

Office of Economic Development

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www.seattle.gov/economicdevelopment

Department Overview

The Office of Economic Development (OED) seeks to foster an economy of sustained growth and productivity of businesses and increased prosperity of workers and enhanced standards of living for all Seattle residents—a growth that is robust, shared and enduring. OED supports a healthy business environment, empowers companies to innovate, grow and compete, while at the same time supporting low-income Seattle residents to develop their talent towards viable career paths. OED invests in five primary program areas: supporting entrepreneurs; building healthy and vibrant neighborhood business districts; developing the talent of youth and adults; attracting international investment; and investing in key industry sectors, exemplified by the work of the Office of Film and Music. The core services OED provides capitalize on Seattle's economic strengths, particularly in the industry areas of film and music, manufacturing and maritime, technology, startups, restaurants and hospitality, health care, life sciences and global health, and clean technology. To accomplish this mission, the office delivers services designed to:

- support the retention and growth of existing businesses;
- attract and establish new business via domestic and international investments;
- increase the number of low-income youth and adults who obtain the skills necessary to meet industry's needs for qualified workers;
- support small businesses and neighborhood business districts through direct funding, technical support and Business Improvement Area (BIA) formation;
- permit film and special events in a way that minimizes business impacts while ensuring public safety; and
- streamline and advance policies and practices and develop partnerships that lead to sustainable economic growth with shared prosperity.

In addition to these services, OED manages many financing programs to increase access to capital for projects from micro-loans to major capital lending. Among these financing tools are three federal programs: Individual Development Accounts (IDAs), a matched savings program in which the City provides Community Development Block Grant funds to low-income owned businesses that demonstrate savings and take business training courses; New Markets Tax Credits (NMTC) which leverage private investment in low-income communities through federal tax incentives; and U.S. Department of Housing and Urban Development (HUD) Section 108 loans which provide financing for economic development projects benefiting low and middle-income individuals. Through these programs, the department manages \$122,000 for IDAs annually, \$79 million of allocated NMTCs, all of which have been awarded, and \$34.4 million of HUD Section 108 loan capacity, of which \$9.8 million has been provided.

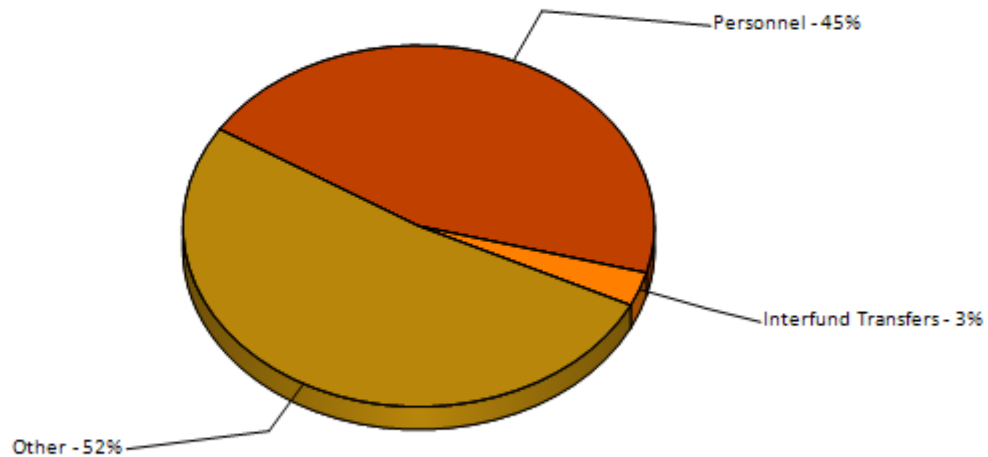
Office of Economic Development

Budget Snapshot

Department Support	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
General Fund Support	\$9,263,767	\$9,331,998	\$9,220,489	\$9,198,645
Other Funding - Operating	\$2,782,389	\$1,438,272	\$1,441,455	\$1,441,455
Total Operations	\$12,046,156	\$10,770,270	\$10,661,944	\$10,640,100
Total Appropriations	\$12,046,156	\$10,770,270	\$10,661,944	\$10,640,100
Full-time Equivalent Total*	31.00	35.50	35.50	35.50

* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

2018 Proposed Budget - Expenditure by Category



Budget Overview

The 2018 Proposed Budget continues the City's commitment to grow a more equitable economy by realigning OED's existing resources and adding funding to better address the needs of those being left behind by a rapidly expanding economy. The City is committed to a vision of an affordable city for residents and small businesses alike and this proposed budget for OED will include funding to improve the economic well-being of low-income adults and youth, transgender and gender non-conforming (TGNC) people, and small businesses.

Although the proposed budget results in a net reduction in funding due to a Citywide target reduction to address budgetary constraints, this is not indicative of recent trends for OED. With this proposed budget, OED's funding

Office of Economic Development

will have grown by over 8%, adding over \$700,000, since the 2014 Adopted Budget. Over this same period, OED grew by the equivalent of 10 full-time positions or almost 40%. These positions provide resources for OED to support department initiatives such as Access Seattle business outreach, enhancing Startup sector support, international business development, special events permitting, economic intelligence, youth employment, pre-construction planning and outreach for small businesses, and nightlife.

The proposed budget also makes a minor technical adjustment that results in net-zero transfer.

Equitable Economy

Although Seattle's economy continues to be one of the strongest in the nation, boasting high wages and a low unemployment rate, there are still many residents who struggle to gain a foothold. This is especially true for low-income youth and adults or people who suffer from discrimination. The proposed budget aims to improve the economic well-being of low-income working adults, vulnerable youth, and TGNC people.

The proposed budget will reallocate existing resources to support the College for Working Adults, in partnership with the Seattle College District. This program is designed to promote the success of working adults seeking certificates in technical and high-demand occupations.

The proposed budget will also reallocate existing resources to improve the City's efforts at helping low-income, often ethnic minority youth gain internships in the public and private sector. The 2016 Adopted Budget invested in a non-profit intermediary to support the development of the Youth Employment Initiative to improve the long-term employment prospects of low-income youth, aged 14-24. The reallocation within this program's budget recognizes efficiencies in the current program and aims to boost employer recruitment and help students prepare for their internships. There will also be an elimination of a consulting contract that is no longer necessary as the 2017 Adopted Budget added sufficient staffing capacity.

Finally, the proposed budget will add funding for a pilot expansion of a transgender economic empowerment program. The Ingersoll Gender Center, a local nonprofit dedicated to supporting transgender and gender non-conforming (TGNC) individuals, delivers programming to provide legal, housing, employment, and health care assistance to TGNC residents. TGNC people disproportionately suffer from homelessness, unemployment, and poor health care outcomes. The City expects this investment to help Ingersoll develop a more sustainable program model to continue to improve the economic well-being of TGNC people.

New Market Tax Credit Program Investment Changes

New Market Tax Credits (NMTC) are federal credits that incentivize community development and economic growth in low-income areas. The City created the Seattle Investment Fund LLC (SIF) in 2008 to apply for and receive NMTCs. The SIF earns fees from managing these projects and uses these fees to fund the City's NMTC programming and invest in small business projects to spur broader economic development. It is recommended that SIF use excess fee reserves to provide funding to address the commercial affordability needs of small business. This recommendation is one of the priorities identified by the Commercial Affordability Advisory Committee in 2016.

Since the SIF has not been awarded new NMTC allocations since 2016 and is unlikely to be awarded any new allocations in the near future, they will no longer receive fees to manage new projects. Although the SIF will continue receive fees for managing existing projects, there will be an ongoing loss to the City's General Fund.

Service Provider Contract Reductions

Due to budgetary constraints, the proposed budget will reduce three service provider contracts: Port Jobs, the AFL-CIO Worker Center, and the Downtown Seattle Association (DSA). The contract with Port Jobs will be reduced but will still provide enough funding for operational support of the program that aims to help Seattle-area residents gain airport-related employment. The contract with the Worker Center, an entity of the King County AFL-CIO, will be eliminated as the Worker Center program no longer exists. The contract with the DSA to provide certain types of direct assistance to small businesses in the downtown core will also be eliminated. OED does

Office of Economic Development

provide or fund other direct assistance to small businesses, including technical and financial assistance.

Technical Adjustment

There is a minor technical adjustment to transfer funding across account groups. This net-zero transfer will not impact policy or services.

Incremental Budget Changes

Office of Economic Development

	2018	
	Budget	FTE
Total 2018 Endorsed Budget	\$ 10,661,944	35.50
Baseline Changes		
Citywide Adjustments for Standard Cost Changes	\$ 11,156	0.00
Proposed Changes		
College for Working Adults	\$ 0	0.00
Improving Youth Employment	-\$ 25,000	0.00
Transgender Economic Empowerment	\$ 100,000	0.00
New Market Tax Credit Program Investment Changes	\$ 0	0.00
Service Provider Contract Reductions	-\$ 108,000	0.00
Proposed Technical Changes		
Technical Adjustment	\$ 0	0.00
Total Incremental Changes	-\$ 21,844	0.00
2018 Proposed Budget	\$ 10,640,100	35.50

Descriptions of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - \$11,156

Citywide technical adjustments made in the baseline phase reflect changes to internal services costs, health care, and industrial insurance charges for the department. These adjustments reflect initial assumptions about these costs and inflators early in the budget process. They also include minor adjustments to align resources with available CDBG funding.

Office of Economic Development

Proposed Changes

College for Working Adults

This item reallocates \$100,000 from the department's Seattle Jobs Initiative (SJI) contract to support the College for Working Adults (CWA) in partnership with the Seattle College District. This program makes it easier for low-income workers to continue with and complete their studies, improving their ability to earn better pay. This reallocation will not result in major service impacts to SJI.

Improving Youth Employment - (\$25,000)

This item includes the elimination of a consultant contract and a repurposing of \$100,000 within the budget for the Youth Employment Initiative (YEI) to better stabilize and grow the City's efforts at placing youth interns. OED no longer needs a consultant to provide additional capacity as it now has a full-time position to staff work related to youth employment.

The 2017 Adopted Budget increased funding of Educurious, the intermediary responsible for YEI employer engagement, to a total of \$600,000 per year. Educurious facilitates relationships between the City, employers, and interns and recruit employers. The budget recognizes efficiencies in Educurious' work which will allow OED to repurpose \$100,500 of their funding towards a pilot program in the Seattle Public Schools (SPS) and engage the Seattle Region Partnership (SRP) in enhanced employer engagement work. Up to \$50,000 will fund a pilot program to connect students with a career specialist who will provide career information, help students apply for summer internships or jobs and prepare for interviews. This pilot is intended to enhance the career connected opportunities afforded SPS students by identifying sector-specific experiences for youth. The remaining \$50,000 will support additional employer activities at SRP, to focus attention and interest on youth internship and jobs, generate employer engagement and convene employers around youth internships or jobs. The goal of this work is to generate new employer leads to Educurious to increase the number of internships and jobs offered through YEI.

Transgender Economic Empowerment - \$100,000

This item provides one-time funding for a pilot expansion of an existing program run by the non-profit Ingersoll Gender Center. The Center runs an economic empowerment project to help transgender and gender non-conforming (TGNC) residents receive health care, legal, and employment assistance. TGNC people are disproportionately affected by poverty, unemployment, homelessness, and poor health care outcomes. This pilot aims to support the organization to look for sustainable ways to expand their program and effectively measure its impact to better help TGNC people improve their economic well-being.

New Market Tax Credit Program Investment Changes

This item covers the City's participation in the New Market Tax Credit (NMTC) program. New Market Tax Credits (NMTC) are federal credits against federal income taxes that private investors claim in exchange for providing financing for the benefit of businesses or real estate projects in economically distressed areas. The Seattle Investment Fund LLC (SIF), an entity created by the City in 2008 to apply for and receive NMTCs, uses these credits to finance development of projects in economically distressed areas. The SIF earns one-time fees from the private investors to manage these projects and use these fees to fund the City's NMTC programming and invest in small business projects to spur broader economic development. It is recommended that SIF use excess reserves of \$881,000 to provide one-time funding for commercial affordability projects for small business such as tenant improvements and manufacturing incubator projects. This is in line with the priorities identified by the Commercial Affordability Advisory Committee in 2016.

The SIF has not been awarded new NMTC allocations since 2016 and is unlikely to be awarded any new allocations in the near future. This means the SIF will no longer receive fees to manage new projects, however,

Office of Economic Development

will continue to earn fees from its management of existing projects. This will result in a loss to the City's General Fund of \$117,000 in 2018 and will be an ongoing reduction. This reduction is reflected on the revenue side of the budget.

Service Provider Contract Reductions - (\$108,000)

This item includes reductions to three service provider contracts to meet budgetary constraints: Port Jobs, the AFL-CIO Worker Center, and the Downtown Seattle Association (DSA).

The Port Jobs contract will be reduced from \$73,000 to \$50,000. Port Jobs is a non-profit funded in part by the Port of Seattle that provides employment and training opportunities for Seattle-area residents seeking airport-related jobs. This cut will be less than 2% of Port Jobs' overall budget.

The King County AFL-CIO Worker Center contract is eliminated as the program dissolved in 2016. The Center provided readjustment services to employers and workers, including providing these services to the Seattle-King County Rapid Response Team to assist businesses and employers facing worker dislocation. With the dissolution of the Center, the Washington State Labor Council is now the labor representative on the Team and there are no anticipated service level changes for those who use these services.

The DSA contract is eliminated. Funding that was used for this contract will be reduced from \$50,000 to \$5,000 and the remaining funds will be reprogrammed to other higher priority contracts. The DSA contract helped fund a position to provide direct assistance to small businesses in downtown, including visits to women- and minority-owned businesses to help them problem-solve and gather information on business trends. There is no OED staff capacity available to replace these specific services; however, OED does provide or fund other direct assistance to small businesses including technical and financial assistance.

Proposed Technical Changes

Technical Adjustment

This item includes a net-zero transfer between account groups, moving \$250,000 from the unidentified account group to professional services.

Office of Economic Development

Expenditure Overview

Appropriations	Summit Code	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
CDBG - Office of Economic Development Budget Control Level	6XD10	2,782,389	1,438,272	1,441,455	1,441,455
Office of Economic Development Budget Control					
Business Services		7,700,904	7,939,217	7,797,586	7,670,709
Economic Development Leadership		580,313	556,519	571,040	672,903
Finance and Operations		982,550	836,262	851,863	855,033
Total	X1D00	9,263,767	9,331,998	9,220,489	9,198,645
Department Total		12,046,156	10,770,270	10,661,944	10,640,100

Department Full-time Equivalents Total*	31.00	35.50	35.50	35.50
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Appropriations By Budget Control Level (BCL) and Program

CDBG - Office of Economic Development Budget Control Level

The purpose of the Community Development Block Grant (CDBG) - Office of Economic Development Budget Control Level is to provide operating, grant, loan, and project management support to neighborhood business districts and community-based development organizations, as well as for special projects, for the goal of creating thriving neighborhoods and broadly-shared prosperity.

Program Expenditures	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
Economic Development	2,782,389	1,438,272	1,441,455	1,441,455
Total	2,782,389	1,438,272	1,441,455	1,441,455

Office of Economic Development

Office of Economic Development Budget Control Level

The purpose of the Office of Economic Development Budget Control Level is to provide vital services to individual businesses and economic development leadership to support a strong local economy, thriving neighborhood business districts, and broadly-shared prosperity.

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Business Services	7,700,904	7,939,217	7,797,586	7,670,709
Economic Development Leadership	580,313	556,519	571,040	672,903
Finance and Operations	982,550	836,262	851,863	855,033
Total	9,263,767	9,331,998	9,220,489	9,198,645
Full-time Equivalents Total*	31.00	35.50	35.50	35.50

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The following information summarizes the programs in Office of Economic Development Budget Control Level:

Business Services Program

The purpose of the Business Services Program is to provide direct services to businesses and to support a healthy business environment that empowers businesses to develop, grow, and succeed. The Business Services Program provides assistance navigating government services, facilitates access to capital and building management expertise, and invests in workforce development services focused on building skills that benefit individual job-seekers and support employers in key industry sectors.

	2016	2017	2018	2018
Expenditures/FTE	Actuals	Adopted	Endorsed	Proposed
Business Services	7,700,904	7,939,217	7,797,586	7,670,709
Full-time Equivalents Total	25.00	29.00	29.00	29.00

Economic Development Leadership Program

The purpose of the Economic Development Leadership Program is to lead the creation of the City of Seattle's economic agenda. The Economic Development Leadership Program develops targeted areas of focus for OED and relevant City and community partners; convenes a broad range of the businesses in the community to make informed decisions on economic policies; and strengthens the alignment of city, regional, state, and federal economic development activities.

	2016	2017	2018	2018
Expenditures/FTE	Actuals	Adopted	Endorsed	Proposed
Economic Development Leadership	580,313	556,519	571,040	672,903
Full-time Equivalents Total	4.00	4.00	4.00	4.00

Office of Economic Development

Finance and Operations Program

The purpose of the Finance and Operations Program is to provide leadership over daily office operations and financial, administrative, and human resource services to effectively accomplish OED's mission and goals.

	2016	2017	2018	2018
Expenditures/FTE	Actuals	Adopted	Endorsed	Proposed
Finance and Operations	982,550	836,262	851,863	855,033
Full-time Equivalents Total	2.00	2.50	2.50	2.50