

Office of Economic Development

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Department Overview

The Office of Economic Development (OED) seeks to foster an economy of sustained growth and productivity of businesses, shared prosperity and enhanced standards of living for all Seattle residents, a growth that is equitable, robust, and enduring. OED supports a healthy business environment, empowers entrepreneurs 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 four primary program areas: supporting entrepreneurs; building healthy and vibrant neighborhood business districts; developing the talent of youth and adults; and investing in key industry sectors, including both international investment and 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 manufacturing and maritime, technology, startups, restaurants, health care, life sciences and global health, clean technology, and the creative economy. To accomplish this mission, the office delivers services designed to:

- support the retention and growth of existing businesses;
- 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;
- streamline and advance policies and practices and develop partnerships that lead to sustainable economic growth with shared prosperity;
- attract and establish new business via domestic and international investments; and
- coordinate the permitting of film and special events in a way that minimizes business impacts while ensuring public safety

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: 1) 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; 2) New Markets Tax Credits (NMTC) which leverage private investment in low-income communities through federal tax incentives; and 3) 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.

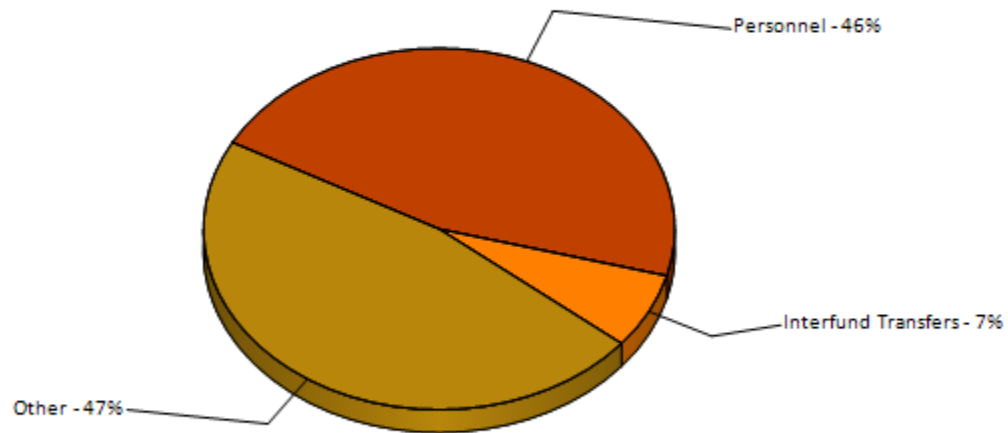
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Budget Snapshot

Department Support	2018 Adopted	2019 Proposed	2020 Proposed
General Fund Support	\$10,875,100	\$10,867,358	\$10,437,656
Other Funding - Operating	\$0	\$0	\$0
Total Operations	\$10,875,100	\$10,867,358	\$10,437,656
Total Appropriations	\$10,875,100	\$10,867,358	\$10,437,656
Full-time Equivalent Total*	35.50	35.50	35.50

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

2019 Proposed Budget - Expenditure by Category



Budget Overview

The 2019-2020 Proposed Budget continues to invest in the mission of the Office of Economic Development (OED), which is striving for a more equitable economy for the working families of Seattle. The Mayor's vision for a more affordable, inclusive future also requires that the City invest wisely.

Seattle Colleges Apprenticeship Pilot and Feasibility Study

In 2015, the office partnered with the Seattle College District to launch the Center for Working Adults (CWA), a program that helps low-income workers continue with and complete their studies to earn better pay. CWA

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provides working adult students with case management support to help students navigate the curriculum and financial aid application process. CWA also strengthens the ability of the Seattle Colleges to form new employer partnerships to help advance the careers of low-wage working adults, including partnerships with Kaiser Permanente, Swedish Hospital, and Amazon. Over 200 prospective students have benefited from this program since its launch. The proposed budget builds upon this success by adding one-time funding for a pilot and feasibility study to develop a program to increase apprenticeships in the building trades, a growing sector with well-paying jobs. This is timely considering the construction industry expects a regional annual labor shortage of 10% from 2018-2022.

General Fund Reductions

Building a city of the future requires difficult trade-offs. Overall, OED seeks to minimize the impact of budget reductions in any one program area. The proposed budget includes two categories of reductions: improvements to internal-OED operations and changes to enhance the efficiency of external contracts or consultants. Some reductions would be recommended in any fiscal climate. Looking internally, the proposed budget:

- Moves the Mayor's Youth Employment (MYEI) Initiative work in-house through two Term-Limited Temporary staff, achieving the same level of service as an external contract more efficiently.
- Repurposes existing funding for internships to maintain accounting support. The 2018 Adopted Budget included temporary accounting capacity to help OED transition to the new PeopleSoft 9.2 accounting system. This change allows OED to support daily operations using the new accounting system.
- Realigns to support small business, one of the Mayor's top priorities, by repurposing its current International Business position as a Small Business Advocate position. The international business work will be absorbed by existing staff capacity both within OED's Key Sector team, and the Office of Intergovernmental Relations.
- Decreases expenses on professional development opportunities, community events, the development of new materials, and various office equipment and supplies.

The second set of reductions focus on external contracts with community-based organizations and consultants. Specifically, the proposed budget:

- Reduces the discretionary contract budget.
- Right-sizes the green business outreach contract with the Environmental Coalition of South Seattle, which will be offset by a King County grant and funding by the Seattle Public Utilities.
- Targets efficiencies within the Seattle Jobs Initiative contract while avoiding reductions to staff or service delivery.
- Eliminates the Seattle Region Partnership contract for MYEI.

Community Development Block Grant (CDBG) Funding

The Human Services Department acts on behalf of all City departments as the custodian and grantee for funding from the U.S. Department of Housing and Urban Development (HUD). As part of the Citywide transition to the new accounting system in 2017, the CDBG fund was dissolved and the appropriations are now spread across multiple funds and departments where the actual costs are incurred. The 2019-2020 Proposed Budget includes \$2.9 million in appropriations for unspent entitlements from prior periods (carryforward) and changes to the 2019 and 2020 allocations.

The proposed budget for OED will include CDBG funding in the amounts of \$1,629,955 in 2019 and \$1,367,455 in 2020. The change from the 2018 Adopted Budget is a reduction of \$74,597 for annual Alpha Cine Loan payments which is being made in a lump sum in 2018, and an additional one-time \$262,500 for the King Street Station redevelopment project. The base CDBG budget continues to fund:

- Only in Seattle, which provides grants and services to foster inclusive neighborhood business districts that allow small businesses to thrive;

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- The Neighborhood Business District Planning, Technical Assistance & Staff Support Program, which provides staffing, technical assistance, planning and administration to support the Only in Seattle Initiative;
- The Small Business Support Program, which provides financial and technical assistance to qualifying small businesses and microenterprises; and
- If eligible, the development of a commercial affordability project at King Street Station as determined by the feasibility analysis and community.

Incremental Budget Changes

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	2019		2020	
	Budget	FTE	Budget	FTE
2018 Adopted Budget	\$ 10,875,100	35.50	\$ 10,875,100	35.50
Baseline Changes				
Citywide Adjustments for Standard Cost Changes	\$ 475,441	0.00	\$ 436,239	0.00
Adjustment for One-Time Budget Additions	-\$ 301,783	0.00	-\$ 301,783	0.00
Technical Changes	\$ 17,197	0.00	\$ 17,197	0.00
Proposed Changes				
Seattle Colleges Apprenticeship Pilot and Feasibility Study	\$ 128,000	0.00	\$ 0	0.00
Citywide General Fund Efficiencies	-\$ 83,300	0.00	-\$ 83,300	0.00
Reduce Discretionary Contracting Resources	-\$ 431,200	0.00	-\$ 431,200	0.00
Community Development Block Grant (CDBG) Adjustments	\$ 187,903	0.00	-\$ 74,597	0.00
Total Incremental Changes	-\$ 7,742	0.00	-\$ 437,444	0.00
2019 - 2020 Proposed Budget	\$ 10,867,358	35.50	\$ 10,437,656	35.50

Descriptions of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - \$475,441

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. This technical adjustment also transfers internal services costs for Human Resources, Finance and Administrative Services, and Information Technology from Finance General to the department. With this change, department budgets will better reflect support costs. Previously these costs were included in the Finance General budget.

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Adjustment for One-Time Budget Additions - (\$301,783)

This item includes budget reductions for one-time additions in the 2018 Adopted Budget: (\$100,000) for a transgender economic empowerment program; (\$100,000) in admissions tax funding for added capacity to support the local film and media industry; (\$75,000) for a Legacy Business Designation program and to provide resources for legacy and small business economic development programs; and (\$26,783) for backfill during Summit Re-Implementation.

Technical Changes - \$17,197

This item includes several minor technical changes: a net-zero transfer of health care costs from the Business Services budget program to Leadership and Administration; increases in personnel compensation due to reclassifications approved by the Seattle Department of Human Resources and a promotion (\$20,380); and a minor reduction of Community Development Block Grant funding to match available resources (\$3,183).

Proposed Changes

Seattle Colleges Apprenticeship Pilot and Feasibility Study - \$128,000

This is one-time funding for a pilot and feasibility study to develop a plan to increase building trades apprenticeships for low-wage students enrolled in the College for Working Adults program, a partnership between the office and the Seattle College District. The study will assess the need for new apprenticeships across the Seattle Colleges, especially for women, ethnic minorities, and Seattle Promise students. Considering the growth of construction activity in Seattle, especially North Seattle, the pilot is intended to prepare Seattle residents to land these construction jobs. There is interest in evaluating whether apprenticeship programs should be expanded beyond South Seattle to reach students in North Seattle where major construction projects are planned. This funding adds to the existing base contract funding of \$100,000 with the Seattle Colleges.

Citywide General Fund Efficiencies - (\$83,300)

This item includes three reductions to help the office meet its General Fund reduction target. Requests by the department were met with offsetting reductions:

This includes changes to the following contracts:

- Reduce the \$60,000 operations budget by \$13,300. This reduces general office support for professional development opportunities, community events, and information technology and supplies purchases.
- Repurpose the international business position, a Strategic Advisor 3, to support the addition of a similarly classed FTE to OED's Small Business Development team. In addition, reducing funding for the cost of the position by \$30,000 and eliminate the \$40,000 international business programming budget, which would no longer be necessary.
- Repurpose the full \$30,000 budget for communications internships to maintain existing accounting support. This support is necessary for the office to manage an increased volume and complexity of accounting transactions in PeopleSoft 9.2, an accounting system the City switched to in 2018.

Reduce Discretionary Contracting Resources - (\$431,200)

At the direction of the Mayor, the department pursued budget efficiencies by reviewing resources for discretionary contracts and consultants. The department identified \$431,200 in discretionary contracting reductions, a 10% reduction in its discretionary contract budget from the office's 2019 baseline. This reduction achieves efficiency in budgeting without service reductions.

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This includes changes to the following contracts:

- Reduce the office's \$50,000 discretionary contracting budget by \$35,000.
- Reduce the Office of Film and Music's \$30,000 discretionary contracting budget by \$3,700.
- Repurpose the \$600,000 contract with City's Mayor's Youth Employment Initiative employer intermediary, Educurious, to add City capacity to handle more of the intermediary scope of work and improve efficiency. This reduces the contract by \$130,000 while maintaining the same level of service delivery by adding two Term-Limited Temporary positions to OED that expire on December 31, 2020.
- Reduce the \$40,000 contract with Environmental Coalition of South Seattle (ECOSS) by \$27,500. This contract offered direct support for women and minority-owned businesses to comply with best green practices. This reduction will largely be offset by a King County grant that offers ECOSS funding from 2018-2020 to continue their work and from funding received via contracts with Seattle Public Utilities.
- Right-size the \$2 million Seattle Jobs Initiative (SJI) contract by reducing it by \$185,000 or 9%. Further, this reduction is aimed at the research, advocacy, and policy advancements aspects of the contract, leaving untouched direct service delivery for clients.
- Eliminate the \$50,000 Seattle Region Partnership (SRP) contract to work with the Mayor's Office to engage employers to take part in the Mayor's Youth Employment Initiative (MYEI). The office first began a contractual partnership with SRP in 2018. The contract first began in June 2018, mitigating any negative impacts.

Community Development Block Grant (CDBG) Adjustments - \$187,903

This item includes the following adjustments:

- One-time funding of King Street Station (KSS) for \$262,500. The King Street Station project received \$362,500 of CDBG funding in the 2017 Adopted Budget but the initial project scope turned out to cost beyond available resources. To continue work at KSS under the existing budget, OED used \$100,000 of these funds in 2018 for a feasibility study and initial predevelopment of improvements for the KSS plaza to create commercially affordable space for small businesses. The implementation of this project will not begin until 2019 and, thus, requires use of the remaining balance.
- Elimination of the \$74,597 in annual Alpha Cine loan repayments as the City repaid the loan in 2018. Alpha Cine took on a HUD Section 108 loan from the City but defaulted in 2013. Since then the City has paid principal and interest payments on this loan. In 2018, the City used \$790,000 of CDBG carryforward funding from previous years to pay off the loan in its entirety instead of paying principal and interest costs until 2028.
- A net-zero technical adjustment to change the category of CDBG-eligible activities from "projects" to "planning and administration." This is to help address a recent U.S. Housing and Urban Development audit finding that showed the current use of these dollars in the Only in Seattle program best matches up with "planning and administration" activities, which has a separate list of requirements. The Office of Economic Development (OED) will increase its proportion of "planning and administration" allocation from \$172,000 to \$192,000 out of a total of \$852,000 of from 20% to 22%.

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Expenditure Overview

Appropriations	2018 Adopted	2019 Proposed	2020 Proposed
Leadership and Administration Budget Summary Level			
General Fund	1,527,936	2,358,833	2,315,999
Total for BSL: BO-ED-ADMIN	1,527,936	2,358,833	2,315,999
Business Services Budget Summary Level			
General Fund	9,347,164	8,508,525	8,121,657
Total for BSL: BO-ED-X1D00	9,347,164	8,508,525	8,121,657
Department Total	10,875,100	10,867,358	10,437,656
Department Full-time Equivalents Total*	35.50	35.50	35.50

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

Budget Summary by Fund for Economic Development

	2018 Adopted	2019 Proposed	2020 Proposed
00100 - General Fund	10,875,100	10,867,358	10,437,656
Budget Totals for OED	10,875,100	10,867,358	10,437,656

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Appropriations By Budget Summary Level (BSL) and Program

Leadership and Administration Budget Summary Level

The purpose of the Leadership and Administration Budget Summary Level is to provide executive, community, financial, human resource, technology and business support to the Office of Economic Development.

Program Expenditures	2018 Adopted	2019 Proposed	2020 Proposed
Citywide Indirect Costs	299,976	714,135	636,098
Departmental Indirect Costs	1,227,960	1,164,632	1,171,684
Pooled Benefits	0	480,066	508,217
Total	1,527,936	2,358,833	2,315,999
Full-time Equivalents Total*	7.50	7.50	7.50

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The following information summarizes the programs in Leadership and Administration Budget Summary Level:

Citywide Indirect Costs Program

The purpose of the Citywide Indirect Costs program is to fund internal services costs originating from outside of the department such as allocated costs from the Department of Finance and Administrative Services and Seattle Information Technology Department.

Expenditures	2018 Adopted	2019 Proposed	2020 Proposed
Citywide Indirect Costs	299,976	714,135	636,098
Full-time Equivalents Total	0.00	0.00	0.00

Departmental Indirect Costs Program

The purpose of the Departmental Indirect Costs program is to fund costs associated with management of the department. This may include personnel costs related to department leadership and administration or other administrative costs such as external rent and operating supplies or services.

Expenditures/FTE	2018 Adopted	2019 Proposed	2020 Proposed
Departmental Indirect Costs	1,227,960	1,164,632	1,171,684
Full-time Equivalents Total	7.50	7.50	7.50

Pooled Benefits Program

The purpose of the Pooled Benefits program is to fund department costs associated with health and dental insurance, workers compensation, and unemployment insurance contributions.

Expenditures	2018 Adopted	2019 Proposed	2020 Proposed
Pooled Benefits	0	480,066	508,217
Full-time Equivalents Total	0.00	0.00	0.00

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Business Services Budget Summary Level

The purpose of the Business Services Budget Summary Level is promote economic development in the City.

Program Expenditures	2018 Adopted	2019 Proposed	2020 Proposed
Business Services Budget Program	9,347,164	8,508,525	8,121,657
Total	9,347,164	8,508,525	8,121,657
Full-time Equivalents Total*	28.00	28.00	28.00

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