training and job search. The Bellevue College Center for Career Connections will continue to assist the participants in successful credential transfer and job placement.

2021 Workforce Metrics	Year Goal	Year to Date
Number of residents receiving employment services	700	345
Number of residents receiving international degree transfer assistance	100	106

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.*

- CED Website Update: Staff made a significant update to the CED webpages to highlights Bellevue's business friendly climate, customer service and collaboration. Additionally, staff is developing a comprehensive Data Dashboard to showcase and highlight our competitive advantage as a place for doing business.
- Business Attraction Activity: Business site searches especially in the food and beverage industry have increased significantly and staff is actively responsive to brokers assistance and independent businesses interest in Bellevue.

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

- Tourism Promotion Area: In continued implementation of the Destination Development Plan, the Bellevue Convention Center Authority (BCCA) and Visit Bellevue Washington are exploring the creation of a Tourism Promotional Area (TPA) to secure additional funding to support the Bellevue tourism industry. A TPA is legislation enabling the collection of a self-initiated special assessment on room nights. This additional funding will support the development of an event incubator program to increase the number of tourism events in Bellevue. BCCA has hired a consultant to conduct independent stakeholder outreach. Visit Bellevue is the lead entity for this body of work and is actively engaging with hotels and relevant stakeholders across the City. Early feedback from hotels indicates an interest as this will also help accelerate tourism recovery from the COVID pandemic. If stakeholders reach consensus, Visit Bellevue anticipates bringing a petition to Council in late 2021 to formally establish the area.

LOOKING AHEAD

CED will continue to build on the continued momentum in Q2 across all new focus areas to align and accelerate efforts through a collaborative approach with partners.

- Staff continues to work with business assistance partners including the Port of Seattle, regional ADO, Startup425, BINW, SBE Hub, SBDC, OneEastside and Community Based Organizations to coordinate and expand programing related to equitable economic recovery for small businesses and entrepreneurs.
- Findings from the Biennial Bellevue Business Survey will be reported in November.

- Staff is participating on the Visit Bellevue Festival and Events Council to attract, incubate and grow festivals and events in Bellevue. CED staff is assisting in the evaluation of barriers to the Sound Code and Special Events Policy to help streamline permitting of events.
- Staffing departures have postponed the launch of the Retail Study, which is now anticipated to begin Q4 2021.

POLICY & FISCAL IMPACTS

N/A

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan (adopted 2020)