

Office of Economic Development

Brian Surratt, Director

(206) 684-8090

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, to achieve a deeper prosperity—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 via investment in five primary program areas: supporting entrepreneurs; building healthy and vibrant neighborhood business districts; developing the talent of youth and adults; attracting global 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, 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 a number of financing programs to increase access to capital for projects from micro-loans to major capital lending. Among these financing tools are two federal programs: New Markets Tax Credits (NMTC) and US Department of Housing and Urban Development (HUD) Section 108. NMTC leverages private investment in low-income communities through federal tax incentives. HUD Section 108 loans provide financing for economic development and housing projects in low and middle-income neighborhoods. Through these programs, the department manages \$79 million of allocated NMTCs, all of which has been awarded, and manages an available HUD Section 108 loan pool of \$44.9 million, of which \$16.7 million has been awarded.

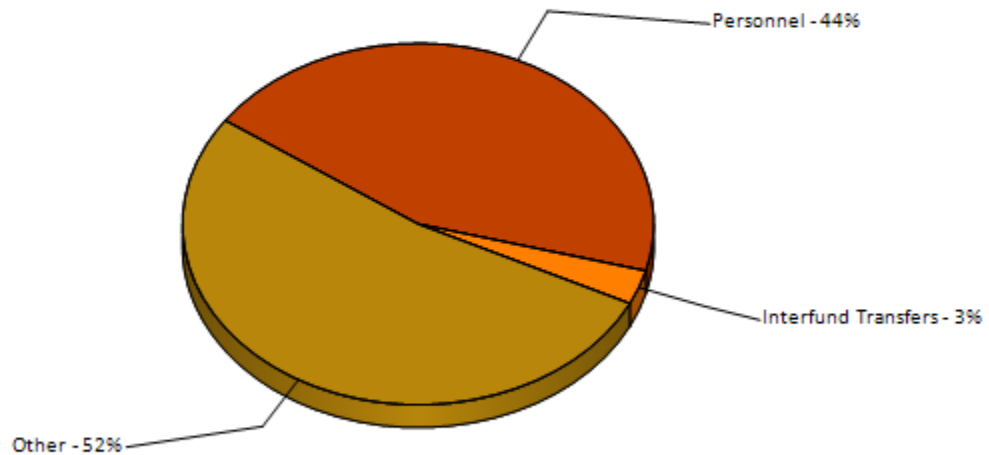
Office of Economic Development

Budget Snapshot

| Department Support | 2015 Actual | 2016 Adopted | 2017 Proposed | 2018 Proposed |
|-----------------------------|--------------------|---------------------|---------------------|---------------------|
| General Fund Support | \$7,918,222 | \$10,066,072 | \$9,021,004 | \$9,150,973 |
| Other Funding - Operating | \$1,587,464 | \$1,420,354 | \$1,438,272 | \$1,441,455 |
| Total Operations | \$9,505,686 | \$11,486,426 | \$10,459,276 | \$10,592,428 |
| Total Appropriations | \$9,505,686 | \$11,486,426 | \$10,459,276 | \$10,592,428 |
| Full-time Equivalent Total* | 27.50 | 31.00 | 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.

2017 Proposed Budget - Expenditure by Category



Office of Economic Development

Budget Overview

The 2017-2018 Proposed Budget provides resources for OED to continue and expand its role in supporting a strong, diverse economy that works for all. The proposals included reflect an approach to economic growth that focuses on enhancing existing market assets and capabilities with more attention paid to supporting business formation, talent development, and continuous investments in neighborhood development, identity, and infrastructure. The proposals also highlight OED's increasing role in managing Seattle's economic growth by improving cross-departmental collaboration and adding staff capacity to support existing and new businesses during this unprecedented growth period. This approach underlines the Mayor's vision of an affordable city that promotes economic development while also protecting low-wage workers and small businesses.

Lastly, in 2017 and 2018, OED will continue providing financial support to both the Trade Development Alliance (\$25,000) and the Economic Development Council (\$100,000). In working with both these organizations, OED will seek to develop more specific and measurable outcomes in return for this continued financial support.

Mayor's Youth Employment Initiative

Seattle continues to be a national leader in job and wage growth, but many youth will miss out on the opportunities the economy present because they are not prepared to meet the labor demands of the economy or are unable to leverage local networks to develop themselves as workers. In Seattle, youth face an unemployment rate more than three times higher than adults in the region. This is especially true for African-Americans who only have a high school degree. The Mayor's Youth Employment Initiative aims to provide much-needed support to youth aged 14-24 who are disengaged from school through employment that prepares them for future success.

In 2017, the City will maintain its level of internship placement by replacing one-time grant funding from JP Morgan Chase with City funding. This funding will allow the continued engagement of public and private sectors to develop and manage internship opportunities.

Only in Seattle (OIS) Infrastructure Funding Shift

In 2016, OIS provided \$1.6 million in grants and services to neighborhood business districts including \$500,000 for infrastructure improvements. The proposed budget will reallocate approximately \$136,000 of these infrastructure funds to increase staffing for the Business Improvement Areas.

Increase Business Improvement Area Staffing

Business Improvement Areas (BIAs) greatly benefit the city by helping commercial districts organize and tax themselves to improve their appearance, safety, image, activation and business recruitment. In 2016, nine BIAs existed in Seattle that funded neighborhood economic and business development through self-elected assessments of businesses and property owners. In 2015, BIAs generated more than \$17.7 million, funding major tourism campaigns, maintenance of the downtown core, sponsorships of festivals, small business support networks and beautification projects.

The Seattle City Council passed BIA policy reforms in 2016 that increase the responsibilities of OED, which is in charge of developing and maintaining BIAs. The proposed budget adds a position to improve the quality of new BIA proposals by supporting improved public engagement, improved support during the Council review process and increased support to existing BIAs.

Enhanced Pre-Construction Planning and Business Outreach

The Seattle Department of Transportation, the Department of Neighborhoods, and OED will join together to improve outreach and engagement to neighborhoods and small businesses affected by major construction projects. The proposed budget adds a position to perform expanded outreach and assistance to small businesses prior to and during construction.

Repurposing CDBG Funding for Commercial Affordability

As part of the Mayor's efforts to ensure small businesses are part of Seattle's economic development success, he formed a Commercial Affordability Advisory Committee in 2016. This committee will address the rising cost of

Office of Economic Development

commercial space for small businesses, develop opportunities to activate public spaces for entrepreneurs, and identify strategies to expand economic development throughout Seattle. The Advisory Committee will make recommendations to Council in October 2016 and the proposed budget will allow OED to reprogram part of its existing federal Community Development Block Grant (CDBG) funding to invest in projects consistent with these recommendations.

Nightlife Initiative

Seattle is home to some of the region's top nightlife spots and as this thriving industry grows, there are opportunities to better support business owners and manage the safety of those that enjoy it. The City will implement its Nightlife Initiative, an agenda that fosters a cooperative relationship between the City and the nightlife industry to promote mutual goals of safety, growing the local economy, and urban vibrancy. The proposed budget adds a position in the Office of Film and Music to oversee the implementation of the initiative and coordination amongst City departments.

Increased Partnership Between Arts and OFM

The Office of Arts and Culture (Arts) will partner with the Office of Film and Music (OFM) to promote the expansion of Seattle's creative industries and to support its workers. The proposed budget includes admission tax funding in Arts to support the work of the Music Commission as well as fund OFM's Creative Industries Business Advocate position to carry out a broader scope of work.

The Creative Industries Business Advocate will continue to support the work of the Music Commission and Arts Commission and now also serve as the project lead for Creative Industries strategy planning and implementation. To further develop Seattle's creative economy, this position will align the work of workforce development for youth via Arts' Creative Advantage program and the Music and Career Day.

Incremental Budget Changes

Office of Economic Development

| | 2017 | | 2018 | |
|--------------------------------------------------|----------------------|--------------|----------------------|--------------|
| | Budget | FTE | Budget | FTE |
| Total 2016 Adopted Budget | \$ 11,486,426 | 31.00 | \$ 11,486,426 | 31.00 |
| Baseline Changes | | | | |
| Adjustment for One-Time Adds or Reductions | -\$ 2,222,900 | 0.00 | -\$ 2,222,900 | 0.00 |
| Citywide Adjustments for Standard Cost Changes | \$ 230,071 | 0.00 | \$ 355,860 | 0.00 |
| Proposed Changes | | | | |
| Youth Employment | \$ 597,049 | 1.00 | \$ 598,370 | 1.00 |
| Only in Seattle Infrastructure Funding Reduction | -\$ 136,306 | 0.00 | -\$ 137,331 | 0.00 |
| Business Improvement Area (BIA) Staff Add | \$ 136,306 | 1.00 | \$ 137,331 | 1.00 |
| Pre-Construction Planning and Business Outreach | \$ 144,100 | 1.00 | \$ 148,400 | 1.00 |
| Reprogramming CDBG for Commercial Affordability | \$ 0 | 0.00 | \$ 0 | 0.00 |
| Nightlife Initiative | \$ 136,306 | 1.00 | \$ 137,331 | 1.00 |
| Music Commission Funding | \$ 50,000 | 0.00 | \$ 50,000 | 0.00 |
| Creative Industries Advocate | \$ 0 | 0.00 | \$ 0 | 0.00 |

Office of Economic Development

| | | | | |
|-------------------------------------------|----------------------|--------------|----------------------|--------------|
| Citywide Summit Re-Implementation Project | \$ 26,066 | 0.50 | \$ 26,783 | 0.50 |
| Proposed Technical Changes | | | | |
| CDBG Budget Adjustment | \$ 12,158 | 0.00 | \$ 12,158 | 0.00 |
| Total Incremental Changes | -\$ 1,027,150 | 4.50 | -\$ 893,998 | 4.50 |
| 2017 - 2018 Proposed Budget | \$ 10,459,276 | 35.50 | \$ 10,592,428 | 35.50 |

Descriptions of Incremental Budget Changes

Baseline Changes

Adjustment for One-Time Adds or Reductions - (\$2,222,900)

This item includes budget reductions for one-time additions in the 2016 Adopted Budget: Southeast Economic Opportunity Center Pre-Development Costs (\$1.9 million), General Fund support for Women- and Minority-Owned Businesses (WMBE) Business Assistance Contract (\$100,000), Small Local Manufacturing Program (\$50,000), Chinatown-International District and Little Saigon Business Vacancy Program (\$100,000), Citywide Summit Re-Implementation (SRI) project (\$26,000), special events (\$45,000), and International Business Development Program (\$5,000).

Citywide Adjustments for Standard Cost Changes - \$230,071

Citywide technical adjustments made in the initial planning phase reflect changes in the internal services costs, health care, retirement contribution rate, and updates to unemployment and industrial insurance charges. These adjustments reflect initial assumptions about these costs and inflators early in the budget process. Additionally, this adjustment includes various wage adjustments for labor related costs, including the Annual Wage Increases (AWI) from 2015 through 2018 and a one-time 2015 3.5% Recruitment and Retention wage increase.

Proposed Changes

Youth Employment - \$597,049/1.00 FTE

This adjustment provides replacement of one-time grant funding by JPMorgan Chase to maintain support for the Mayor's Youth Employment Initiative. This allocation will provide for the continued engagement of public and private sectors via an outside intermediary organization to build and manage youth employment and internship opportunities for low-income and disadvantaged youth. This item also adds a Strategic Advisor 2 position to support the program's continued development and improve coordination both internal and external to the City.

Only in Seattle Infrastructure Funding Reduction - (\$136,306)

This item reallocates funding from the Only in Seattle's (OIS) infrastructure grant program to add support for the development and maintenance of Business Improvement Areas. In 2016, OIS delivered \$1.6 million in grants and services, including \$500,000 to fund infrastructure improvements in neighborhood business districts. OIS will continue to be a comprehensive investment strategy that uses proven strategies and best practices to create flourishing neighborhood business districts.

Office of Economic Development

Business Improvement Area (BIA) Staff Add - \$136,306/1.00 FTE

This adjustment adds a Strategic Advisor 1 to support the City's increasing BIA responsibilities. In addition to the City Council's adoption of new BIA policies in 2016 that tasked OED with a larger set of responsibilities, the number of BIAs has also grown over recent years, leading to an increase in OED's workload. This position will enable OED to manage the enhanced level of responsibility, help accelerate the development of new BIAs, and improve the functionality of existing BIAs which will better leverage private resources to invest and improve Seattle's economy.

Pre-Construction Planning and Business Outreach - \$144,100/1.00 FTE

This item creates a Pre-Construction Planning and Business Outreach position that will expand outreach and assistance to small businesses prior to and during construction affecting the right of way. The position will be housed in OED and funded by the Seattle Department of Transportation (SDOT). This Strategic Advisor 2 will be integrated into SDOT's improved construction outreach program, which also includes the Department of Neighborhoods, to better support neighborhood businesses, organizations, and residents before and during construction.

Reprogramming CDBG for Commercial Affordability

This adjustment reprograms \$85,000 of existing Community Development Block Grant (CDBG) funding in OED's budget to instead invest in commercial affordability projects that will be consistent with the recommendations from the Mayor's Commercial Affordability Advisory Committee. Currently, the CDBG funding provides small business loans. Reprogramming this funding for commercial affordability will still serve the same constituents as before, small businesses, while allowing for greater flexibility in providing them with support. This will be an ongoing request.

Nightlife Initiative - \$136,306/1.00 FTE

This adjustment adds a Nightlife Business Services Advocate in the Office of Film and Music within OED. This position will act as project manager for the City's Nightlife Initiative which seeks to support a safe and successful nightlife sector by advocating for local businesses and supporting their efforts to comply with regulations. This Strategic Advisor 1 position will allow the City to promote good business practices and proactively troubleshoot problems before they worsen.

Music Commission Funding - \$50,000

This item supports a partnership between the Office of Arts and Culture and the Seattle Music Commission. The Seattle Music Commission is an existing program within the Office of Film and Music that works to advance the City Music Initiative. The City Music Initiative envisions Seattle as a place where musicians and music businesses flourish. This item will provide support for the development and implementation of new City of Music Initiative and includes items like a music economy census, evaluating the feasibility of a music business accelerator, City of Music and Creative Industries Career Days, and Race and Social Justice Initiative training for music commissioners.

Creative Industries Advocate

This adjustment reflects an increased partnership between the Office of Arts and Culture (Arts) and the Office of Film and Music (OFM) within OED. Arts admission tax funding will support a 1.0 FTE Creative Industries Business Advocate within OFM. This position will serve as the project lead for the Creative Industries strategy planning and implementation, which will be built off of a creative industries report funded by Arts in 2016 and 2017, and will create and implement a strategy aligned with the goals of ARTS, OFM and OED. The position will also continue to work with the Arts Commission and Music Commission's Youth and Community Committee, with increased focus

Office of Economic Development

on alignment on creative industry internships and workforce development programming with Arts' Creative Advantage program and Arts and OFM's Music and Career Day. Finally, the position will continue to support the work of the Music Commission and other OFM priorities. Funding for this position is recognized as a contribution to the General Fund revenues.

Citywide Summit Re-Implementation Project - \$26,066/.50 FTE

This item represents the department's work in support of the Citywide Summit Re-Implementation project. A description of the Summit Re-Implementation project is located within the Department of Finance and Administrative Services.

Proposed Technical Changes

CDBG Budget Adjustment - \$12,158

This item adjusts the Community Development Block Grant (CDBG) budget for OED to match the total funds available.

Expenditure Overview

| Appropriations | Summit Code | 2015 Actual | 2016 Adopted | 2017 Proposed | 2018 Proposed |
|-------------------------------------------------------------------|--------------------|--------------------|---------------------|----------------------|----------------------|
| CDBG - Office of Economic Development Budget Control Level | 6XD10 | 1,587,464 | 1,420,354 | 1,438,272 | 1,441,455 |
| Office of Economic Development Budget Control | | | | | |
| Business Services | | 6,542,955 | 8,723,336 | 7,628,223 | 7,728,070 |
| Economic Development Leadership | | 557,144 | 528,401 | 556,519 | 571,040 |
| Finance and Operations | | 818,124 | 814,335 | 836,262 | 851,863 |
| Total | X1D00 | 7,918,222 | 10,066,072 | 9,021,004 | 9,150,973 |
| Department Total | | 9,505,686 | 11,486,426 | 10,459,276 | 10,592,428 |
| Department Full-time Equivalent Total* | | 27.50 | 31.00 | 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.

Office of Economic Development

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.

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|------------------|------------------|------------------|------------------|
| Program Expenditures | Actual | Adopted | Proposed | Proposed |
| Economic Development | 1,587,464 | 1,420,354 | 1,438,272 | 1,441,455 |
| Total | 1,587,464 | 1,420,354 | 1,438,272 | 1,441,455 |

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.

| | 2015 | 2016 | 2017 | 2018 |
|---------------------------------|------------------|-------------------|------------------|------------------|
| Program Expenditures | Actual | Adopted | Proposed | Proposed |
| Business Services | 6,542,955 | 8,723,336 | 7,628,223 | 7,728,070 |
| Economic Development Leadership | 557,144 | 528,401 | 556,519 | 571,040 |
| Finance and Operations | 818,124 | 814,335 | 836,262 | 851,863 |
| Total | 7,918,222 | 10,066,072 | 9,021,004 | 9,150,973 |
| Full-time Equivalents Total* | 27.50 | 31.00 | 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.

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, facilities 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.

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|---------------|----------------|-----------------|-----------------|
| Expenditures/FTE | Actual | Adopted | Proposed | Proposed |
| Business Services | 6,542,955 | 8,723,336 | 7,628,223 | 7,728,070 |
| Full-time Equivalents Total | 21.50 | 25.00 | 29.00 | 29.00 |

Office of Economic Development

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.

| Expenditures/FTE | 2015 Actual | 2016 Adopted | 2017 Proposed | 2018 Proposed |
|---------------------------------|------------------------|-------------------------|--------------------------|--------------------------|
| Economic Development Leadership | 557,144 | 528,401 | 556,519 | 571,040 |
| Full-time Equivalents Total | 4.00 | 4.00 | 4.00 | 4.00 |

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.

| Expenditures/FTE | 2015 Actual | 2016 Adopted | 2017 Proposed | 2018 Proposed |
|-----------------------------|------------------------|-------------------------|--------------------------|--------------------------|
| Finance and Operations | 818,124 | 814,335 | 836,262 | 851,863 |
| Full-time Equivalents Total | 2.00 | 2.00 | 2.50 | 2.50 |