



Formation

Seawall: Building a Resilient Seattle Economy

AN ASSESSMENT OF SEATTLE'S BUSINESS CLIMATE AND AN
AGENDA TO BROADEN AND STRENGTHEN ITS ECONOMIC BASE



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WHY “SEAWALL”?

A decade ago, Seattle replaced its failing seawall. The structure is invisible now, buried beneath Waterfront Park, the rebuilt aquarium, and the Overlook Walk that links Pike Place to the waterfront. Its engineers designed it to do more than repel the water: a glass-block sidewalk overhead lets light reach the shallows, a raised bench creates a protected corridor along the base, and the face of the wall is textured so that algae and invertebrates can colonize concrete that used to be bare. Below the surface is a “salmon highway” – a living migration route where the old wall had only held back the sea. The project was expensive, it was contested, and it was built with public dollars and private philanthropy braided together in an arrangement the city had to invent – all orchestrated by a dedicated Office of the Waterfront.

That is the kind of economic strategy that this report argues for. Just as the seawall was engineered both to hold back the water and to let new life take hold, Seattle’s task is to protect its economic base while building a more diverse, resilient economy on top of it. Most people walking the waterfront give no thought to the structure beneath their feet – they notice the aquarium, the Olympics, the sealife. The same is true of economic development: people mostly see the small businesses that make their neighborhoods distinctive, and the brand names on downtown towers. They don’t see the deliberate engineering that goes into building a base of thriving mid-sized firms developing the cutting-edge technologies that the world needs. Building that takes money, patience, intentional design, and a new way of braiding public and private effort together – the same combination that built the waterfront. Seattle has done this before. This report is about doing it again, for the economy as a whole.

EXECUTIVE SUMMARY

In the days before this report was completed, the Seattle Times reported that Anthropic, the AI company behind Claude, was expanding its South Lake Union footprint by 120,000 square feet. Meanwhile, Apple was in talks to add a second tower next to the one it leased last year. Databricks, GM, and SoFi had each taken substantial space in West 8th, the building Amazon walked away from in 2023, moving 2,000 employees to other offices in the region. A broker quoted in the article observed that firms that can locate anywhere are choosing Seattle.

This story cuts against the prevailing narrative, captured in headlines suggesting Seattle could be “the next Cleveland.” Seattle has real economic challenges, but it is not in decline. Indeed, the analysis in this report suggests that Anthropic’s expansion should be entirely unsurprising. Continued prowess in tech should not, however, be mistaken for broader economic resilience. Seattle may not be in decline, but it is in danger – not because it is losing its place in the industry, but because the industry could undergo a radical change, and arguably already is, that shifts what kind of talent, capital, and real estate are valuable. Such a shock could trigger an outflow of workers, firms, and know-how from which it is extremely difficult to recover.

This danger demands an urgent response, but not a panicked response. It takes calm, analytical rigor to sense the emerging opportunities in a city’s economy, to make the right investments, to calibrate policy. This kind of composure and attentiveness will not materialize in a civic environment in which the prevailing sentiment is that the city is already past its peak. That pessimism becomes self-reinforcing – it stifles creativity, blunts ambition, and encourages leaders to cast blame rather than craft a different economy.

This report provides the fact base from which a new coalition can pursue a new strategy and policy agenda. After a period of rapid economic disruption and high-stakes, high-velocity policymaking, it takes stock of what happened over the past decade, what Seattle’s business climate and competitive position are today, and what future threats the city needs to be ready to counter or opportunities it should be prepared to take advantage of. Throughout, it benchmarks Seattle against a set of peers, both larger and smaller, that compete for the same talent and industries, including Austin, Denver, Portland, San Francisco, San Jose, Boston, San Diego, and Minneapolis, among others. The analysis, and the recommendations that emerge, were motivated by one central question: how can the city grow in a way that generates good jobs and sufficient public resources to build the affordable, livable, and inclusive city that Seattleites want?

The obvious answer is that Seattle’s economy needs to diversify. A wider range of industries means a wider range of pathways to good jobs, and less exposure to the whims of a few firms or the vicissitudes of an industry. But agreeing on diversification in principle is easy. Seattle’s path to economic diversity is very challenging. The tech boom drove up costs – to crisis levels for families and for small businesses, but also for the kind of innovative, high-growth, mobile firms the city needs to grow and attract. That leaves a very narrow target. Seattle needs firms that are economically distant enough from the tech sector for their fates to be disentangled, yet economically close enough that access to tech talent and customers justifies Seattle prices. Envision a battery or satellite company that wants to engineer and assemble prototypes that could eventually be produced at scale, but also needs a few top-tier AI researchers at hand.

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These firms exist, but they are much more difficult to grow than a company making an app. Seattle can't widen this target by letting tech growth cool so that costs fall, for many reasons – including that the city is extremely dependent on the tech sector for the tax revenue that this strategy requires.

Seattle's core challenge, then, is to diversify despite high costs. There are two ways to do so. One available to other regions is spending: buying down costs for emerging industries through incentives and subsidies until they can stand on their own. The other path – the only available to Seattle – requires more intention and craft.

It involves targeted efforts to make the city work for a specific set of firms that can almost justify being here – a targeted policy change, a tailored

investment fund, the one piece of shared equipment that exists nowhere else – and then steadily moving outwards until the economy has healthy branches growing in all directions.

Either path demands economic ambition, strategic discipline, and catalytic capital that Seattle has not previously had to muster. This work requires a proactive city government, but it also requires sustained contributions from the much larger set of public and private actors within the city, and across the region and state, that depend on – and value – a vibrant city economy.

The key findings, and the recommendations that follow from them, are set out below.

Making sense of the tech boom

15%

HIGHER REAL WAGES EARNED
BY 25TH PERCENTILE
WORKERS, SEATTLE VS. PEERS

16 VS 104

NET NEW MID-SIZED TECH
FIRMS, SEATTLE VS. SAN
FRANCISCO (MSA), 2017–2023

\$450

LARGER MONTHLY RENT GAP
VS. AUSTIN, DESPITE ONLY A
\$5/HR WAGE EDGE

The Seattle metropolitan economy delivered more broad-based prosperity than almost any other U.S. region over the past decade. Wages grew at every level of the income spectrum, and fastest at the 10th percentile. Workers at the 25th percentile earn roughly 15 percent more after adjusting for cost-of-living than peers in places seen as more hospitable to middle-income earners like Atlanta, Charlotte, or Minneapolis.

The city of Seattle outgrew the region. It is the only city among its peers that saw its share of regional population increase over the past decade (through 2024). Most of Seattle's peer cities lost about 4 percent of their share of the regional population; Seattle's relative share meanwhile grew by 3 percent.

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But costs rose, for everyone. A Seattle worker at the 25th percentile of the labor market earns about \$5 more per hour than their Austin counterpart, yet faces a rent gap that is \$450 per month larger. Childcare costs rose 25 percent over the past decade, faster than almost every peer metro. The affordability crisis for families is the same thing creating affordability pressures for businesses, in the form of high labor costs.

And Seattle failed to seed the next generation of firms in the way that one would expect of such an asset-rich economy. This is true even in the tech sector. Between 2017 and 2023, the Seattle MSA added 16 net new mid-sized (50–249 employee) tech establishments. San Francisco added 104, Austin 53, and Denver 42. Of the 303 tech firms founded in the region between 2015 and 2019, only 33 have grown to 50 or more local employees.

The City responded to this nearly unparalleled boom in the tech sector by increasing taxes on the firms driving the growth while alleviating taxes for firms squeezed by rising costs. Both sides in the tax debate are right, in a sense: taxes for tech firms have increased very rapidly, but they remain moderate compared to Seattle's real peer cities. The main threat comes from the differential between Seattle and Bellevue, and the fact that Seattle's taxes are designed in a way that discourages hiring high-wage employees.

Fiscal and economic fragility paired with a wealth of assets

75%

OF JUMPSTART TAX
REVENUE COMES FROM JUST
TEN COMPANIES

23%

OF THE NATION'S AI
ENGINEERS ARE BASED IN
SEATTLE

3–4X

LOCAL JOBS MULTIPLIER
FOR EVERY HEADQUARTERS
OR TOP-TIER TECH JOB LOST

Concentration is now visible throughout the economy. Measures of innovation – patents, publications, venture capital – are all deep but narrow. Just four firms in Seattle account for 25 percent of demand for software engineers. In San Jose it is 18 firms; in San Francisco it is 39. Seattle is not only dependent on a sector, but on a few companies.

The City's fiscal dependency on the tech sector is even more severe than its economic dependency. Seventy-five percent of JumpStart revenue (which has become a critical resource for bolstering the city's general fund) comes from ten companies, and the tax base is heavily tied to not only the headcount of those firms but their stock market value.

EXECUTIVE SUMMARY

While this is cause for concern, it remains the case that Seattle has an extremely enviable base of assets from which it could build a more diversified economy. Its tech workforce is almost peerless – 23 percent of the nation's AI engineers, and output per tech worker more than double the national average. Almost uniquely among large cities, that tech depth sits alongside a strong manufacturing base. And its built environment – one of the densest cities in the U.S., rich in amenities, anchored by the Port and industrial lands – is a magnet that other cities cannot easily replicate.

Diversification and affordability are linked. The new sectors Seattle needs to grow are more cost-sensitive than established tech giants. For these firms to start and grow in Seattle, it has to become a more affordable place to operate. Because labor is the largest expense for most firms, and labor costs track what workers must pay to live in the city, that means confronting the same housing and childcare costs that squeeze families. Which themselves are a threat to talent retention amid changes in the tech sector.

Diversification and retention are also linked.

Headquarters and top-tier tech jobs are very hard to replace. Each carries a multiplier of three to four additional local jobs, so the departure of 1,000 corporate jobs is akin to 4,000 to 5,000 jobs lost citywide. And the startup pathway cannot backfill them on any relevant timescale – replacing 1,000 headquarters jobs would take perhaps 500 to 1,000 serious startup attempts and a generation of scaling. Retention is not a defensive crouch but the foundation a diversification strategy is built on, given that diversification requires investment.



EXECUTIVE SUMMARY

Implications

The City of Seattle needs to take a marketcrafting approach to both retaining existing industries and developing new ones. This involves diagnostic rigor – identifying exactly where industries are struggling and why, rather than accepting conventional wisdom or papering over problems with grants. And it involves complex responses to complex problems – a public sector willing to act with partners to shape demand, unleash supply, and make firms more productive.

Mid-sized firms are the “indicator species” of a healthy economy, and it is where Seattle most clearly underperforms now in the industries that matter most. The City’s ability to generate startups matters little for tax revenue or economic opportunity if they don’t grow. Between 2017 and 2023 the Seattle MSA added just 16 net new mid-sized tech establishments, against 104 in San Francisco and 53 in Austin. Scaling that missing middle is the challenge around which economic development should be organized.

Growth is the way out of the deficit in the medium-term, and it need not be overwhelming. A back-of-the-envelope exercise suggests Seattle could close its projected 2027 budget gap – roughly \$150 million in annual steady-state revenue – by adding about 5,000 residents per year (well below its 2010s pace), lifting its employment rate to Austin’s level, and ensuring most new jobs land in Advanced Industries and other traded sectors.

Recommendations

The talent, capital, networks, and infrastructure built for the software economy of the past decades will not redeploy toward the next one on their own. The strategy is to move them deliberately: helping software-adjacent “hardtech” firms in areas like cleantech, commercial space, maritime, and life sciences scale *in the city*; enabling mid-career engineers leaving anchor firms to start and join new companies rather than leave town; and using climate policy and the City’s control of Seattle City Light as an accelerant for deployment of clean energy technologies, enabling growth and stimulating innovation.

To retain the talent, firms, and tax base already here, the City must attack the cost drivers pushing families and footloose firms toward Bellevue or out of the region. This requires unleashing supply of housing, childcare, and energy, but also helping firms in those sectors be more productive rather than just enabling production through policy. It also means defending the urban vitality that makes Seattle distinct: the neighborhood and downtown business districts that convince mobile talent to choose Seattle.

Turning Seattle’s assets into durable growth requires not just lower costs but proactive cultivation – and that, in turn, requires capabilities the City and its partners have never had to build: a more capable economic development function, a standing mechanism for productive engagement with the business community, an ambitious public finance authority focused on diversification, a first-class regional strategy organization, and a more committed partner in state government.

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PART II: ANALYSIS

Section 1: Introduction – Framework and Project Goals

WHY THIS REPORT NOW

Seattle is at a critical juncture in 2026. The growth of its economy over the past decade, while often associated with disruption and inequity, created more widespread economic opportunity than almost any other region in the U.S. Wages grew across the income spectrum over the last decade, even accounting for the skyrocketing cost of living. And they grew fastest among low-wage workers.

But the way that Seattle grew has also left it highly vulnerable for the coming decade. The version of the tech sector that drove the last wave of economic growth will not drive the next one – generative artificial intelligence has changed how firms are investing, what kind of talent matters, and what kind of infrastructure matters. Seattle is unlikely to get lucky once again, as it did with the arrivals of Boeing and Microsoft and Amazon. Instead, Seattle needs to actively and intentionally develop the industries that will generate tax revenue and economic opportunity for the next decade.

This will be a serious challenge. Seattle's business climate and competitive position is threatened by its cost structure – land and labor will remain expensive long after the tech sector's growth cools – as well as technological change, federal policy, and global uncertainty.

Seattle's vulnerability is already visible: anchor companies are downsizing or relocating, downtown real estate sits vacant, the port is sometimes quiet. But just as dangerous are less visible, more insidious forms of economic decline – the business that never starts, the long-established mid-sized firm that buckles under cost pressures, the mid-career software engineer who leaves to start a firm in a more vibrant entrepreneurial ecosystem. **The decisions that the City's government makes now will determine whether Seattle manages to retain and reconfigure its abundant economic assets in a way that results in more inclusive growth and more fiscal stability in the coming decade.**

WHY THIS REPORT NOW

This report is designed to inform those decisions. It evaluates how global economic and policy forces are affecting Seattle's many industries, workers, and geographies. This analysis is designed to answer one central question: over the next decade, how can the City use the tools at its disposal – taxation, regulation, investment, and agenda-setting power – to encourage the growth of businesses that are most likely to produce sustained and widespread prosperity?

This report wades into a polarized debate about Seattle's attractiveness to the kind of innovative and globally-competitive industries that drove its growth over the past decade. One side argues that Seattle is levying such onerous taxes on its anchor businesses and high-wage workers that they are leaving the city en masse. Another side argues that Seattle's most profitable businesses (some of the most profitable on earth) depend on public goods – education, transportation, housing, and more – yet contribute tax revenues that fail to offset the strain that their growth has created on those goods.

This report affirms that Seattle is one of the richest cities in history, at a time that top earners nationally are accumulating wealth at a historically unprecedented rate.¹ But it also takes seriously the fact that the talent and capital that are needed to fuel Seattle's growth are mobile; they can easily leave if Seattle's costs increase relative to the quality of its economic assets – whether its talent base, its innovation ecosystem, or its urban environment.

Importantly, this report does not attempt to define what Seattle residents want from their economy. The Future of the Seattle Economy framework, created in 2022, incorporated the perspective of more than 80 organizations to lay out a vision of an economy that works for all Seattle residents.

The priorities articulated in that document – categorized as innovative industries, access to quality jobs, thriving and diverse small businesses sector, vibrant neighborhoods, community wealth – remain just as relevant today. What people want from the economy has not shifted in the past four years.

But the economy itself has shifted seismically, which is why this report was needed. Its goal is to examine how Seattle can create the kind of economy envisioned by those 80 stakeholders, in a new global environment in which forces like artificial intelligence, shifting trade and immigration policy, and the changing geography of work are reshaping the city.

This report equips leaders in Seattle with:

A shared theory about how economies grow and how Seattle's is growing, to inform debates about business climate, economic competitiveness, and inclusive growth.

Assessment of Seattle's business climate for different types of firms, so the City knows where it can – and can't – raise tax rates without dampening growth.

Guidance on how to invest tax revenue for sustained, inclusive growth, identifying the drivers of economic growth, threats from political and technological disruption, and the targeted investments that will strengthen those sectors.

Insight into how other regions and states are building new capabilities to transform their economies, to inform the efforts of cross-sector and cross-jurisdiction coalitions that may seek to do the same in Seattle and Washington.



The analysis in this report focuses on the structure of the Seattle economy and its implications for economic opportunity. The broad categories referred to throughout are:

The **non-traded sector** refers to people and firms working in industries that only compete locally and serve local communities and businesses. Healthcare, government, restaurants, and retail are key industries in this sector.

The **traded sector** refers to people and firms working in industries that produce goods and services that can be sold outside of the region in national and international markets. This includes manufacturing, software development, life sciences, and many logistics firms and professional services businesses (law, architecture, engineering).

Advanced Industries are a set of R&D- and STEM-intensive industries that drive U.S. and regional competitiveness, generating significant exports and creating outsized local economic impact.

A note of caution: Most of the **key industries** that this report focuses on fit largely within the Advanced Industries definition. But innovation-driven industries are challenging to define using federal industry codes (NAICS). Consider the “tech sector.” For analytical purposes, we define it using four software-related NAICS codes, all of which are part of the Brookings Advanced Industries definition.² But many people think of the tech sector as including e-commerce, digital health, financial technology, and more – all of which technically sit outside of the Advanced Industries definition. The same is true of sectors like cleantech too.

Seattle metro employment by sector category

Rectangle area proportional to jobs, 2024

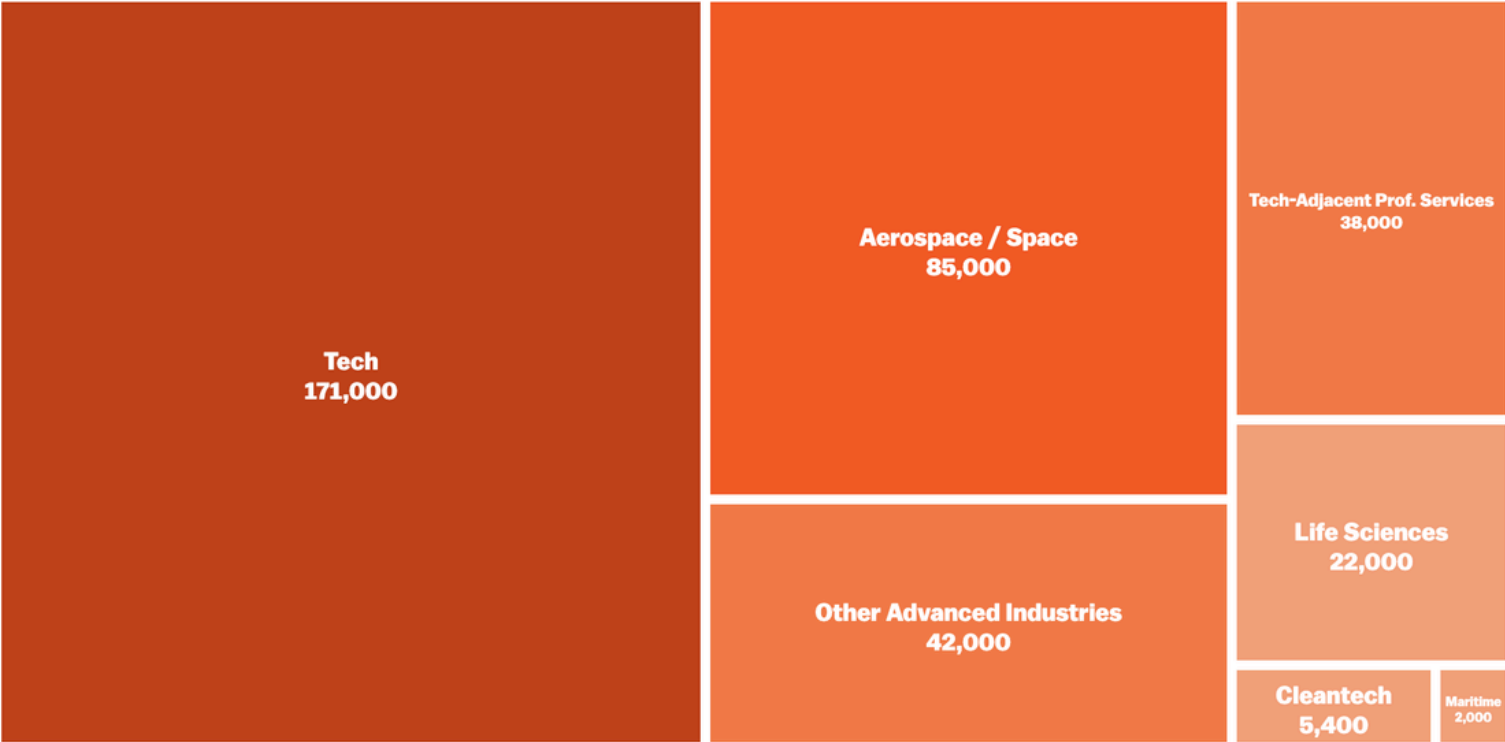
■ Non-traded · serves local demand ■ Traded · regional wealth creation



Source: Authors' analysis of 2024 Seattle MSA employment by NAICS sector. Advanced industries include Seattle's traded high-R&D cluster. Custom definition aligned to Seattle's priority sectors: software and IT (NAICS 5132/5415/5182/5162/5192), aerospace and space (3364/3345), life sciences (3254/5417/3391), cleantech (2211/3344/3359), maritime (3366), other advanced manufacturing, plus tech-adjacent professional services (5414/5416/5418) where Seattle's tech cluster drives demand. This is roughly aligned with – but broader than – Brookings Advanced Industries (~271K MSA jobs by that strict definition). This does not include some 55,000 tech HQ workers classified as NAICS 551 (Management of Companies) that can reasonably be considered advanced industries but are difficult to classify. It also excludes 6,500 life sciences jobs in medical labs (NAICS 6215) but do not meet advanced industry criteria.

Seattle metro advanced industry employment

Rectangle area proportional to jobs, 2024



Source: Authors' analysis of 2024 Seattle MSA employment by NAICS sector. Advanced industries include Seattle's traded high-R&D cluster. Custom definition aligned to Seattle's priority sectors: software and IT (NAICS 5132/5415/5182/5162/5192), aerospace and space (3364/3345), life sciences (3254/5417/3391), cleantech (2211/3344/3359), maritime (3366), other advanced manufacturing, plus tech-adjacent professional services (5414/5416/5418) where Seattle's tech cluster drives demand. This is roughly aligned with — but broader than — Brookings Advanced Industries (~271K MSA jobs by that strict definition). This does not include some 55,000 tech HQ workers classified as NAICS 551 (Management of Companies) that can reasonably be considered advanced industries but are difficult to classify. It also excludes 6,500 life sciences jobs in medical labs (NAICS 6215) but do not meet advanced industry criteria.



Geography Definitions

This is a report about the city of Seattle, but economic analysis in some cases cannot and in other cases should not be done at the city level. As a result, this report includes data at various levels of geographic granularity. A guide:

The **city government** is referred to as the “City” (capitalized). The city as a geography is referred to as the “city.”

King County data is used to assess economic dynamics in the city, if city-level data doesn’t exist. We only use county data when necessary.

The **Metropolitan Statistical Area (MSA)**, covering Pierce, King, and Snohomish Counties, is used to assess labor markets and innovation ecosystems. We sometimes call the MSA the “metro” or the “region.” This report uses MSA data extensively. There are three reasons. First, most economic data is only reported at the MSA level. Second, MSA-to-MSA comparisons are more valid than city-to-city comparisons, because cities are political boundaries that vary substantially in size relative to their regions, while MSAs are more comparable economic units. Third, leaders in the city of Seattle need to understand the regional economy because the city's opportunity is to capture more than its fair share of what the region is already good at – not to carve out a separate niche. We use the **state** in rare circumstances where data is not available at a smaller scale.

PROJECT SCOPE

This report is focused on economic inclusion. It is designed to help Seattle policymakers and civic leaders cultivate an economy that generates tax revenue for progressive policies and that produces abundant good jobs that give Seattle residents more economic freedom, more stability, and more upward mobility. Especially those excluded from the benefits of growth in years past.

But it focuses largely on parts of the economy that are not typically associated with economic inclusion. It is concerned with characters that do not necessarily elicit much sympathy. Like whether a family with a household income of \$350,000 decides to stay in Seattle or move to the Bay Area (for higher earnings) or to Denver or Austin (for lower costs). Or whether a top-tier software engineer laid off from an anchor tech firm finds their footing as co-founder of a new AI firm. It is concerned about whether an already-successful startup can secure enough growth capital to hire its 20th through 30th employees in Seattle. And also about whether companies like Amazon will move more employees to Bellevue. It is less focused on people and firms that need help and more focused on people and firms that have choices, and might not choose Seattle.

There are two reasons for this. Most straightforwardly, the City's tax revenue is extraordinarily dependent on the highest earners in the biggest firms. What is less evident is the degree to which the amount of economic opportunity in a city is determined by the performance of industries that account for less than a tenth of employment.

Brookings finds that Advanced Industries – a group of innovation-driven manufacturing and services industries – employ roughly 9 percent of the U.S. workforce but generate around 17 percent of GDP. Each high-wage job in these industries creates three

or four jobs in “downstream” sectors; these are called multiplier effects. The number of jobs – and the level of pay – in sectors like construction, logistics, and restaurants is largely a function of how well the “Advanced Industries” engine of the economy is performing. And that 9 percent figure overstates how many people are directly involved in meaningfully shaping the rate and direction of growth in these sectors. Many studies confirm that economic growth is driven by a small fraction of firms: high-growth firms represent 2 percent of total employment but 32 percent of job creation, and 1 percent of startups produce 37 percent of meaningful growth outcomes.³

To be clear, growth among these innovation-driven industries is not sufficient for economic inclusion, but it is necessary. Many Seattle residents who have lived through the tech boom of the last decade will take issue with the claim that innovation-driven growth generates widespread economic opportunity. But the importance of Advanced Industries becomes clear when Seattle is compared to regions that are less innovative: Seattle workers at the 25th percentile of the wage spectrum – who earn about \$23 per hour – make 15 percent more per hour after accounting for cost of living than their peers in regions like Atlanta, Chicago, Charlotte, and Minneapolis. That's a gap of over \$6,000 annually for full-time workers.

All of this was true when the Future of the Seattle Economy report was written in 2022. Why, then, did that report take a more balanced approach, treating community wealth creation, small business support, neighborhood business corridors, and growing innovative industries as coequal priorities? Because in 2022, Seattle's Advanced Industries were not under threat – they were at the peak of a nearly decade-long expansion.

PROJECT SCOPE

The Seattle region added roughly 44,000 tech jobs between 2017 and 2022, a 29 percent gain. The imperative then was to connect more people and communities to this growth and protect them from its distortions. That is clearly no longer the case. The engine is at risk of faltering. Amazon and Microsoft alone have cut over 10,000 jobs in the Seattle metro area since 2023. There are reasons to believe these are structural shifts, not just the typical ups and downs of the business cycle. And the rate of startup creation and growth in Seattle over the past decade provides little confidence that the next generation of firms is ready to emerge to take the place of these legacy companies.

That is why this report, despite being motivated by economic inclusion, devotes most of its attention to a privileged and successful group of people and the businesses that they create and lead. They may not be the targets of economic development strategy, but they are essential contributors. If they leave, Seattle won't become more equal, it will just become poorer.



Preview of Tax Competitiveness Analysis

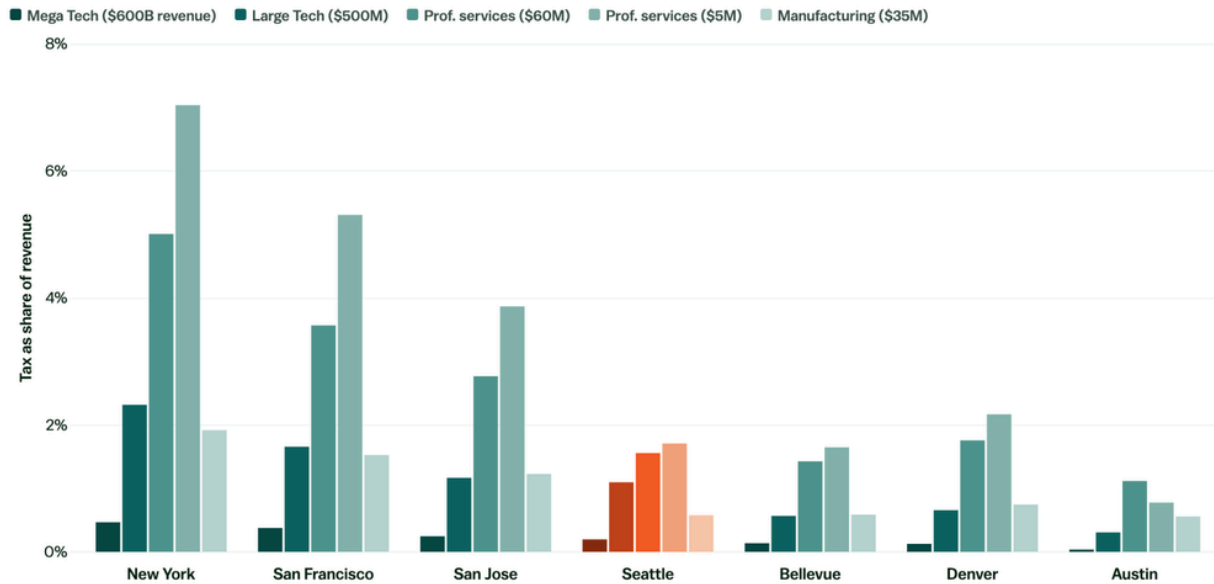
While taxes receive outsized attention as perhaps the city's most visible and quantifiable intervention in the economy, this report treats them as just one cost that shapes business decisions. Further, this report treats costs overall as a whole as just half of the equation, with the value of the assets that the city provides (talent, infrastructure, real estate, capital) as the other half. But because taxes have been a major source of debate in Seattle and Washington in 2026, this preview of the cross-city tax analysis is offered to set expectations for what is to come.

The basic situation is immediately evident below – Seattle taxes for businesses are basically middle of the road compared to its high-tax peer group. **This chart should be interpreted with caution.** First, note the y-axis. For most firms in this model, tax burden as a share of revenue hovers around **1 to 2 percent**. Variations across places should be interpreted in this context. (Differences in labor costs driven by differences in housing costs are far more determinative of the total cost burden). Second, it is hard to overstate just how big the “mega tech” firm is. The large tech firm is 100 times the size of the smallest professional services firm in the model. The mega tech firm, in contrast, is **1,200 times the size** of the large tech firm. Given how colossal this modeled firm is, very substantial absolute differences in tax burden basically disappear in this visualization. According to this model – which is very sensitive to the share of revenue that a given firm apportions to Washington – the mega tech firm pays about \$1.2 billion in state and local taxes if located in Seattle, versus \$800 million in Bellevue. The almost imperceptible difference in the Seattle and Bellevue column heights equates to \$400 million annually.

PROJECT SCOPE

Seattle's business taxes trail New York and the Bay Area — but Bellevue undercuts it on large tech

Modeled 2026 state and local taxes as a share of revenue, by firm archetype



Source: Authors' analysis. Modeled state and local tax burden (B&O, JumpStart, social housing, state and city corporate income taxes, gross receipts taxes, and applicable local payroll taxes) as a share of revenue for five firm archetypes across seven peer cities.



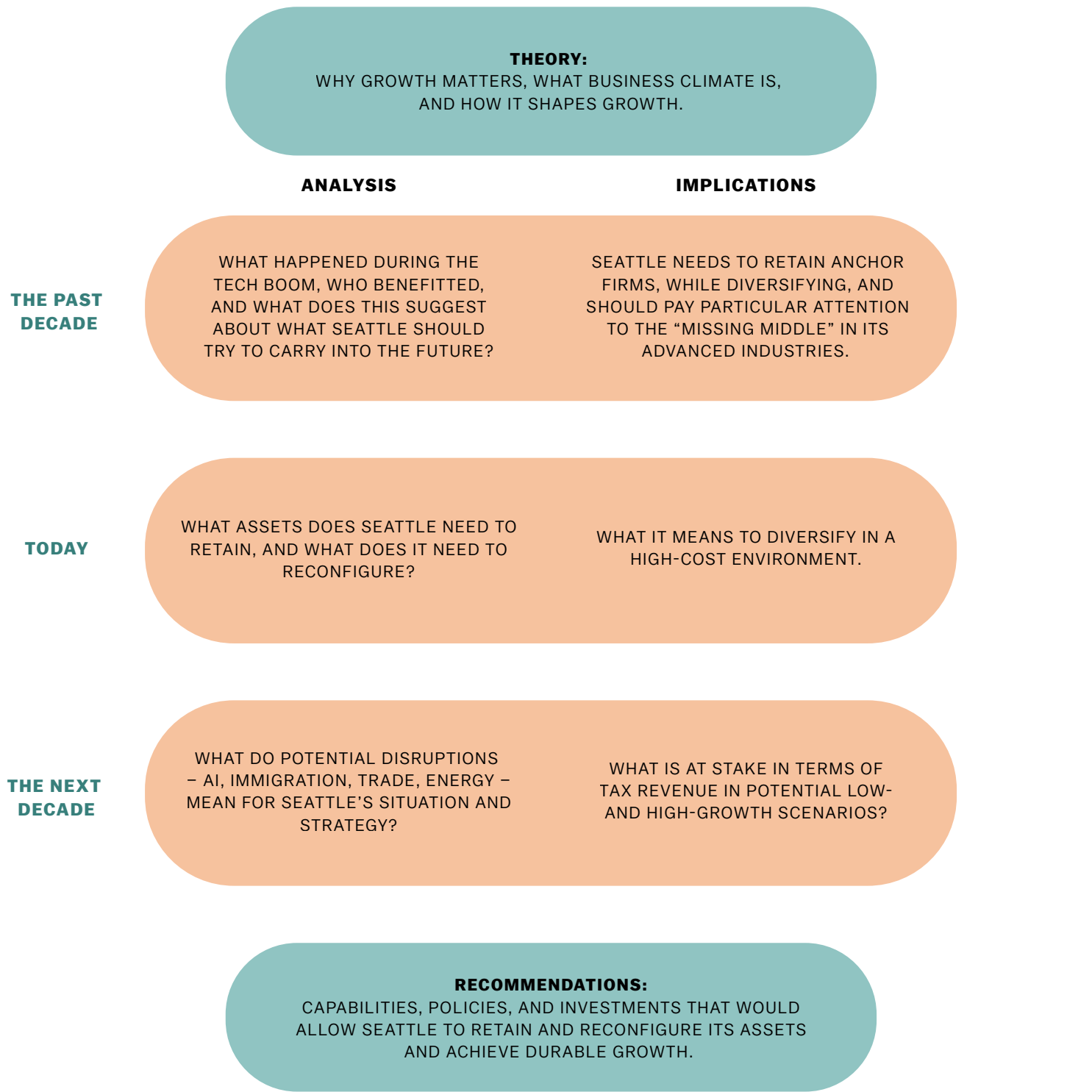
Preview of Tax Competitiveness Analysis, Continued

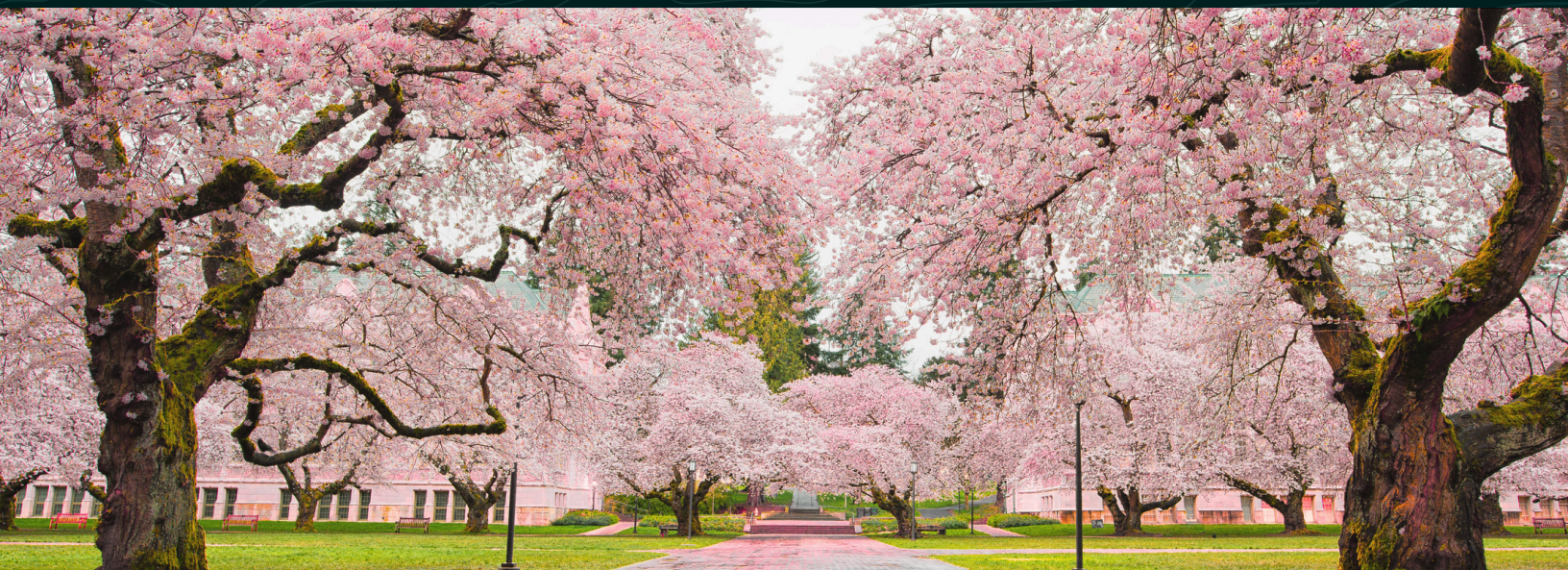
Three other reasons that this should be interpreted cautiously are worth previewing, since the situation is more nuanced than this graphic can convey. First, not every city has a competitor like Bellevue that offers easy access to the same labor market and somewhat lower costs. So Bellevue's presence should make the City of Seattle disciplined even if Seattle seems to have a lot of headroom before it approaches the tax rates of the Bay Area and New York City. Second, Seattle's particular tax structure is more distortionary at the margins – when a CFO is deciding whether to add highly-paid staff in Seattle or not – than tax structures in cities with higher overall taxes. JumpStart adds roughly \$17,000 in tax costs for a senior engineer earning \$650,000 annually, while San Francisco imposes no per-employee tax and New York City's equivalent is under \$6,000. Seattle is taxing the decision to hire, with the tax rate rising with the seniority and compensation of the employee. The third complexity is only partly quantifiable but maybe most important, which is that the *velocity* of tax changes in Seattle – which are extraordinary for large tech companies – paired with the perception that the imposition of those taxes has been accompanied by an uncaring or even punitive attitude, creates a perception problem that is outsized compared to the differences in current tax rates visible in a spreadsheet. And perceptions do shape investment decisions.

Overall, the analysis in this report – including many interviews with business and economic development leaders – does not suggest that taxes are the main driver of inter- or intra-metropolitan business growth decisions.

REPORT STRUCTURE

The core of this report is organized chronologically, with sections on the past, present, and future each followed by a pause to take stock of implications for strategy and policy. This core is bookended by a section describing the underlying theory that shaped the analysis and recommendations, and a section with recommendations for leaders in the City and beyond.





PART II: ANALYSIS

Section 2: Growth – Why It Matters, Where It Comes From

WHY GROWTH MATTERS

This report is fundamentally about ensuring that Seattle’s economy can continue to grow in the next decade. This section defines economic growth and establishes why growth matters.

Seattle needs more people to move to the city and more businesses to start and grow in the city because Seattle’s tax revenue, especially property and sales tax revenue, depends on it. If the city stopped growing, the only way to increase revenue would be to increase the tax burden on existing residents and businesses (and the 1 percent property tax levy limit at the state level hinders this anyway). A growing economy, by contrast, generates new revenue even at stable tax rates. Put differently: it is easier to distribute the benefits of a growing pie than a fixed one.

But not all growth is equal in terms of economic opportunity or revenue generation. Some regions, like Phoenix and Orlando, have been growing in terms

of population and GDP by attracting people, as well as the businesses that serve that growing population. This makes the economy bigger and faster, but not more prosperous – it’s a growth model that yields higher GDP but stagnant incomes.

The kind of growth that matters for long-term prosperity involves the continual upgrading of capabilities – among individuals, within firms, and across industries – so that the economy can produce more valuable goods and services more efficiently. Economists call this productivity growth, but it can also be thought of as the ability of more people to contribute more skillfully to producing more of what the world needs.⁴

Importantly, the kind of long-term, sustained growth that comes from productivity growth doesn’t just raise wages. It also enhances economic freedom. Growth shifts the balance of power to workers – sustained economic growth tightens labor markets,

WHY GROWTH MATTERS

as sidelined workers re-enter the labor force, forcing firms to compete for workers by raising wages (especially at the bottom of the distribution). The period from 2019 to 2023 offers a vivid illustration: historically tight labor markets nationally produced real wage gains that erased roughly one-third of the wage inequality that had accumulated over the prior four decades.⁵ Growth matters not only because it raises average incomes, but because it gives workers options – the ability to change jobs, negotiate better conditions, or take the risk of starting a business. This is not to suggest that everyone in the economy

benefits from growth. People who aren't in the labor market (retirees, students, some disabled people, among many others) and don't own land mostly experience growth in terms of rising costs. Families who rely on daycare and want a house with a small yard can fall behind in ways not captured by aggregate data. Local restaurants, retailers, and artists whose rent rises faster than their customer base struggle. But, as a whole, growth creates the conditions in which economic opportunity is possible.



The Limits of Raising Wages by Mandate

Seattle's boundary-pushing minimum wage has added another chapter to a multi-decade debate that began with Card and Krueger's 1994 study of fast-food employment across the New Jersey–Pennsylvania border, which found New Jersey's higher minimum did not reduce employment.⁶ Those findings were contested at the time: Neumark and Wascher, analyzing the same states in the same years with payroll records, found job losses where Card and Krueger did not.⁷ Thirty years later, the research remains inconclusive in terms of the effects of minimum wages as high as Seattle's. A large body of research has confirmed that when employers hold wage-setting power (monopsony) they are able to pay workers substantially less than the value of what they produce.⁸ A minimum wage can close the gap without significant trade-offs. Once minimum wages surpass that level, trade-offs begin to emerge. The question worth asking is not whether minimum wages work in general, but where that tipping point is and who wins and loses as the minimum wage rises.

On the question of the tipping point, Arindrajit Dube offers an authoritative synthesis in his 2019 review for the UK government. He found employment effects – as in job losses – stayed small up to about 59 percent of the median wage across U.S. states, and endorsed exploring a national minimum wage as high as two-thirds of median earnings.⁹ By that measure Seattle sits comfortably inside the frontier: its 2026 floor of \$21.30 is less than 59 percent of the city's median wage. That does not settle the debate, however, for two reasons. First, Seattle's minimum wage is now among the highest that has been studied, in absolute dollar terms if not relative to the city's median. That is why Dube paired his recommendation with a warning that the evidence on high minimum wages is still developing, urging a standing mechanism to pause and recalibrate – letting inflation erode the wage if it overshoots. Seattle's ordinance does the opposite, ratcheting the floor up automatically each year.

Second, even if employment doesn't measurably fall, minimum wages shift jobs and wages in the economy, potentially in a way that cuts against the goals of minimum wage advocates. Two studies illuminate this risk. The most well-known in Seattle is by Jacob Vigdor and University of Washington collaborators. Their analysis of the increase to \$13 found that the likelihood of ongoing employment did not decline, but the cost was absorbed by

cutting the hours of less experienced workers and shifting work toward more productive ones – so the net earnings gains went almost entirely to workers who already had above-median experience.¹⁰ A team of researchers at Berkeley led by Michael Reich studied Seattle's food sector, and later five other cities, and also found no significant employment loss.¹¹ They also partially agree with Vigdor on hours worked – their methodology did not allow them to analyze that in detail, but they conceded their results could be accounted for by the same shift in workforce composition that Vigdor identified. Where they differ with Vigdor is on earnings effects. Vigdor's wider work finds a real loss for less-experienced workers, which Reich disputes, partly on the ground that Vigdor's fixed wage threshold counts a worker whose pay rose past it as a “lost” low-wage job, and that his approach required dropping multi-site chains (the firms most able to raise pay without cutting hours).¹²

This last point is important. The evidence suggests modest to moderate risks for worker welfare. But there are also effects on firms and their owners. Just as minimum wages cause differential impacts across more and less experienced workers, they can have differential impacts on more and less capable firms. Larger firms, including national chains, are able to absorb higher labor costs in ways that a small family-owned restaurant cannot. Studying Bay Area increases, Luca and Luca offer some evidence of this dynamic. Using Yelp data, they found a one-dollar increase raised a median-rated restaurant's odds of closing by about 14 percent, left the strongest untouched, and discouraged new entry.¹³ Employment can hold steady while the mix of businesses turns over – marginal firms close, their workers move to survivors.

Unfortunately the data for the city of Seattle is not detailed enough to allow a definitive analysis of whether chains outperformed independent restaurants as the minimum wage rose. Analysis of Census Bureau data finds that the number of restaurants in Seattle fell by about 3.7 percent from 2018 to 2023 while they held steady in Bellevue and Tacoma – but the number of establishments across all industries in Seattle fell by 3 percent during those years, so this does not appear to be a clear case of minimum wage impact, especially considering that restaurants were particularly hard-hit by Covid. The city of Seattle continues to have a very high number of full-service restaurants per capita. In keeping with the findings of Vigdor, restaurants in the Seattle metro area have about 11 percent fewer workers per location but 64 percent higher wages than a decade ago.

Minimum-pay rules for gig workers follow much the same pattern as above. Studying Seattle's 2024 per-task standard for app-based delivery, researchers at Carnegie Mellon found base pay per task roughly doubled – from about \$5 to over \$12 – but the gain dissolved because tips fell and new drivers flooded the market, so incumbents completed fewer tasks and idled longer.¹⁴ Monthly earnings ended where they began. Seattle's Office of Labor Standards reached a more favorable verdict in April 2026, putting pay for time online near \$16 per hour.¹⁵ The Carnegie Mellon study used six months of data from a self-selected third-party earnings app, while OLS used 18 months of data that the platforms are now required by ordinance to report (OLS data is not, therefore, causal – it does not include data from before the policy went into effect). These studies have been framed as being in opposition to one another, but they generally are not. A higher hourly rate (as reported by OLS) and flat monthly earnings (as Carnegie Mellon found) are perfectly consistent if hours or tasks per driver fell. As with the minimum wage, the story is less about destroying jobs and more about shifting benefits among low-wage workers – in this case from incumbents to new entrants (and in the case of minimum wages, from new entrants to incumbents).

In sum, there is little evidence that Seattle's minimum wages have caused much downside for workers, or for most businesses. But the research suggests that Seattle should be cautious as wages climb higher, be clear about which specific low-wage workers are the intended beneficiaries, and take seriously the substantial burden that minimum wages create for the most vulnerable small businesses.

HOW REGIONS GROW

Growth matters, but where does it come from?

Exports are essential: Urban economies can only achieve sustained growth by exporting goods and services to other regions. Without that injection of outside money, a regional economy simply recirculates existing dollars. Restaurants, retail, and local services – however large their employment – cannot drive regional growth. This is why it makes sense to distinguish traded sectors (selling outside the region) from non-traded sectors (serving local demand).

Fueled by productivity and innovation: Traded-sector firms are the engine of regional growth. More productive and innovative firms are more likely to export, and exposure to global competition drives further innovation. As these firms approach the technological frontier, they can afford to pay higher wages across the board. Brookings finds that “Advanced Industries” pay more at every educational level, and we estimate a multiplier of three to four additional jobs per direct job.¹⁶ Critically, very few firms make innovation- and productivity-enhancing investments, and this small group drives most growth in the economy: one study found that 15 percent of firms create 50 percent of jobs, and a recent study found that 0.5 percent of firms created 73 percent of jobs from 2018–2023.¹⁷ These high-growth firms are disproportionately young.

Supercharged by agglomeration effects: Talent is the fuel for this engine. When specialized workers concentrate in a region, physical proximity creates knowledge “spillovers” – both formal exchange within industries and serendipitous collisions across them. These spillovers are why firms cluster in expensive regions despite cheap virtual communication.¹⁸ Mark Muro at Brookings describes a “winner-take-most” economy in which 90 percent of national tech job

growth from 2005–2017 occurred in just five metros.¹⁹ Even significantly rising costs do little to constrain this kind of growth, as Seattle demonstrated in the mid-2010s to early 2020s.

Leading to economic complexity: Agglomeration effects can start and end quickly as technologies and macro conditions change. But if one era of growth yields sufficient complexity, the region can catch the next wave. Economic complexity describes a regional capability base that gets recombined in novel ways: aerospace expertise spilling into advanced materials and robotics, biomedical concentration attracting data scientists, platform-trained software talent starting firms in climate tech, fintech, and logistics.

HOW CITIES GROW

If that is how regions grow, what determines the growth of their central cities? The benefits of density must outweigh the costs of density in order for cities to grow relative to their suburban and exurban surroundings. The benefits of density used to be largely infrastructural – cities formed at harbors, river confluences, and rail junctions to minimize transport costs. Now, with cheap transport and communication, cities exist primarily to capture value from ideas. That depends on:

Concentration of talent: Much of the past several decades' urban dynamism came from skilled knowledge workers choosing cities for cultural amenities, with firms following them.²⁰ But cities can become victims of their own success: when they fail to produce enough housing, the resulting cost structure makes it hard for small businesses and artists to survive, eroding the urban distinctiveness that drew talent in the first place.

HOW CITIES GROW

Networks: Density enables, but does not guarantee, the cross-sector interactions that drive knowledge recombination. Agglomeration benefits now have to be actively tended. Regions increasingly specialize by function – invention, manufacturing, back office – rather than by sector, meaning innovation developed in one city often gets commercialized in a second and manufactured in a third. Keeping more of that chain in one region requires connective tissue: industry-university partnerships, sector-specific innovation hubs, and structured corporate-startup matching.

Innovation infrastructure: Goods infrastructure still matters, but R&D infrastructure is now critical, since most growth is driven by young firms that depend on access to specialized labs and equipment. The University of Washington's Clean Energy Testbeds, which now serve roughly 150 member companies, illustrate the point: they let early-stage clean energy firms move from coin-cell research prototypes to pouch cells that major manufacturers will qualify into their supply chains. Proximity matters here – the spatial clustering of R&D labs is strongest at distances of roughly a quarter mile, meaning that researchers benefit from being within walking distance of each other much more than simply being in the same city or metro area.²¹

SUSTAINED GROWTH REQUIRES INTENTIONALITY

One of the premises of this report is that sustained, inclusive economic growth does not just require the right climate; it requires active cultivation. New industries do not emerge automatically even where there are abundant assets. If the key to sustained growth was assembling a critical mass of talented people and leaving them alone, then Los Angeles and the Bay Area would look similar. But they don't – the Bay Area's tech economy is about three times the

size of Los Angeles' (as a share of employment) and median Bay Area incomes are far higher than those in Los Angeles.²² That's mostly because of the largely invisible infrastructure that allows ideas, talent, and capital to flow across industries. This infrastructure – industry-university partnerships, corporate-startup matching mechanisms, sector-specific convening venues – does not assemble itself, and once it exists it needs to be tended to. In regions that do have this infrastructure, it has often been built over decades through sustained investment by a mix of public, private, and civic actors.

DEFINING BUSINESS CLIMATE

A core purpose of this report is to assess Seattle's business climate. But "climate" is a misnomer because the term suggests that there is a universal experience for all businesses in a city. In reality, different types of businesses have different cost structures and strategies. A venture-backed software firm thinks nothing of locating in an extremely high-cost city in order to attract a small team of the best software engineers on the planet.

On the other hand, a labor-intensive, low-margin business situated near a port does not benefit from the growing concentration of software engineering talent. In fact, the related run-up in costs may make it impossible for the latter firm to survive in the city. In between is a wide range of other businesses – an advanced manufacturing firm that employs AI experts and welders may benefit from being part of Seattle's tech labor pool but also struggle to justify the costs as its production workforce grows.

This is why most public debates about business climate are confused. Studies tend to invoke a typical firm without specifying that firm's characteristics. They often implicitly focus on cost-sensitive firms

DEFINING BUSINESS CLIMATE

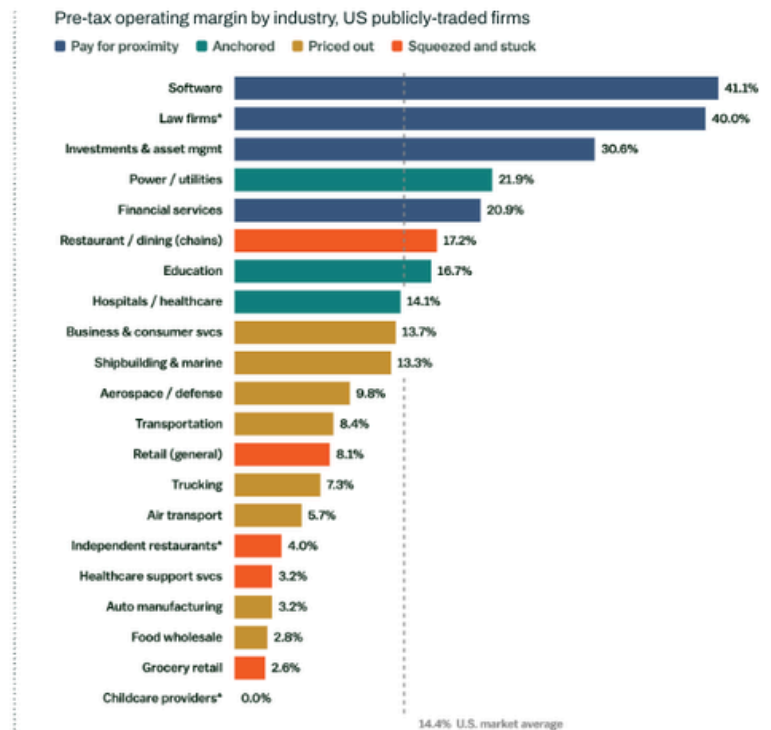
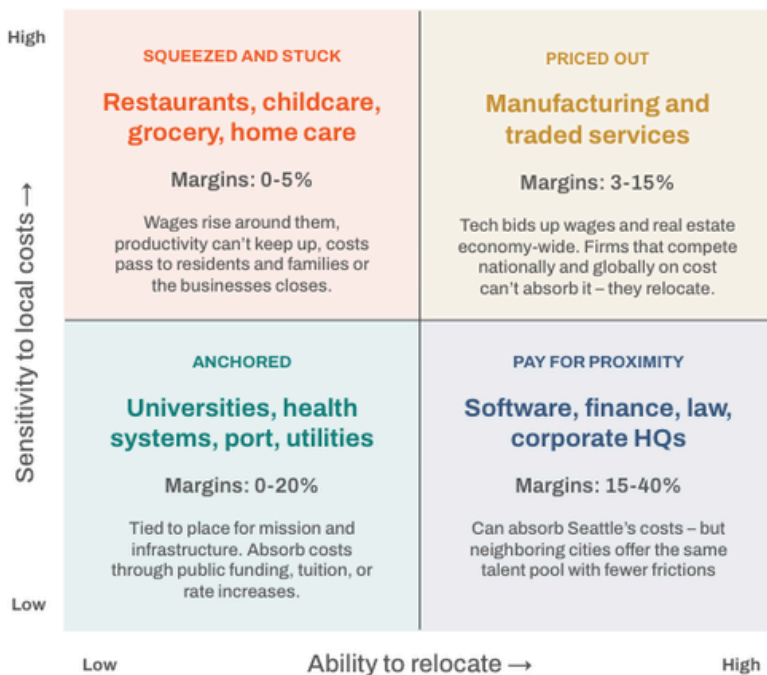
and therefore define competitiveness in terms of low costs. Or they focus on innovation-oriented firms that compete globally and therefore define competitiveness in terms of the quality of the region's talent and innovation assets.

Competitiveness rankings might identify San Francisco, Seattle, and Boston as among the top cities in the country, while business climate rankings might identify them as among the worst.²³ Both may be right, because some firms care mostly about “ease of doing business” and others care about “ability to dominate global competition.”

In theory, there may be no tradeoff between these. There is no law of the universe that dictates that a high concentration of innovation assets must result in an accumulation of frictions and costs.

But in practice these almost always go together. In regions with abundant innovation assets, success triggers a self-reinforcing cycle of agglomeration that bids up costs economy-wide and triggers the creation of policies to protect low-wage workers and renters, worsening the business climate for cost-sensitive industries.²⁴

In summary, business climate is not one thing – it varies systematically with the kind of business in question. And it is almost impossible to improve the business climate for all or even most industries simultaneously. Therefore, while this report later recommends some no-regrets actions that would be universally beneficial, its primary goal is to focus on defining which types of businesses matter most and identifying ways to improve their particular climate.





The Role of Small Businesses In Growth

The preceding account of how growth happens was largely silent on small businesses, despite the fact that they make up the large majority of firms in any regional economy, including Seattle's, and they are a major part of what makes a city feel like a place worth living in.

But the empirical record is unambiguous: small businesses are not what drive growth. Most small firms are local-serving, which means they recirculate dollars rather than bring new ones into the region. Even within the traded sector, it is a very narrow subset of firms that account for the bulk of net job creation – the high-growth "gazelles" that grow from small to mid-sized to large. The typical small business does not grow much, and that is not a failing; most small business owners are *not trying* to build the next Theo Chocolate or Filson or Outdoor Research.²⁵

This report therefore treats Seattle's vibrant small business sector as an input into the city's competitiveness rather than as a primary engine of growth. Walkable commercial corridors, distinctive restaurants and retailers, and a healthy base of neighborhood-serving firms are part of why mid-career professionals and the firms that compete for them choose Seattle over Bellevue or other lower-cost options.

Small businesses also matter for wealth building, for neighborhood character, and for the economic agency of their owners – outcomes that are important on their own terms and that other policy efforts in the city rightly focus on. But they are not a justifiable focus for a report that is largely motivated by questions about the City of Seattle's ability to generate sufficient tax revenue amid economic disruption. Seattle's tax revenue is, by design, heavily concentrated on a small number of large employers and the high-wage workers they employ. Small businesses pay no B&O tax. JumpStart applies only to firms with payroll above \$8.5 million. The Social Housing tax applies only to pay above \$1 million per employee. The structure intentionally exempts the small business base from the city's primary revenue tools. That means the fiscal health of the city does not depend, at least directly, on how many small businesses Seattle has.

Therefore, the analysis that follows focuses on the firms and industries whose presence or absence will determine whether Seattle has the revenue to fund the city its residents want – including important small business support programs.



PART II: ANALYSIS

Section 3: The Past Decade – Making Sense of the Tech Boom

What happened in Seattle over the past decade? Nearly any Seattle resident or business owner would answer this question the same way: it became much more expensive. And they are right. They might also say: it became much more unequal. They would be right about that too. But the question that is relevant for local policy and strategy is not whether Seattle became more expensive or unequal, but whether other cities operating in the same national legal and economic context grew without becoming as expensive and unequal. If not, the task ahead of Seattle is to try to cultivate a better version of the economy it has. If other cities did clearly outperform Seattle on inclusive growth, the question is how, and can any of the underlying causes be replicated by the City through policy and investment?

This section begins with the positive story, which is that the Seattle region's economy created more broad-based economic opportunity over the past decade than most other regions. It then affirms and quantifies what is widely known – that Seattle became expensive for residents, businesses, and

government alike, a trend that threatens Seattle's ability to maintain, and improve upon, its inclusive growth record of the past decade. It concludes with another pairing of good news and bad news: the city of Seattle outperformed Bellevue as well as every other peer city in terms of growth over the past decade, but this growth occurred even as the economy underperformed in terms of the creation and growth of innovative firms.

SEATTLE OUTPERFORMED MOST OF THE COUNTRY ON INCLUSIVE GROWTH

The Seattle metro area's growth over the past decade was more broadly distributed than the national pattern, and more inclusive than that of established high-cost tech-dominated peers. Both the number of jobs and real wages – adjusted for cost of living – grew across the spectrum, in contrast to the “hollowing out” of middle wage earners seen in other regions and, to some degree, in the United States as a whole.²⁶ Every tier of Seattle's wage distribution added jobs between 2014 and 2024.

No quintile (defined by MSA-specific wages in 2024) lost employment.²⁷ The middle quintile, covering occupations paying roughly \$28 to \$39 per hour in the region, added 45,000 jobs. The lower-middle, at \$22 to \$28 per hour, added roughly 32,000. The bottom quintile added another 19,000. The lion's share of growth, however, happened in the top two quintiles: together, they added more than 200,000 jobs over the decade, with the upper-middle tier expanding by nearly 30 percent and the high-wage tier by 34 percent. But while the *share* of middle-wage workers in Seattle declined over this period, the *absolute count* grew: there are substantially more middle-wage workers in Seattle today than a decade ago.

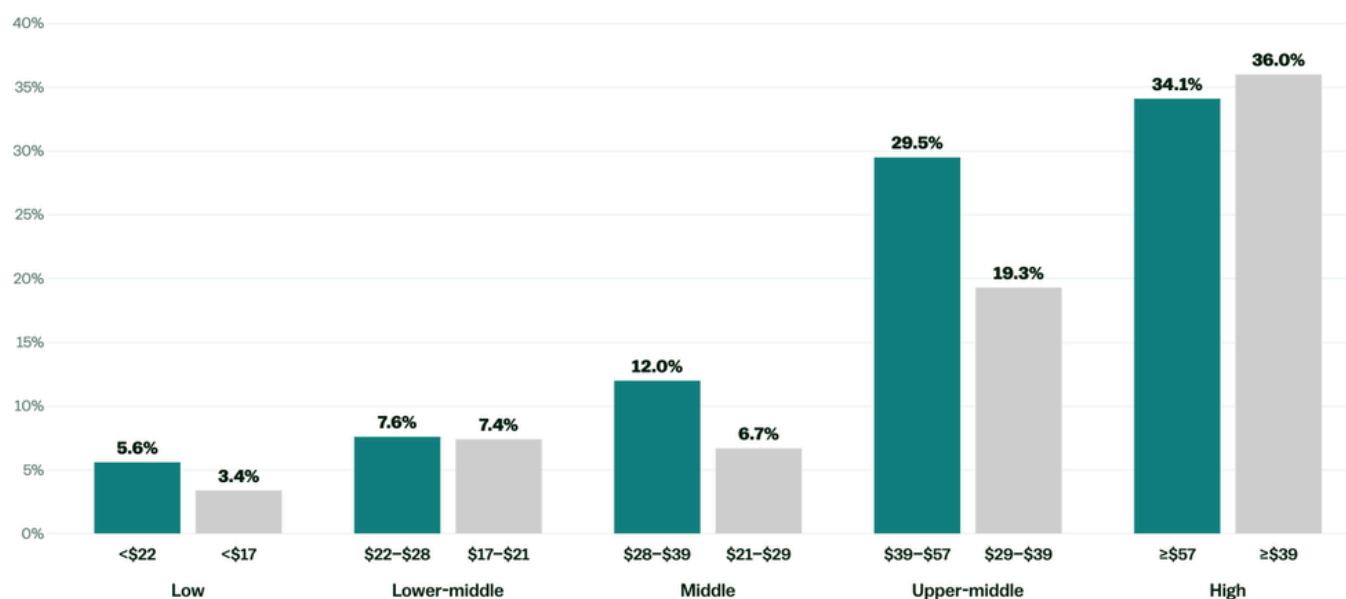
This analysis speaks to how complicated it is to define whether a region's economy became more or less unequal over time. Comparing Seattle to the country as a whole tells a clearer story.

Seattle's labor market provided more job opportunities for workers at the bottom and the middle of the distribution. In this analysis, wage tiers are defined within each geography, so what counts as middle-wage in Seattle sits at higher dollar levels than the national middle – but nevertheless the share of Seattle's workforce in those tiers grew faster than the comparable national share. Seattle's bottom tier grew nearly two percentage points faster than the nation, its middle tier grew roughly five percentage points faster, and its upper-middle tier grew ten percentage points faster. The widespread perception that Seattle's growth was unusually top-heavy reflects the slow growth of its low-to-middle wage jobs relative to higher paying occupations – which is a national pattern, not unique to Seattle.

Seattle's job growth was stronger in the middle than the nation's

Employment change by wage quintile, 2014–2024, with 2024 median hourly wage ranges

■ Seattle MSA ■ United States



Source: Authors' analysis of Lightcast CORELMI DAT_OCC and DAT_OCC_EARN tables, 6-digit SOC occupations, QCEW employees (CLASSID = 1), 2014 and 2024.

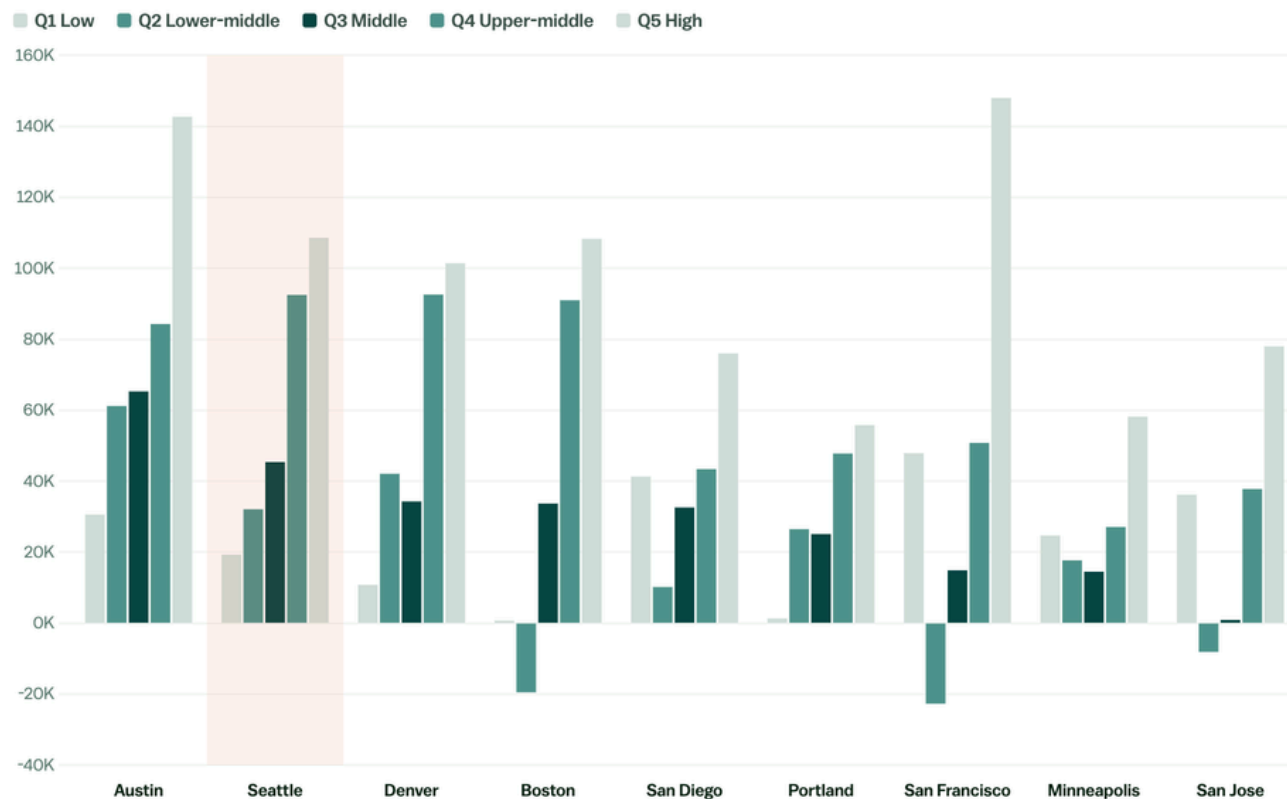
Seattle's broad-based growth was impressive compared to most of its peers. Only one of Seattle's peer metro areas (Austin) was unambiguously better. Four of Seattle's eight comparison metros (San Francisco, San Diego, San Jose, Minneapolis) created more low wage jobs than lower-middle or middle wage jobs. Boston is a variant of that pattern, with a striking decline in lower-middle wage jobs but robust growth in middle-wage. Portland experienced healthy growth in the middle, but no growth at the low end and muted growth at the top end (suggesting an underpowered innovation engine). And as a smaller economy, Portland only created about 58 percent as many lower- through upper-middle wage jobs as Seattle. Only Austin and Denver had job growth that was arguably more robust and broad-based than Seattle's.

Austin is the clear superstar in this period, outpacing every peer on growth – both in the aggregate and by percentage. Denver was also a relatively strong inclusive growth performer, though growth in the middle tier lagged that of the lower-middle wage segment.

In short, Seattle's economy had a healthier growth profile over the past decade than nearly any other region in the country, and a case could be made that in some ways it was healthier than Austin's, given data later in this section that the city of Seattle performed much better relative to the rest of the Seattle metro area than the city of Austin did relative to its metro area, and given that Austin's growth was even more top-heavy than Seattle's.

Seattle's growth reached every wage tier; many peers left at least one behind

Net change in employment by wage quintile, 2014–2024, Seattle and eight peer metros



Source: Authors' analysis of Lightcast CORELMI DAT_OCC and DAT_OCC_EARN tables, 6-digit SOC occupations, QCEW employees (CLASSID = 1), 2014 and 2024.

Wages tell a complementary story, while also showing the limitations of even a relatively strong inclusive growth picture. Real hourly wages in the Seattle metropolitan area, adjusted for local price levels across a general basket of goods and services, rose across the entire distribution between 2015 and 2024.²⁸ The fastest gains were at the bottom: workers at the 10th percentile saw real wages grow at roughly 3.5 percent per year, bolstered by Seattle's \$15 minimum wage ordinance, phased in from 2015 to 2021, and by a parallel rise in Washington State's minimum wage from \$9.47 in 2015 to \$16.28 in 2024 that applied across the rest of the metro. Workers at the 25th percentile saw real wage growth of roughly 2.5 percent per year, and those at the median, 75th, and 90th percentiles at about 1.5 percent per year.

Because higher-paid workers were growing off a larger base, however, their absolute real gains were larger: workers at the 90th percentile saw real wages rise by about \$9 per hour over the decade, compared with about \$4.50 per hour at the 25th percentile.

None of this analysis should be interpreted to mean that Seattle's growth was sufficiently broad based,

and certainly not inclusive by race or by neighborhood. But it does suggest that Seattle leaders should seek to preserve, and improve upon, its basic model in the next decade – there are more inclusive large urban economies in theory or perhaps in other countries, but few if any that existed in the U.S. over the past decade.

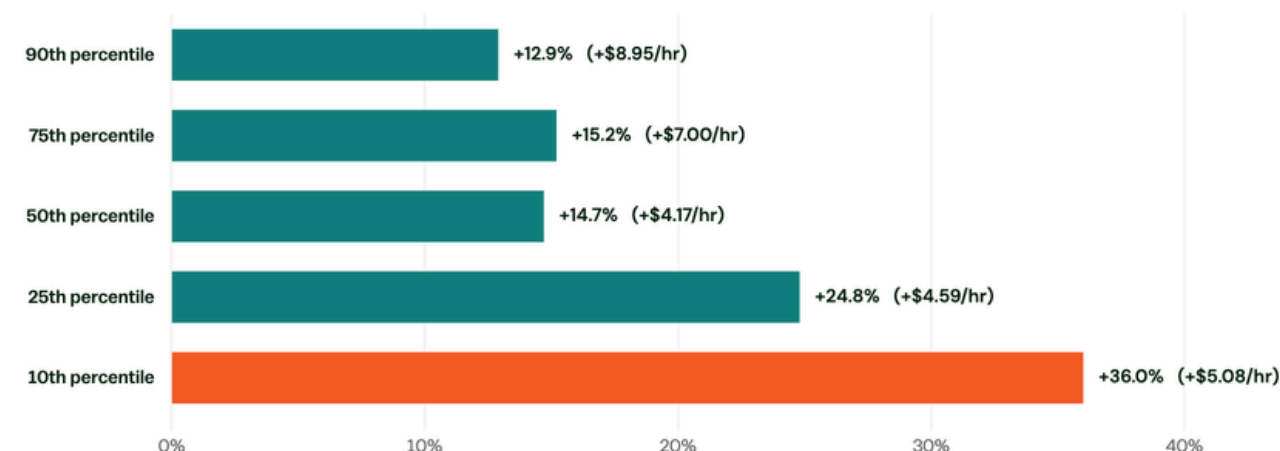
COSTS GREW FOR RESIDENTS

Real wage growth compared to inflation tells us costs haven't outrun incomes on average. But averages hide the households for whom specific costs – especially housing and childcare – have grown faster than incomes. This section explores the cost side of the equation in more detail.

The key takeaway: Seattle has two economic fault lines, not one. On the income side, it's whether you work in tech. On the cost side, it's whether you have kids. Seattle is an unusually good place to be childless – costs run only slightly above Denver or Atlanta while wages are substantially higher and growing. But it's an unusually expensive place to raise a family.

Wages grew fastest at the bottom in percentage terms; top earners gained more in dollars

Total real wage growth by percentile, Seattle MSA, 2015–2024 (in 2024 dollars)



Source: Lightcast CORELMI (QCEW employees, all occupations); BEA Metropolitan Area Implicit Regional Price Deflator (FRED).

For a two-earner household in King County with no children, the cost of meeting a basic standard of living was roughly \$86,000 in 2025, according to the Economic Policy Institute. Adding two children to the household nearly doubles the required household budget, driven primarily by more than \$41,000 in annual childcare costs, as well as an increase in taxes because of the significantly greater income required for this budget.²⁹ If this persists, it poses a serious threat to inclusion, talent retention, and business attraction.

HOUSING

Real **rents** in King County climbed sharply through 2018, then held roughly flat – relative to high overall inflation. Rents grew approximately 11 percent in real terms over the first three years of the period and slipped about 1 percent across the seven years that followed. The typical market-rate asking rent in King County in 2025, from Zillow's repeat-rent index, was approximately \$2,254 – roughly 19 percent above the U.S. national average of \$1,890, but well below Boston (\$3,308), San Jose (\$3,377), and San Francisco (\$3,586).

The trajectory varies meaningfully across peers. Three other metros – Boston, Portland, and Denver – followed roughly Seattle's climb-and-hold pattern, though with smaller cumulative gains, ending 2025 between 2 and 7 percent above their 2015 levels in real terms. The Bay Area moved in the opposite direction: San Francisco real rents fell about 17 percent over the period, and San Jose fell about 5 percent (albeit from much higher levels, and remaining significantly more expensive), with the steepest declines concentrated in 2020 and 2021 during the COVID pandemic. Atlanta and the U.S. as a whole continued climbing past 2018 – Atlanta ending 2025 about 24 percent above its 2015 level (the largest cumulative real increase in the comparator set), and the national average about 19 percent

above 2015, with most of the gain coming in 2021 and 2022. Austin's trajectory tracked Atlanta's through 2022 but then reversed, ending 2025 essentially at its 2015 level. What distinguishes Seattle's trajectory among these comparators is its shape: a sharp early-decade climb followed by a plateau.

While Seattle's **for-sale** market has also moderated in recent years, growth in King County home values still outpaces all rivals, sitting roughly 41 percent above 2015 levels in inflation-adjusted terms. Values stood at approximately \$874,000 at the end of 2025, exceeding all peers except San Francisco County (\$1.32 million) and Santa Clara County (\$1.69 million). The salary required to afford a typical home in the Seattle metro rose from \$55,000 in 2014 to \$165,000 in 2025, more than doubling even after adjusting for inflation.³⁰

Bottom line: the median wage of their own occupation, workers in occupations representing roughly 78 percent of Seattle MSA employment – approximately 1.8 million workers – earn too little to keep housing costs at or below 30 percent of income, the federal threshold above which households are considered "housing cost burdened."³¹

Many households include two earners, which improves the affordability picture for some. In the middle tier of the distribution – software developers at the start of their careers, nurses, project managers, operations managers – dual-income households are common, and two incomes with comparable wages generally clear the affordability bar. The same is not true at the bottom. The gap between earnings and housing costs is larger to begin with, and single-earner households are disproportionately concentrated in low-wage service occupations. Even for two-earner low-wage households, the math is tight: a household with a home health aide and a retail salesperson, both

earning the median wage for their occupations in the Seattle MSA, would fall roughly \$500 per month short of being able to afford the metro's Fair Market Rent at the 30-percent threshold, spending about 37 percent of household income on rent.

This is not a wage problem in the sense of low-wage workers being paid poorly – Seattle's wages in the lowest-paid occupations are higher than in many peer metros. It is a housing problem. A customer service representative at the 25th percentile

of that occupation earns approximately \$21.77 per hour in the Seattle metro, compared with \$19.33 in Denver and \$16.56 in Austin. But the monthly rent gap that a worker faces – the difference between what 30 percent of their income would cover and the local Fair Market Rent for a two-bedroom apartment – is approximately \$1,514 in Seattle, \$1,196 in Denver, and \$1,063 in Austin. The Seattle worker earns about \$5 more per hour than their Austin counterpart, yet faces a rent gap that is roughly \$450 per month larger.³²

Seattle rents rose modestly over the past decade

Typical monthly rent in real 2025 dollars by county (primary city listed), 2015 vs. 2025



Source: Zillow Observed Rent Index (ZORI), county-level smoothed monthly series, accessed May 2026; deflated to real 2025 dollars using BLS CPI-U annual averages. Counties: King (Seattle), San Francisco, Santa Clara (San Jose), Suffolk (Boston), Denver, Multnomah (Portland), Travis (Austin), Fulton (Atlanta). U.S. figure is the national ZORI series (not a county).

HOUSING

The housing affordability challenge also falls unevenly by race. The occupations where the shortfall is largest – the low-wage service jobs at the bottom of the distribution, where single-earner households are most concentrated – are disproportionately held by

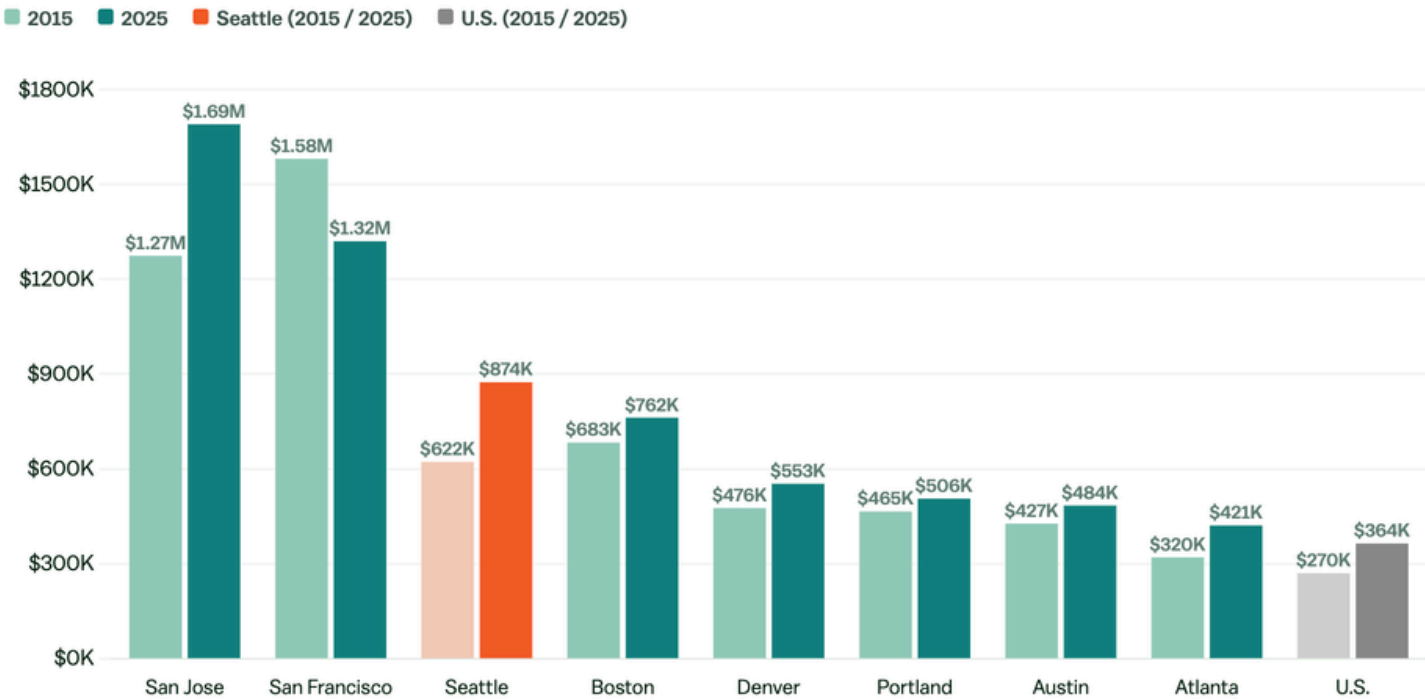
workers of color. The disparity is visible in the cost-burden data: across the region, nearly 57 percent of Black renters spend more than 30 percent of their income on housing, compared with 45 percent of renters overall and 43 percent of white renters.³³

In summary: real wage gains happened at every level in Seattle over the past decade, but they obscure two distinct housing problems. At the bottom of the wage distribution, Seattle's housing costs swamp its wage advantage (as evidenced by the Seattle-Austin differential described above). Indeed, more than three-quarters of workers in the MSA are unable to afford housing at the 30 percent threshold on their occupation's median wage.

Further up the income distribution, the apartment-to-house transition has become a major affordability cliff: the salary required to afford a typical home has climbed far faster than incomes. The first problem is a threat to inclusion. The second is a threat to talent retention and business attraction. Both are housing problems, not wage problems.

Seattle home values jumped over the decade

Typical home value in real 2025 dollars by county (primary city listed), 2015 vs. 2025



Source: Zillow Home Value Index (ZHVI), county-level smoothed seasonally-adjusted series, accessed May 2026; deflated to real 2025 dollars using BLS CPI-U annual averages. Counties: King (Seattle), San Francisco, Santa Clara (San Jose), Suffolk (Boston), Denver, Multnomah (Portland), Travis (Austin), Fulton (Atlanta). U.S. figure is the national ZORI series (not a county).

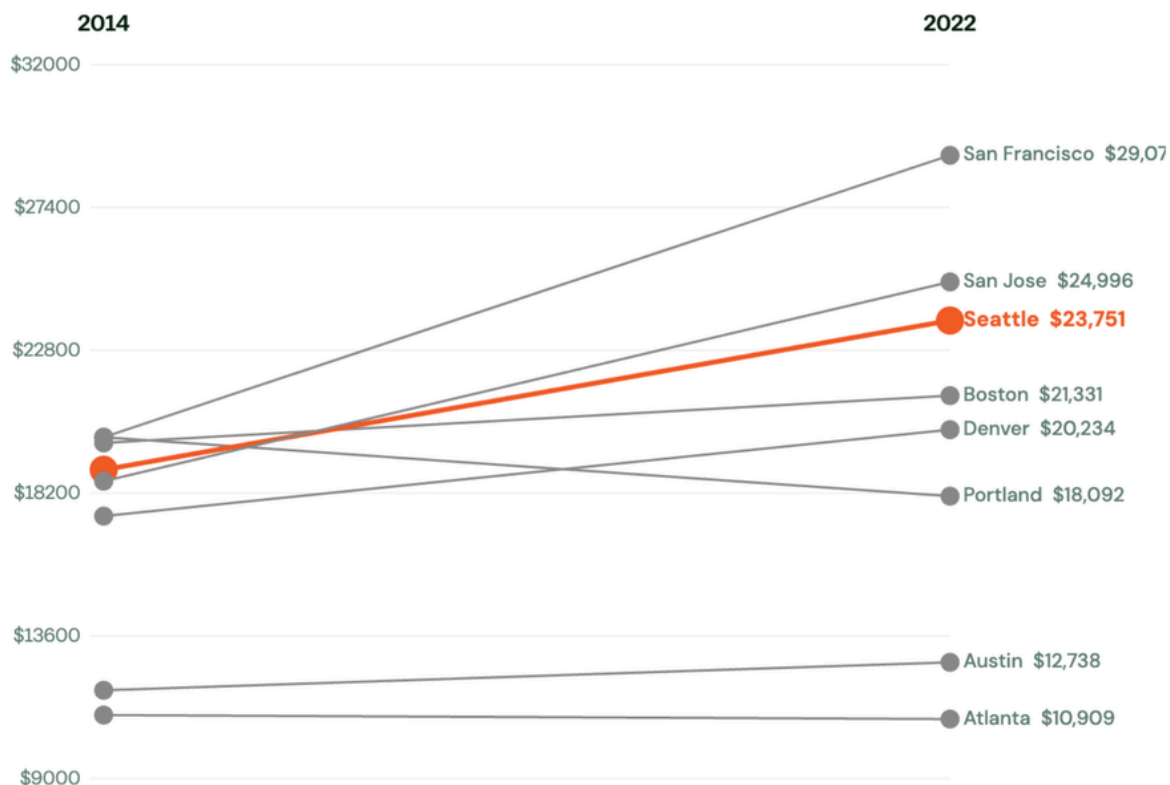
CHILD CARE

Childcare is the second pillar of the cost squeeze for Seattle residents with young children. For a two-parent, two-child household, childcare absorbs a quarter of the budget needed to live in Seattle – more than the roughly 20 percent that goes to housing.³⁴ The pressure has built over time: the real

cost of a full-time center-based care for a single child rose roughly 25 percent between 2014 and 2022, faster than every peer metro except San Francisco and San Jose.³⁵

Childcare costs grew sharply in coastal metros over the past decade

Annual cost of full-time year-round center-based care for one 4-year-old, 2014 vs 2022, real 2025 dollars



Source: U.S. Department of Labor, National Database of Childcare Prices 2008-2022; BLS CPI-U for Day Care and Preschool (CUUR0000SEEB03)



Childcare Costs and the Entrepreneurial Base

One reason the out-migration of people in their mid- to late 30s matters is that high-impact entrepreneurs, especially in the science- and engineering-driven fields that Seattle needs to cultivate, tend to be mid-career professionals, not recent graduates working in a garage or home office.

A 2020 study assessed the relationship between age and the likelihood of starting a successful firm among the top 0.1 percent fastest-growing new ventures.³⁶ The average age of founders in this group was 45 years old. There is no sector, including computing, where the mean founder age falls below 38. Founders at age 50 are about twice as likely to achieve top growth rates and successful exits as founders at age 30.

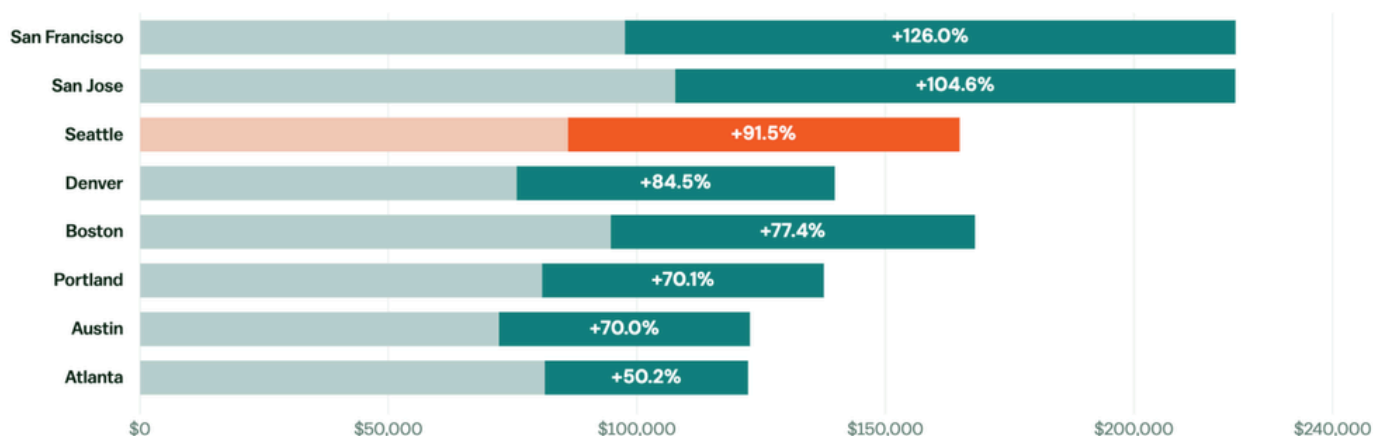
If Seattle loses future founders to cheaper cities and regions when they are in their mid-30s, the city is unlikely to attract them back in their mid- to late-40s. Reducing childcare costs could play a significant role in retaining even relatively well-paid talent – perhaps a larger role than housing costs, despite housing being the bigger line item. Childcare costs are extremely high, highly concentrated in a critical five-year window, and represent a pure cost. Housing is expensive but builds wealth over time; childcare costs are simply gone. A family doing the math on whether to stay may weigh the two very differently.

THE FAMILY COST PREMIUM

Seattle's family cost premium is higher than any peer outside the Bay Area

Annual basic budget, two-parent household, by metro (2025 dollars)

■ Couple, no children ■ Couple with two children ■ Seattle (focus)



Source: Economic Policy Institute, Family Budget Calculator (March 2026 release; data in 2025 dollars)

Combining the rent and childcare trends produces a real-dollar cost increment that distinguishes Seattle and San Jose from their peers. Over the past decade, the combined cost of rent and childcare for a typical family increased by roughly \$15,000–16,000 in each. The other six metros saw combined increases below \$11,000. These factors are drivers of the **family cost premium**, or the share by which a basic two-child budget exceeds a childless-couple budget. A couple with two young children in Seattle requires a budget 92 percent higher than those with no children.

The variation across household types is extreme. A couple with one software developer and one finance or law professional earning median wages for their occupation clears that bigger budget with a healthy cushion of approximately \$157,000 — but a smaller cushion than they would have in San Jose, where tech wages are large enough to overwhelm Bay Area costs, or in Denver and Portland, where modestly lower wages are more than offset by meaningfully lower costs. A couple with one earner in construction and another in retail can manage Seattle without

children but falls \$13,000 short with one child and \$46,000 short with two. A single-parent teacher in Seattle is more than \$55,000 short of the basic family budget for two children, despite earning approximately \$103,000 — among the highest teacher wages in the comparator set.

What does this all mean from a competitiveness standpoint? Every peer metro has a wage-tier cost structure where high-earning two-income households clear comfortably and median-earning households do not. The variation across metros has two implications. First, the cost competitiveness of Seattle for high-income households, where it falls in the middle of the pack — highlighting the appeal of lower-cost metros like Denver and Portland, which offer a greater financial cushion for families when taking both income and costs into account. Second, the affordability for median households, where Seattle's wage-cost structure is more punishing than every peer except its Bay Area counterparts and Boston.

THE FAMILY COST PREMIUM

In Seattle, the math stops working below the second income tier

2025 dollars; MSA median wages applied to King County basic-budget thresholds

Household	Earners	Household income	ANNUAL BUFFER • INCOME MINUS BASIC BUDGET		
			0 children	1 child	2 children
Software Developer + Lawyer	2	\$321,782	+\$235,667	+\$189,465	+\$156,838
Software Developer + Teacher	2	\$276,405	+\$190,290	+\$144,088	+\$111,461
Teacher + Registered Nurse	2	\$224,275	+\$138,160	+\$91,958	+\$59,331
Software Developer	1	\$173,810	+\$100,355	+\$51,613	+\$16,425
Two median earners	2	\$139,312	+\$53,197	+\$6,995	–\$25,632
Registered Nurse	1	\$121,680	+\$48,225	–\$517	–\$35,705
Construction Worker + Retail Worker	2	\$118,990	+\$32,875	–\$13,327	–\$45,954
Teacher	1	\$102,595	+\$29,140	–\$19,602	–\$54,790
Median earner	1	\$69,656	–\$3,799	–\$52,541	–\$87,729
Retail Worker	1	\$40,218	–\$33,237	–\$81,979	–\$117,167

The same gradient holds across peer metros — but Seattle's position shifts by household type

Two-child households, 2025 dollars; MSA median wages applied to local basic-budget thresholds

Household (with 2 children)	San Jose	Denver	Portland	Seattle	San Francisco	Austin	Atlanta	Boston
Software Developer + Lawyer	+\$230,977	+\$165,997	+\$163,953	+\$156,838	+\$147,710	+\$136,733	+\$134,743	+\$131,917
Software Developer	–\$87	+\$11,832	+\$24,923	+\$16,425	–\$27,596	+\$22,750	+\$22,481	–\$7,674
Two median earners	–\$48,218	–\$17,550	–\$18,794	–\$25,632	–\$71,592	–\$14,025	–\$19,227	–\$39,056
Median earner	–\$127,743	–\$70,077	–\$68,600	–\$87,729	–\$132,667	–\$59,458	–\$60,219	–\$95,988

WHO SEATTLE IS LOSING TO OUT-MIGRATION

Seattle's rising costs had predictable consequences in terms of the outflow of people from the city and region. Between 2014 and 2022, King County flipped

from net inflow to net outflow. In 2021-2022, the latest year IRS migration data are available, the county lost roughly 5,100 returns (a good proxy for households) and \$3.6 billion in adjusted gross income.

THE FAMILY COST PREMIUM

Far more moved out than that net figure suggests, and they fell into two distinct groups. The first was middle-income families displaced from King County's housing market but still tied to the regional labor market. Roughly 25,300 returns moved to Snohomish, Pierce, Kitsap, and Thurston counties in that year, averaging about \$115,000 in adjusted gross income — consistent with the squeezed-middle households described above, those whose math stops working at the first or second child.

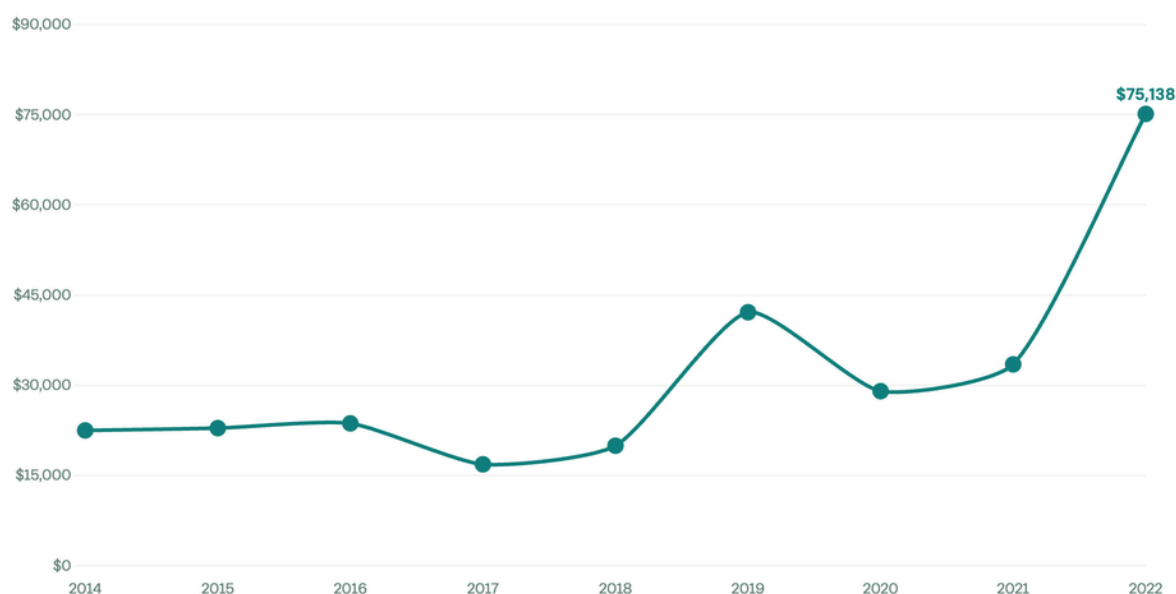
The second group left Washington altogether, and in larger numbers: roughly 40,600 returns left for other states, averaging about \$191,000. These were high-income residents whose specialized skills were in demand across the country. The state-level AGI class breakdown shows that the \$100,000 to \$200,000 and \$200,000+ income brackets both flipped from net positive to net negative between 2014 and 2022. The \$200,000+ class moved from a net gain of

approximately 700 returns to a net loss of 1,600. (It is impossible to know how many of these were invaluable "dealmakers" who invested in Washington entrepreneurs, versus retirees whose earnings are locked up in mutual funds.³⁷) In 2014, the average household leaving Washington from King County earned roughly \$22,000 more than the average household moving to the suburban ring. By 2022, that gap had grown to roughly \$75,000 — more than tripling in absolute dollars.³⁸

This pattern is not unique to Seattle. Measured consistently across peers — against all in-state moves, not the suburban ring alone — out-of-state movers out-earned in-state movers in every metro by 2021–22. Seattle's gap, at about \$70,000, is among the widest, with Atlanta and San Francisco near \$65,000 and Boston and Denver under \$20,000. It has roughly tripled since 2014.

The income gap between King County's out-of-state and suburban-ring movers tripled between 2014 and 2022

Difference in average adjusted gross income, by destination type (\$, nominal)



Source: Internal Revenue Service, Statistics of Income Division, SOI Tax Stats — Migration Data, 2014–2022. Authors' calculations.

COSTS ROSE FOR FIRMS TOO, FOR THE SAME REASONS

Wages have had to grow alongside the increase in costs of housing and childcare. Median wages grew in the Seattle metro area by 4.3 percent annually from 2015 to 2024, the second-highest growth rate (after Miami) among all U.S. regions with more than 1 million workers. In dollar terms, that equates to an increase of \$10.30 per hour, the third-highest absolute growth among those large metro areas – and a full \$1.50 per hour higher than Denver’s \$8.80 per hour increase.

This data illuminates a key point: what is unaffordable for families is expensive for employers too. Housing and childcare are also among the largest cost drivers of the wages and salaries paid by employers. Because Seattle’s economy is dominated by firms for which labor (rather than other raw materials) are the largest cost, and because labor costs reflect what employees must pay to live where they are employed, family affordability and business competitiveness are the same problem viewed from two sides.

Energy costs, long a major advantage for Seattle as a result of its access to once-abundant hydropower, are rising. Between 2024 and 2025, electricity costs increased by 12 percent, placing the state among the top 10 nationally for rate increases.³⁹ Data center and AI compute demand, along with electrification of transportation and buildings, is straining grid capacity nationwide. In 2024, Seattle City Light (SCL) projected that it would need to acquire 1,825 MW of new generation and storage capacity by 2033 (just two years prior, SCL projected that only 400 MW would be needed over the subsequent decade).⁴⁰ There is no easy solution for this, given Washington’s climate. Wind and solar make marginal contributions to peak capacity (solar, for example, is weak on

cloudy winter days when lots of heat pumps are running). Hydroelectric power cannot easily be expanded and is in fact declining. This raises the prospect that Washington will need to rely on imports of dirtier and more expensive electricity from neighboring states – at a time when the costs in the wider market have roughly doubled (from \$38/MWh to roughly \$80/MWh).⁴¹

Electricity costs matter hugely for growth and economic inclusion. High costs for electricity are one thing – they would push businesses to grow elsewhere, and eat into budgets of lower-income families. But Washington is facing not just higher costs but shortages that would prevent any new growth at all, without substantial investments in not only new grid-scale generation and transmission but also many other forms of energy generation, storage, and efficiency.

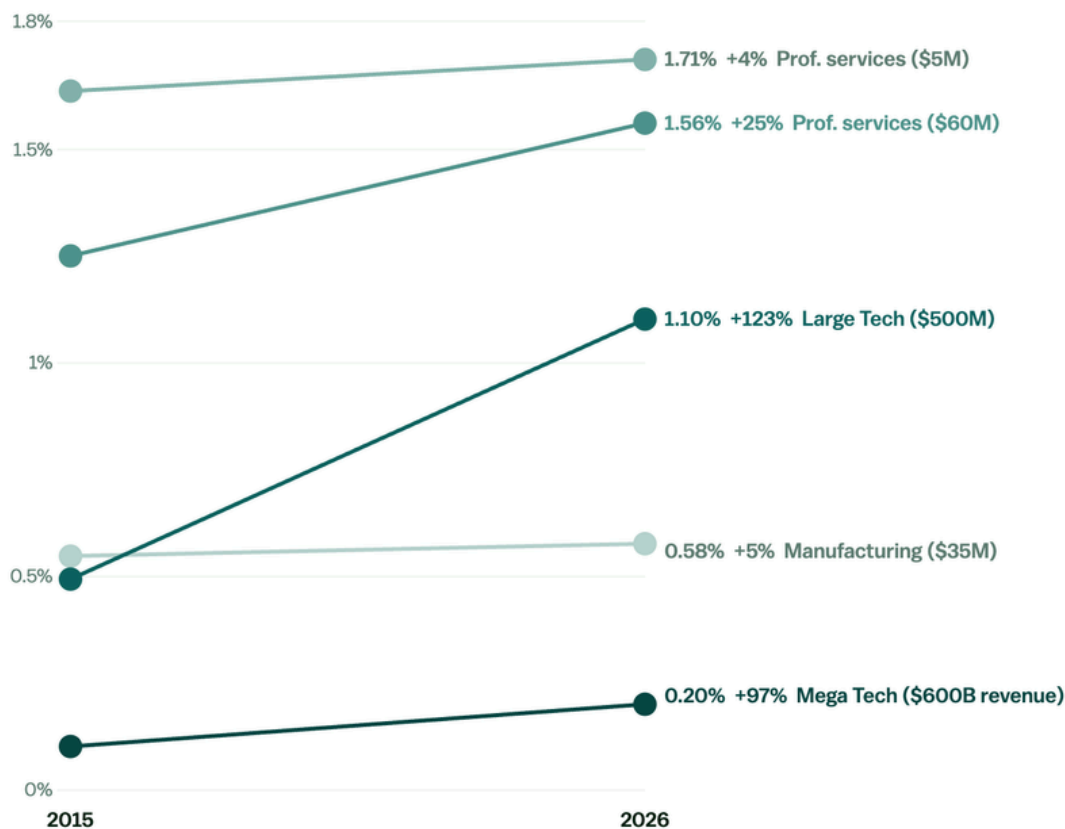
Taxes are a small share of overall costs for most firms, but they are rising quickly. Over the last five years, in response to the COVID-era tech boom, the affordability crisis, and a worsening fiscal picture, the City of Seattle and its voters enacted a series of new tax policies. JumpStart was enacted in 2020 to fund affordable housing, small business assistance, and climate-related projects (and has since been substantially repurposed for the General Fund). It taxes large employers on the compensation they pay to high-earning employees in Seattle. The Social Housing Tax, approved by voters in 2025, similarly imposes a 5 percent levy on employee compensation exceeding \$1 million – and brought in \$115 million in its first year, roughly twice the original estimate. Most recently, the B&O tax was restructured in a provision approved by voters in November 2025 and made effective in January 2026 to raise tax rates on firms above \$2 million in gross receipts while exempting those below – with the result that three quarters of businesses will now pay zero B&O tax.

The result is that taxes more than doubled **as a share of revenue** for large tech firms over the past decade, grew by about 25 percent for large professional services firms, and stayed close to flat for smaller professional services firms (+4 percent) and mid-sized manufacturers (+5 percent).⁴²

Note that the size of the mega tech firm makes visualization difficult – its line looks flat because its taxes as a share of revenue grew from 0.1 percent to 0.2 percent, but given the firm’s huge revenue, that equates to a massive absolute increase in state and local taxes.

Seattle taxes have doubled on its large and mega-sized firms

State and local taxes as a share of revenue, Seattle, 2015 vs 2026



Source: Authors' analysis. Modeled state and local tax burden as a share of revenue for five firm archetypes in Seattle, 2015 vs. 2026.

Between 2015 and 2026, Seattle's effective tax rate on a \$500 million tech firm increased by 123 percent, far outpacing every comparison city. San Francisco's tech burden rose 19 percent over the same period, New York's 9 percent, and San Jose's barely at all. In this sense, both sides of the tax debate are right. Taxes are relatively low, and they are increasing extremely quickly for the firms that Seattle

policymakers targeted with recent tax policy changes. The debate hinges on whether one sees tax increases as something that *happened*, in which case concerns may be overblown, or as something that *is happening*, in which case concerns about Seattle's waning competitiveness relative to other tech hubs may be valid.

Quantifying taxes as a share of revenue is useful for comparison across very different types of firms, but is somewhat misleading. One reason is simple math: this measurement understates the tax burden for the “mega tech” firm, because its global revenue is 1,200 times larger than even the “big tech” firm. Very large absolute tax increases, which matter at least as much to decisionmakers as revenue-share numbers, almost disappear relative to that global revenue denominator.

The other reason is that Seattle’s tax rates are not currently high overall compared to competitors, but are high in a way that is particularly distortionary when it comes to hiring high-wage employees in the city of Seattle. In San Francisco, the entire tax bill – California income tax and San Francisco’s gross receipts tax – is assessed on revenue and profits, not headcount. Adding one more engineer changes the firm’s tax liability by essentially nothing. In New York, the Metropolitan Commuter Transportation Mobility payroll tax adds roughly \$5,800 for a \$650,000 employee, but the rate is flat regardless of compensation level. In Seattle, JumpStart adds \$17,000 for that same employee, and the rate is progressive. This means Seattle’s tax system specifically penalizes the hiring of senior, high-compensation workers. It also means there are payroll thresholds at which the cost of the next hire includes not just that employee’s own JumpStart but a rate increase on every existing employee above the threshold. No other comparison city has a tax with both of these features. The result is that Seattle can be simultaneously cheaper on paper and more expensive at the moment a firm is deciding where to place its next team.

This marginal cost is especially visible in the intra-metro comparison with Bellevue. For the mega tech firm, the Seattle-specific tax cost for the average employee jumped by roughly \$6,500 relative to

Bellevue from 2015 to 2026 due to JumpStart alone. The additional JumpStart cost for a senior software engineer earning \$650,000 in total compensation (including salary and stock options) is about \$17,000; for an employee earning over \$1 million, the cost increase relative to Bellevue exceeds \$33,000. These are per-person, per-year costs of keeping an employee in Seattle rather than Bellevue – costs that did not exist before 2021. Beyond JumpStart, Seattle’s city B&O rate for services firms is roughly four times Bellevue’s (0.658 percent vs. 0.160 percent), adding another \$5,000 per employee in effective cost differential. This number doesn’t change as directly upon moving an employee to Bellevue as the JumpStart-related numbers do, but it could still factor into location decisions. In total, for the mega tech firm the Seattle tax premium over Bellevue is roughly \$12,000 per employee – the sum of JumpStart, the Social Housing Tax, and the city B&O differential.

If that same firm is comparing Seattle not to Bellevue but to Austin or Denver, the differential widens substantially. Austin and Denver do not impose a city B&O tax, a JumpStart-scale payroll expense tax, or a social-housing payroll surtax. Texas does impose a franchise tax (generally 0.75 percent on an apportioned margin base) and Colorado imposes a 4.4 percent corporate income tax on Colorado-attributable profits, but both are smaller for this type of firm than Washington’s gross-receipts B&O regime. In our model, the mega tech firm faces roughly \$1.2 billion in total state and local taxes in Seattle, compared with approximately \$300 million in Austin or Denver. Property taxes in Austin and Denver (about 1.8 percent and 2.1 percent respectively, versus about 1 percent in Seattle) offset only a fraction of that gap – property taxes for this mega tech firm would be about \$20 million higher in Austin and \$10 million higher in Denver than in Seattle.

To conclude, it is important to emphasize that the evidence shows that taxes, despite their political salience, have modest effects on firm location and expansion decisions. One widely-cited study

found that at least 75 percent of firms that receive tax incentives would have made the same location decision without them, indicating that tax differentials have a small influence on decisions made by firms.⁴³ Seattle sits in a unique position in

the tech sector – clearly less powerful than the Bay Area, but clearly more powerful than places like Austin and Denver. For a certain kind of firm, the alternatives to Seattle are either much more expensive or offer a considerably weaker talent base. Seattle is therefore unlikely to lose the firms that matter most to its tax revenue to other regions; the Eastside is the only real threat in that regard.



The Role of State Tax Policy in Regional Competitiveness

Notably, tax rates decreased over the past decade in Austin and Denver even as those cities grew revenue, though in each case this came almost entirely from state-level action rather than from the cities themselves.

In Texas, a 2023 state law (SB 3) doubled the no-tax-due threshold for the franchise tax from \$1.23 million to \$2.47 million in revenue, exempting roughly 67,000 small and mid-sized businesses from the state's main business tax – on top of Texas' long-standing absence of a corporate income tax. Austin itself had no role in that decision, and the city's own commercial property tax bills have continued climbing as it sets rates at the voter-approval ceiling each year. Denver's business-tax story is similar: Colorado voters twice cut the state corporate income tax through ballot initiative – from 4.63 percent to 4.55 percent in 2020 and then to 4.4 percent in 2022 – while the city of Denver raised sales tax rates from 3.65 percent to 4.81 percent between 2019 and 2021 and retained its occupational privilege tax on employers. In both cases, state policy worked in the opposite direction from city-level decisions. Now, however, growth has slowed in both Colorado and Austin, and Colorado is facing a major structural budget deficit while Austin is confronting budget challenges due to a construction slowdown.

Meanwhile, Washington State made substantial changes to its tax code across the 2025 and 2026 sessions. Some of these changes fall directly on businesses: B&O rate increases, a temporary 0.5 percent surcharge on businesses with more than \$250 million in Washington taxable income, and an expanded sales tax on business services such as IT support and custom software. Other new taxes fall most directly on high-income individuals. In 2025, the state enacted a 2.9 percent capital-gains surtax, raising the top rate on taxable long-term capital gains above \$1 million to 9.9 percent. That makes Washington the only one of the nine states without a broad income tax to tax capital gains at all, though its top rate stays below California (13.3 percent), New York City (roughly 14.8 percent), and metro Portland. In March 2026, the state passed a 9.9 percent Millionaires Tax on Washington taxable income above a \$1 million standard deduction, scheduled to take effect in 2028.

The debate about these individual taxes is intense, and hyperbolic claims on either side contrast with the findings of the scholarly literature.

The Tax Foundation's widely-cited estimate finds that the Millionaires Tax, stacked on Seattle's existing JumpStart and Social Housing payroll taxes, would produce an all-in marginal rate near 18 percent on compensation above



The Role of State Tax Policy in Regional Competitiveness

\$1 million – the highest in the country. But JumpStart and Social Housing are employer-side taxes, remitted by the employer rather than withheld from the worker. On the individual's own return, the marginal rate would be closer to 10.5 percent – still high nationally, but again below all of California, New York City and its suburbs, and metro Portland. The Tax Foundation includes employer-side taxes in its estimate because it assumes that the income taxes are ultimately passed through to employees in the form of smaller raises – the evidence, however, is mixed. A recent study in France found that employer taxes that represent an employee benefit (e.g., a required pension contribution) ultimately are borne by that employee – they are willing to accept lower salary for the mandated higher pension. But for an employer tax that is not linked to an employee benefit (like JumpStart), they find that the employer still bears about 60 to 80 percent of the tax incidence five years later.⁴⁴ By this evidence, it is more appropriate to think of Seattle's individual income tax rate as somewhat higher than 10.5 percent but still less than California, New York, and Portland.

As described elsewhere in this report, Seattle sits clearly below the Bay Area but clearly above most other competitors in the tech sector, so for companies that need access to tech talent, there is no low-cost version of the Seattle metro area – Bellevue is the city of Seattle's only real threat. But high-income *individuals* are a different question. Many commentators have called attention to the risk that founders, investors, or highly-mobile top-tier tech workers will leave Washington as a result of the Millionaires Tax and others, and there are a few high-profile examples. But the early data from Massachusetts, while not definitive, offers an alternative to anecdote.

In 2023, Massachusetts's Fair Share Amendment took effect, which imposed a 4 percent surtax on individuals with annual taxable income over ~\$1M. Most migration research studies taxes on *recurring* income – yearly wages, where the decision is where to live and work. Washington's tax is different: it falls on capital gains, which arrive as lumpy, one-time events – a founder selling a company or an IPO – which creates a more specific impetus to move or take other actions to avoid taxes. Massachusetts is a useful comparison because its surtax applies to *total* annual income over the threshold, so a one-time gain counts: when a founder sells a company, the gain pushes past \$1 million and the 4 percent applies to the portion above it. That makes it a close, though not perfect, analog to Washington.

The tax has outperformed in terms of revenue. The Department of Revenue certified about \$2.5 billion in surtax collections in FY24 and roughly \$3 billion in FY25.⁴⁵ That is roughly double the \$1.3 billion pre-vote projection from the Center for State Policy Analysis at Tufts, which took into account expected avoidance by modeling top earners either leaving or shielding income. The fact that collections came in at double that estimate is itself evidence the base eroded less than anticipated. This result is in keeping with national level research conducted by Cristobal Young in 2016 and again in 2025 that argued that wealthy individuals were more motivated in relocation decisions by social factors like family and business ties than by state tax incentives. The 2025 update highlighted that shocks to “embeddedness” like the Covid-19 pandemic, which ushered in a new wave of remote work, were far more likely to drive outmigration than changes to state tax regimes.⁴⁶

But the evidence so far should be interpreted cautiously. Both sides of the debate have made broad claims that don't fully withstand scrutiny. Supporters have pointed out that the millionaire population grew 40 percent post-tax.⁴⁷ But that measures household wealth, not income. The surtax falls on a smaller, different group, so a rising count of net-worth millionaires says little about whether the taxed population stayed. Second, the likeliest response to this



The Role of State Tax Policy in Regional Competitiveness

tax is not departure but avoidance in place – timing realizations or routing income through out-of-state trusts. On the other side, the Pioneer Institute found that \$4.2 billion in adjusted gross income left Massachusetts in 2023, more than double the outflow of any pre-2020 year.⁴⁸ But that figure cannot be attributed to the surtax: a national migration wave was underway after 2020 across high- and low-tax states alike.⁴⁹ Isolating a surtax effect would require comparing Massachusetts to similar states that saw the same exodus without a surtax – which Pioneer does not do.

In summary, the evidence about Seattle's individual taxes is boring compared to the passionate debate. Seattle's taxes are relatively high and rising, but are currently set to land in a place that is roughly commensurate with Seattle's position in the national economy – not a place that firms and people will pay any cost to locate in, like New York or the Bay Area, but still on a different level from Denver and Austin in terms of the strength of its innovation-based industries. And taxes do affect migration, but in a much less striking way than anecdotes of millionaire flight suggest. The fair conclusion is that Seattle's individual tax burden is neither a cause for alarm nor a well the City can draw on much further.

IMPACTS OF RISING COSTS ON NEIGHBORHOOD-SCALE BUSINESS

This report advances a theory of inclusive growth in which non-traded, local-serving businesses exist “downstream” of the traded sector. Yet a subset of these local serving businesses – especially restaurants, storefront retail, and grocery stores – are worthy of dedicated attention in this analysis insofar as they anchor vibrant urban neighborhoods that differentiate Seattle from other cities in the region and beyond. They not only attract talent, but facilitate the interactions that strengthen personal and professional networks that drive economic mobility and innovation.⁵⁰

There has been growing concern over the stability of these businesses, especially among the small business owners themselves. A recent survey of 136 independent, brick-and-mortar small businesses in Seattle and its surrounding communities found that 67 percent reported being under more financial stress than during the 2020–2021 pandemic, 71

percent reported lower foot traffic than a year earlier, and only 12 percent said customer demand was sufficient to cover their cost structure.⁵¹

From one point of view, this extends directly out of the rising costs affecting the region. Local serving small businesses tend to have low margins, while costs are increasing due to rising labor and real estate costs, market pressures and inflation, and changes in local policy. Indeed, the Federal Reserve's 2025 Small Business Credit Survey (which covers the whole state, but with 89 percent of respondents in urban areas) found that 91 percent of Washington small businesses reported increased costs of goods, services, or wages as a financial challenge – eighteen points above the national rate.⁵²

But from another perspective, these trends appear more likely to be a correction after a pre-pandemic boom than a real decline. After all, non-traded businesses can pass along costs to customers in a way that traded sector businesses cannot. Between 2014 and 2018, the city of Seattle's restaurant and

bar industry grew at a rapid clip — its establishment count expanded 11 percent, faster than every peer city except Nashville, and employment grew 21 percent, the fastest of any peer.⁵³ This took place after the City passed a \$15 minimum wage in 2014 that fell heavily on food services, raising labor costs for these businesses yet not stifling their rapid growth. While these businesses have struggled more recently — the number of restaurant and bar jobs in the city sits at 84 percent of its 2018 pre-pandemic peak and may have flatlined — Seattle still has more restaurants and bars per resident than any peer city except San Francisco, and 26 percent more per capita than Bellevue and 58 percent more than Tacoma as of 2023.⁵⁴

In summary, while rising costs are a burden on these businesses, the data is inconclusive on their impact. Non-cost pressures may prove more influential, such as the decline of downtown and commercial corridor foot traffic as a result of remote and hybrid work, crime and safety concerns, and both competitive pressures and changing consumer tastes.

RIISING COSTS FOR GOVERNMENT

Government service delivery faces the same cost disease as the rest of the economy. Labor-intensive public functions must draw from the same competitive labor market as the rest of the region, and nationally the cost of state and local government compensation rose by about 38 percent over the past decade.⁵⁵ In Seattle, sworn police pay is roughly 65 percent above the 2014 base schedule. Per-unit costs for affordable housing increased by more than 50 percent just between 2018 and 2023. And King County Metro's operating cost per vehicle hour rose by about two-thirds between 2015 and 2024.⁵⁶ Maintaining the same level of public capacity — whether in public safety, infrastructure, or

service delivery — costs materially more than it did a decade ago.

The combination of rising taxes and rising costs has led to a general sense of frustration with the public sector because higher taxes do not appear to be yielding higher quality services. For example, Sound Transit faces a projected \$20–30 billion long-term shortfall, and has acknowledged cost overruns on the ST3 program. These overruns are not unique to Seattle — U.S. transit construction costs run approximately 50 percent higher per mile than international peers for comparable projects. On homelessness, spending has also increased substantially — the state directed roughly \$5 billion toward housing and homelessness programs over the past decade, with most of it spent in the past four years. Yet the King County Regional Homelessness Authority's 2024 Point-in-Time Count recorded more than 16,000 people experiencing homelessness, a 23 percent increase from 2022.

It is beyond the scope of this report to assess the causes of these challenges. But what is relevant to the City's economic development strategy is the general perception of why the city is raising taxes. Even if tax costs remain moderate compared to peer cities, business leaders might extrapolate recent tax increases into the future if they believe that they are based less on a legitimate increase in costs and more driven by a punitive attitude towards large businesses paired with an inefficient public sector. The former is relatively easy to counter, through actions described in the recommendations section; the latter claim can be countered with the evidence that the City of Seattle's expenditure has increased due to a combination of population growth and inflation as opposed to runaway spending: the inflation-adjusted budget per capita has been relatively flat for the past decade.⁵⁸

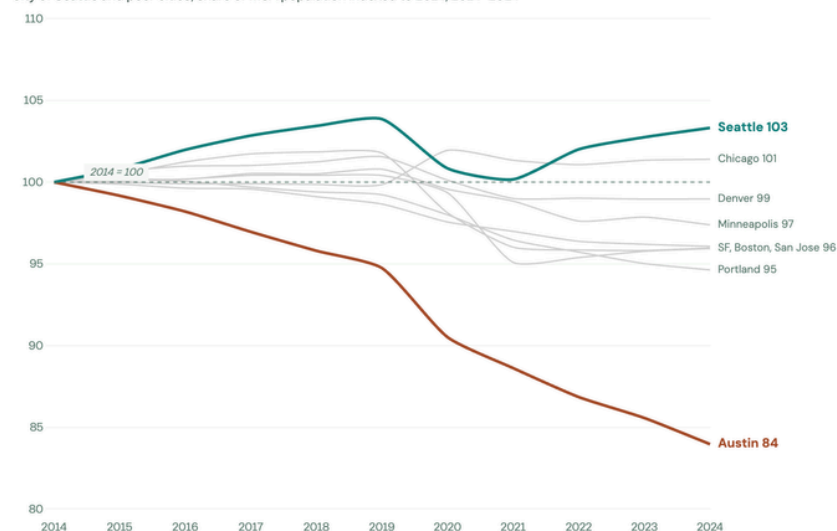
THE CITY OF SEATTLE BECAME MORE CENTRAL TO THE REGION'S ECONOMY

But the headline regional numbers tell an incomplete story. In many ways Seattle's growth was more impressive than the rest of the region's. While recent commentary has focused on Bellevue's ascendancy and San Francisco's rebound, the longer-term trend is striking and clear: Seattle is the only city among its peer group that saw its share of regional population

and employment increase over the past decade, through 2024 (or 2022 in the case of employment, due to available data). Most of Seattle's peer cities aside from Austin lost about 4 percent of their share of the regional population; Seattle's relative share meanwhile grew by 3 percent. Relatedly, Seattle claimed the lion's share of tech growth during that decade. It accounted for about one-third of all new jobs, but over half of jobs in the tech sector.

Seattle is the only major peer city gaining population share within its metro

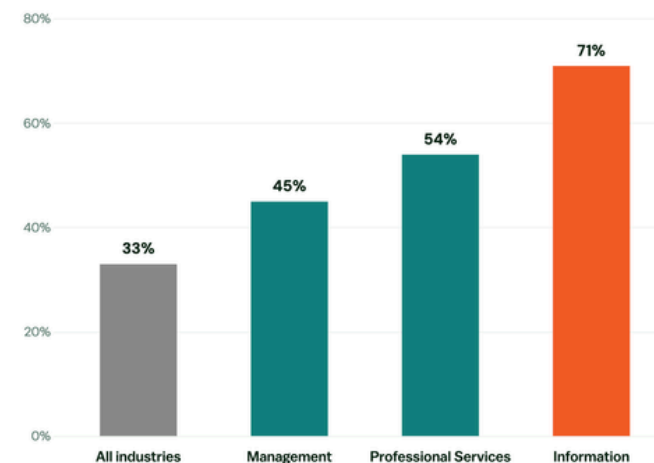
City of Seattle and peer cities, share of MSA population indexed to 2014, 2014–2024



Source: Authors' analysis of Census Bureau Population Estimates Program (PEP), Vintage 2019 and Vintage 2024. City share = city population ÷ MSA population, indexed to 2014.

The city of Seattle captured an outsized share of regional tech growth

Seattle city share of MSA employment growth, by sector, 2015–2024



Source: Authors' analysis of Lightcast CORELMI data, 2015–2024.

BUT SEATTLE LAGGED ITS PEERS IN TERMS OF DYNAMISM IN KEY SECTORS

At first glance, there is little in the data to suggest that anything remarkable has happened in Seattle over the past decade when it comes to entrepreneurship and small business performance. Seattle performs on par with its peers on the most commonly cited measures.

Beneath those averages, two troubling patterns stand out. First, startup activity slowed and became increasingly concentrated in sectors serving local demand – not the traded sectors that power a regional economy. Second, Seattle fell behind its

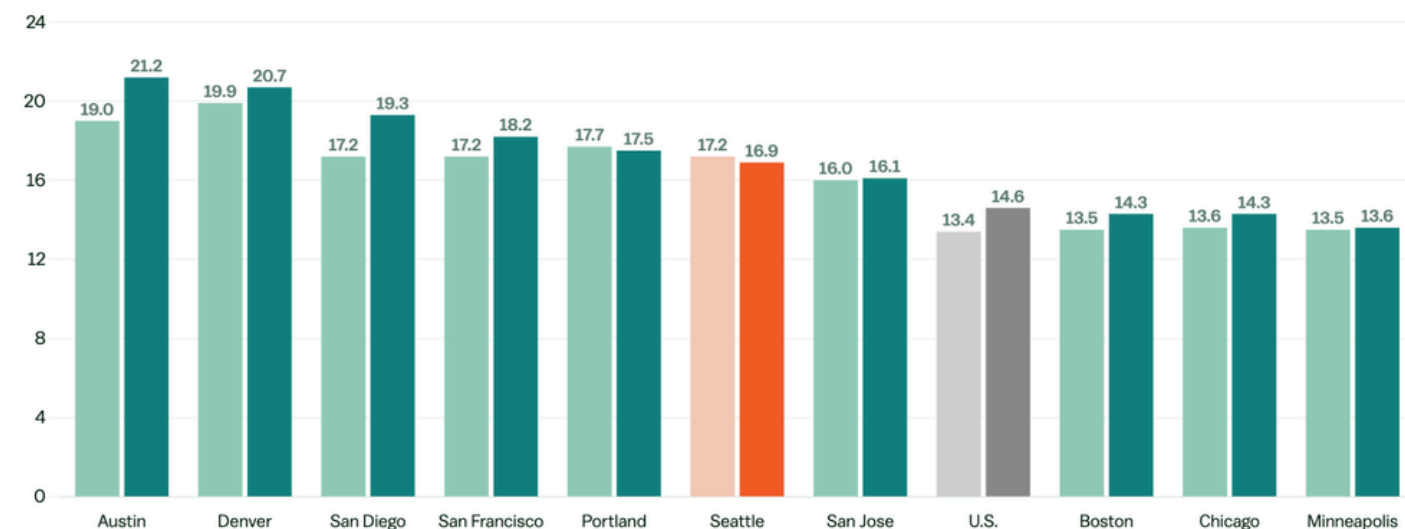
peers in terms of the growth performance of the firms that did start in Seattle.⁵⁹

Startup activity has slowed in the city, which we can observe in the lack of young firms in the city; Seattle's rate of firm formation saw no growth over the past decade. According to Census Business Dynamics Statistics, about 36 percent of the Seattle MSA's roughly 79,000 firms are less than six years old, lagging behind peer regions like Austin (45 percent), Denver (39 percent), and San Diego (39 percent). Similarly, young firms in Seattle employ about 10 percent of Seattle's workforce, below Austin (16 percent), Denver (13 percent), and San Diego (13 percent).

Seattle's firm formation slipped while almost every peer rose

Average firm births per 10,000 residents · 5-year periods · Seattle MSA, peer metros, and U.S.

■ 2014–18 avg ■ 2019–23 avg ■ Seattle (2014–18 / 2019–23) ■ U.S. (2014–18 / 2019–23)



Source: Census Business Dynamics Statistics; Census Population Estimates.

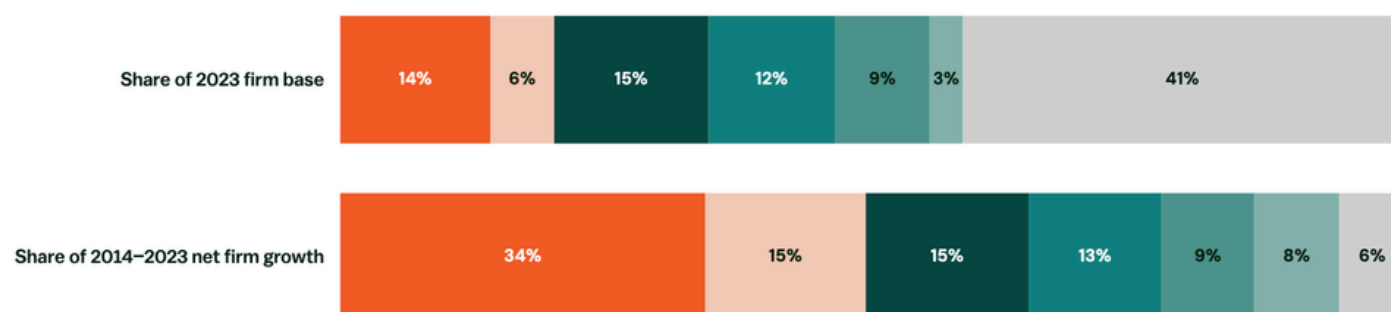
More troublingly, new firm creation has been lagging in the traded sectors that matters most for Seattle's competitiveness. In the information sector, which includes most of the software industry, about 42 percent of Seattle firms are less than six years old, essentially matching the national average of 43 percent, but trailing San Francisco (49 percent) and

Austin (49 percent). In manufacturing, about 20 percent of Seattle firms are young, below the national average of 24 percent and behind most peers. Manufacturing actually shrank from 4.3 percent of Seattle firms in 2014 to 3.5 percent in 2023, a decline of 325 firms.

Seattle's firm growth concentrated in construction and real estate, not in tradable sectors

Construction and real estate accounted for nearly half of net firm growth from 2014-2023, pushing those sectors to 20 percent of all businesses

Construction Real estate Professional & tech services Health care Accommodation & food Transportation & warehousing All other sectors



Source: Authors' analysis of Census Bureau Business Dynamics Statistics, Seattle MSA, 2014 and 2023.

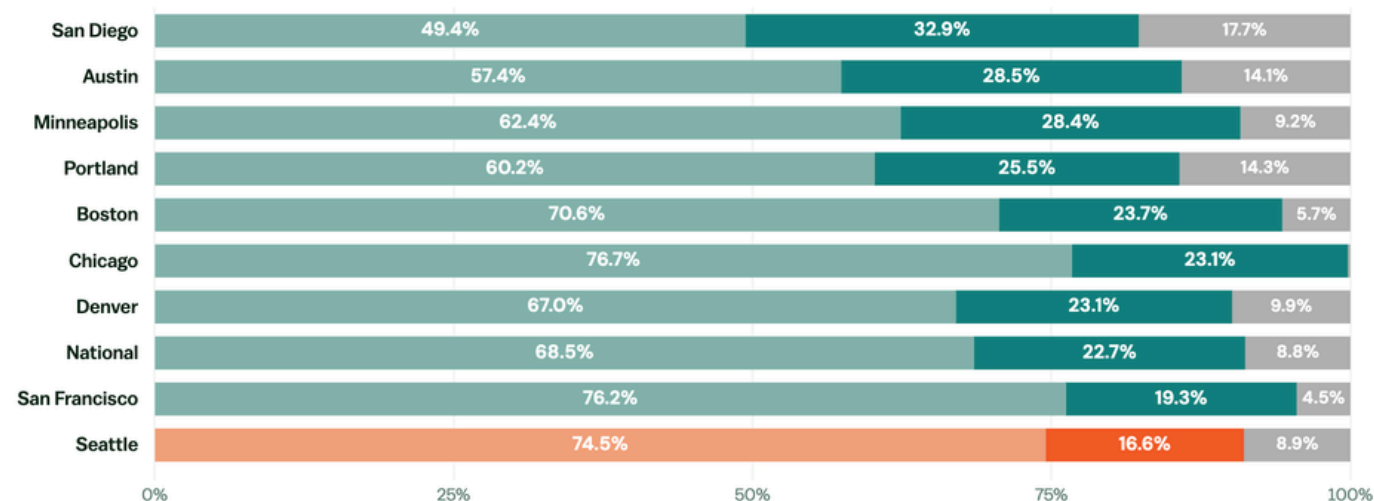
This means that new firm creation in Seattle has been shifting toward local-serving (non-traded) sectors. Construction and real estate together account for 20 percent of Seattle's firm base in 2023, but represent nearly half of the net growth in firms in the past decade. **While Seattle's startup activity is**

modest and declining, its ability to grow firms is mediocre at best. Overall, mid-sized firms (20-99 employees in this dataset) have contributed just 17 percent of growth from 2014 to 2023 – 5 percentage points lower than the national average and significantly below San Diego, Austin, and Portland.

Mid-sized firms contributed less to job growth in Seattle than any peer

Share of net employment growth by firm size, 2014-2023, Seattle MSA and peer metros

Large firms (100+) Mid-sized firms (20-99) Small firms (1-19) Seattle (focus)



Source: Authors' analysis of Census Bureau Business Dynamics Statistics, 2014-2023. Firm size = current employment.

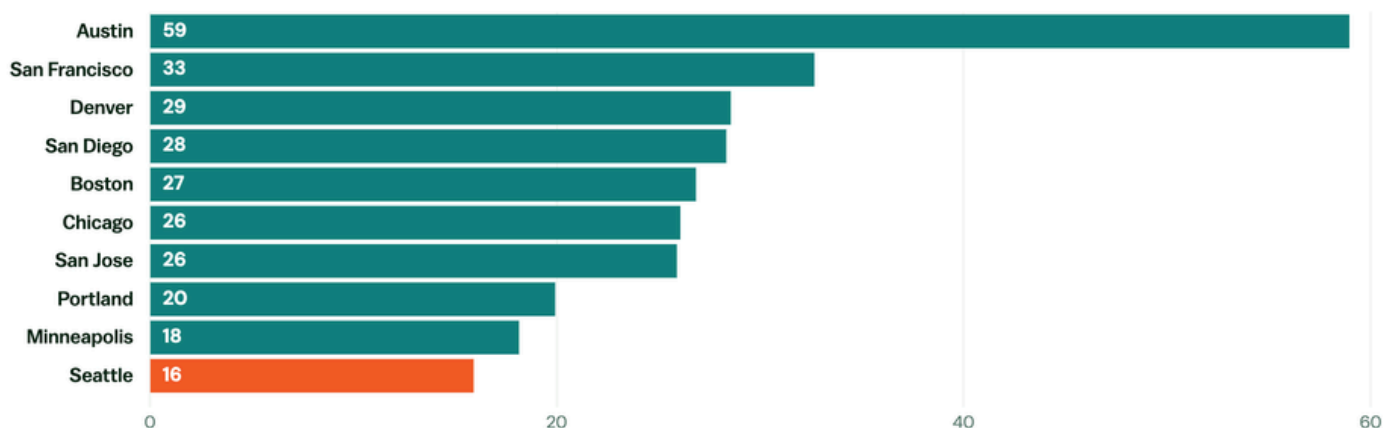
This is a notable characteristic of Seattle’s economy, but does not necessarily indicate a problem – it is possible that Seattle has a healthy base of mid-sized firms but their contributions to overall job creation are drowned out by the extraordinary growth of its largest firms. This does not, however, appear to be the case.

Overall, Seattle produces few high-growth startups. While no comprehensive data on firm scaling exists, Inc. ranks America’s 5,000 fastest-growing private companies by revenue growth over a 3-year period. The 2025 ranking included 64 Seattle-area firms – just 16 per million residents, the lowest rate in the peer set.

Austin produced 59 high-growth firms per million residents, nearly four times Seattle’s rate. San Francisco doubled Seattle’s rate. Denver, San Diego, Boston, San Jose, and Chicago each produced between 26 and 29 per million, more than 60 percent higher. Even Portland and Minneapolis, which sit closer to Seattle, still came out about 20 percent ahead. The small-business layer in Seattle produces and sustains firms at a normal rate, but the segment of that layer associated with rapid scaling – the firms most likely to become the next mid-sized or large employers – is meaningfully thinner than in comparable metros.⁶⁰

Seattle produces fewer fast-scaling firms per capita than any peer

Inc 5000 firms per million residents, Seattle MSA and peer metros, 2025 list



Source: Authors’ analysis of Inc. 5000 (2025 list); Census ACS 2019–2023 5-year MSA population (B01003); OMB 2024 CBSA delineations.

These trends show up even in the tech sector, despite its reputation for being a source of entrepreneurial dynamism. Between 2017 and 2023, the Seattle MSA added 16 net new mid-sized (50–249 employee) tech establishments. This pales in comparison to San Francisco (104 net new establishments), Austin (53), Denver (42), and San Jose (24).⁶¹ Seattle’s all-industry mid-sized establishment count grew normally over the same period – 118 net new mid-sized establishments

across all industries – confirming that the mid-sized pipeline failure is tech-specific, not economy-wide.⁶²

A firm-level analysis using Lightcast’s Gazelle company database reaches the same conclusion through a different lens. Of the 303 tech companies founded in the Seattle metro between 2015 and 2019, only 33 have grown to 50 or more local employees – a graduation rate of 10.9 percent. The comparable rates are 20.2 percent in San Francisco

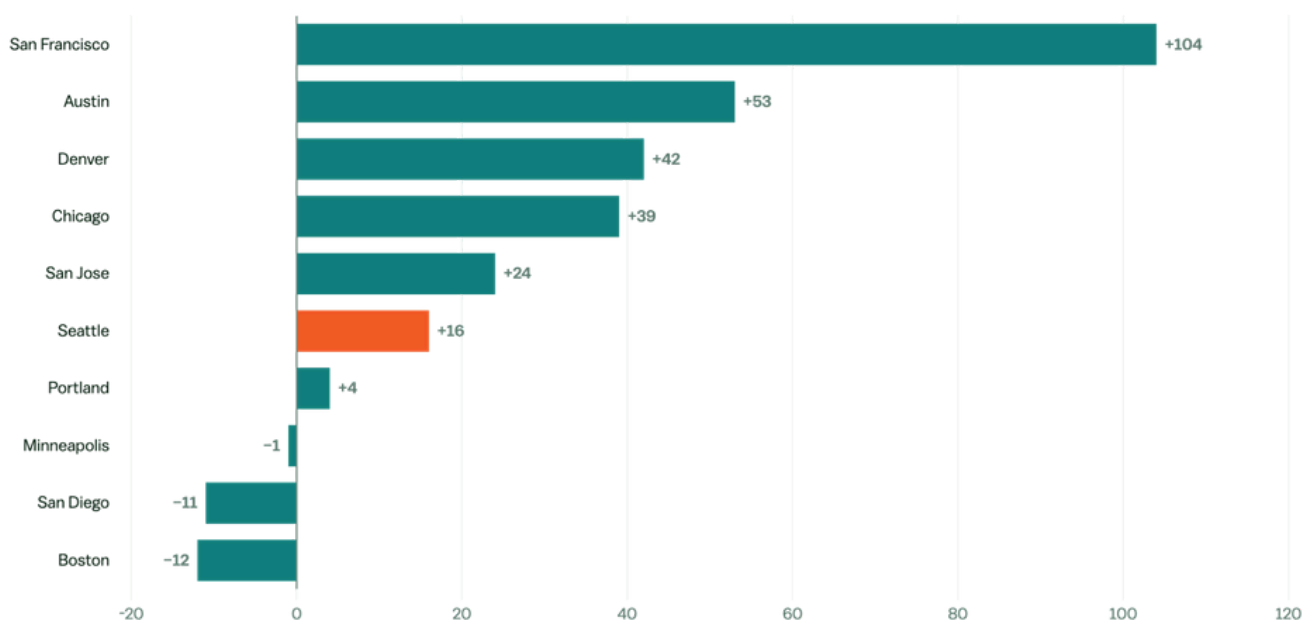
and 15.0 percent in both San Jose and Austin. The pattern is even more stark in the older 2010–2014 cohort, where Seattle’s graduation rate is 5.1 percent against San Francisco’s 18.9 percent. Seattle founded more tech companies in this earlier era than San Jose did, but produced less than a third as many firms that scaled past 50 employees.⁶³ Seattle has 19 tech companies in the \$100–500 million revenue range and zero in the \$500 million-to-\$1 billion range; San Francisco has 75 and 15 respectively.⁶⁴

The pipeline also differs in composition. Roughly 54 percent of Seattle’s tech company base is composed of product or platform companies; the rest are IT

services and consulting firms. San Francisco, San Jose, and Austin all run 64 to 67 percent product companies. And the product companies that do exist in Seattle are smaller on average – 39 employees per firm against 57 in San Francisco and 59 in San Jose. The picture is of a tech sector tilted toward services and toward subscale product firms, rather than one generating independent companies at the scale and rate of its peers.⁶⁵ And the City-of-Seattle bench is thinner than the metro bench: several of the most promising scaled tech companies in the metro – Icertis, SeekOut, Truveta, Esper, Temporal Technologies – are headquartered in Bellevue rather than Seattle proper.⁶⁶

Seattle’s peers are gaining mid-sized tech establishments at a faster clip

Net change in tech establishments with 50–249 employees, 2017–2023



Source: Authors’ analysis of U.S. Census Bureau County Business Patterns, MSA files (cbp17msa, cbp23msa); NAICS 2017 codes 5112, 5415, 5182, 5191; establishments with 50–249 employees.

THE NET EFFECT OF THE TECH BOOM: PROSPERITY PAIRED WITH FRAGILITY AND DEPENDENCE

Economic fragility: The last decade’s growth left Seattle in a prosperous but fragile position for two reasons.

First, the once-dominant tech sector is now undergoing a national downshift, not simply because of the business cycle, but rather primarily due to a revolutionary shift in technology. The tech sector is undergoing layoffs everywhere. The weight of the evidence suggests that this is currently because of investment in AI infrastructure more than AI

replacing jobs, although the latter effect could come to predominate. Either way, it is unclear whether the tech sector will add these jobs back in the foreseeable future, and whether the Seattle MSA or the city of Seattle would necessarily claim the same share of the sector that it had in the previous era. As noted in Pt. II, Sec. 5: Today – Taking Stock of Seattle’s Assets, Seattle has a truly distinct tech workforce, second only to the Bay Area. But talent is mobile, and the skills needs of industries change in each technological era, and even a small decline in Seattle’s share of the sector could have major ripple effects.

Second, the tech sector’s dominance, whether it persists or not, has made Seattle a more challenging place to operate for many other types of businesses. There is clear evidence that the “cost disease” operated as a sorting function in Seattle. As the software sector bid up wages and real estate costs, lower-margin businesses – whether small retail shops or mid-sized manufacturers – were squeezed.

The businesses that remain are often dependent on the tech sector, even those that appear unconnected. Restaurants serving tech workers could survive by raising prices, as could advertising firms working for tech clients too. Those that benefitted from proximity could also probably manage – like a manufacturer who hires a few software engineers a year from the tech sector, thereby enhancing productivity. But these firms are only surviving because of that connection, and exist as appendages of the dominant industry rather than independent sources of resilience.

Fiscal Fragility: The City of Seattle’s tax revenues grew over the past decade, but not enough to keep pace with the demands on, and ambitions of, the government. City expenses grew at approximately 5.5 percent annually against revenue growth of 3.7

percent, with a 1 percent property tax cap limiting the city’s primary revenue tool to growth from new construction (which has stalled anyway). Property tax revenue was estimated to remain roughly flat at around \$325 million for 2025 and 2026 while expenditures continue to increase.⁶⁷

The revenue sources that might close the gap are themselves vulnerable. Sales taxes, approximately 20 percent of the General Fund, are primarily made up of retail and hospitality (45 percent) and construction (22 percent). Recent contractions in both illustrate its inherent volatility. Remote work has compounded the problem, as the assessed values of downtown commercial real estate have fallen an estimated 34–40 percent for the 2025 tax year.

Recent changes to the city’s tax structure – especially JumpStart – were justifiable given this situation and the state’s constitutional limitations on increasing property taxes. But the cumulative result is a hyper-concentrated tax base. Seventy-five percent of JumpStart revenue comes from just 10 companies; 93 percent from the top 100. The Social Housing tax, which applies only to compensation above \$1 million per employee, is likely to be even more concentrated. The top 10 B&O taxpayers generate approximately 20 percent of that revenue. Under the B&O Shield, fewer than 5,000 firms – possibly half that many – will owe any B&O tax.

While the absolute burden of state and local taxes remains moderate (a little over 1 percent of revenue for a large tech firm) each new levy adds cost and uncertainty for the large employers who bear nearly all of the load. This reinforces the incentive to shift operations to the Eastside, where the same talent pool is accessible at lower cost and with fewer frictions, or even further afield.

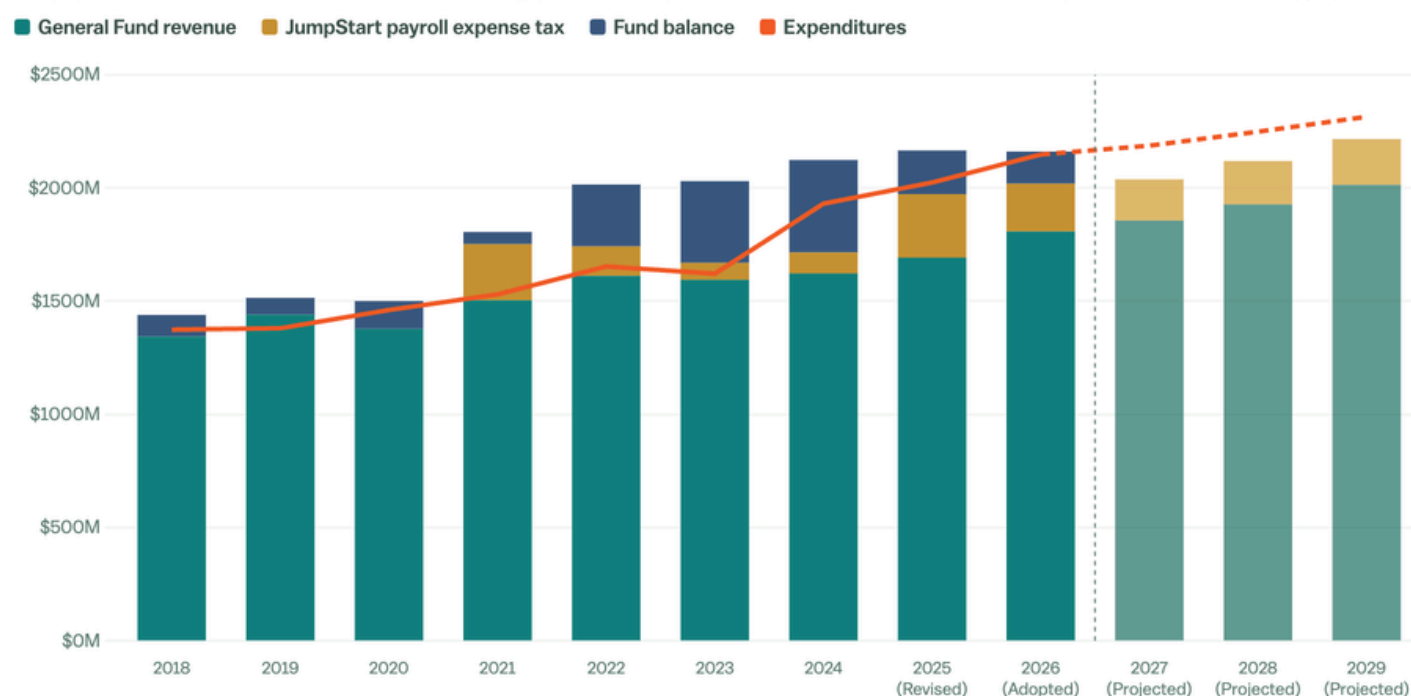
In summary, the city’s fiscal health now depends on

the marginal location and compensation decisions of a handful of employers. It also depends, indirectly, on the stock prices of those employers. Much of the compensation captured by JumpStart and the Social Housing tax is equity – restricted stock units taxed at their value on the vesting date. When Amazon’s stock rises, Seattle’s tax base rises with it; when it

falls, the base contracts. (Amazon’s stock price alone has ranged from roughly \$85 to \$245 over the past three years.) But it means that a fiscal base already concentrated in a few firms is further exposed to the single most volatile attribute of these firms – one the city has no ability to forecast or influence.

Seattle’s General Fund now leans heavily on the JumpStart payroll tax

The payroll tax now covers more than half the annual gap between expenditures and General Fund revenue. City of Seattle, 2018–2029 (\$M).



Source: Seattle City Budget Office. Total Expenditures for 2026–2029 included annualization of reserves. Total Expenditure projection for 2025–2029 includes underspend. Fund Balances are one time. Each year’s fund balance is equal to the distance between the line, and the top of the sum of the bars of the prior year. 2026 Fund Balance is a projection.



What Economic Decline Looks Like – It’s Not Just Cleveland

Claims that Seattle could become the “next Cleveland” are likely hyperbolic (although they caused quite the stir this past winter).⁶⁸ But there are other examples of regions like Seattle that have fallen into a period of economic stagnation, if not a slow downward spiral. One is Portland. It entered the 2010s with Intel’s largest manufacturing footprint in the country, Daimler’s North American truck headquarters, a working deepwater port, thousands of

acres of industrial land, a respectable and growing software base, and the same Pacific Northwest talent draw. By the mid-2020s, Portland was trailing national GDP and employment growth, with downtown vacancy among the worst on the West Coast, and a regional economy that the Portland Metro Chamber's 2026 *State of the Economy* report describes as sustained underperformance.⁶⁹ Between 2024 and 2025, the region lost over 7,000 manufacturing and tech jobs. In 2017, Portland's real estate market was ranked by the Urban Land Institute as having the third best investment prospects among all large markets nationally; by 2026 it had fallen to 80th (out of 81).

There are many reasons for this decline, including strategic choices made by Intel that caused it to fall behind its competition. But it is noteworthy that between 2019 and 2023, Oregon's effective business tax burden rose 33 percent, moving the state from 38th to 21st nationally. According to an EY analysis for Oregon Business & Industry, Portland taxes paid by businesses rose 82 percent as a result of a Clean Energy Surcharge, a Metro Supportive Housing Services tax, a Preschool for All tax, and a Multnomah County Business Income Tax increase. The combined effect made Portland's effective business tax burden the highest in the country for most firm types.⁷⁰

Another example is Los Angeles, which is a case study for a failure to turn abundant innovation assets into thriving industries, in sharp contrast to San Diego (life sciences) and San Francisco (tech). LA boasts the country's second-highest tech graduate output (nearly 70,000 graduates from 2017 to 2021), the fourth largest AI talent base in the country, and over 500 venture capital firms. But its tech-related economic output has not matched these assets. From 2017 to 2022, LA's tech talent jobs grew 17 percent compared to 23 percent in the Bay Area, 29 percent in Toronto, and substantially higher rates in Seattle, Austin, and Denver. That means that in the period in which LA produced nearly 70,000 graduates it only created about 35,000 tech jobs.

Two potential causes for LA's underperformance are instructive for Seattle. One is institutional. In *The Rise and Fall of Urban Economies*, published in 2015, a group of economists sought to explain LA's failure to keep up with the Bay Area despite having started with very similar assets in 1970. While the Bay Area shifted into knowledge-intensive tradable sectors, LA's strengths like high-tech aerospace manufacturing were replaced by lower-wage activities such as light manufacturing and logistics. A key reason for this divergence is the Bay Area's stronger networks among engineers, entrepreneurs, universities, investors, and business organizations. LA had pieces, but they were more fragmented, geographically and culturally. The aerospace, entertainment, biotech, and finance sectors were barely linked – board overlap was minimal, regional business organizations were weak switchboards, and there was no institution like PARC in Palo Alto to serve as a meeting place for scientists from different disciplines.

Another contributor is policy-related, most notably Measure ULA, the 2022 transfer tax on real estate sales over \$5 million. Voters approved this as a “mansion tax” but it applies to apartment buildings, commercial space, and industrial sites as well. UCLA's Lewis Center estimates Measure ULA reduced multifamily housing production by roughly 1,910 units per year.⁷¹ It also reportedly slowed commercial and industrial transactions, and may have generated negative net revenue for the city once accounting for forgone property tax reassessments.

The cost of stagnation is not abstract. If Los Angeles had merely matched national job growth since 2019, it would have roughly 270,000 more jobs today. If Portland had done the same, it would have roughly 70,000 more jobs.



PART II: ANALYSIS

Section 4: Implications – Key Moves Seattle Needs to Make

In the following sections, we describe what assets Seattle has, what headwinds it is likely to confront, and what the City should do to retain its assets and reconfigure them to deliver inclusive growth in a new economy. First, however, we pause here to name the basic moves that Seattle needs to make – this is identifying the cardinal direction in which Seattle needs to move, before later sections map the terrain and the route.

SEATTLE NEEDS TO RETAIN ITS ANCHOR FIRMS

Many Seattle residents associate the past decade of growth – driven by the tech sector in particular and very large firms in general – with rising costs, congestion, and inequality. They likely perceive the loss of 500 to 1,000 jobs at these firms as a neutral or even positive development: a relief valve in a city that has experienced tremendous growth pressures for a long time. This is a classic political economy problem. Everyone feels the cost effects of these firms' presence (the downsides are diffuse), but only a small fraction of Seattle residents work for one of

them (the benefits are concentrated).

This perception, however, misunderstands both the broader impact of these jobs and how difficult they are to replace.

The broader impact takes two forms. First, each of these jobs carries a high multiplier: high-wage workers spend heavily in the local economy, supporting roughly three to four additional jobs each across restaurants, personal services, healthcare, and other local-serving sectors. The loss of 1,000 high-wage, corporate jobs is better understood as the loss of 4,000 to 5,000 total jobs across the city. Second, these jobs are inordinately important for tax revenue because Seattle's tax system is over-indexed toward high-wage workers at large firms. The effect on JumpStart and Social Housing tax receipts is invisible to most observers but significant – and concentrated enough that the departure of a single major employer can move the General Fund.

Other regions have revealed, through hard dollars, what these jobs are worth on the open market. Seattle is not, and should not be, in the business of paying firms to stay; the research is clear that most incentive dollars pay firms to do what they were planning to do anyway. But it is notable that Tennessee and Virginia have been willing to pay between \$5,000 and \$20,000 per job to attract exactly the kinds of headquarters functions Seattle is at risk of losing. The merit of these efforts is debatable, but they are not old-fashioned corporate handouts. They are rigorously researched deals backed by formal fiscal analyses. Virginia projected a 6-to-1 return on its Amazon incentives over 20 years, with a cumulative \$3.3 billion net increase in General Fund revenues from 25,000 jobs after subtracting incentive payments. The implication for Seattle is that the loss of these jobs carries a downside roughly symmetric to the upside other states are paying to capture.

The difficulty of replacing these jobs can be understood in two ways. The first is the imagined Econ 101 mechanism: the loss of 1,000 jobs leads costs to fall, new firms to enter, and employment to be restored within a year or two. This is not how Seattle's economy actually works. Many costs are "sticky". Commercial rents have remained elevated even in the face of 28.6 percent downtown vacancy. The minimum wage cannot drop without politically unpopular legislation. Childcare costs do not fall when demand declines, nor do construction costs. The cost structure of a high-wage, high-cost city is largely a ratchet, adjusting upward readily and downward slowly – if at all.

The second is the startup pathway. This is where the math gets sobering. Replacing 1,000 headquarters jobs through new firm formation does not mean producing 200 five-person firms – startup outcomes are heavily skewed, and the realistic distribution

would be something like one firm that quickly grows to 250 employees, three to five that reach 75, ten to fifteen that reach 25, and several dozen more clustered at 5 to 10. Assembling that distribution requires roughly 500 to 1,000 serious startup attempts, because only a small fraction of new firms reach even 5 employees and the odds of producing a single breakout are much lower still.

This is especially true given that in Seattle the net growth rate of traded-sector firms has been effectively zero for a decade. Top-tier accelerators typically invest \$100,000 to \$250,000 per company across cohorts of 10 to 20 firms, implying \$100 million to \$250 million in direct accelerator investment to seed this hypothetical pipeline. And even if that pipeline produced the distribution above within five years – an extraordinary outcome by any historical benchmark – only the breakout firm and perhaps a few of the 75-employee firms would grow large enough to pay JumpStart or Social Housing taxes, which apply only to firms with payroll above \$8.5 million or employees earning above \$189,374. The fiscal hole left by 1,000 departing corporate workers (the kind of sharp shift that is unusual but not unfamiliar to Seattleites) would take a generation of startup growth to fill, not a business cycle.

To put the hypothetical loss of thousands of high-wage, corporate jobs in context with related growth in peer cities: between 2015 and 2024, Charlotte added roughly 2,500 net headquarters jobs; Portland, about 3,900; Denver, about 6,200; Boston and Austin, each just under 11,000. Against that backdrop, the loss of **1,000 corporate jobs** would erase the equivalent of roughly 40 percent of Charlotte's entire decade of net headquarters growth. The loss of **5,000 corporate jobs** would equal Minneapolis's entire ten-year net gain and roughly 80 percent of Denver's. A broader **10,000-job departure of headquarters-type employment**

would equal the entire decade of net headquarters growth in Boston, or in Austin – two of the most successful headquarters-attracting metros in the country.

SEATTLE NEEDS TO DIVERSIFY ITS ECONOMY

While Seattle works to shore up the economy it has, it also needs to begin building the conditions for a wider range of industries to take root and grow. No urban economy is safe if it is reliant on one sector, and Seattle's situation is especially precarious: 75 percent of JumpStart revenue comes from just ten companies, and nine of those ten are in tech-related sectors. The tax system that funds the city is, in effect, a bet on the continued concentration and growth of a handful of firms.

Two forces make that bet more risky than it used to be. The first is AI-driven productivity gains within tech itself. If the jobs-per-revenue ratio in the tech sector continues to decline, as it has for the past three years (with national tech employment now 90,000 below its 2023 peak), Seattle would need to substantially increase its share of national tech activity just to hold its current tech headcount.

Overall growth in the sector is no longer a reliable source of growth in tech employment. Amazon's HQ2 in Northern Virginia illustrates the point. Its 2018 incentive agreement with Virginia projected nearly 12,000 qualifying jobs by the end of 2025. Amazon actually created a little over 7,000, or roughly 60 percent of the interim target. Amazon requested \$153 million in incentives in 2023 but just \$6.4 million in 2024, and nothing in 2025 because it added no qualifying positions. If Amazon is substantially undershooting its own projections in the region it chose to expand into, Seattle should not assume tech-sector growth will backfill the jobs Seattle is losing. The second force that sets a ceiling

on Seattle's tech sector, and thus justifies a diversification strategy, is federal immigration policy. Seattle's tech workforce depends heavily on H-1B talent; Amazon, Microsoft, Google, and Meta were all among the top ten national H-1B recipients in 2024. The \$100,000 H-1B fee imposed in 2025 functions as a de facto ban on that pipeline. It's worth noting that dependence runs deeper than the tech workforce. Between 2020 and 2024, the Seattle metro added roughly 118,000 residents while losing nearly 99,000 to domestic out-migration; net international migration of 163,000 accounted for the entire difference. Absent international arrivals, the region's population would have declined. Regions that have invested in domestic talent development over the past decade may now have a structural advantage that Seattle does not.

Diversification is no longer a hedge against a potential risk. It is a response to changes that are clearly already underway. The case for diversification in general is easy to make. The move that will dictate whether Seattle succeeds over the next decade relates to what Seattle diversifies into.

SEATTLE NEEDS TO ORIENT AROUND THE "MISSING MIDDLE"

The implication is that Seattle needs to place a different kind of firm at the center of its economic strategy. In most cities, large and small businesses get most of the attention – the firms whose names are on downtown towers and the firms that anchor neighborhood corridors. The firms in between get less notice – they are largely invisible. How many people know that Carbon Robotics is on Elliott Ave, a 5-minute walk from Pike Place Market, or that Zeno Power is creating nuclear batteries for NASA in South Lake Union, or that Electric Era is building AI-infused electric vehicle charging stations in SODO surrounded by restaurant supply businesses?

The firms Seattle most needs to grow over the next decade are ones like these, which recombine the city's existing capabilities in new ways. A startup that pays Seattle's premium because it needs ten of the best software engineers in the world, and also needs twenty welders or machinists whose parents and grandparents may have built planes or boats. A spinout from a UW lab that needs to stay close to faculty and specialized equipment, and also needs fifteen technicians with community college credentials. Firms like this do exist, and Seattle offers them something few other places can – but they are uncommon. And as they scale, the danger is that they can unbundle: keep the higher-wage

software roles in Seattle and send the production work to Kent or to Phoenix. It is the success of these types of firms that determines whether a regional economy grows. A healthy traded-sector economy needs a steady pipeline of firms scaling from small to mid-sized, and Seattle's pipeline is currently thin. Several of the people interviewed for this report observed that Seattle should be the ideal place to scale a technology-based business – cheaper than the Bay Area, with nearly as deep an engineering workforce. The data shows that it isn't. The diversification strategy this report recommends is largely a strategy for producing more firms of this kind, and keeping them in the city as they grow.



PART II: ANALYSIS

Section 5: Today – Taking Stock of Seattle’s Assets

For any city seeking to develop a diversified and vibrant innovation economy, the basic ingredients are simple: an abundance of specialized talent, a source of innovative ideas, infrastructure that allows talent and ideas to come together, and entrepreneurs that transform these inputs into economic outcomes. This section walks through each of these in turn.

TALENT AND WORKFORCE

Seattle’s talent strength is concentrated in tech, specifically in software development. A cluster of key subsectors – including software publishing, computer systems design, cloud hosting and data processing, digital media and social networking, and web search – house about 190,000 jobs, or 6.7% of employment in the Seattle MSA – nearly 3 times the national average. This places it only behind San Francisco and just in front of San Jose in terms of aggregate tech employment. This segment of the Seattle economy grew more than 68% between 2014 and 2022 when employment peaked, outpacing all peers except Austin (120% growth off a smaller base) and San Francisco (69%) over that period. It has seen a modest contraction of about 6% in the past 2 years as national employment in these sectors

flatlined and several peer metros pulled back more sharply, including San Francisco (-10 %) and Boston (-9 %). Seattle’s software concentration is lower than that of the San Jose MSA but on par with the San Francisco MSA and well ahead of all other peers.⁷² But industry concentration understates how narrow the demand side is. According to Lightcast job postings, four firms in Seattle account for 25% of demand for software engineers; matching that share takes 18 firms in San Jose and 39 in San Francisco. Seattle’s tech labor market is not simply large and specialized – it rests on an unusually small number of employers. Not only is Seattle’s tech workforce sizable, it is also considered to be of the highest quality. In one survey it was one of only two regions in North America, alongside the Bay Area (combining the San Jose and San Francisco metros) – to receive an “exceptional” rating for technical labor quality, reflecting a deep concentration of experienced software engineers educated at top ranked programs.⁷³ The Seattle metro also houses 23% of the country’s AI-related engineers, according to venture capital firm SignalFire, again trailing only the Bay Area (35%), but ahead of the far-larger New York metro (10%).⁷⁴

Seattle's tech sector spans five tightly-concentrated subsectors

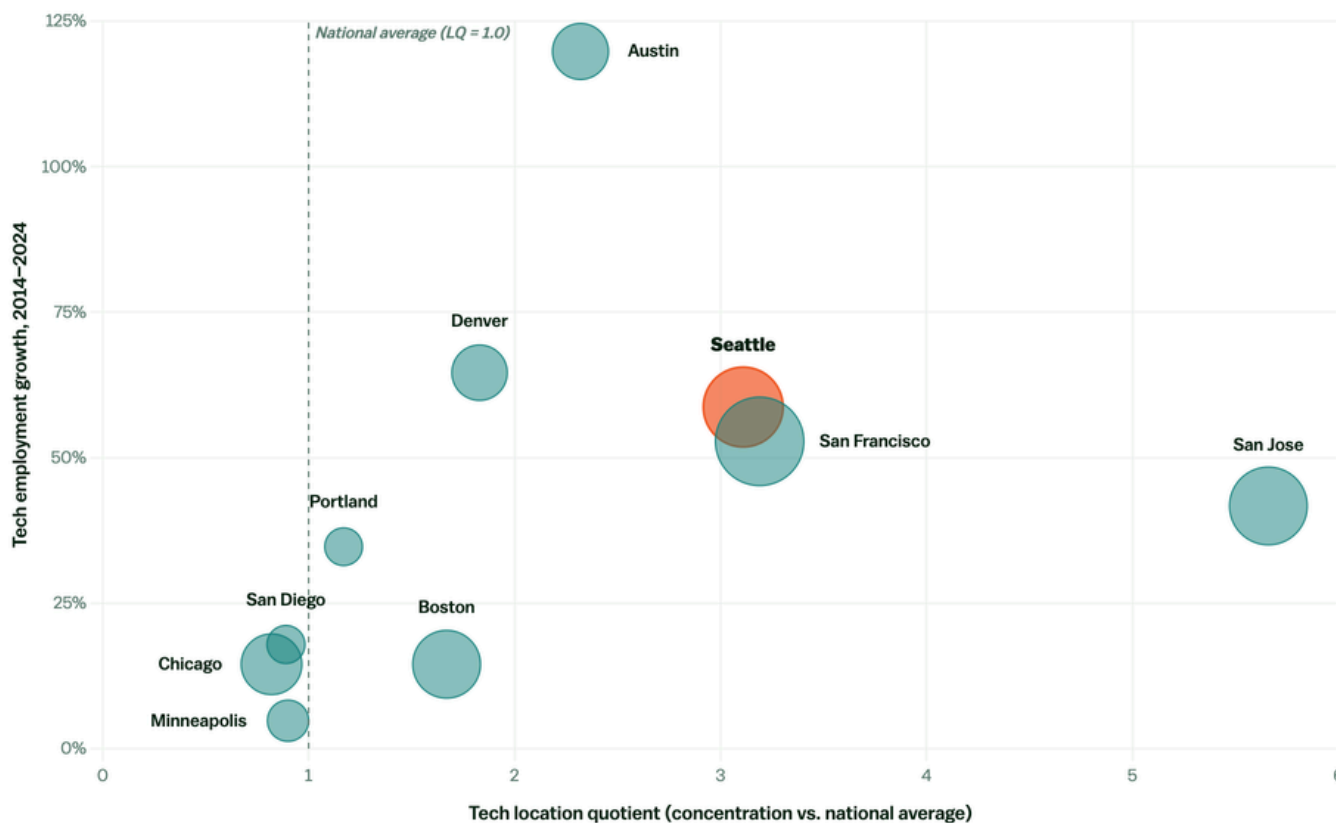
Employment, location quotient, and average earnings by NAICS subsector, Seattle MSA, 2024

NAICS	Subsector	Jobs	Share of MSA	LQ	Avg earnings
5132	Software publishers	71,240	2.5 %	7.56	\$324,504
5415	Computer systems design & related	68,034	2.4 %	1.80	\$197,074
5182	Cloud / data processing / hosting	23,059	0.8%	2.94	\$269,699
5162	Media streaming / social networks	15,191	0.5%	4.39	\$707,656
5192	Web search portals	12,846	0.4%	4.57	\$249,066

Source: Authors' analysis of Lightcast CORELMI_US_V3, 2024 actuals, all worker classes. Location quotients computed against national totals.

Seattle is rare: deeply concentrated, fast-growing, and large all at once

Tech concentration (LQ), decade growth, and total employment (bubble area), peer metros, 2014–2024



Source: Authors' analysis of Lightcast CORELMI_US_V3, 2024 actuals, all worker classes. Location quotients computed against national totals.

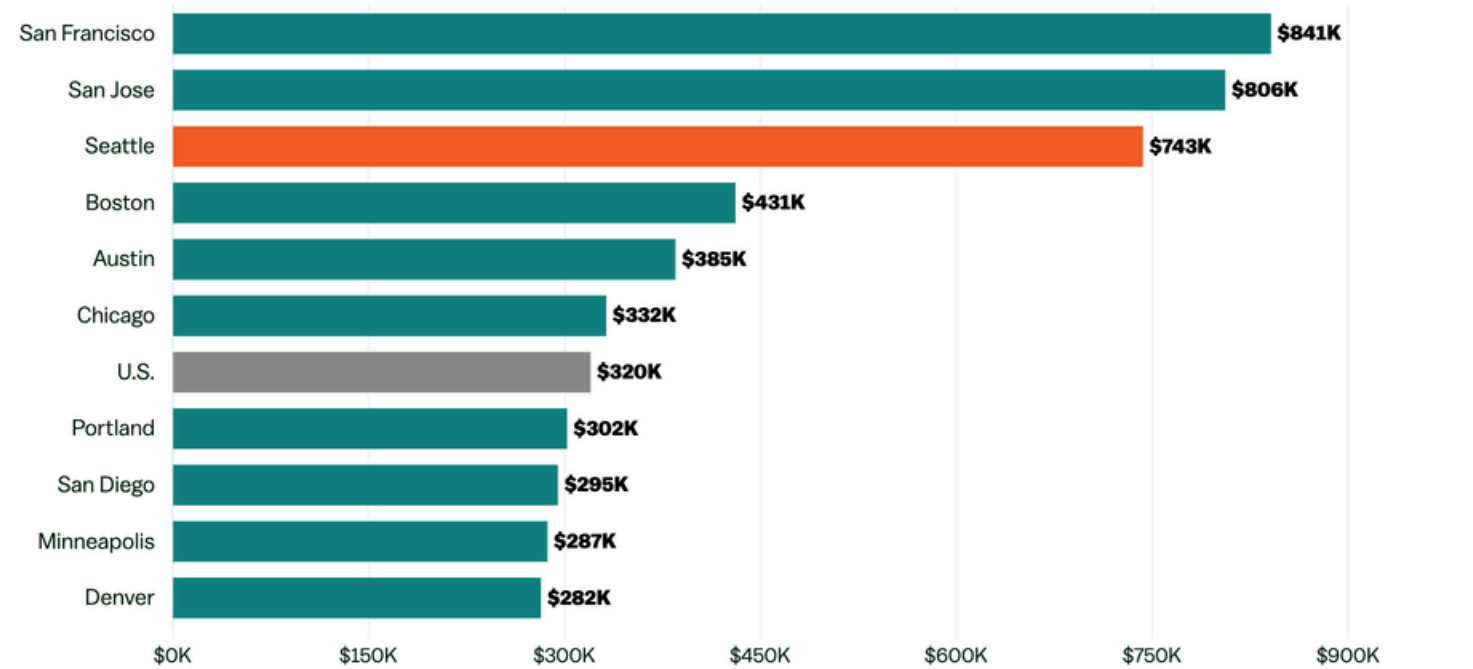
Workers in Seattle’s tech sector are incredibly productive, generating \$743,000 in economic output per worker – slightly behind San Francisco and San Jose, but 2.3 times the national average and roughly 75 percent higher than Boston and 90 percent higher than Austin, the next-closest peers.

Among the 30 largest U.S. metros, only Seattle and San Jose combine a tech industry concentration two times the national average with a manufacturing industry base at or above the national average. Other tech-forward peers – San Francisco, Washington DC, and Austin – have the tech concentration but not the manufacturing footprint. Manufacturing-heavy or more diversified metros – Detroit, Minneapolis,

Chicago, Portland – have the production footprint but not the tech concentration. The scale of the engineering workforce also reinforces the point. Seattle ranks fourth among the 30 largest U.S. metros on engineering occupation concentration, trailing only San Jose (again) among tech-forward peers. This data is regional, and this manufacturing activity is not spread evenly across the region – it is more likely to be in Kent or Everett or Tacoma than in the city of Seattle. The strategic relevance of this data is that Seattle can attract and grow certain functions of a broader manufacturing ecosystem – like engineering offices and high-tech, pilot-scale production facilities.

San Francisco, San Jose, and Seattle are the top tier of tech sector productivity

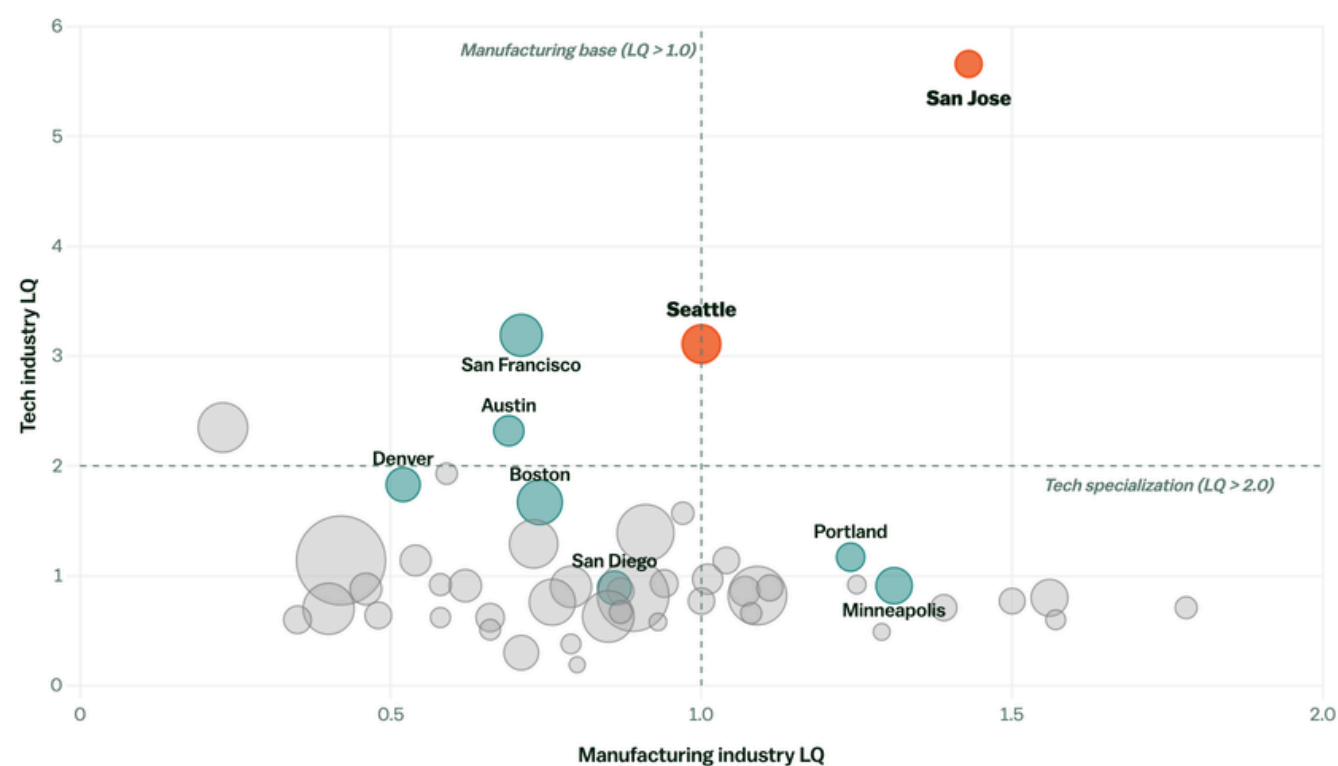
Tech-sector GDP per worker, metropolitan areas, 2024



Source: Authors' analysis of Lightcast CORELMI_US_V3 DAT_GRP (GDP-by-Industry, COMPONENTID="200") and CORELMI employment, 2024. Tech = NAICS 5132+5415+5182+5162+5192. GDP aggregated from county to MSA.

Seattle and San Jose are the only large metros pairing tech specialization with a manufacturing base

Tech industry and manufacturing industry location quotients, 50 largest US metros, 2024.



Source: Authors' analysis of Lightcast CORELMI DAT_IND, 2024.

INNOVATION AND RESEARCH CAPACITY

Seattle is one of the most intensive innovation centers in the world. The World Intellectual Property Organization (WIPO) Global Innovation Index ranks Seattle 20th globally by absolute patent and venture capital investment activity, and 6th by innovation intensity per capita.⁷⁵

As with talent, however, this activity is unusually concentrated in tech. Computer technology accounted for 44 percent of Seattle’s PCT patent applications between 2020 and 2024 – nearly twice the share in San Jose–San Francisco (23 percent) and the second-highest concentration in any single technology field across any top US innovation hub.

Other patenting strengths include the adjacent digital communications (13 percent) and IT methods (6 percent) fields.

It is also unusually concentrated in a small number of institutions. Microsoft alone accounted for 61 percent of patent applications in the region (Amazon had 5 percent). With the exception of Qualcomm in San Diego, no other top US patenting region comes close to this degree of single-firm dependence. By contrast, San Jose–San Francisco’s top three applicants (Google, Apple, Applied Materials) account for a combined 18 percent of their region’s patents; Boston–Cambridge’s top three (MIT, Harvard, Massachusetts General Hospital) account for 10 percent.

The underlying research base is somewhat broader than the patent profile suggests. Seattle's scientific publications – an indicator of research capacity rather than commercial potential – show a substantively more diversified portfolio than its patents. Clinical medicine represents 16 percent, followed by engineering and technology (11 percent), earth sciences (11 percent), medical science (9 percent), and fundamental biology (8 percent).

However the institutional picture in research is similarly concentrated: the University of Washington produced 66 percent of scientific articles published from 2020-2024. This places it in a tier of mid-sized peer regions – including Austin, Minneapolis, and San Diego – where a single large public institution dominates research output. But it differentiates it from regions with a diversity of institutions, like San Francisco-San Jose and Boston-Cambridge, where the top institution accounts for a third or less of scientific publications, and the top three institutions account for less than two thirds.⁷⁶ UW's research budget was \$1.73 billion in fiscal year 2024, the fifth-largest university R&D budget in the country (the largest among public universities), and the top public university by federal research dollars.⁷⁷ The Pacific Northwest National Laboratory (PNNL), a DOE Office of Science national laboratory with an outpost in South Lake Union, has a \$1.6 billion budget and operates a joint research institute with UW – the Northwest Institute for Materials, Physics, Chemistry and Technology – with joint faculty and research concentrated on materials and energy storage.⁷⁸

Alongside this institutional research base, Washington's commercial research and development activity – largely housed in the Seattle region – is among the most intensive in the country. Total R&D spending as a share of state GDP ranks among the top three nationally, driven by business investment that grew 106 percent between 2017 and 2022,

reaching \$55.7 billion, according to the Technology Alliance's 2025 Benchmarking Report, which compares Washington's innovation economy against twelve peer states on workforce, research capacity, and entrepreneurial activity. Business sources now account for 98.6 percent of all R&D spending in Washington, one of the highest private-sector concentrations in the country. The same pattern that characterizes patent activity and scientific publication therefore characterizes commercial research investment: a deep but narrow base, anchored by a small number of large private institutions. Academic and federal research support has eroded substantially over the same period – academic R&D fell from 1.4 percent of total state R&D in 2012 to 0.5 percent in 2022, and federal R&D fell from 2.6 percent to 0.8 percent – and patent filings have declined 23.4 percent between 2018 and 2023, nearly five times the peer-state average decline.⁷⁹

ENTREPRENEURSHIP AND SMALL BUSINESS VITALITY

While the neighborhood-scale firms profiled earlier anchor Seattle's commercial corridors and quality of life, a different class of small business matters for the city's long-run growth trajectory: high-growth, traded-sector ventures that commercialize new technologies and scale beyond local markets. These firms are the commercial layer that translates Seattle's research base and private R&D investment into companies. An emerging cohort has begun to grow from that base, focused in cleantech and deep-technology ventures – but the state and local tax structure is such that it is more favorable to start and grow a firm in Seattle than to reach an exit.

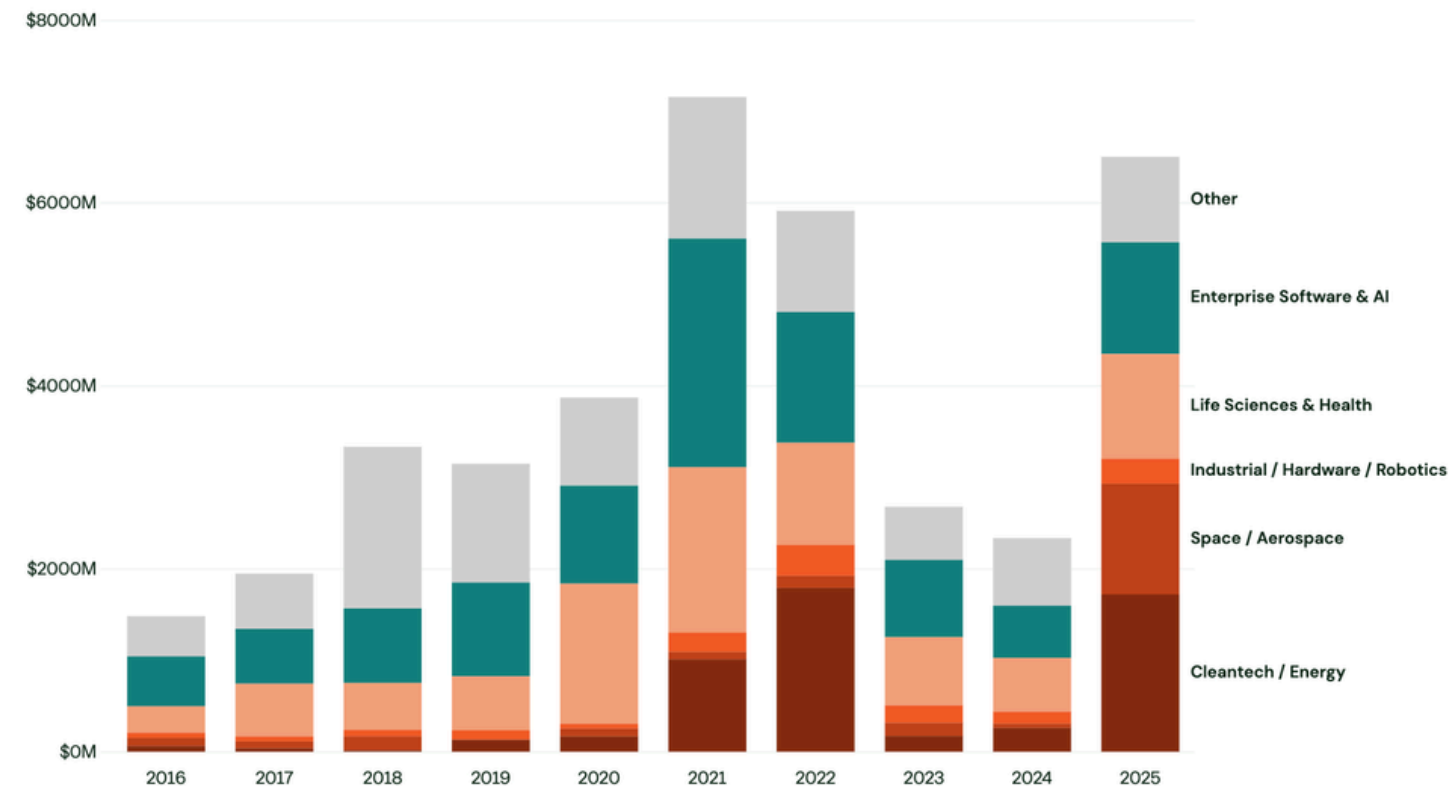
The best measure of this segment of the economy is the level and type of venture capital investment, which reflects both the strength of the enterprises

born and growing in Seattle and the resources available to support their expansion. Seattle's overall venture capital footprint is modest. Seattle-area firms raised approximately \$3 billion in venture capital in 2025, ranking sixth among U.S. metros and representing about half a percent of regional GDP. That intensity trails every other major U.S. tech hub: the Bay Area's venture capital base is more than six times as intensive as Seattle's relative to economic output, Austin's is nearly three times as intensive on less than half Seattle's GDP, and Boston — an economy of nearly identical size to Seattle's — attracts roughly twice as much venture capital. Seattle sits in a second tier of U.S. venture markets, well below what its engineering depth and research base might predict.⁸⁰ The composition of Seattle

venture capital has shifted notably toward hard-technology categories. Between 2016 and 2020, cleantech and energy ventures attracted just 3 percent of venture capital raised by Seattle-area private companies, according to Crunchbase data. Between 2021 and 2025, that increased to 20 percent. Three firms — TerraPower and Helion Energy (advanced nuclear and fusion), and Group14 Technologies (silicon-based batteries) — account for 70 percent of that capital. Space and aerospace ventures grew more than fourfold over the same period, anchored by Stoke Space. Hard-technology categories combined — life sciences, cleantech, space, and industrial hardware — rose from roughly a third of Seattle venture capital in the earlier period to more than half in the five years since.

Hard-tech sectors are increasingly driving Seattle venture capital

Total VC dollars raised by Seattle-area firms, 2016–2025 (\$M)



Source: Crunchbase; Authors' sector classification

Seattle's venture capital base is shallow at the rounds where companies scale. Between 2021 and 2025, Seattle-based investors led 22 percent of all seed rounds and 10 percent of Series A rounds raised by Seattle-area firms, according to data from Crunchbase. But their participation dropped sharply as companies grew, contributing 3 percent of Series B rounds, 3 percent of Series C, and none of the Series D and later rounds in the dataset. This is a long-running structural gap: Washington's venture fund formation grew 135 percent over the past decade, but absolute investment volume and late-stage fund presence continued to trail peer states throughout that period, according to the Technology Alliance's 2025 Benchmarking Report. Of \$9.1 billion in late-stage capital raised by Seattle firms between 2021 and 2025, less than half a percent was led by a Seattle-area investor. Seattle-area firms are scaling on capital that flows in from elsewhere. They are also scaling less: Washington produces fewer than seven IPO exits annually and trails California and Massachusetts in both total exit volume and deal size.

Seattle's tax structure rewards starting a firm in Seattle and increasingly taxes selling one. The city's 2025 B&O restructuring exempted roughly 75 percent of Seattle businesses from B&O tax entirely, and Washington has no state corporate or personal income tax – a combination that leaves pre-revenue and early-stage firms with a lower tax burden than they would face in Austin, where the state franchise tax kicks in at \$2.47 million in revenue. But the opposite is true at exit. Washington honors a federal tax break that lets founders shield up to \$15 million in gains, eliminating both federal and state capital gains tax for most QSBS-qualifying venture-backed exits. For gains above that threshold, or for equity that doesn't qualify, Washington imposes a tiered capital gains tax – 7 percent above approximately \$278,000 and 9.9 percent above \$1 million – and a 9.9 percent

household income tax on income above \$1 million scheduled to take effect in 2028. Still, Washington sits in the middle of its peer set on founder taxation at exit. On one end of the spectrum, Texas imposes no state tax. On the other end, California taxes founder gains at the state level regardless of whether the federal government excludes them. A 2026 legislative effort in Washington sought to start taxing the federally-excluded gains, and the state's tax practitioners widely expect another attempt.

INFRASTRUCTURE AND BUILT ENVIRONMENT

Seattle's **downtown core**, its residential and mixed-use neighborhoods and housing, the Port of Seattle and surrounding maritime and industrial land, the research infrastructure associated with the University of Washington, and Washington's electrical grid all offer a substantial physical platform for its economic future. Given Seattle's high costs, its physical assets are a critical magnet, requiring firms that want direct access to locate in the city.

Seattle is also a remarkably densely populated city, which allows it to capture innovation in a way not replicable in other places. It is the ninth most dense city in the U.S. overall, and the fourth most dense among comparably sized cities (population between 500,000 and 1 million) behind only San Francisco, Boston, and Washington, D.C.⁸¹ This density matters for the economy because certain aspects of innovation generally take place at hyperlocal proximity. Researchers working on cutting-edge technologies are more likely to collaborate effectively as they become physically closer – they are more likely to succeed when in the same city rather than separate ones, and even more so when located *in the same building*.⁸² Similarly, patents are more likely to be cited in the MSA where they were first invented.⁸³ Regions need to draw in knowledge from around the

globe, but trust, tacit feedback, and rapid iteration are all easier with local face-to-face communication, which high density allows for large numbers of people.⁸⁴

While density allows for these interactions, innovation will not spark unless face-to-face communication actually occurs; residents cannot simply live in their own proximal silos. Researchers in Spain have discovered that new firm formation is significantly associated with creativity “contagion.”⁸⁵ Just as face-to-face contact in a city can swiftly spread viruses across a region – augmented by public transportation, an accessible urban downtown, and local amenities – the same is true of the positive impacts of creativity. Seattle offers a

remarkably rich environment for these connections due to its high concentration of third places mixed into its built environment.

Third places are spaces other than homes (first places) and workplaces (second places), where people can socialize and connect. The difference between Seattle and a less third place-rich region like Bellevue is stark. Seattle has substantially more third places than Bellevue (5,250 vs. 778). Part of this, of course, is a matter of population. But Seattle also has more third places per square mile (63 vs. 23) and per capita than Bellevue (71 vs. 52 per 10,000 residents). The Third Places Index breaks these numbers down by category, as seen below:

Seattle's third-place density outstrips Bellevue's across nearly every type

Third places per 10,000 population, selected types · Seattle vs. Bellevue

Place type	Seattle (per 10k pop.)	Bellevue (per 10k pop.)	Seattle's density advantage over Bellevue
Total Third Places	71.5	52.3	+37%
Bar/Pub	6.7	1.6	+319 %
Cultural Arts	1.3	0.5	+160 %
Library	0.7	0.3	+133 %
Community Center	1.1	0.5	+120 %
Civic/Educational	8.5	5.1	+67%
Retail	4.3	2.6	+65%
Cafe	10.2	6.3	+62%
Food/Beverage	36.8	24.7	+49%
Place of Worship	5.1	3.6	+42%
Fitness/Sports Center	4.3	3.4	+26%
Public Spaces	7.2	7.4	-3%
Park	6.1	7.1	-14 %

Source: Third Place Index (OpenStreetMap; ACS 2022 5-Year Estimates; Census TIGER/Line Shapefiles 2020)

In other words, Seattle isn't just dense – it is built for its residents to mix together and connect.⁸⁶

Seattle's office core, by contrast, is under strain. Downtown Seattle is one of the densest urban office markets on the West Coast, purpose-built for the headquarters operations of globally-scaled technology firms and adjacent professional service firms. It concentrates more than half of the city's office space. Yet it has remained underutilized in the long-tail of the COVID-19 pandemic, even as other cities have seen a more significant resurgence of their urban cores. Downtown office vacancy stood at 28.6 percent in 2025 Q4, according to CoStar, and no new Class A office construction was delivered in 2025. The King County Assessor recorded a 34–40 percent decline in assessed values for downtown office buildings in tax year 2025.

Like nearly all large metropolitan areas, the Seattle-Tacoma-Bellevue metro is underproducing **housing**. The region is short an estimated 72,800 units as of 2023, a gap of 4.2 percent of existing housing stock.⁸⁷ Underproduction is defined as the cumulative shortfall – the difference between the housing the region has and the housing it would need to fully accommodate its population, including would-be households that didn't form because rent or purchase prices were out of reach. The hole is structural: the Puget Sound region added fewer net housing units in the 2010s than in any decade since the 1970s, and the 2023 figure ticked up modestly from 71,060 a year earlier as the multifamily housing development pipeline began to thin.⁸⁸

There is a notable bright spot: in recent years, multifamily *rental* construction caught up enough to soften the rental market: from mid-2022 to mid-2025, vacancy rose 5.6 to 7.2 percent and annual rent growth cooled from 7 percent to roughly 1 percent. But *for-sale* construction has lagged badly

throughout the same period – and the Department of Housing and Urban Development (HUD)'s three-year forecast for the Seattle Housing Market Area (HMA, includes King and Snohomish counties) projects demand for 23,000 new for-sale homes through June 2028, against just over 5,000 under construction – covering just 22 percent of forecast demand. The same forecast shows multifamily units under construction covering 51 percent of rental demand. Renters are getting some breathing room; would-be homeowners are not.⁸⁹

The **Port of Seattle** provides direct access to Asia-Pacific markets through deepwater terminals, container infrastructure, and rail connections, supporting a Washington state export base of \$58 billion in 2024; roughly 40 percent of state jobs are tied to international commerce (Washington Office of Financial Management). The port anchors the broader maritime and industrial cluster, with 46,800 direct jobs and \$6.2 billion in wages within the city of Seattle.⁹⁰

Seattle has preserved approximately 7,000 acres of **industrial land** – 13 percent of the city's land area – through successive zoning and policy actions. The preserved footprint is comparable in absolute acreage to Portland and San Diego and larger than most peer metros on a per-capita basis, though smaller than Chicago, Atlanta, and Los Angeles. Unlike most peer cities, Seattle's industrial land sits primarily within the urban core, concentrated in two designated corridors adjacent to the Port of Seattle: the Duwamish Manufacturing Industrial Corridor (4,178 acres, with roughly a quarter dedicated to marine industry) and the Ballard-Interbay Northend MIC (879 acres, 40 percent marine-related). The city's 2023 industrial land policy update created three new zone types – Major Maritime/Logistics, Industry/Innovation, and Urban Industrial – to maintain flexibility as industrial uses evolve.

Washington's **electrical grid** is among the cheapest and cleanest in the country. Only five states have lower average electricity costs, and Washington power is roughly 10 percent cheaper than Texas, 24 percent cheaper than Illinois, 50 percent cheaper than New York, and 59 percent cheaper than California.

However, this legacy advantage rests largely on a hydroelectric power platform that cannot be expanded to meet future load growth, and is in fact projected to decline due to snowpack decline; Seattle City Light (SCL) has failed to fill the Ross Lake reservoir for three consecutive years due to drought.⁹¹ SCL cannot build out fossil fuel plants given its clean commitments, meanwhile wind and solar power offer marginal contributions to peak capacity, especially in the pacific northwest – according to Puget Sound Energy, only 4 percent of solar nameplate capacity can be relied upon to meet winter peaks (one study found that Washington had the worst solar potential of all 50 states).⁹² The effective load carrying capability (ELCC) for offshore wind is higher at 32 percent, but these projects face engineering challenges (some have to be floating given the sharp drop in the continental shelf) as well as opposition from tribes and the current federal government.⁹³ There are currently no active offshore wind farms in the state. In the face of the dim prospects for increased generation capacity, in 2024 SCL projected that it would need to acquire 1,825 MW

of new generation and storage by 2033 (just two years prior, SCL projected only 400 MW would be needed over the subsequent decade).⁹⁴ If this is not achieved, this means that SCL will have to rely on dirtier and more expensive imports. But since load growth is occurring everywhere, this comes at a time when prices in the wider electricity market have grown from \$38/MWh to roughly \$80/MWh.⁹⁵ Taken together, this means that electricity affordability and availability is disappearing in the Seattle region. If unaddressed, this would both harm local residents and make it nearly impossible to attract even somewhat energy-intensive companies to the city.

The built environment infrastructure most closely associated with **hard-tech and cleantech** clusters – shared wet-lab space, pilot production facilities, and equipment commons of the kind that anchor biotech in Boston, aerospace in Los Angeles' South Bay, and life sciences in San Diego – is less developed in Seattle. Boston-Cambridge has roughly 56 million square feet of life sciences lab and R&D inventory, the Bay Area has 51 million, and San Diego has 27 million, against Seattle's 9 million, according to CBRE. And only about half of Seattle's inventory – 4.8 million square feet – sits in multi-tenant lab buildings, the kind of shared infrastructure that lets early-stage companies form, scale, and cluster.⁹⁶



PART II: ANALYSIS

Section 6: Implications – Diversifying in a High-Cost Environment

Seattle is an expensive city for businesses to operate in. Policy action can make it somewhat less expensive at the margins, but the City cannot radically change its cost structure. Seattle can become a better version of itself, but it cannot become as inexpensive as Denver or Austin. This is illustrated in the chart below, which measures innovation performance versus cost by metro area. There is a group in the upper-right of very expensive, very innovative regions (Seattle, San Diego, Boston, San Jose-San Francisco); a big group that is substantially less innovative and somewhat cheaper (Chicago, Atlanta, Minneapolis); and a very small group of college towns turned innovation hubs that is quite innovative and much cheaper (Austin, Raleigh-Durham). Note however, that these ordinal rankings obscure the huge gaps in innovation performance between, for example, Boston, Seattle, and Austin.

There is often an unstated belief among policymakers and commentators that a place exists that offers most of Seattle's upsides and none of its downsides – a very innovative region that has low

and stable costs. The regions that appear to have found a position in between these extremes are likely either in the early stages of what could become overwhelming growth (Austin, Nashville) and/or have relied on exurban sprawl as a safety valve (Dallas, Atlanta), a strategy that is approaching its natural limits.⁹⁷

The upshot is that there is no plausible future in which Seattle diversifies by simply letting itself drift leftwards on this chart. Even if growth slowed somewhat in the coming years, many costs would remain elevated. Historically, economies have only meaningfully lowered costs when they experience sustained economic crises (as described in the previous sidebar). Instead, Seattle needs to figure out which sectors can thrive in a high-cost environment but also provide job opportunities and the prospect of upward mobility to workers without college degrees.

No metropolitan area is large, highly innovative, and inexpensive

U.S. innovation clusters by WIPO 2025 global rank (lower = better) and regional cost of living, BEA Regional Price Parities (U.S. = 100). Bubble size = 2024 metro population.



Source: WIPO Global Innovation Index 2025 (innovation cluster rank); BEA Regional Price Parities, Dec 2024 release (RPP by MSA); Census PEP 2024 (MSA population).



PART II: ANALYSIS

Section 7: The Future – Global Forces and Impact Scenarios

Economic development strategy is often, intentionally or by default, built looking backward. It responds to the last downturn, the last boom, the frictions visible in today's economy under today's conditions. And rightly so: local and state governments ought to be responsive to the pressing needs of residents and businesses. Present problems are concrete, and past patterns are legible in ways that the future will never be. However, without sufficient attention to what is coming next, it risks producing strategies optimized for a world that is already passing.

Seattle cannot afford that posture. The forces reshaping its economy over the next decade are not extrapolations of the last one. **Artificial intelligence** is simultaneously opening new growth frontiers and threatening the tech sector that has driven Seattle's economy for decades. Tightened **immigration** policy is constraining a talent pipeline that Seattle's STEM-heavy industries have relied on more than almost any peer region. **Global trade** is being remade by tariffs and industrial policies that are reshaping the role of

the Port of Seattle as well as aerospace, maritime, and other Advanced Industries that have cemented the region's position as a gateway to the world. Volatile **energy** markets and geopolitics, as well as a changing climate, are reshaping the conditions for abundant and affordable clean power – increasingly a constraint on economic growth around the country.

The City of Seattle controls none of these macro forces. What it controls is how it positions its assets in the face of them. And that positioning cannot be anchored to a single variable or forecast, because the uncertain interaction among these forces, not any one of them in isolation, will determine what the next decade will look like.

The five scenarios that follow each describe a plausible configuration of the macro forces above that offer specific challenges to Seattle's growth model, and are designed to make the city's choices visible under different conditions. The point is not to estimate which scenario is most likely, or to prepare for one at the expense of others. In reality, the future

will bring some combinations of the changes described across these scenarios, as well as others that are overlooked or not currently visible. The analysis is meant to ensure that Seattle's strategic decisions – the investments it makes, the assets it prioritizes, the bets it places – hold up across more than one version of what comes next. They are as follows:

Scenario 1: Fortress America - The United States continues its inward turn, choking off immigration and trade while investing in national security and defense. While Seattle's talent pipeline and trade leadership are threatened, its industrial strengths in aerospace and maritime are bolstered. The catch: much of the new investment happens outside of the city boundaries.

Scenario 2: The AI Shakeout - AI delivers real productivity again, and Seattle, sitting on top of both the talent to create the future and those most threatened by it, wins and loses at once. The tech sector grows even as the entry- and mid-level coding jobs that feed it hollow out. Seattle emerges at the forefront of a national trend in which economic growth de-couples from job growth.

Scenario 3: The AI Reset - The unprecedented mid-2020s AI buildout unwinds into a recession as the promise of AI falls short of investor hopes. Seattle's labor market gets hit doubly-hard: first by AI displacing jobs directly, then by a recession that lands hardest on the tech firms at its center. This scenario hits both the city economy, as well as directly hampering the fiscal tools it has to respond.

Scenario 4: The Energy Squeeze - Cheap hydropower, one of Washington's longstanding competitive advantages, flips into a liability as drought and surging demand push prices up and squeeze energy-intensive manufacturing industries and family budgets that are forced to compete with data centers for electrons. This scarcity offers an opening: the scramble for firm clean power and battery storage gives Seattle a diversification pathway built on the region's existing and emerging cleantech strengths.

Scenario 5: The Eastward Shift - Everything breaks Seattle's way – AI investment pours in, immigration rebounds, and inflation cools. But the region thrives while the city quietly loses, as Bellevue captures a growing share of the growth and Seattle drifts toward bedroom-community status. The danger is that it looks like success: firms keep their Seattle workers and pay them more, so JumpStart holds steady even as every new firm lands east – and each one makes Bellevue more attractive to the next.

Each scenario is presented with an overall description, and then an analysis of how it plays out across five dimensions central to this analysis: jobs and talent, industrial diversification, neighborhood-scale businesses, affordability, and fiscal impact.

Scenario 1: Fortress America

In this scenario the United States hardens its retreat from global engagement. Immigration restrictions, tariffs, and defense buildup persist past the current term and become a durable foreign policy posture across federal administrations. Trade tension with China deepens, and allies hedge as the US remains an unpredictable partner, looking increasingly to other nations for economic partnership and security. Federal industrial policy revives, but is aimed at national security – defense, shipbuilding, critical minerals – more than clean energy innovation and deployment. And global energy markets remain volatile as conflicts roil commodity markets and supply chains.

Jobs & Talent	International arrivals, which have accounted for all of the metro area’s net population growth since 2020 collapse, starving the region of a critical source of high-skilled talent. Net domestic migration stays negative. High-skill engineering wages rise as the H-1B pipeline narrows, but firms follow talent and global tech hubs increase their competitive position relative to the United States. This is particularly damaging to the Seattle region, as Amazon and Microsoft are the first and third H-1B employers in the country, respectively.
Industrial Diversification	A national security pathway opens in sectors where Seattle has real advantages, including aerospace and maritime. Investments in the One Big Beautiful Bill Act, including \$29 billion for shipbuilding and \$24.4 billion for missile defense, are extended. And defense tech related venture capital, which doubled to \$50 billion between 2024 and 2025, continues to increase. Seattle captures an outsized share of both. New investment in the city is concentrated around the Port, but much of the new production lands where industrial land is cheap, so the region captures a greater share of industrial expansion than the city itself. The cleantech opportunity narrows as tariffs disrupt solar and battery supply chains, and federal attention and support is directed elsewhere.
Neighborhood-Scale Businesses	Tariffs raise input costs for retail and restaurants with no margin to absorb them. Immigrant-owned businesses see pressure on both sides of their business with rising costs and a shrinking immigrant customer and labor base.
Affordability	Drivers of cost of living point in both directions. Tariffs drive inflation nationwide and across goods and services. In Seattle specifically, slower population growth eases demand for housing and services, but the immigrant-heavy workforce that builds housing and delivers childcare shrinks.
Fiscal Impact	The budget hit is significant, putting as much as a 5 percent hole in annual general fund revenue in just a few years, and potential to ignite a downward spiral. JumpStart softens as tech hiring stalls. Sales tax erodes on slower population growth and tariff-thinned purchasing power. Property taxes are largely unchanged due to the 1 percent cap. Losses persist and compound as gains in new industries fail to scale quickly enough to make up for declining tax contributions from tech.

Scenario 2: The AI Shakeout

In this potential future, AI delivers real productivity gains – narrower than the mid-2020s hype, but large enough to reshape knowledge work with significant consequences for tech-heavy regional economies. AI models continue to improve at coding, their primary effect, with secondary reach into project management, business operations, and financial analysis. Capital rewards compute and infrastructure over applications, concentrating returns among hyperscalers and a few foundation-model labs. Seattle, unusually concentrated in tech *and* exposed to exactly the occupations being automated, captures both the upside and the downside – with the downside (disruption of existing software development models) likely creating a bigger impact in the near-to-medium term.

Jobs & Talent	Seattle is significantly more AI-exposed than the national average by occupational mix. But it also houses an outsized share of AI talent that will grow with the sector. The labor market bifurcates rather than contracts uniformly: senior engineers, researchers, and AI-infrastructure workers remain scarce, while the entry- and mid-level coding roles that feed the senior pipelines contract. AI proves such a seismic opportunity that the region's economy grows, even as job losses due to its disruptive impact on "legacy" tech mount.
Industrial Diversification	Seattle's emergence as a highly-competitive AI hub, behind only the Bay Area within the United States, is a marginal diversification story. From one perspective, it offers legitimately new areas of growth, albeit within the software sector that powered the last decade of growth. But the nature of AI adoption in the tech sector means that the net impact on tech employment under this scenario could be negative. And the drivers and rewards of this growth continue to concentrate in a small slice of the economy, rather than expanding to other traded sectors that spread benefits and risks more broadly.
Neighborhood-Scale Businesses	Thinner tech headcount means a softer downtown daytime population and less foot traffic. Commercial rents may ease, but the demand base for neighborhood retail weakens with it.
Affordability	Costs improve modestly for those that keep their jobs – rental vacancy rises, home prices stabilize without falling far – but childcare costs do not move. A softer labor market does not undo the cost-disease dynamics in labor-intensive services that drive the family cost premium.
Fiscal Impact	The City of Seattle's fiscal picture is moderately strained in the coming years. Critical to anticipating this hit is the understanding that the impact scales much faster than the actual magnitude of job loss might imply. JumpStart tracks highly-paid headcounts and stock compensation at vesting, so stratification into fewer, more extremely-paid workers undermines its yield.

Scenario 3: The AI Reset

The AI capex cycle that powered an outsized share of national growth and propped up the stock market in the mid-2020s unwinds, and a moderate recession follows. Investor conviction in the buildout falters as model limits become clearer and hyperscaler earnings disappoint; credit markets reprice hundreds of billions in AI-related credit and equity corrections ripple outward. The economic fallout is smaller than a 2008-style shock, but delivers a 12–18 month downturn and a years-long jobless recovery — enough to deepen the city's fiscal challenges and threaten the urban core.

Jobs & Talent	The labor market contracts broadly, and Seattle's tech workforce takes damage from two directions: first via enterprise-AI displacement — a "tech-session" of the mid-2020s preceding the recession — then again as the firms employing them sit at the center of the downturn. MSA tech employment, having already fallen about 6 percent from 2022 to 2024, continues its downward slide as one-off cuts shift to broader restructuring of Seattle's tech sector as massive AI bets fail to pay off.
Industrial Diversification	The downward slide of Seattle's innovation economy is contagious, and rather than opening space for new sectors, the tech decline reduces the attraction of the region known for its deep technical skills. Venture capital, already declining at the early stage for years, contracts further; hard-tech scaling becomes nearly impossible; and the application-layer startups that might seed Seattle's next tech generation struggle to rise.
Neighborhood-Scale Businesses	A broad downturn is felt in the city's local-serving community businesses. Tenant consolidation accelerates, foot traffic falls again, and small retail, restaurants and bars, and personal services businesses face successive waves of declining demand as residents' purchasing power declines and foot traffic falls again.
Affordability	The overall downturn blunts price increases, and the family cost premium narrows slightly as wages stop climbing — the only scenario in which Seattle becomes easier to afford for families near median incomes who keep their jobs. That relief is uneven: for many households incomes fall faster than the cost of essentials, and the public sector, under its own strain, can do little to cushion the impact.
Fiscal Impact	The city faces a large and sustained budget crisis. JumpStart falls substantially, sales tax drops, property taxes lag but ultimately decline within two years as the housing market slows. Unlike a cyclical contraction, two of the three primary revenue tools cannot rebound mechanically: property tax is capped, and once buildings reprice and debt recapitalizes lower, the asset base is permanently reset. The city is at the whim of federal and state recovery investments to slow (or in the most optimistic conditions reverse) this slide.

Scenario 4: The Energy Squeeze

In this scenario, electricity, long a durable Washington advantage from abundant hydro, becomes a liability as clean-generation scaling fails to keep pace. Nationally, AI data-center buildout, electrification, and reshoring strain the grid at once and prices climb. In the Pacific Northwest, drought and snowpack decline soften hydro output just as regional demand surges, and Seattle City Light – facing a projected need of 1.8 GW in new capacity by 2033 – imports more expensive power from neighboring states.

Jobs & Talent	Energy-intensive operations – manufacturing, port activity – face higher operating costs without margin to absorb them; some scale back or relocate, eroding a historical pillar of the region's traded-sector strength, and middle-class employment. The damage concentrates among mid-sized firms that lack the scale to manage the transition through custom power contracts or on-site generation. A new opportunity for job growth emerges in a growing cleantech-energy sector aimed at meeting global, national, and regional energy needs.
Industrial Diversification	A meaningful pathway for diversification opens related to solutions to increased demand for new energy solutions. Demand rises for firm clean power, advanced battery chemistry, grid-scale storage, and the manufacturing to produce them. The largest fusion and battery operations sit outside the city, but Seattle benefits from proximity – leveraging its municipal grid, Port, industrial land, and UW research to position as one of the best places to scale cleantech firms.
Neighborhood-Scale Businesses	Energy costs pass straight through to small operators with no hedging ability – the margin compression that hits mid-sized firms hits micro-firms harder. Upstream cost increases ripple into food and construction, raising input costs across the board.
Affordability	The cost of living worsens modestly in these conditions. Residents and local businesses first feel the direct impact of higher electric bills. But while electricity and gas are not the largest line items in family budgets, they compound with housing and childcare, and drive inflation across the board. In particular, construction cost increases accelerate, slowing housing production at the moment affordability turns most on supply.
Fiscal Impact	The city faces a moderate net impact on its budget in this scenario. Sales tax softens as energy-intensive operations scale back and households cut discretionary spending, but rising cleantech firm values and stabilizing industrial property values provide a partial property-side offset.

Scenario 5: The Eastward Shift

The forces facing the late 2020s economy described in other scenarios turn out to be muted in their impact and/or net positive for the region. AI investment flows into the region to fuel firm formation and deepen existing strengths, with productivity gains expanding rather than contracting total demand for knowledge work. America's inward turn is reversed and a bipartisan consensus on global leadership and engagement returns, and immigration bounces back as a source of high-skilled talent. Inflation cools as supply chains are rebuilt, and global commodity markets settle. The Seattle region seemingly dodges more than one bullet and emerges poised to strengthen its economic position. The city's story is different, however: Bellevue captures an increasing share of economic growth as the city of Seattle dithers on whether it wants to remain the home of the region's corporate workforce, particularly as AI takes a larger (and more contentious) role in society. The city is increasingly a bedroom community for the close-in suburbs.

Jobs & Talent	Regional tech employment demand grows, and is met by a combination of international and domestic migrants, as well as workers trained locally. But this growth lands east: a million square feet of new Class A office space in Bellevue proves more attractive to growing and re-locating firms than proximity to Seattle's urban core. The city of Seattle still houses many of the region's workers, but they are increasingly packing the East Link Extension heading out of the city on weekday mornings.
Industrial Diversification	Tech compensation keeps rising as AI only accelerates software "eating the world," drawing workers and capital toward tech. Population growth increases in the city, stressing the already-strained housing market, and putting pressure on the viability of the city's industrial lands in the midst of a continued housing crisis. Cleantech and hard-tech are priced out; investment and firm growth stay in the suburbs or take root elsewhere as space, talent, and capital remain scarce and expensive in Seattle.
Neighborhood-Scale Businesses	Demand for much of the new street-level retail and restaurants follows workers east to Bellevue. As Seattle becomes increasingly residential, it lacks the mixed use neighborhoods that create vibrant commercial corridors. And the opportunity cost for using land for anything but housing strains the availability of small business real estate.
Affordability	The cost of living worsens sharply for the residents who remain in the city. The family cost premium widens further, and the salary required to afford a typical home accelerates as housing competition intensifies under tightening tech labor demand. Childcare costs continue upward unchecked, particularly as low-wage providers are pushed farther from the urban core.
Fiscal Impact	The impact on the city's budget is modest in the near-term, which is this scenario's political danger. Headline JumpStart funds hold or tick up (city employers keep employees and report higher compensation, even if they're not growing in the city). But the revenue needed for a growing population exposes the city's overreliance on companies rather than residents as its fiscal base. By the time the nature of this restructuring is clear, the city will struggle to develop and deploy new revenue tools to combat it.

WHAT THE SCENARIOS SHOW

The scenarios show which outcomes recur and which depend on a specific configuration of forces. Conditions are grouped by impact dimension and shaded by how many of the five scenarios they hold

in. The darkest rows describe the structural floor — what likely holds for Seattle regardless of which scenario unfolds. The lightest name where scenarios diverge, and where strategy might be highly tailored to future conditions.

What the scenarios show, by dimension

Conditions grouped by impact dimension; shaded by how many of the five scenarios each holds in. Darker = more robust across futures. Dots mark which scenarios.

		SCENARIO				
Condition	Scenarios	Fortress America	AI Shakeout	AI Reset	Energy Squeeze	Eastward Shift
Fiscal						
Fiscal concentration on top tech firms remains a structural vulnerability	5	•	•	•	•	•
The 1% property-tax cap limits revenue rebound and inflation tracking	5	•	•	•	•	•
The city faces meaningful annual General Fund losses (\$50M+)	3	•	•	•		
Headlines read as success while the structural position erodes	2				•	•
Jobs & Talent						
Middle-wage opportunity outside tech remains thin	5	•	•	•	•	•
Other regional/national locations continue to capture tech functions	5	•	•	•	•	•
Seattle's share of regional tech employment continues to shrink	4	•		•	•	•
The high-skilled talent pipeline tightens	2	•	•			
Tech-sector employment contracts outright	2		•	•		
Industrial Diversification						
The diversification window for cleantech / hard-tech / AI apps stays narrow	4	•	•	•		•
Cleantech gains a meaningful tailwind	1				•	
Energy costs become a primary constraint on regional growth	1				•	
Defense and national security become a primary growth driver	1	•				
Neighborhood-Scale Businesses						
Neighborhood & small businesses face margin or demand pressure	5	•	•	•	•	•
Downtown commercial real estate faces deepening pressure	3		•	•		•
Bellevue captures step-change relocation of corporate functions	1					•
Affordability						
Affordability for the median family worsens or stays under pressure	4	•	•		•	•
The family cost premium narrows	1			•		

Source: Authors' analysis



PART II: ANALYSIS

Section 8: Implications – The Tax Revenue at Stake

Having described the threats to Seattle's growth, this section quantifies why it is worth vigorously confronting these threats – in other words, how much growth matters to Seattle's fiscal health.

The case for growth begins with the fact that growth and decline do not move the city's finances in opposite directions of equal magnitude – the downside from decline is even steeper than the upside from growth. One need not be pro-growth to embrace sustained growth as the only alternative to periods of damaging decline. Seattle's annual general fund spending is about \$2,500 per capita on average. But *marginal* costs from growth, or marginal savings from decline, would likely be quite different. If Seattle were to grow by 20,000 residents over the next several years – assuming a similar economic profile to current residents – the marginal cost to the city for each new resident might be roughly \$1,500 per capita. (Fixed costs for infrastructure, parks, and administration don't scale with population at the margin, so revenue per new resident exceeds cost per new resident, especially when in-migrants are

higher-income.) In contrast, if Seattle were to *shrink* by 20,000 residents, marginal savings for each resident that left would be perhaps \$500 because a city cannot unbuild infrastructure already in place and would not, at least in the near term, reduce personnel proportionally. Costs per remaining resident would rise.

Recent experience would seem to offer a compelling counterargument: Seattle just experienced a decade of remarkable growth but still faces a structural deficit. But the tech-driven growth of the past decade occurred alongside a once-in-a-generation inflation surge that lifted city labor and service costs faster than tax receipts could rise – a dynamic that is unlikely to repeat at the same magnitude. Pandemic relief in the middle of the last decade also postponed reckoning with a growing gap. It is true that Seattle's tax structure is less tuned to capture tech-driven growth than that of peers like Austin or Denver, which were able to lower rates for many firms while raising revenue during their booms. So growth in Seattle would be more effective if paired with a

different tax structure. But even with Seattle's imperfect tax structure, sustained, high-quality growth matters hugely.

Consider the following “back of the napkin” analysis, which is simplified but directionally right. It envisions Seattle growing its economy and tax revenue through three channels simultaneously: more people moving to Seattle, an increase in the employment rate, and cultivating a high-wage industry mix. One plausible way that Seattle could increase its annual steady-state tax revenue by \$150 million (enough to close its 2027 budget deficit) is as follows.⁹⁸

- **Growing its population** by 5,000 residents per year – in line with Seattle's 2022–23 pace, and well below the 13,000-per-year average of the 2010s and the approximately 12,000 people that moved to Seattle in 2025.⁹⁹
- **Increasing its employment** rate from 79.5% to 81.8% (matching Austin's current level).
- Ensuring that 35% of those new **workers are in Advanced Industries** and another 30% are in other traded-sector jobs that anchor the city's professional employment base.

In addition to the \$150 million in steady-state revenue, this level of growth would also generate about \$175 million in one-time tax revenue during the assumed 8-year period of growth via construction-related sales taxes.

This analysis demonstrates clearly the fiscal value of economic inclusion. If that same population growth (5,000 residents) happens without any accompanying increase in the employment rate, the increase in annual steady-state revenue falls to about \$100 million and one-time revenue to \$122 million – meaning a 2.3 percentage point increase in the employment rate is worth about \$450 million in tax revenue over 8 years.

The sectoral mix of growth matters too. If Advanced Industries accounted for 25 percent of growth rather than 35 percent, and other traded sectors accounted for 20 percent rather than 30 percent, annual steady-state revenue falls to \$125 million and one-time revenue falls to \$150 million – a total decrease of \$225 million over 8 years.¹⁰⁰ What would it cost the city to attain this \$150 million increase in steady-state revenue? Some portion of the roughly 4,000 jobs it would take to attract 5,000 residents would be close to free – some could come from the city simply projecting a more business-friendly attitude, some could come from policy changes that have little direct cost, some could come from improvements to public safety that need to be made for residents regardless of potential economic impact. But some (say 25 percent) would have to be paid for in the form of infrastructure improvements, grants, technical assistance, marketing, and so forth. (Average cost of \$5,000 per job created.) On the employment rate side, most of those gains would need to come via investments in training and/or “wraparound” supports like childcare and transportation (average cost of \$12,000 per trainee). A plausible assumption might be that 75 percent of people entering the labor force need those investments, and that 1.25 people need to be trained for every individual who ends up employed (since not all trainees end up finding employment).

This scenario emphasizes inclusive workforce development as a lever at least as important as immigration. A more migration-heavy alternative could generate roughly equivalent revenue, at lower direct cost but with less equitable results – first because this alternative scenario focuses less on connecting existing Seattle residents to new jobs, and because it would create more pressure on housing prices unless paired with substantial supply expansion (which then creates other direct costs not captured here).¹⁰¹

Growth scenarios

Revenue, cost, and housing-demand comparison

	Scenario A	Scenario B
Assumptions		
Population growth	5,000/yr	6,500/yr
Increase in employment rate	+2.3pp	+1.0pp
Revenue		
Steady-state revenue (in perpetuity)	\$150M/yr	\$148M /yr
One-time construction revenue	~\$175M total	~\$174M total
Costs over 8 years		
Job creation (\$5k per job)	\$54M	\$55M
Workforce dev (\$12k per trainee)	\$155M	\$68M
Institutional capacity (+\$15M /yr)	\$120M	\$120M
Total cost over 8 years	~\$329M	~\$242M
Net new housing demand	~24,000 units (3,000/yr)	~31,000 units (3,800/yr)

Source: Authors' analysis

In summary, growth in Seattle's employment base – in spite of headwinds described in the Scenarios section – is essential for the city's fiscal health and for the economic opportunity of its residents. That growth will not come free. The city will have to invest in it, both in enhanced underlying economic and workforce development capacity (described below in the “Foundational Capabilities” section) and in per-job and per-trainee costs (described below in the “Strategic Actions” section).

The city will have to choose how it grows the workforce that fills those new jobs. One path is to grow the workforce primarily through upskilling existing residents. This is the most inclusive scenario, but it would represent a huge expansion of the city's workforce development apparatus – Scenario A requires about \$20 million per year in workforce development targeted at the Advanced Industries and traded sector jobs that drive growth in the

scenario (one example: intensive 6-month apprenticeship-style training for Seattle Colleges computer science graduates to provide the skills required for rapidly-evolving jobs in the AI era). Some of that \$20 million could come from organizing and re-orienting the spending of other education and workforce development entities, but even in the best case scenario this would require the city to at least quadruple its own investment in this type of workforce development.

The other path is to grow the workforce primarily through in-migration. This costs the city less in direct policy investment, as the comparison above shows. But it shifts the cost elsewhere: either onto existing residents through higher housing prices, making growth inequitable, or onto the city budget through housing supply expansion. The latter is far more desirable, but costly in political and dollar terms. Those costs are not reflected in the \$242 million

figure above, but could plausibly push the cost of Scenario B to around the same cost as Scenario A. The upshot is that the city likely has to invest roughly the same amount either way – the question is whether to do so primarily through the training channel or the housing channel.

The good news is that both scenarios – and any number of others between them – generate roughly

four to six times as much tax revenue as they require in expenditure. The fiscal case is unambiguous. But both scenarios require substantial upfront investment, with most of the revenue benefits arriving in the second half of the eight-year period. The choice is not whether to invest in growth. The choice is which form of investment Seattle is willing to make, and for whom.



PART III: RECOMMENDATIONS

As Seattle looks toward the next decade, it faces a twin challenge: it needs to retain its assets, primarily in the form of “footloose” talent and businesses that may consider leaving for other regions that are cheaper or more successful in the next economic era. And it needs to reconfigure those assets. That means creating conditions in which existing capabilities combine in new ways: software talent meeting the needs of maritime or energy or advanced manufacturing; space, UAV, and robotics sectors emerging from the intersection of Seattle’s tech and aerospace bases; cleantech scaling through the combination of research, engineering, and production expertise already present in the region; and workers moving fluidly across sectors and occupations as AI reshapes which skills are valuable where.

Importantly, neither “retain” nor “reconfigure” efforts will work alone. On the one hand, Seattle could retain its existing businesses and still fail to catch the next wave of growth. There is no shortage of regions that still have a presence in an industry, but are no longer driving innovation and have thus lost power – Portland still has a semiconductor sector, but Intel failed to stay at the frontier of innovation and now

the city has little influence on where the semiconductor sector goes next. On the other hand, Seattle could cultivate new industries but still find itself moving backwards if it fails to retain thousands of existing high-wage, corporate jobs.

The recommendations are organized in three sections:

First are the **capabilities** Seattle needs to meet the twin challenge of retaining and reconfiguring assets. Most readers will be looking for more specific, tactical opportunities. But Seattle leaders need to recognize that tactical success at anywhere near the necessary scale will require new capabilities within and across organizations.

Second are **strategic initiatives** – the initiatives that the City and cross-sector partners could undertake to position Seattle for success over the next decade. These include efforts to cultivate new industries through investments in innovation and workforce development, to make progress on affordability for businesses and families alike, and to enhance downtown and neighborhood vitality. These actions are not dependent on all of the above capabilities

being in place; in fact, the work of designing and implementing these initiatives can be a way to build or strengthen those capabilities.

Third is a set of **ten moves for year one** that the City can take to signal its seriousness and ambition.

Some of these involve putting a stake in the ground – sending a clear message that the City intends to take bold action in a few key areas over the next decade. Others involve solving discrete problems.



The Limited Role of Tax Increases and Spending Cuts

Given the focus of public discussion about Seattle's business climate and competitiveness, readers might expect the remainder of this report to focus on new taxes or expenditure cuts. This report does not propose either. This deserves a word of explanation.

On the revenue side, Seattle's taxation options are constrained. The city is statutorily barred from taxing income. Property tax growth is capped at one percent per year on existing parcels. JumpStart taxes and, to a lesser degree B&O taxes, already place a significant burden on a narrow base of large employers. The analysis in this report shows that Seattle taxes are generally in line with those of other regions that offer similar economic assets, with one exception: the top tier of the JumpStart payroll tax, where rates fall on a small number of very large employers with concentrations of workers in the highest compensation band – this shows up as a relatively high tax burden as a share of revenue for large tech firms and very large absolute costs for “mega tech” firms. This report does not recommend raising or lowering that top tier. The empirical literature on how firms respond to local tax changes – which is the basis for most credible policy analysis – derives its findings from observed variation across thousands or millions of firms in dozens of jurisdictions.¹⁰² It cannot tell us how any one firm will respond to any one tax change. With only two or three firms at most in JumpStart's top tier and one firm by far the most dominant, the question of whether to adjust this tax is fundamentally a question about how that single firm will react. That is not a question this report, or the literature it draws on, is equipped to answer.

Remaining options that have been floated – vacancy taxes, wealth taxes, head taxes beyond JumpStart, expanded gross receipts schemes – are either disallowed under state law or would, if enacted, likely push out the firms and workers Seattle most needs to retain (this would not be true if taxes were uniform at the regional scale – there are few other places like the Seattle metro area, certainly none cheaper, but the “Bellevue threat” is real). The effect on outmigration of high earners from the state is more ambiguous, per evidence from other states that have adopted millionaires' taxes. But the existing research does not offer a definitive guide, because Seattle would be heading into uncharted territory by layering additional city-level taxes on top of Washington's newly enacted regime. Once the state's millionaires' tax takes effect in 2028, Seattle wage earners above \$1 million will already face a combined state and local marginal rate of approximately 10.5 percent. Whether or not one finds the threats of departing high earners persuasive, pushing Seattle's combined rate meaningfully above 10.5 percent would be a high-stakes tax experiment.



The Limited Role of Tax Increases and Spending Cuts

There is a real conversation to be had about modernizing Washington's tax structure to give cities more flexible and less regressive options, and the closing recommendations suggest that the City of Seattle lead that statewide effort with a coalition of mayors across the political spectrum. It is not something Seattle can resolve on its own in the near term.

On the expenditure side, the structural deficit cannot realistically be closed through cuts alone without doing significant damage to the city services that make Seattle's growth strategy viable in the first place. While the City's general fund has grown substantially in nominal terms over the past decade, real per-capita spending has been essentially flat once inflation and population growth are accounted for. The city's growing budget reflects rising costs, not dramatically expanded service delivery. If cuts do become necessary in the near future, this report was not intended to inform those debates – it can only confirm that Seattle's current tax rates and government expenditures are not among the top factors making the city less competitive than peer regions.



PART III: RECOMMENDATIONS

Section 1: Foundational Capabilities

The capabilities described in this section are far beyond what Seattle has today. They may seem unrealistic. But Seattle is an extraordinary city facing a period of intense economic change. Seattle has every reason to build institutions – meaning new organizations and new ways of operating within and across organizations – that operate at the scale and speed of its economy.

The recommendations that follow ask the City and its partners to shape markets rather than react to them – to diagnose where industries are failing to emerge, assemble the conditions for new sectors to scale, and intervene through sustained, technically capable engagement with industry. This is **marketcrafting**.¹⁰⁸ Marketcrafting is different from traditional approaches in three ways. It does not simply involve adding inputs – capital, labor, infrastructure – that today’s firms ask for, in hopes that they will grow. It is not an “abundance” approach that clears the way for growth by removing constraints. It is not deregulation that reduces frictions and cuts red tape. Each of these can be *part* of marketcrafting, but each is incomplete, because

they act only on the supply side.

Marketcrafting, in contrast, is the deliberate effort to get new and existing industries to innovate in ways that serve defined public goals. It works three levers at once: the supply side (adding inputs), the demand side (using tools like public procurement to pull specific innovations into being), and the capabilities of firms themselves – because a firm can have both sufficient talent and a clear demand signal and still underinvest in the training or R&D needed to use them, a classic market failure that government action can correct at the industry level. Marketcrafting is proactive and mission-oriented, not reactive and project-oriented – and it requires a different set of institutions than Seattle has today.

Few American cities could credibly pursue the kind of economic strategy this report recommends. Seattle is one of them. Four underlying capabilities are essential. The City needs:

- Internal capacity **to execute sustained economic strategy.**

- The **capacity to manage the city's public wealth** as a source of investable capital for transformative economic diversification efforts.
- The ability to facilitate dynamic, sustained, and productive **interaction with the business community**.
- The ability to shape **regional and state strategy**, mobilize cross-sector coalitions, and make bold investments, supported by the region's and state's reliance on Seattle as the hub of the economy and source of tax revenue.

The remainder of this section describes each in turn.

I. CITY CAPACITY TO ORCHESTRATE SUSTAINED STRATEGY

The recommendations that follow ask the city to do things that most city economic development agencies are not built to do. Most municipal economic development functions are designed to **reduce frictions in the current economy**: permitting, small business grants, assistance for small businesses navigating regulatory processes, etc. This analysis points clearly to the need to **cultivate new industries**. That's a categorical difference, not a shift in emphasis. The kind of work this report envisions therefore requires a different institutional form: an entity with the technical capacity to understand emerging markets, the capital to intervene in them, and enough independence from political pressure to sustain multi-year strategies.

This entity needs to be able to embody a different perspective – from focusing on the most vulnerable firms to those that are potentially world-beating but could turn out to be just mildly successful. It means orienting less toward the risk that businesses will fail and more toward the risk that they will succeed –

somewhere else. It means treating businesses not as constituents but as strategic assets. And it means supporting traded-sector firms in ways that enhance the business climate for local-serving firms, rather than crowd them out.

It requires applying the same logic that led the city to create the Office of the Waterfront. The waterfront park is not necessarily more important than Green Lake or Cal Anderson; these parks are arguably more important to the families who live around them. But the waterfront park is fundamentally different in two ways. First, it is a “traded sector” asset: it draws visitors from outside the city who spend money in Seattle's shops, restaurants, and hotels. Second, it was extraordinarily complex to deliver. Building it required replacing a century-old seawall, tearing down the viaduct, boring a two-mile highway tunnel beneath downtown, and complicated public-private coordination over more than two decades. No existing city department was built to manage that combination of technical risk, capital intensity, multi-jurisdictional coordination, and extended time horizon. The Office of the Waterfront was created because delivering the park required a dedicated entity with the focus, expertise, and political insulation to see it through.

Cultivating firms in Advanced Industries requires the same recognition. A cleantech company building a new type of battery, a commercial space firm building integration and test infrastructure, or a life sciences company moving from research to manufacturing all share the features that justified the Office of the Waterfront: large up-front capital requirements, novel technical risk, dependence on coordination across public and private actors, complex regulatory environments, and time horizons that span multiple business cycles and political administrations. These firms are not just larger or faster-moving versions of the small businesses an

economic development office is built to support. They are categorically different in what they need from a city. Supporting them requires the same kind of dedicated capacity: an institutional form that can hold technical depth, coordinate across jurisdictions, deploy capital, and sustain a strategy over the years it takes for these firms to mature.

New York City's Economic Development Corporation (NYCEDC) illustrates the principle most clearly. Structured as a mission-driven nonprofit corporation rather than a city department, NYCEDC manages the city's industrial real estate portfolio, structures public-private financing, executes complex infrastructure projects, and runs sector-specific economic strategies, with autonomy to hire specialist talent and maintain institutional knowledge across mayoral administrations.

NYCEDC's industry development capability did not exist before 2009. It was created in the aftermath of the financial crisis, with a single mandate to diversify the economy. The crisis revealed the dangers of New York's over-concentration in finance, but the city had no institutional capacity to develop or support new industries that could scale. The group leading this work started small, but over a decade it grew into a 30-to-40 person team covering life sciences, tech, cleantech, and creative sectors. Two of its signature efforts are instructive.

In tech, NYCEDC oversaw Applied Sciences NYC, a 2010 international competition that offered city-owned land plus a \$100 million seed investment to attract a top applied-sciences institution. The result was Cornell Tech, which opened its doors on Roosevelt Island in 2017. By 2023, the campus had launched more than 100 startups (95 percent of them headquartered in NYC), generated approximately \$768 million in annual economic impact, and was projected to reach \$1.5 billion in

annual impact by 2030. NYCEDC has continued building on these institutions through Founder Fellowships for underrepresented entrepreneurs, formal piloting partnerships that connect city agencies to NYC-based startups, and dedicated tech workforce programs running through the City University of New York.

In cleantech, NYCEDC has used its industrial real estate portfolio as the platform. The agency is converting the city-owned South Brooklyn Marine Terminal into one of the nation's largest offshore wind port facilities, anchored by more than \$1 billion in private investment from Equinor. Alongside the port investment, Equinor funded a community workforce program and an offshore wind accelerator at NYU co-located on the site, with the city contributing discounted access to its waterfront. Adjacent to that, NYCEDC committed \$100 million to BATWorks, a 200,000-square-foot climate innovation hub at the Brooklyn Army Terminal that will host approximately 150 startups over ten years.

Invest Atlanta is the City of Atlanta's official economic development authority, a public benefit corporation comprising three entities: Urban Residential Finance Authority, Downtown Development Authority, and the Atlanta Economic Renaissance Corporation. The EDA is empowered with bond issuance authority, Tax Allocation Districts (Atlanta's version of TIF), and sector programs spanning business attraction, housing finance, small business support, and clean energy development. It is smaller than NYCEDC by roughly an order of magnitude but operates with similar institutional logic—independent of the mayor's office day-to-day, capable of holding multi-year projects together.

The Detroit Economic Growth Corporation (DEGC), founded in 1978, is a 501(c)(4) nonprofit with a companion 501(c)(3) whose structural

distinctiveness is providing staff services to six different public authorities under Michigan law – the Downtown Development Authority, Neighborhood Development Corporation, TIF Authority, and others – letting one team structure deals across Detroit's full economic development toolkit. Funded through a blend of federal, state, city, philanthropic, and corporate sources, it has absorbed capital flows a standard city department could not, and runs signature programs like Motor City Match (which funds tenant improvements and other storefront investments) and the 2025 Detroit Startup Fund. Both Invest Atlanta and DEGC have drawn criticism—Invest Atlanta for TIF-driven displacement and a weak workforce development arm, DEGC for consultant and overhead spending—but what Seattle should consider borrowing is their structure, not their strategy or operational track record.

Seattle does not need to replicate any of these models exactly. But this report calls for the ability to execute sustained strategic initiatives that Seattle's political and institutional situation does not allow. At minimum, the Office of Economic Development needs more resources to invest in the Key Industries and Workforce Development team, and needs to be able to give it more freedom to respond to emergent opportunities. The experience of other cities suggests that real progress on economic diversification may require situating that capability in a quasi-independent agency.

2. CITY CAPACITY TO STRATEGICALLY MANAGE PUBLIC WEALTH

Cities own substantial commercial assets — land, buildings, infrastructure, utilities — that most hold passively rather than manage as a portfolio capable of generating returns and underwriting public

investment. Activating this “public wealth” matters now in Seattle because the alternative — taxing more¹⁰⁴ — is largely closed.

Even most staunch proponents of the taxes that the City of Seattle and State of Washington have passed since 2020 would concede that the City is now reaching the limits of how much it can tax the industries and people that it is depending upon to drive its growth. Most mechanisms the city might consider are not allowed by state law. The revenue required to address the challenges outlined in this report will need to come from elsewhere.

One potentially transformative opportunity is a development authority with an economic diversification mission. Note that NYCEDC's impact stems from the fact that it operates as both an orchestrator of sector strategies and a public development authority. That may be the appropriate long-term structure for Seattle, but this section assumes that the city's approach in the medium term will be to empower an economic development team or entity to lead strategy and lean on a separate authority to work in parallel.

This means buying and assembling industrial sites, structuring blended public-private financing for capital-intensive ventures, deploying patient capital into firms that need years rather than quarters to mature, and recycling the proceeds back into the next generation of investment. In other words, this entity would be the strategic finance “layer” beneath strategies to grow capital-intensive industries. For example, firms creating new clean energy or maritime or satellite technologies need shared pilot production facilities, specialized industrial sites, and patient capital across multi-year horizons. A development authority can also aid in the deployment of distributed energy infrastructure: behind-the-meter microgrids serving industrial

users, district energy systems for high-density mixed-use districts, and thermal networks that reduce both costs and emissions for clusters of buildings.

Two cities offer models at scales Seattle could plausibly emulate – each of the following organizations has budgets in the \$15 million per year range.

The Philadelphia Industrial Development Corporation (PIDC) was founded in 1958 as a joint venture of the City of Philadelphia and the Greater Philadelphia Chamber of Commerce. It evolved over six decades into a development finance institution with roughly 7,000 acres of industrial real estate under management, including the 1,200-acre Philadelphia Navy Yard, which it took over in 2000 and has since transformed into a mixed-use innovation district hosting more than 175 companies and 15,000 jobs. PIDC deploys financing tools across the full capital stack: low-interest loans to small and mid-size businesses, tax-exempt bond financing for qualified projects, equity-style investments in growth-stage firms, and structured public-private partnerships for large-scale redevelopment. It is governed by a board representing both city government and private-sector leadership, which gives it the operational autonomy to hold long-term positions and the public accountability to ensure those positions serve public goals.

The Port of Greater Cincinnati Development Authority offers a smaller-scale but particularly relevant model. Although nominally a port authority, it functions far more like a regional development finance institution: it manages industrial sites, runs a small business loan fund, structures TIF and other public-finance instruments, executes brownfield redevelopment, and partners with private developers on transit-oriented projects. Bruce Katz

has written extensively about the Port of Cincinnati as a template for “public wealth” institutions – entities that take seriously the idea that cities collectively own substantial real estate, financial, and infrastructure assets, and that those assets can be actively managed to compound public value rather than treated as static line items on a balance sheet.¹⁰⁵ The Cincinnati model is particularly relevant because it achieves PIDC-like capabilities at a fraction of PIDC’s scale.

Seattle has two paths to building this capability, which are not mutually exclusive. The first is to create a new Public Development Authority (PDA), which the city has used before for Pike Place Market. A purpose-built economic development PDA could be chartered specifically to pursue sector-specific diversification strategies, including by investing in distributed energy resources. The PDA structure offers operational independence from the City Council on day-to-day decisions while preserving public accountability through mayoral and council appointments to its board. It can issue debt, hold assets, enter into long-term contracts, and accept philanthropic and federal capital – all of which a city department cannot do as efficiently.

The second path is to partner with the Port of Seattle to expand its economic development mandate beyond marine and aviation operations. The Port already holds substantial industrial real estate, has bonding authority, and operates independently from City Hall. With the right governance structure and political agreement, the Port could function more like the examples described above. The advantage of this path is speed and scale: the Port already has the legal authorities, the asset base, and the operational capacity that a new PDA would need years to develop. The disadvantage is that the Port’s existing mission and governance reflect maritime and aviation priorities, and expanding that mandate

would require sustained negotiation between the City and the Port Commission.

The most likely productive arrangement is a combination – a new PDA that handles the sector-specific economic development functions (cleantech scaling infrastructure, advanced manufacturing site assembly, blended financing for hard-tech ventures) in close partnership with the Port, which contributes its existing real estate base, bonding capacity, and operational expertise. This is similar to how PIDC operates in coordination with the Philadelphia Regional Port Authority, or how Invest Atlanta operates alongside the Atlanta BeltLine and other quasi-public entities.

The funding question is real but not insurmountable. PIDC was capitalized over decades through a combination of city contributions, federal grants, tax-exempt bond proceeds, philanthropic capital, and earned revenue from its real estate and lending portfolios. The Cincinnati Port Authority has been capitalized in similar fashion, with substantial early-stage support from JobsOhio – a unique state economic development entity whose substantial budget is drawn from its ownership of the state’s liquor license. A Seattle development finance institution would have access to its own revenue bonding authority through the PDA structure, allowing it to leverage project cash flows without drawing on the city’s already-constrained general obligation capacity. Initial seed capital could come from a portion of JumpStart revenue, philanthropic capital from the region’s substantial private wealth, an allocation from the state, and/or federal sources where they remain available.

3. CITY CAPACITY TO FACILITATE PRODUCTIVE ENGAGEMENT WITH THE BUSINESS COMMUNITY

The research for this report surfaced a consistent finding: the business community’s longstanding frustration with Seattle is less about tax rates than about the public sector’s attitude. Business leaders and groups that represent them described a relationship in which the city treats its largest employers as a neutral revenue source at best, and villains at worst, rather than partners or assets. Notably, major tax policies passed over the last several years were deliberated without consultation with affected businesses. This is unnecessarily frustrating for businesses: interviewees described the JumpStart payroll tax as problematic not primarily for its cost but because the process of enacting it communicated that the city’s governing orientation is fundamentally extractive. Whether or not that characterization is fair, it is the operating perception, and perception shapes location decisions, investment timing, and political cooperation. But this distance is also depriving the City of information that would allow it to fine-tune its tax and regulatory policy decisions.

This is a solvable problem, and other cities have solved it without sacrificing progressive policy goals.

Cincinnati’s Futures Commission is a replicable model. In 2023, newly elected mayor Aftab Pureval was facing a structural fiscal cliff and the need for an economic agenda. He followed a decades-old Cincinnati tradition by asking the business community to convene a commission and produce a set of recommendations the city could then act on. The commission was led by the CEO of Procter & Gamble, with senior business leaders including the CEO of Fifth Third Bank and the head of the Cincinnati Bengals. It seated thirty-four senior executives from large public companies, family businesses, and public sector unions. After fourteen months, it produced thirty-six recommendations spanning city finances, economic strategy, and

community priorities – with the explicit framing that the city must act on all of them, including the politically difficult ones (for which the city would have the backing of this group).

A handful of design choices made it work:

- **A mayor willing to ask for substantive engagement, not just symbolic endorsement.**
The mayor was explicit that he wanted recommendations, not validation. The commission was independent: it did not vote, did not produce dissents, and generally did not include politicians or city staff in its working sessions. The mayor agreed in advance to receive whatever the commission produced.
- **A staff team with deep public-sector fluency.**
The commission was staffed by a small team that included a former chief of staff to the mayor, a Chamber executive who had previously worked in city hall, and a P&G executive who had been on the mayor's staff. Between them, they brought two decades of city government experience. They could credibly translate between the business community and the city, and push back on commissioners' assumptions about how municipal finance actually works.
- **Real education, not briefings.** The first three months of working group meetings were a crash course on what the city actually does, how its budget works, and what it can and cannot legally do. Commissioners read 100-page briefing books. The chair read everything and came with questions, setting the tone for everyone else. The city's budget director, finance director, and city manager were brought in once, early on, to explain the budget, not advocate.

- **Exposure to people the commissioners would not otherwise have heard from.** The commission hired a Cincinnati firm to run focus groups of low-income residents, small business owners, recent transplants, and people who had moved away from the city. They put commissioners in the room as listeners. The owner of the Bengals sat in on a focus group of small business owners describing what it took to navigate the city's permitting and health departments. The reaction – “we have to do something about this” – drove recommendations that would not have emerged from briefings alone. On public safety, focus groups revealed that residents' top safety concern was pedestrian fatalities and unsafe street design, not the violent crime the commissioners had assumed. This kind of exposure is unusual in elite civic processes; it was, by the staff's own assessment, possibly the most consequential design choice.
- **A protected space for honest conversation.**
There were no recordings, no minutes circulated, and no votes. CEOs were told that the room was confidential, that nothing would leak, and that their job was to surface real disagreement and work toward consensus. This was particularly important because the group included not only Fortune 500 CEOs but the head of Cincinnati's public sector unions; the format allowed people across that divide to speak directly to one another without performance.

Cincinnati has run business-led commissions of this kind roughly every decade since the 1980s, on infrastructure, public schools, post-2001 race riot response, and preschool funding. Each commission was led by the CEO of P&G, which has never hired a CEO from outside the company and has treated civic engagement as a leadership norm across multiple

generations of executives. Seattle does not have this institutional memory, but the *form* is replicable.

There are many other models, not all of which involve big, formal commissions:

Chicago Civic Consulting Alliance (CCA): unlike Cincinnati's commission, CCA is a permanent intermediary that has been translating between the business community and city government for forty years. In 1985, Mayor Harold Washington, facing a fiscal crisis and unable to fully trust his own bureaucracy, asked the Civic Committee of the Commercial Club to evaluate the city's finances. The resulting pro bono effort was successful enough that the city kept it going, and what started as a financial advisory committee eventually became CCA – a low-profile nonprofit with roughly 25 staff that routes private-sector consulting capacity to public-sector clients at no cost to the city. Since its founding, it has channeled over \$300 million in pro bono services on a range of topics from public safety to economic development. What makes it work is that CCA bypasses the procurement problem – a typical consulting arrangement might take a year or more to organize, but the CCA is able to dive in quickly. It doesn't make policy pronouncements or ask for credit, which lets it maintain credibility with both the business community and city government. And crucially, it provides continuity that transactional consulting can't: when the city was reforming its community college system, more than half a dozen outside firms contributed pieces of the work and moved on. CCA held the thread across all of them. In sum, CCA is not just a forum for public-private conversation but a vehicle for government and business to work together on very specific, tangible problems together – a permitting backlog, a vacant land strategy, a struggling corridor.

Boston: Boston's approach is more formal but narrower in scope. Mayor Wu launched “You Can't Beat Boston,” a public-private initiative seeded by M&T Bank and the Boston Foundation, pairing a business recruitment fund with a dedicated city office focused on filling commercial vacancies and attracting investment.¹⁰⁶ The effort followed a Business Recruitment Task Force whose recommendations shaped the initiative's structure – an example of the city using a formal advisory process to generate both a policy direction and private buy-in for executing it. The relationship between Wu and the broader business community, particularly developers, has remained contested; but the recruitment initiative shows how even a mayor navigating real political friction with the private sector can structure specific, bounded forms of collaboration around shared interests.

San Francisco: Mayor Daniel Lurie's approach represents a more deliberate institutional bet. Within his first months in office, Lurie stood up two new entities: the Partnership for San Francisco, a CEO-level advisory group co-chaired by Laurene Powell Jobs and Google's Ruth Porat and modeled on Partnership for New York City, focused on policy and business climate; and the San Francisco Downtown Development Corporation, a private nonprofit aimed at raising philanthropic capital to directly fund downtown revitalization. The dual structure separates the policy conversation from the deployment of private resources – and the speed of both launches was itself a signal, communicating that the mayor came into office oriented toward the private sector.

The lesson from all of these is the same: cities that want business cooperation on hard problems (workforce, housing, industrial diversification) need to create structured contexts for that cooperation. This kind of standing economic strategy forum

should be a venue where the city brings real questions – about sectoral strategy, about cost reduction, about workforce alignment – and where firms are expected to engage substantively, not just advocate for their interests or air their grievances. The best versions of these bodies are real joint problem-solving mechanisms.

4. CITY CAPACITY TO SHAPE REGIONAL AND STATE STRATEGY

Compared to almost all of the cities with which Seattle is competing for the industries and jobs of the future, Seattle faces at least one major disadvantage. Seattle's peers either have a more organized and well-resourced regional economic development system, or a state economic development partner that is more willing and able to invest in regional industrial diversification efforts. Several have both. This matters because whether new industries emerge in a city is largely a function of regional dynamics – labor markets and innovation ecosystems are regional in nature – and of state policy and investments.

The result is that the City of Seattle bears more responsibility for the kind of economic development described in this report than most of its peer cities. Thus while the existence of these regional and state capabilities are not in the City's direct control, as the core of the regional economy and the biggest contributor of state taxes, the City can push for sharper strategy and stronger institutions at both levels.

At the regional level, many of Seattle's peers – and especially up-and-coming regions with aspirations of becoming a peer – have a more centralized and better organized regional economic and workforce development system. The leadership and

organization of these systems is often a legacy of the post-Great Recession era of economic development, in which slow economic recovery led to consolidation on the economic development side (for example, chambers and other CEO leadership groups and independent business attraction entities merging, often along with entrepreneurship or industry-focused entities). And in which the supply of in-demand and specialized talent emerged as the primary factor in economic growth, leading to much deeper integration of economic and workforce development. This meant that by 2020, many regions had a single organization or tight, semi-formal partnership of organizations that had insight into, and responsibility for, everything from innovation to entrepreneurship to business retention to workforce development to business attraction.

The Biden-era period of intensive industrial policy investment further strengthened these systems. The competition for federal funding – via programs like the Build Back Better Regional Challenge, Tech Hubs, NSF Innovation Engines, as well as various Inflation Reduction Act competitions – brought new entities into the fold and built the ability of these regions to not just grow the economy they have, but collectively envision a new economy and put a strategy in place to bring it about. Peer regions are imperfect, but generally have robust connections between universities, community colleges, workforce development organizations, entrepreneurship support organizations, and chambers and other business leadership entities.

Examples include entities in the following regions:

- **Minneapolis-St. Paul:** GreaterMSP in Minneapolis-Saint Paul is the most fully realized model. It operates as a partnership of over 300 businesses, universities, cities, counties, and philanthropic organizations working together to

- accelerate competitiveness and drive inclusive economic growth. Critically, it has consolidated functions that other regions scatter across organizations: in 2022, the Itasca Project – a volunteer-driven CEO-led civic alliance founded in 2004 to address long-term regional challenges – merged into GreaterMSP, bringing its CEO-level civic engagement capacity under the same roof as business attraction, startup ecosystem development, industry strategy, and a federal funding coordination hub. Its funding comes from a broad base of private-sector “investors” plus public-sector members and foundation support.
- **San Diego:** San Diego Regional EDC offers a different model better suited to a high-cost metro. It is an independently funded economic development organization that mobilizes business, government, and civic leaders around an inclusive economic development strategy to connect data to decision-making, maximize regional prosperity, and enhance global competitiveness. With roughly 200 corporate investors, it combines business attraction with serious analytical capacity – including sector-specific research that make it a credible voice in regional strategy discussions. (Fusion, defense, life sciences.) It is smaller and less operationally ambitious than GreaterMSP, but it demonstrates that an investor-funded nonprofit can sustain a genuine strategy function (not just marketing) even without a single anchor funder.
- **Denver:** Denver does not have an organization playing the integrating role that GreaterMSP or San Diego's EDC plays – the Chamber operates at a more traditional level of business advocacy and has not taken on serious cluster development strategy. What exists instead is an emergent coalition among the organizations closest to Colorado's Advanced Industries:
 - Innosphere, which operates an NSF Regional Innovation Engine backed by more than \$50 million in federal funding; Elevate Quantum, which leads the federal Tech Hub project that's backed by over \$120 million in federal and state funding; the Colorado Biosciences Association; and the Colorado Space Coalition. This group of four entities is still coming together as a more formal coalition. But what is notable about Denver is that it has two industry-building entities, whose work will ultimately attract at least \$200 million in public funding, that are working together with other established, if less well-resourced, entities to align strategy and advocate for policy.

States, meanwhile, are often overlooked as catalysts of economic diversification. But the existence of innovation hubs in places as diverse as Raleigh-Durham (biotech, primarily), Austin and Albany, NY (semiconductors), Boston (life sciences), Chicago (quantum computing, emerging), Northern Virginia (tech, anchored by Amazon HQ2), and Greenville-Spartanburg (transportation equipment) can all be traced to major, sustained state investments. For example:

- **Boston's life sciences cluster** is built on extraordinary raw materials (MIT, Harvard, Mass General, the Broad) but its modern density is the product of deliberate state coherence work spanning three governors. Governor Patrick's 2008 Life Sciences Initiative committed \$1 billion over ten years, Governor Baker reauthorized it in 2018 for another \$623 million over five years, and Governor Healey's 2024 Mass Leads Act added another \$1 billion over ten years – roughly \$2.6 billion in sustained state commitment over nearly two decades, structured as a deliberate mix of capital grants for shared lab infrastructure, workforce training pipelines, job-creation tax

- credits, and small-company support. The comparison case is instructive: New York City has comparable university density (Columbia, Cornell Med, Rockefeller, NYU, Sinai) and never coalesced a peer cluster, suggesting Massachusetts' deliberate investment captured value that would otherwise have leaked to New Jersey or the Bay Area.
- **Raleigh-Durham's biotech specialization** emerged through decades of layered state action rather than a single program. The Research Triangle Park itself was a 1950s state-and-university real estate play, but the biotech turn came later, through the North Carolina Biotechnology Center (founded 1984, the country's first state-sponsored biotech-development organization), sustained workforce investments through the community college system, and consistent recruitment incentives that anchored GSK, Biogen, and the broader pharma services ecosystem.
- **Chicago's quantum computing efforts** involved \$700 million in state support – \$500 million from the FY25 budget for the Illinois Quantum and Microelectronics Park on the former U.S. Steel South Works site, plus a \$200 million tax incentive package for anchor tenant PsiQuantum (including \$92 million through the MICRO program, which the legislature amended specifically to make quantum companies eligible). This built on an earlier \$200 million state commitment to the Chicago Quantum Exchange. The structure deliberately blends incentive-style commitments with marketcraft moves: convening federal labs (Argonne, Fermilab, the DARPA Quantum Proving Ground), universities (UChicago, UIUC, UIC, Northwestern), and private firms (PsiQuantum, IBM, Diraq, Inflection) around a shared facility,

- and using state research dollars to build demand-side pull.

The city of Seattle does not benefit from being embedded in a regional or state system like those described above. It is beyond the scope of this report to assess the quality of any individual regional economic development actor in the Seattle region, but what is clear is that Seattle has not yet faced the kind of economic crisis that has usually precipitated a consolidation and strategic reorientation in other regions. Compared to relevant peers: Greater Seattle Partners is small, the Chamber is small (even including affiliates like the Tech Alliance and Challenge Seattle), King County's economic development team is very small, and industry organizations like the CleanTech Alliance and Maritime Blue are no larger than peer organizations in other cities. Taking the combined budgets of Greater Seattle Partners and the Chamber (including its affiliates), the Seattle region is under-spending on economic development by about 20 percent on a GDP-adjusted basis relative to Minneapolis-St. Paul and under-spending by 50 percent relative to places like Pittsburgh and Cleveland. But more importantly, if less measurably, Seattle's various economic development actors that have an important role to play in industrial diversification are more atomized than in other regions, so they add up to less than the sum of their parts.

This is evident in the fact that there is little in the way of business-led workforce development efforts in Seattle's Advanced Industries, nor support for companies scaling beyond the pre-seed and accelerator phase. Seattle never mounted a collective effort to diversify the region's tech workforce during its last boom (despite the impressive efforts of many individual nonprofits), nor a serious effort to win federal funding during the industrial policy boom. Meanwhile, the State is not

able to (or has not proven willing to) compete with other states in terms of incentives for business attraction or, more importantly, catalytic investments in cluster development.

- **Cluster building:** Washington’s Innovation Cluster Accelerator Program disbursed roughly \$5-10 million over five years across a dozen industry consortia – far below what peer states routinely commit to single sectors. Massachusetts has invested roughly \$2.6 billion in life sciences across three administrations. Illinois has committed nearly \$700 million to quantum in two years. North Carolina has invested in the Biotechnology Center, a cluster development organization, at \$15-20 million annually for decades. New York has sustained semiconductor cluster development across the Albany-Syracuse corridor for two decades, most recently committing \$10 billion in state support to land Micron’s \$100 billion semiconductor megafab near Syracuse.
- **Targeted incentives:** Washington has no discretionary deal-closing fund and no aggressive site-readiness program. Austin, in contrast, benefits from the Texas Enterprise Fund which has awarded approximately \$875 million since 2003, structured as performance-based cash grants released only when a Texas site is competing against a verified out-of-state alternative. But it’s not just Texas. Michigan launched the Strategic Outreach and Attraction Reserve (SOAR) Fund in 2021 with an initial \$1 billion appropriation, expanded to roughly \$2.4 billion in total authorization, splitting funds between a Critical Industry Program for deal-closing and a Strategic Site Readiness Program. Nashville – a competitor to Seattle in certain sectors – benefits from Tennessee’s FastTrack

- program too. These state initiatives share two features: meaningful scale (hundreds of millions to billions of dollars), and dedicated institutional vehicles with the autonomy to move at the speed of corporate location decisions. Washington’s tax incentives – over fifty programs in total – are largely as-of-right exemptions and credits rather than discretionary tools the state can deploy to land a transformational project.
- **Clean energy transition:** Washington has created a strong “demand pull” for new climate technologies and business models via the Climate Commitment Act, but has not turned the CCA’s revenue into catalytic funding for cleantech innovation (i.e., a “technology push”). With more than \$1 billion in revenue annually going forward, this is by far the largest pool of state-controlled industrial development capital in Washington’s history. Yet appropriations to date have not gone toward catalytic investments in clean energy manufacturing. The contrast with peer states is stark. New York operates NYSEDA, which deploys roughly \$500 million per year through its Clean Energy Fund (a 10-year, \$5 billion authorization funded primarily by ratepayers), structured across four portfolios spanning market development, innovation and research, residential solar deployment, and the NY Green Bank. Massachusetts operates MassCEC, founded in 2009 as the first state agency in the nation dedicated solely to clean energy industry development. MassCEC runs roughly twenty programs including the InnovateMass grant program for early-stage commercialization, the Catalyst and DICES programs for climatetech startups, and the 2030 Fund through which MassCEC makes direct equity and venture debt investments in Massachusetts climatetech companies.

- MassCEC also owns and operates a port and testing facility that anchors the state's offshore wind cluster. Healey's 2024 Mass Leads Act added \$1 billion over ten years specifically for climatetech, building on MassCEC's existing capacity. Washington has no comparison.

The capabilities described above are built over the course of decades, and not by city governments. But the City can advocate for investment in these

capabilities by businesses and philanthropies (which may soon become more concerned with economic development given the disruptions on the horizon), and by the state government (given Seattle's outsized contribution to state tax revenue). Critically, this type of capability need not require permanent tax allocations; institutions like the NY Green Bank demonstrate that the right vehicles can be self-sustaining once seeded.



PART III: RECOMMENDATIONS

Section 2: Strategic Actions

As described earlier, Seattle faces a twin challenge of retaining the economic assets that it has while reconfiguring them to seize new growth opportunities. What follows is the set of actions a city would pursue if it accepted the diagnosis in this report. These are the kind of bold industry-developing and market-shaping actions that the capabilities described above would allow the City to pursue, with a wide range of partners.

STRATEGY I: RECONFIGURE

Seattle's economic assets – talent, capital, professional networks, infrastructure and real estate – are currently configured for the version of the tech sector that scaled in Seattle in the 2010s and early 2020s, centered on consumer cloud and enterprise software. It is a myth that these assets will sense and respond to emerging opportunities on their own – they may eventually, but not quickly enough to outcompete other regions that are making proactive “bets” in cleantech, AI and quantum computing, commercial space, and other industries.

Reconfiguration means moving ideas, talent, capital, and institutional attention toward the industries that the existing capability base can plausibly support but that are meaningfully different – and thus make Seattle's economy more diverse and resilient. Sectoral priorities should be based on two criteria: how much the sector matters to the local economy, and how much leverage the City actually has to shape its trajectory.

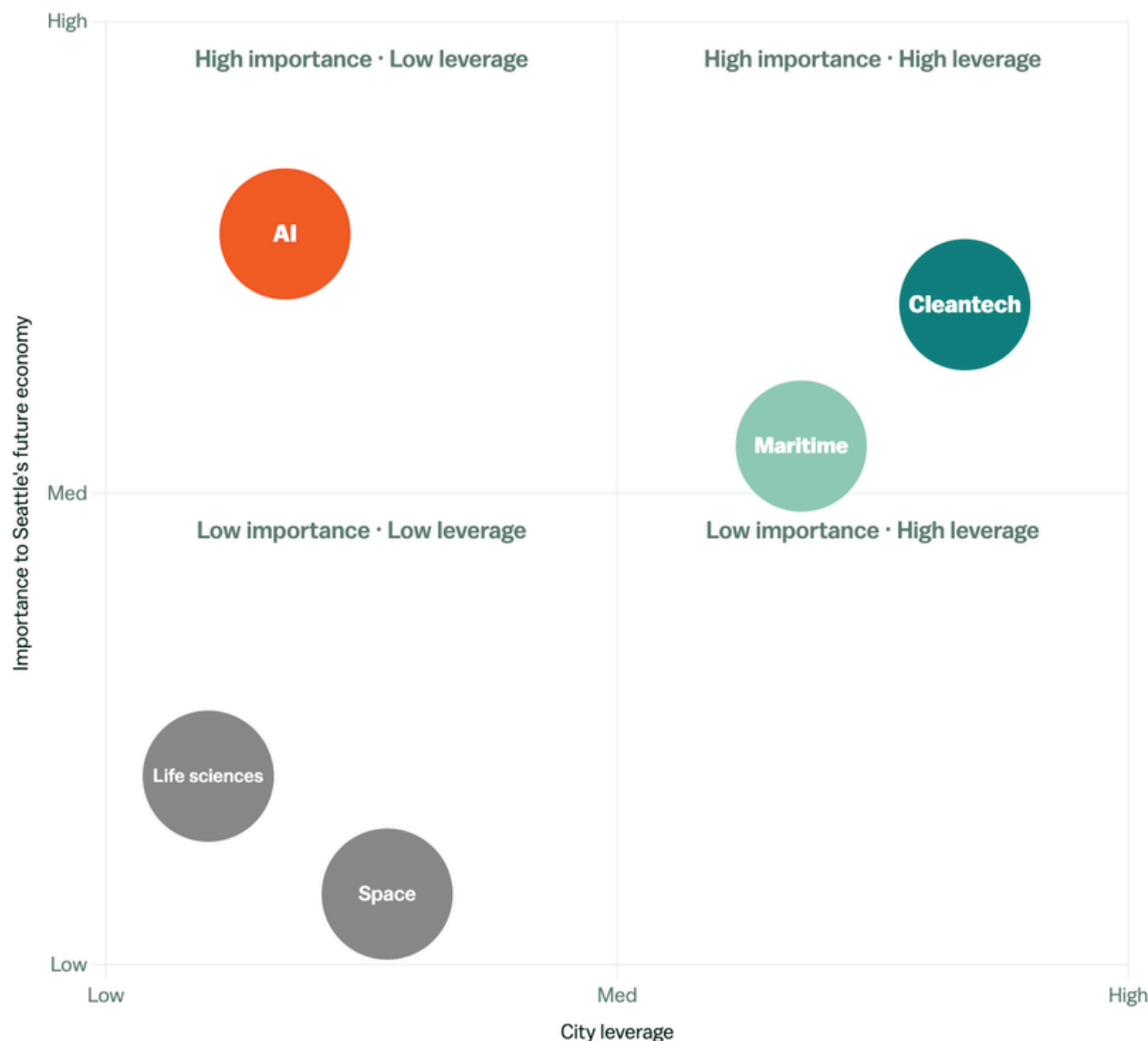
Five industries are especially important, based on a combination of: regional strengths evident in the data, support for these industries evident in existing economic development efforts and interviews with a range of civic leaders, and the future scenarios that would make certain industries even more important than they are today. They are: **artificial intelligence** (an evolution of existing enterprise software and cloud infrastructure strengths), **cleantech**, **maritime**, **life sciences**, and **space** (an evolution of existing aerospace manufacturing strengths). Profiles of each of these five industries are in an appendix. These are not industries in the technical sense – artificial intelligence is a capability not a

distinct industry; cleantech involves a huge range of firms involved in clean energy generation, energy efficiency, and sustainable production methods and materials; maritime overlaps substantially with cleantech. Analysts might break these five industries

into many different overlapping subsectors, but for the purposes of the City's policy and strategy these are distinct enough and worth thinking about separately.

Sectors by importance and city leverage

Where Seattle should concentrate sectoral strategy



Artificial intelligence is the highest-stakes sector but also the one where the City has the least direct leverage. AI is not simply a continuation of the tech sector that built Seattle. The 2010s tech economy was capital-light, labor-intensive, and not heavily dependent on cutting-edge R&D or physical infrastructure besides office space. Frontier AI is the opposite: capital-intensive, labor-light relative to revenue, and dependent on scarce inputs like energy and specialized research talent. Seattle is one of a small number of global centers for AI research and commercial development, but that does not necessarily make Seattle a dynamic AI *ecosystem* – one where researchers cross between labs and startups, applied AI companies form in the orbit of the frontier players, mid-sized firms across the regional economy readily adopt new technologies, and workforce systems produce AI-fluent talent across sectors. Seattle has the frontier firms. What it does not yet have is the economic infrastructure that will determine whether their presence translates into a broad regional capability or remains concentrated in a few firms.

Cleantech is less likely than AI to transform Seattle's economic trajectory as an industry, but thinking about cleantech in terms of jobs or direct tax revenue discounts the sector's broader importance. Whether Seattle can grow in the next two decades depends in large part on whether it has the electrons to support that growth; without aggressive development and deployment of clean energy generation, storage, and efficiency, energy will soon be a constraint on any form of growth. Abundant clean energy is the precondition under which every other sector's growth becomes possible. And here Seattle has unusual leverage, because it can link cleantech development to deployment within its own borders – through Seattle City Light, building codes, transportation policy, port operations, and control of major land and infrastructure.

Importantly, that capacity is becoming scarcer and more valuable. Climate tech investment is tilting away from early-stage venture capital toward large infrastructure funds backing proven technologies: early-stage VC's share of climate funding has fallen from about 20 percent in 2021 to under 8 percent in 2025, while 77 percent of last year's record \$92 billion in new climate funds was concentrated among the largest infrastructure players, which tend to back utility-scale solar, wind, and battery projects.¹⁰⁷ As capital pulls back from earlier stages, the relative importance of being a credible deployment market – one that can absorb first-of-a-kind installations and help new technologies cross the commercialization gap – has grown. Seattle's ambitious climate policy, combined with its control over relevant infrastructure, building stock, and land, is exactly the kind of advantage that regions with weaker policy environments can't replicate.

Maritime is a mature, stable cluster, without the high growth potential of either AI or cleantech (although many maritime innovations are cleantech-related). What differentiates maritime from other sectors is that it depends on port and waterfront infrastructure that only some of Seattle's peer regions possess. Maritime and commercial space could both benefit significantly from future federal funding flows – if industrial policy funding remains defense-oriented – but maritime growth is likely to occur in Seattle whereas commercial space growth is likely to happen in places like Kent and Everett. Life sciences is a real strength but Seattle has relatively little influence – it is a capital-intensive sector with long product development timelines and likely fewer middle-wage jobs.

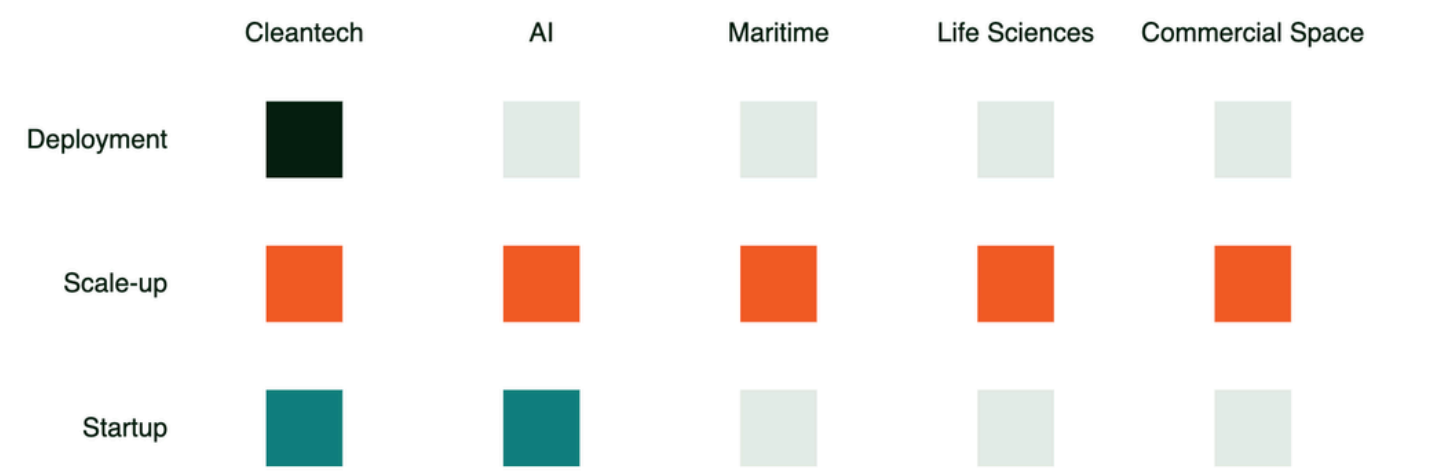
In summary, the city should be most concerned about AI but most active in cleantech. Maritime deserves moderate attention on two fronts: policy responsiveness (for example, on the treatment of

industrial lands) and strategic effort (as a platform for new defense-related industrial growth). Life sciences and commercial space should be monitored and prioritized for a response when the opportunity arises. Across all of these, the city's cross-cutting emphasis should fall on firms at the scale-up phase, because that is where the economy's underperformance and the city's leverage overlap. A city can do little to shape the trajectory of startups

that aren't yet hiring with volume or predictability, aren't paying substantial taxes, and need nothing more than incubator space. It can create fertile ground for them – the City's investments in the Climate Innovation Hub and AI House are good examples – but its influence grows sharply once firms are large enough to have a real presence and a more legible, predictable set of needs.

City engagement by sector and pipeline stage

Where the city should engage across each sector's innovation pipeline



CLEANTECH: FULL-SPECTRUM INTERVENTION

For reasons described above, the city's interventions in cleantech are the broadest of any sector, covering startup support, scale-up support, and efforts to deploy the technologies developed by Seattle companies so that local firms and families benefit.

Startup formation requires building around existing assets like the Climate Innovation Hub and the University of Washington's Clean Energy Testbeds. These are valuable anchors, but the city needs

significantly more – capital, shared infrastructure, advisory resources, and workforce development – to compete with the most effective cleantech startup engines across the country. The Massachusetts Clean Energy Center deploys roughly \$18 million annually on direct startup investment and commercialization grants (part of its \$30 million budget), the LA Cleantech Incubator runs a \$10 million operation almost entirely focused on cleantech company-building, and mHUB in Chicago invests about \$5 million annually in its climate and sustainability programs on top of a \$15 million venture fund that flows in part to cleantech firms.

None of these are funded primarily through tax allocations; they draw on dedicated ratepayer charges – MassCEC runs largely off a systems benefit charge that costs the average residential customer under \$4 a year – alongside philanthropy, corporate sponsorship, and competitive federal grants.

For Seattle to ascend to the top tier of cleantech startup ecosystems, it would – based on the per-capita investment in these peer regions – need a central entity deploying at minimum \$5 million a year in startup investment and programmatic support that is recognizable but underprovided in Seattle.

But the distinct opportunity for this entity, which is more important than its budget, is to deliberately “make markets” for emerging cleantech. A technology can be excellent and still fail commercially if no market exists to absorb it. Washington’s ambitious climate policy – in addition to the city’s building performance standards – has created latent demand by pushing businesses, utilities, and households to shift to lower-emissions products. But markets, like technologies, have to be deliberately de-risked. Demand has to be aggregated so that startups can see it, and supply has to be validated by a third party so that customers can trust it. Corporations and utilities rarely want to be a startup’s first customer, but they’re willing to be its third. The task is getting startups to the point that they have what the imaginary first two customers would have provided: pilots and performance data that move a cautious buyer.

New York’s Clean Heat for All Challenge is exemplary. The problem it set out to solve was that no heat pump on the market could be installed cheaply in older multifamily apartments without expensive electrical upgrades, refrigerant piping, and through-wall drilling. Rather than wait for manufacturers to

develop one, NYCHA, the New York Power Authority, and NYSERDA launched a competition in 2021 to challenge firms to build a new product to fit existing buildings, using the housing authority’s enormous portfolio as the demand signal. NYPA ultimately awarded two manufacturers seven-year contracts, and the partners installed an initial batch of cold-climate window heat pump units in occupied public housing to be monitored over a full winter before committing to a wider rollout of 30,000 units. NYSERDA funded the demonstration phase – roughly \$13 million for planning, purchasing, and performance assessment – while NYCHA committed \$250 million toward purchase, installation, and related building upgrades. NYSERDA has since extended the model into broader field-demonstration programs.

Seattle cannot match New York’s scale, but it owns the relevant levers at a smaller scale. Most notably, it has control over Seattle City Light. Running a version of this – aggregate public demand, run a challenge to pull a product into existence, demonstrate it in occupied buildings, publish the data, then scale – is possible. The results not only benefit low-income households and potentially lower costs for the public sector, but give local firms the opportunity to refine products and services that are now export-ready.

Whether cleantech firms emerge from this sort of market-making work, from university labs, or as corporate spinoffs, they will stay and grow in Seattle if the city provides access to customers, specialized workforce, shared R&D infrastructure, industrial sites, and financing suited to capital-intensive ventures. The City and its partners can facilitate the networks that link startups to customers and can invest in workforce development directly. But the remaining inputs require major capital, beyond the reach of the City and philanthropy alone. The Climate Commitment Act is the natural source. The state

previously used CCA funding to make a \$7.5 million capital investment to build a new battery lab at the Clean Energy Testbeds (a modest commitment compared to the nearly \$3 billion the CCA has raised since 2023). The city could advocate for CCA proceeds to be directed more aggressively toward later-stage cleantech manufacturing supports rather than the earlier-stage, smaller-dollar investments that have predominated so far.

What might Seattle look like if its cleantech ambitions were backed by more ambitious public investment? Chicago's mHUB is a single entity that illustrates what's possible. Created in 2017 as a partnership between the city's economic development arm and the regional manufacturing industry, mHUB began as a hardtech incubator and has since supported over 1,200 startups that generated more than \$1.5 billion in revenue and hired over 6,400 people.

Its recent evolution is driven by the same problem Seattle faces: the regional economy keeps launching hardtech companies, but industrial land has been steadily lost to residential and commercial use, so firms tend to leave when they reach scale-up. What they need is not office space but manufacturing and lab space – higher ceilings, flexible layouts, upgraded electrical capacity. In response, mHUB is pursuing a district-development effort, M+, that will acquire and upgrade underused buildings near its \$50 million headquarters near downtown, converting them into the advanced manufacturing space growing firms require. As part of this effort, mHUB is in the early stages of developing a microgrid that would both provide reliable power and serve as a live testing environment where startups pilot grid and storage technologies on real infrastructure. mHUB's efforts are enabled by city and corporate funding, revenue from its own venture and real estate arms, and philanthropy – including a 2026 Rockefeller

Foundation grant for its work with undercapitalized hardtech founders.

As another example, even more ambitious, of public funding aligning behind a “big bet” in the cleantech sector, is New York's battery industry development efforts. Anchored at Binghamton University, home of a Nobel laureate in lithium-ion battery chemistry, the basic architecture of the effort is a cross-sector coalition, a major prototyping facility, and a carefully-designed lab-to-market support system. The signature asset is Battery-NY, a first-in-class prototyping facility with 30 MWh of capacity aimed at cutting battery cost by half by moving from batch to continuous processing – an effort to solve a specific manufacturing bottleneck, rather than a generic incubator. Complementing the facility is a ladder of funding opportunities. At the top, the MegaBoost translation program puts up to \$1 million per project behind market-making, large-scale commercialization. One rung down is a Manufacturing Readiness R&D Challenge that offers \$600,000 awards targeted at specific barriers (non-toxic, PFAS-free, scalable processes), then SuperBoost commercialization grants of \$100,000 to \$200,000, plus technical assistance like federal grant-writing help for nascent firms and investor showcases. Then there are workforce efforts. A first-of-its-kind Battery Academy, for example, has already trained more than 1,200 people.

This effort is backed by a huge amount of federal funding, and is not a fair comparison for the Seattle region or Washington as a whole. But these kinds of initiatives exist around the country, some with funding from Biden-era industrial policy programs, others with funding from states that can spend more freely. The city of Seattle's potential depends in part on regional and state leaders taking stock of the competition and responding with as much urgency and force as possible.

AI: STARTUP AND SCALEUP SUPPORTS

The city's highest-leverage AI move is simple in concept: making Seattle the easiest place in the country for talent leaving an anchor firm to start or join a company rather than leave town. Seattle has more AI-related talent than any region in the country except for the Bay Area. Each wave of layoffs at the region's largest tech employers releases exactly the talent a more diverse innovation economy is built from – but that talent is footloose. The city should develop hard infrastructure and social infrastructure to capture that talent and give it time to apply skills from yesterday's tech economy to the next tech economy. This can include continued and expanded support for AI House and similar hubs as the physical and social anchor, light-touch programming that connects newly-departed engineers to co-founders, early capital especially for potential founders who lack personal wealth or access to “friends and family” funding, and a standing relationship with the anchor firms so the city anticipates layoff waves rather than reading about them.

Those are all, in a sense “retain” investments – the focus of the next section of this report – although more targeted at a specific profile of entrepreneur. But efforts can be made by the city and regional partners to encourage certain types of AI-related growth. The City, potentially with other public sector partners, can build demand, not just supply. The city is itself a large customer with real problems, and a structured program inviting startups to pilot AI solutions on city challenges – permitting, transit, constituent services – would do for AI what procurement does in the cleantech strategy: anchor an early market while advancing the city's own interest in shaping how the technology is built and used. In a similar vein, the City could help small businesses and other key sectors adopt AI tools to

lift the productivity of the broader economy and create local customers for local startups.

As AI firms scale, the city's influence almost certainly wanes. But there are opportunities to be on the lookout for. One is tax-related: the City should closely monitor whether its tax structure, or the state's, inadvertently penalizes these firms at key growth inflection points. Another is real-estate and infrastructure-related: the City should assess what kind of office space and shared infrastructure these firms need, and potentially develop a data center policy that encourages the growth of these firms while protecting residents and ratepayers from the many downsides. This is an area of policy that is rapidly evolving, with experiments underway all over the country. That is why the city should consider a dedicated AI industry liaison in the mayor's office, charged with maintaining relationships with anchor firms, running the civic-pilot program, and keeping the city's strategy current in a sector that will look different in eighteen months than it does today.

MARITIME, COMMERCIAL SPACE, LIFE SCIENCES: SCALEUP FOCUS

These are important sectors in which Seattle has real assets, but City agency and growth potential appear lower. Those with a more regional focus could make an argument for elevating these sectors, but the City itself has less influence in each than it does in Cleantech, and each is clearly less important in terms of magnitude than AI. As part of an overall emphasis on addressing the barriers to scaleup of innovative firms blending software and hardware, the City should pay close attention to these sectors to assess emerging growth opportunities (some foreshadowed in the “scenarios” section) and identify specific bottlenecks deserving of a “marketcrafting” response. For now, the recommendation is to

strengthen the City’s “concierge” function – an employee dedicated to each, with a job description that emphasizes the themes in this report, would go a long way. OED has, over time, had different combinations of Key Industries and Workforce Development staff covering these and other sectors.

STRATEGY 2: RETAIN

The “retain” portion of the recommendations is a response to the fact that Seattle can only grow new industries if it has the raw material – meaning talent – to do so, and it is at risk of losing talent for three basic reasons. One it can’t control, which is a sharp decline in the international in-migration that has accounted for all of the region’s net population growth since 2020. Two it can control, to some extent. The first is people leaving Seattle, or not coming in the first place, because it is too expensive. The second is people leaving Seattle, or not coming because it has lost the urban vitality that previously differentiated it from places like Bellevue.

This brings two distinct sets of industries to the fore.

The first is the industries that shape **affordability** for families and for businesses, and in which Seattle needs to produce more to lower costs: housing, childcare, and energy. **Housing** is the largest single expense for families and a major indirect driver of business labor costs. Boosting housing also has two important secondary effects. One is increasing demand for the neighborhood-scale businesses in nearby commercial corridors, whose high fixed costs and slim margins leave them acutely sensitive to volume. The other is that construction is itself a significant source of City revenue. **Childcare** functions as workforce infrastructure – a binding constraint on labor force participation. **Energy** is a direct cost for both families and businesses that is currently small but is likely to rise quickly. Focusing

on infrastructure build-out and technology deployment at scale has the important secondary benefit of creating a stronger “home market” for local innovation, piloting, and production, as described in the “cleantech” section.

The second set of industries that matters to talent attraction and retention is **neighborhood-scale** industries – restaurants, retail, groceries, personal services. They are called “neighborhood-scale” rather than “small businesses”, because grocery stores, for example, are not small, nor are many important retail establishments. These shape the vitality of both downtown and neighborhoods, and create an urban environment that differentiates Seattle from competitors like Bellevue (or Austin or San Jose). These businesses matter for many reasons, including income and wealth-building opportunities for their owners. This report, however, is primarily about whether Seattle can, amid massive economic disruption, create good jobs and generate sufficient tax revenue. These neighborhood-scale industries do not tend to create good jobs (in terms of livable wages) and they are more likely to require tax revenue than to contribute it (in part because City policy has intentionally alleviated B&O taxes for most of these firms). This is not a suggestion that small businesses be any less of a priority for the City of Seattle; it is simply a reminder that *this report* primarily views them as relevant insofar as they serve as the amenity base that attracts and retains the entrepreneurs that start high-growth businesses and the workforce that convinces globally-competitive firms to locate in Seattle.

Different as these two groups are, the philosophy underpinning the recommendations is the same: all of them should be treated as industries. This may sound obvious, but it is a substantial departure from the norm. These industries tend to be shaped only by policy, whether that’s allowing housing to be built

through zoning changes, or subsidizing childcare slots, or providing grants to struggling small businesses. None of these change the productive potential of those industries – housing can be allowed, but production will be limited by the fact that construction productivity has fallen by 30 percent over the past fifty years, or by lack of workforce.¹⁰⁸ Childcare subsidies make childcare costs more tolerable for the lucky winners, but do not create more slots. Grants to small businesses don't prepare them to sell to anchor institutions or improve efficiencies. All of these are important but incomplete, and given the challenges facing all of these sectors, incomplete responses are insufficient.

Seattle should instead bring the same **marketcrafting** approach outlined in the cleantech section to these sectors. It should identify specifically where these industries are struggling (a certain sub-type of housing, a certain kind of restaurant, a certain kind of childcare business), diagnose the root causes, and intervene in a way that makes these industries more productive. And

because root causes tend to be complex and interrelated, the city's response should be too. In general, this means working three fronts at once – interventions to unleash pent-up supply (clearing bottlenecks through regulatory streamlining), aggregating and shaping demand (using procurement as a deliberate pull on the market), and boosting productivity (strengthening firms so they can respond to that pull). If Seattle treats these as industries, it raises the opportunity to strategically prioritize among them in a way that is uncommon when these industries are viewed just as social services to bring about through policy or as small businesses to respond to. This prioritization should not just depend on the size of these industries or their propensity to reach out to the city for assistance, but through an objective analysis of their importance to affordability, labor market participation, and talent retention. Through this lens, a childcare business and a coffee shop that both employ 10 workers at similar wages might take on very different levels of importance.



Marketcraft in the Small Business Context

The argument above is that the City should coordinate interventions that unleash supply, shape demand, and boost productivity. None of these moves, on its own, changes the structure of the market. Subsidies for consumers just inflate prices if supply is constrained. Grants help individual firms without raising the productivity of the sector. Regulatory fixes unlock capacity that then flows to wherever ability to pay is highest. Real progress requires addressing all three simultaneously – and that in turn implies that the City needs to set clear priorities about what parts of the economy merit this level of attention.

In clean energy, that translates into permitting reform and interconnection streamlining (supply), municipal procurement and customer-side purchase incentives (demand-pull), and workforce and contractor capacity-building so the installer base can deliver at the pace deployment requires (productivity). In childcare, the same logic translates into streamlined licensing and zoning (supply), expanded subsidy eligibility and employer-linked benefits (demand-pull), and shared back-office infrastructure that lets small providers operate at the cost structure of larger ones (productivity).

FAMILY AND BUSINESS COST DRIVERS: HOUSING

Housing is a clear priority as the largest driver of costs for families and, indirectly, many businesses. There is broad agreement that Seattle needs more housing. Applying an economic development lens based on the analysis in this report, the matter of *composition* of the housing stock takes on greater importance.

The City's "Updating Seattle's Neighborhood Residential Zones" study in 2025 projected 36,400 net new middle housing units in neighborhood residential (NR) zones over 20 years under the proposed zoning.¹⁰⁹ This is roughly 14,000 from this single channel over eight years – the time period in which the "Growth Scenarios" exercise suggests the city needs 40,000 new residents – suggesting that building enough total units to accommodate growth is more than plausible.

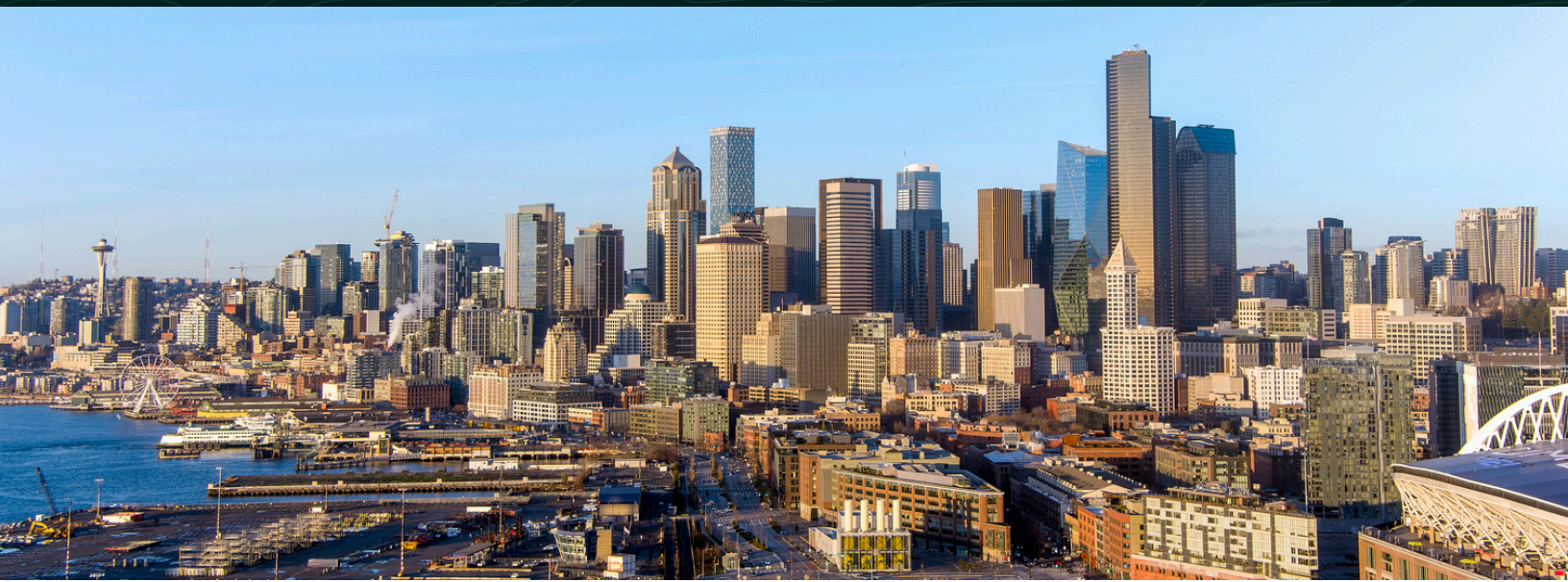
But that same study found feasibility concentrated in only 19 percent of NR parcels, mostly in higher-priced neighborhoods like Maple Leaf and Wedgwood and skewed toward smaller-unit types that don't accommodate families. The pattern repeats across other zones: current production favors studios and one-bedrooms in mid-rise multifamily on arterial corridors, while the units Seattle is most at risk of underproducing are 2- to 3-bedroom homes at prices affordable to the workforce in walkable interior-block neighborhoods served by frequent transit. That's the housing profile desired by the dual-career professional households, mid-career engineers, and bench scientists that Seattle's strategy depends on – and the segment most likely to relocate to the Eastside or out of region if Seattle doesn't produce it. Hitting 40,000 new residents of the profile described in the "Growth Scenarios" section will require active policy effort on

production volume given current construction conditions; hitting it with the right households requires the calibration and composition moves below.

The moves below basically involve Seattle replicating the playbook from the 2010s and 2020s wave of zoning experimentation in cities like Minneapolis and Austin – broad upzoning paired with serious dimensional reform (lot size, floor area ratio, parking) and aggressive permitting timelines. Denver, meanwhile, offers a cautionary example. When the affordable-housing requirement is set higher than a project can absorb, builders stop building and the city ends up with fewer affordable units. After Denver raised its requirement in 2022, permitting fell sharply, though slow permit reviews and a hard construction market contributed too. Seattle's own five-year evaluation of MHA found that its requirements are only a small part of why building has slowed – production has fallen about as much in peer cities with no such program – but it also found that once the market recovers enough for building to pencil, the fee becomes large enough to tip marginal projects from go to no-go.¹¹⁰

Actions that the City should consider are familiar to those involved in housing policy debates, but should be reframed as economic development imperatives.

- **Allow taller, denser housing two blocks deep along transit corridors.** When Austin cut its minimum lot size and upzoned for apartments, it added 120,000 homes between 2015 and 2024, and rents fell 7 percent from 2023 to 2024. The Harrell administration's draft plan would allow buildings up to 125 feet, but only reaches about a third of the parcels within a five-minute walk of frequent transit. Extending the upzone two blocks deep would reach most of them.



- **Let middle housing scale up.** A sixplex should be allowed more floor area than a duplex. Today the rules cap floor area the same no matter how many units a building holds, so a sixplex has to fit inside a duplex-sized envelope. That forces tiny units that don't suit families and often don't make financial sense to build. Minneapolis made this mistake in 2019 and saw just 20 new middle-housing units¹¹³ in former single-family zones in three years. Washington's Department of Commerce recommends the fix in its model code.
- **Speed up permitting.** Denver's review times of 200 to 300 days hurt its housing pipeline as much as its fees did, and each month of delay adds roughly 1 percent to the cost of a home. The fixes are well-established: a dedicated review track for middle housing, pre-approved building plans, self-certification for simple projects that already meet code, reviews that run at the same time rather than one after another, and published targets for how long review should take. Faster permitting also favors small local builders over large national ones, which helps both quality and the local economy.
- **Drop parking requirements for middle housing and cut them sharply elsewhere.** Minneapolis and Austin both did this and saw real gains in cost and feasibility. A single structured parking stall costs \$40,000 to \$75,000, and surface parking takes up about a third of a lot per car. A sixplex required to build 1.5 stalls per unit can lose half its buildable space to parking most residents won't use. Removing the requirement is also what makes housing possible on quiet interior blocks; without it, the parking pushes new buildings back onto busy arterials.
- **Reset the affordable-housing requirement to produce more homes.** Seattle requires developers to either include affordable units or pay a fee. Denver tried a similar rule in 2022: developments of 10 or more units need to designate 8 to 12 percent of them as affordable at 60 percent AMI, or pay an in-lieu fee of \$250,000 to \$478,000. This yielded an overall construction drop of 31 percent relative to the 2017 to 2022 average. Seattle's five¹¹³-year review shows the same dynamic, with developers steering projects away from the zones where the requirement applies. A lighter requirement would likely deliver more affordable units, not fewer, because more buildings would actually get built.

FAMILY AND BUSINESS COST DRIVERS: CHILDCARE

Childcare gets less attention than housing but is structurally similar – a major cost driver for working-age families and a binding constraint on workforce participation, particularly for women. Applying the same economic development lens, childcare in Seattle is best understood as workforce infrastructure rather than a social service.

The City's 2023 report "Understanding the True Cost of Child Care" documented the scale: full-cost infant care can reach \$30,000 a year, two-child families can pay upward of \$50,000. Seattle has roughly 27,000¹¹⁴ licensed seats for 70,000 kids under age 12 – including 26,400 children under 5 with both parents in the workforce or in school. Wait times routinely run 10-12 months. The Washington Child Care Collaborative Task Force estimated the statewide cost of inadequate childcare at \$2 billion per year in employer turnover and missed work. The cost burden of childcare lands on the same families grappling with the cost of buying a home: middle-income families earn too much for state subsidies but face market prices that consume a quarter to a third of pre-tax income for a single child, and considerably more for two.

For Seattle's economic strategy, childcare supply constraints heighten the risk that the kind of dual-career professional households that will determine Seattle's economic diversification potential will leave for other cities where the cost of raising a family is far lower – or where salaries are far higher, as in the booming AI industry in the Bay Area. The childcare policy playbook for cities is less mature than it is for housing, but Seattle can draw lessons from NYC's 3-K and Pre-K for All expansion, DC's universal pre-K rollout (the longest-running American example, now serving the majority of 3-4 year-olds), and Boston's longstanding K1 program through Boston Public

Schools. Multnomah County's (Portland) Preschool for All offers a cautionary tale similar to that of Denver in the housing section – well-intentioned ambition that has run into capacity, cost, and revenue challenges in implementation, suggesting that scaling slowly with strong supply-side investment matters more than the headline policy commitment. The state-level tri-share childcare pilots in Michigan and Kentucky add a third dimension – employer-government cost-sharing for workforce-band families – that fits naturally with Seattle's JumpStart funding structure.

The moves below apply that playbook to Seattle's specific context – declining SPS school enrollment as an underused public asset, JumpStart as a funding source aligned with the workforce framing, and King County's existing universal childcare work as the regional coordination vehicle.

- **Build childcare into new development through zoning.** Use the Comprehensive Plan and Phase 2 zoning to make childcare a standard part of large new buildings. The City can require or reward ground-floor childcare space in bigger residential and commercial projects, offering developers extra height or density in return – the same trade Seattle already uses to get affordable housing. The advantage is that it adds childcare capacity exactly where new housing and jobs are concentrated, at the moment a building goes up, when adding the space is far cheaper than retrofitting it later. New York and Boston have both used zoning and public buildings to expand childcare alongside their pre-K programs.
- **Fund the buildings, not just the slots.** Childcare operators are mostly small, run on thin margins, and can't easily borrow – and the biggest cost they face is the physical space: building it out, renovating it, and meeting

- licensing standards. Seattle should create a small dedicated capital fund, payable from JumpStart, to finance facility construction and renovation in the neighborhoods with the longest waitlists. This attacks the real bottleneck. Subsidies that help families pay for care are valuable, but they don't create a single new seat if there's nowhere to put it. Money for facilities does. A modest fund goes a long way, because one buildout can create dozens of seats that then operate for years.
- **Make it simpler to open a childcare business.** Standing up a licensed center or in-home program means clearing state licensing, local permitting, and inspection — a multi-step process that weighs most heavily on small and in-home providers, who rarely have staff to manage paperwork. Seattle should offer hands-on "concierge" support that walks a new provider through the whole sequence, mirroring the permitting help this report recommends for housing. The state already runs pre-licensing coaching; a city-level complement focused on Seattle's own permitting and zoning steps would close the remaining gap.
- **Turn under-used school buildings into childcare space.** Seattle Public Schools has been shrinking. It has lost roughly 5,000 students since 2019 and has repeatedly weighed closing or consolidating under-enrolled schools. This leaves open classroom space the city badly needs for childcare. The model has worked in New York, DC, and Portland's Multnomah County. The obstacles are practical and solvable: rooms built for older children need work to meet the stricter rules for infants and toddlers — adult-to-child ratios, square footage, food prep, napping, and outdoor play — and because the school district and the City are separate governments, it takes a formal agreement and predictable lease terms before an operator will invest in a space. That is a role the City can play: broker the partnership and supply the capital, again through JumpStart. Note that SPS enrollment ticked back up in 2024, and closure plans have been scaled back, but space could still be freed up through consolidation.
- **Pilot a three-way cost split with employers ("Tri-Share").** Michigan pioneered a model where the cost of childcare is divided in thirds — the employee, the employer, and government each pay a share — aimed at families who earn too much for existing subsidies but still can't absorb full price. Seattle can run the same play with JumpStart funding the public third, large employers paying the employer third for their lower- and middle-wage workers, and the employee paying the rest. The appeal is that it stretches public dollars threefold and pulls private money into childcare, while giving employers a concrete tool to retain workers. Michigan's program has grown steadily since 2021 and now serves over a thousand children, with most participating employers reporting it has helped them keep staff — useful evidence, though its gradual scale-up is also a reminder to start with a focused pilot rather than promise citywide coverage on day one.

FAMILY AND BUSINESS COST DRIVERS: ENERGY

Energy has traditionally gotten less attention than housing or childcare in the affordability conversation, but it is increasingly a cost driver for both residents and businesses. Washington's traditional cost advantage is eroding, with prices rising faster in this domain than the other two. Through an economic development lens, deploying energy technologies at scale is the bridge between the productive cleantech sector the "reconfigure" agenda builds and the cost

containment the “retention” agenda requires. The same deployment activity has the potential to do both jobs at once: it scales the firms producing the technology, and it modernizes the grid and built environment the city needs to keep electricity reliable and affordable.

With its ownership of Seattle City Light, the City can engage directly in rate structure, demand-side programs including energy efficiency and demand response, and infrastructure investments. Operating models exist in cities with similarly capable municipal utilities, including mid-sized and growing cities like Austin and Sacramento, as well as smaller places like Burlington, VT. This includes innovation in time-of-use rates, distributed storage, and weatherization programs for low- and moderate-income customers. These moves enhance the more traditional city levers: building codes, permitting for distributed energy, procurement on city-owned facilities, and coordination with regional and state planning partners. The question is whether the City uses these levers as a coordinated portfolio to both lower costs and boost cleantech innovation, or treats them as separate workstreams.

These tools won't stop electricity costs from rising — that pressure comes mostly from drought years that cut hydropower and force expensive market purchases, and from fast-growing demand as buildings and cars go electric (all of which city policy supports). But they can shape whether costs rise gradually or in sharp jumps, and who ends up paying. (A large new source of demand, AI data centers, is a case in point: the City is moving to require those facilities to bring their own power and pay for their own grid upgrades, so the cost doesn't land on residents' bills.)

- **Pay large users to shift demand off peak.** The most expensive power is what the utility buys to

- meet the highest-demand moments. City Light can pay big industrial and commercial customers to cut or move their usage during those peaks, charge large users more at peak times, and structure agreements with data centers and other heavy loads to run flexibly. Reducing peak demand this way is far cheaper than building new generation to meet it — and because City Light is city-owned, the City can act on this directly rather than petitioning a private utility.

- **Put solar and batteries on city and institutional buildings.** Generating and storing power on-site at city facilities, hospitals, and universities — paired with the One Seattle Plan's climate goals — shaves the same expensive peaks. It works at any scale, and because the power is used where it's made, it doesn't require state approval to move energy across the grid. The City can start with buildings it controls and expand through large institutional partners.

- **Build shared heating-and-cooling systems for dense districts.** A “thermal energy network” heats and cools a cluster of buildings from a shared system instead of each building running its own, which is markedly cheaper and cleaner at scale. South Lake Union, the U District, and the new industry and innovation zones near coming light-rail stations are natural candidates — dense, growing, and being built out now, when shared infrastructure is far easier to install. The cost savings for the firms served can be substantial.

- **Weatherize older buildings for lower-income households and small businesses.** City Light already runs programs that insulate buildings and replace old heating systems, lowering bills for the customers least able to absorb rising rates. The opportunity is to scale them up and pair them

- deliberately with the Housing Levy. The Levy sets aside hundreds of millions to reinvest in existing affordable buildings, and the City has separately begun swapping gas heating for electric using federal grants, but these run on separate tracks. Doing them together, while a building is already opened up for preservation work, is cheaper per building and leaves aging affordable housing both preserved and far cheaper to heat and cool. The small commercial tenants in these same buildings benefit from lower energy costs too.
- **Procurement leverage on city construction and city-supported affordable housing.** Require all-electric, heat-pump-ready, and grid-interactive standards in city-funded projects, including Levy and JumpStart-funded affordable housing. The city is a major construction client. That procurement should be treated as an industrial policy lever for the local clean energy supply chain.
- **Coordinate with Sound Transit on station-area energy planning.** Light rail stations are concentrated load points and natural sites for district energy, EV charging, and grid-edge infrastructure.

NEIGHBORHOOD-SCALE INDUSTRIES

The term “neighborhood-scale” is an intentional choice – it includes, but is not limited to, small businesses. The reason is outlined in the introduction to this section, but it bears repeating: this report is focused on Seattle’s competitive position in the industries that generate the large majority of Seattle’s tax revenue. It therefore views small businesses through the lens of talent attraction and retention. From that perspective, it is not small businesses per se that matter, but the sorts of generally low-margin businesses that fill commercial

corridors in neighborhoods across the city and create an urban environment that convinces talent to come and stay in Seattle versus cheaper, more suburban places in the region or other regions.

This section therefore only focuses on interventions that apply to the full range of businesses that occupy these commercial corridors. Grocery stores and mid-sized breweries and locations of regional bike shop chains do not, in general, need technical assistance or tenant improvement funds or access to CDFI funding. All of this is important, and indeed one of the motivations for ensuring that Seattle has the tax revenue that this kind of work requires. There are many opportunities to take ongoing small business work in Seattle and scale it significantly: for example, the Boston Impact Initiative has deployed more than \$20 million to small business and community real estate projects using a blended model of loans, equity-style investments, and grants.

From that starting point, two sets of recommendations emerge, one focused on citywide reforms to reduce frictions and increase the speed with which new businesses can open in commercial corridors across the city, in downtown and in neighborhoods. The other focuses on downtown specifically.

CITYWIDE

The restaurants, retailers, grocery stores, and personal service businesses that populate Seattle’s commercial corridors have generally been treated as a social good worth defending. This undervalues their importance from an economic development perspective: they anchor the urban texture of walkable, mixed-use neighborhoods that mid-career talent in mobile industries weigh in location decisions.

There is strong evidence that consumption amenities

are a draw for talent. The definitive study of American urban revival in recent decades found that demand among young college graduates for non-tradable service amenities – restaurants, bars, gyms, and the like – accounts for more than 40 percent of their movement toward city centers.¹¹⁵ Importantly, the study finds that it is the *initial* density of these amenities, not subsequent growth in them, that predicts where young graduates later chose to live. But the effect is concentrated among young, high-income, pre-family college graduates – precisely the cohort that tends to re-sort toward space and schools once children arrive. The implication is that amenity density helps attract the 24-year-old engineer, while it is the housing and childcare moves discussed above that matter when that engineer is 34. Seattle is currently one of the few non-Southern metros still competing successfully for young graduates.¹¹⁶ It holds that position because young people come for the urban life Seattle offers and that cheaper cities can't match. Put bluntly, if Seattle lets its urban amenities decay, it will increasingly look and feel like a Bellevue or a suburb of Austin with more expensive housing and childcare.

The low-margin firms that create Seattle's urban vitality are highly sensitive to local costs, demand shocks, and frictions. The recommendations here focus more on frictions than costs or demand shocks.

Costs are downplayed because the city has already moved to minimize the costs it imposes directly, such as lifting the B&O tax threshold from \$100,000 to \$2 million, exempting roughly three-quarters of the city's business taxpayers. Seattle's inexpensive business license, scaled to revenue, was identified as being among the friendliest to small firms in a detailed study of 20 cities by the Institute for Justice.¹¹⁷ Other costs that the city imposes – a high minimum wage alongside paid-sick-leave and secure-

scheduling mandates – are unlikely to be revisited, and in any case those come with upsides for workers even as they cause challenges for owners. And lastly, it would be awkward to focus on reducing costs when most of this report is focused on restarting the growth engine that will lead to increased demand for real estate and higher wages for workers. This report suggests that the main task of the city is not to try to chase costs downward, but to boost demand (through overall growth and more housing in proximity to key neighborhood business corridors) and create conditions in which small businesses can be more efficient and productive. Thus the focus on regulatory complexity and speed. The cost of delays is more damaging to low-margin businesses than any direct cost the city imposes. Consider a new restaurant: it spends around \$375,000 to get going, so Seattle's full \$7,466 in fees, according to the Institute for Justice study, is only about two percent of that. The damage comes from delay. A finished space waiting for sign-off still owes rent and payroll while earning nothing, which runs about \$15,000 a month. Two weeks of needless delay costs more than the entire fee bill. Cutting steps and agencies is worth far more than cutting fees.

The evidence suggests there is real room to improve. The Institute for Justice scored each of 20 cities on cost of starting a business, the number of steps and agencies involved, and how hard the process is to navigate. On many measures, the gap between Seattle and the city with the least regulatory complexity is large. Opening a restaurant takes 63 steps in Seattle, versus 43 in the best city. Opening a food truck takes 45 steps and means dealing with 9 separate agencies – more than any of the twenty cities studied, with the best requiring 25 steps and 6 agencies. On a 5-point scale for whether a city offers a real "one-stop shop," Seattle scores 2 while six other cities score 4. Opportunities include:

- **Set and publish a hard clock on permit review, and make simple projects faster.** Seattle’s 2025 reform push, including the substantial-alteration exemption, targets the right problem. The City should go further by committing publicly to a maximum review time for opening or reopening a business, and by creating an over-the-counter path for straightforward use and tenant-improvement permits that lets qualifying projects clear in days rather than months. This could be piloted downtown. San Francisco, once called the hardest city in the country to open a small business, did exactly this through its Proposition H reforms – requiring most reviews to finish within 30 days, then moving most projects to same-day approval – and has since run more than 5,600 commercial projects through the faster track. The lesson from San Francisco is that the dramatic results came on projects clearly defined as eligible for the fast path, so the City should write clear eligibility rules rather than rely on a deadline alone.
- **Build the one-stop shop the City has been considering for fifteen years.** Seattle scores 2 of 5 on this measure because an entrepreneur still files licenses and taxes through one portal, building permits through another, and health permits through a third city-county system that connects to neither. The fix is a single point of entry that spans all three. As far back as 2011, the City Council pointed to New York City’s one-stop system, which it credited with cutting restaurant permitting time by 75 to 80 percent, and said Seattle would do the same.

A final comment on the importance of making permitting faster: doing so decisively and publicly is not only good for small businesses, but sends an important signal to the business community more broadly. Even if mid- to large-sized businesses don’t

typically suffer from permitting delays in the same way that smaller low-margin businesses do, a “shot clock” for permitting is a very tangible, concrete way that a City government can credibly refer to itself as “open for business”. This signal would be especially powerful if it were combined with analogous efforts in the housing and energy arenas – a citywide permitting speed initiative.

Two other opportunities exist for supporting neighborhood-scale businesses that are typically not emphasized in small business-oriented discussions.

- **Treat these businesses as industries with bottlenecks worth diagnosing, not just firms to assist.** The City’s current capacity is built to respond to a firm in trouble. That is useful, but it means no one is asking why a whole category of business is struggling. Grocery stores, bars, cafés, food trucks, breweries, full-service restaurants, and storefront retail have different economics and fail for different reasons in different places. The City should be able to study where a given type of business is breaking down, the same way it would diagnose a faltering supply chain, and respond precisely, rather than defaulting to grants or waiting to be asked. Grocery stores are maybe the most salient opportunity – it is not clear the extent to which the most impactful closures in Seattle are the result of Seattle-specific conditions or the internal strategic decisions of a few large corporations. Significant effort and money could be mis-spent if the root cause is not understood before designing interventions. The Office of Economic Development already funds a nightlife advocate whose role involves getting close to these neighborhood-scale businesses and sensing patterns and policy opportunities. A comparable, proactive capability for the far larger restaurant and retail sectors is at least as justified.

DOWNTOWN REVITALIZATION

Most of what will benefit downtown is covered elsewhere in this report. Downtown is where the advanced industries this report is built around already concentrate, and where they are most likely to take root and grow, so the agenda to retain major employers, grow the AI and broader tech sector, restructure the business-tax burden, and convene business leaders to repair the area's perception is, in large part, a downtown agenda already. Two recommendations, however, are specific enough to downtown to warrant separate mention.

- **Expand public-realm safety through DSA Ambassadors and MID clean-and-safe teams.**

The Ambassador and clean-and-safe model is the highest-leverage near-term intervention available, sidestepping the harder debates over policing posture and social services that have stalled other public-safety moves. San Francisco's Market Street Safe Corridor program, funded through a \$5 million Downtown Development Corporation investment, has been credited with cutting 911 calls roughly in half, with reported crime in Union Square and the Financial District down approximately 40 percent. Philadelphia's Center City District operates a deeper version of the same model, with over 100 sidewalk cleaners and more than 90 public-safety staff including bicycle patrols and three "Ambassadors of Hope" teams that pair CCD staff with Project HOME social workers and police crisis-intervention officers. The 2026 World Cup is the natural hook for expansion in Seattle; the goal is to retain expanded capacity afterward rather than treat it as event-specific.

- **Focus on an innovation district anchored by existing assets.** The Climate Innovation Hub and AI House were both frequently cited in interviews as important spaces, and an important visible signal that the City is investing in the development of these sectors. As noted earlier in this report, innovators benefit hugely from proximity to other innovators, even at the scale of a few hundred meters. For both reasons – these investments have strong signaling value and real value to their users – the City should strongly consider concentrating future expansions of this infrastructure downtown. Philadelphia's University City-Center City innovation district – a 1.5 square mile corridor stretching from 17th Street to 43rd Street that links the city's traditional business district to its largest concentration of research anchors – is shaped by a coordinating Innovation Council to drive shared sector strategy, an Anchor Firm Entrepreneurship Initiative connecting major employers to local startups through first-customer programs and seed funding, and a connected-corridor taskforce focused on the mobility and vibrancy linking the district's institutional assets to the broader downtown.¹¹⁸ This is institutional coordination across anchors rather than new physical development. A Seattle designation, operated through OED in coordination with UW and the proximate hubs, could apply the same governance approach to a smaller cluster of assets.



PART III: RECOMMENDATIONS

Section 3: Ten Moves for Year One

With the wide scope of the capability-building and strategic recommendations, the task ahead may appear daunting. Below are ten immediate moves for year one. They mix signaling moves that communicate change, discrete policy and investment decisions that can be achieved swiftly, and the launch of cross-sector initiatives that will unfold over years.

BUILD CIVIC COLLABORATION

1. Public-facing permitting reform: By the end of 2026, the City should announce a package of fee waivers, consolidated inspections, automated approvals, and a public dashboard of permit timelines. The theme should be increasing speed rather than decreasing costs. Mayor Daniel Lurie's first-year actions in San Francisco and Mayor Brandon Johnson's "Cut the Tape" report in Chicago offer a template. This is among the highest-leverage, lowest cost actions available in year one, and a tangible signal to the business community that concerns about doing business in Seattle are taken seriously.

2. CEO commission on fiscal sustainability: The mayor should convene a business-led commission to produce recommendations on the City's fiscal exposure, with an emphasis on the potential impact of AI on tech employment, downtown, and the tax base. The Cincinnati Futures Commission offers a template. The commission fills a key knowledge gap the City cannot fill alone, and sets the foundation for collaboration with the private sector on issues of shared concern for businesses and local government. This should include leaders of the city's anchor firms, but also could be an opportunity to bring a new crop of business leaders – from the type of mid-sized Advanced Industries firms that this report centers – into the civic fold.

3. Aggressive and visible business retention agenda: The mayor and OED should conduct structured visits with 50 firms, weighted to the sectors that this report identifies as the most consequential to retain – for example, 15 in tech, 15 cleantech, 10 maritime, 5 life sciences, 5 space/aerospace. This would both surface segments of the economy that are promising and fragile, and

open a structured channel into those firms as it considers policy that might affect them.

4. Dedicated AI engagement lead: Building on the mayor's Seattle Artificial Intelligence Vision, the City should name a senior staffer inside the mayor's office with seniority to build and lead the city's AI agenda, and a mandate to coordinate across departments.¹¹⁹ This would include both shaping the city's own use of AI tools, as well as offering a single point of contact for the region's AI firms, research institutions, and labor market intermediaries.

LAUNCH SIGNATURE CROSS-SECTOR INITIATIVES

5. Bold cleantech and clean energy agenda and coordinating team: The City should develop an agenda aimed at the intersection of its affordability, climate, and innovation goals and potential, focused on the development and deployment of clean energy technologies in Seattle through proactive policy and regulatory reforms. A coordinating team should span government and utility entities, including OED, Seattle City Light, the Washington State Department of Commerce, the state Green Bank, Puget Sound Energy, and the Port of Seattle, and external partners from organizations like Climate Solutions, VertueLab, and the Clean Energy Testbeds.

6. Cross-sector scaleup initiative: OED should create a dedicated scaleup initiative focused on the cross-sector "hard tech" firms this report identifies as Seattle's most promising economic diversification path – software engineering-rich companies operating in maritime, cleantech, life sciences, commercial space, and other advanced manufacturing – given potential shared challenges from capital access to real estate. The Climate Innovation Hub, UW's new downtown facilities, and AI House offer potential physical anchors for this effort.

7. Foundational decisions on the development

finance institution: The mayor's office, coordinating with relevant city departments (OED, Budget Office, Law Department, Planning Department), King County officials, Port of Seattle, and City Council leaders should resolve gating questions for the creation of a new DFI: organizational structure (e.g. new public development agency, Port partnership, or other/hybrid), governance model, initial capitalization sources, and founding director.

ADDRESS FISCAL STABILITY

8. "Purple coalition" for new revenue tools: The Mayor should convene a cross-partisan coalition of mayors and county executives from across the state to advocate to the state legislature for new municipal revenue tools currently disallowed under Washington law, such as an enhanced push for property tax cap reform.

9. Childcare tri-share pilot: The Mayor's Office, OED, and the Department of Education and Early Learning should launch a tri-share pilot – a cost-sharing arrangement that splits childcare costs three ways between employee, employer, and City. The program would target families earning too much for state subsidies but not enough to afford market-rate care, and leverage JumpStart funding for the city share, with employers engaged through other year-one efforts contributing for their employees. Michigan and Kentucky offer state-level models.

10. Housing supply acceleration: Building on Mayor Wilson's "Taller, Denser, Faster" Comp Plan acceleration, the City should advance three additional supply moves: MHA recalibration to lower affordable housing requirements that make some projects financially unworkable and push developers to build elsewhere, the elimination of parking minimums citywide, and a public dashboard to both track progress on PACT's 50 percent total permitting-time reduction goal and track delivery of units by affordability tier and location.



PART IV: MEASURING PROGRESS

Approach

The dashboard on the following page is designed to allow leaders in the City and across sectors and jurisdiction to monitor Seattle's progress in the domains that this report argues are most essential. Every tile in each row is designed to shed light on an important economic dynamic.

Inclusion (first row): measures the level and growth of wages at the 25th and 50th percentile of the labor market as well as the employment rate. The 25th and 50th percentiles are favored because they reflect the fundamental health of the economy more than the 10th percentile, for which policy – like Seattle's minimum wage – plays a more direct role. Employment rate is an indicator of whether growth is benefitting existing residents versus depending on in-migration.

Diversification (second row): measures the region's position in the tech sector, which needs to be protected, and its progress in Advanced Industries more broadly, with an emphasis on mid-sized firms and startups.

Affordability and growth (third row): measures Seattle's working-age population, the extent to which its growth came from domestic in-migration (an area in which Seattle has to improve, along with increasing the employment rate, given the decline in international migration), and the cost and increase in cost of a two-bedroom apartment.

City dynamics (fourth row): sheds light on how the city of Seattle itself is performing on business formation, housing, and downtown vitality (foot traffic and residents).

Seattle Scorecard

Where the Seattle MSA stands among America's largest metropolitan economies — by wages, sector composition, firm dynamics, and cost-of-living pressure.

Seattle-Tacoma-Bellevue

MSA 42660 · WA
Pop. 4.0M · Emp. 2.9M (2024)

Top 20 — strength 21-50 — parity 51-75 — deficit 76-100 — structural gap

01 INCLUSION

MSA · 2024

Wages at the entry and median, growth, and employment-to-population



02 DIVERSIFICATION

MSA · 2020 → 2024

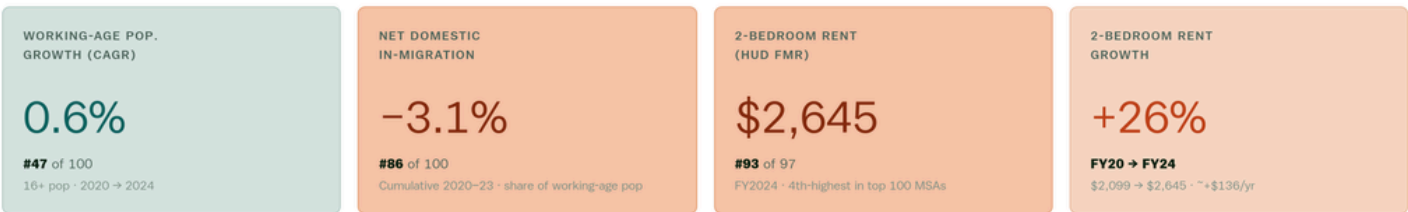
Tech specialization, advanced-industry growth, mid-sized firms, new-firm formation



03 COSTS & MIGRATION

MSA · 2020 → 2024

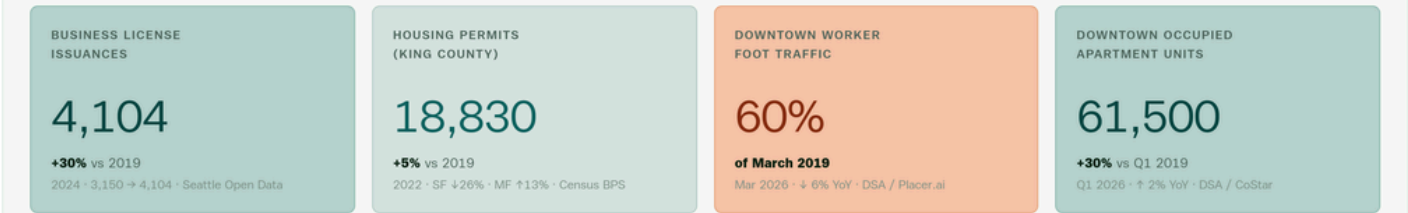
Working-age population, net domestic migration, housing-cost pressure



04 SEATTLE CITY MONITOR

CITY · LATEST AVAILABLE

City-specific indicators not comparable to other metros — Seattle on its own terms



Sources. Lightcast (DAT_IND, DAT_OCC_EARN, DAT_LABOR_FORCE, 2024). Census BDS (2023). Census CBP (2023). Census PEP V2024 (residual method). HUD Fair Market Rents (FY2020, FY2024). Row 4 sources noted per tile.

Tech NAICS (2022 vintage). 5132, 5415, 5182, 5162, 5192. Advanced industries. Brookings 50-code classification.

Authors' analysis
2026

This dashboard is meant primarily to shape the regional debate and inform the regional narrative, rather than to measure the impact of specific City investments and policies.

The data in the first three rows is for the metro area rather than the city itself, for the same reasons this report uses metro data throughout. It is the level at which data is most available and most current. It makes cross-regional comparisons valid: cities are political boundaries that capture wildly different shares of their regional economies, so Seattle-versus-Austin as cities compares artifacts of where lines were drawn, while their MSAs are comparable economic units.¹²⁰ And it reflects how the actual decision-makers behave. A household weighing a move to "San Francisco" may land in Oakland, Fremont, or San Jose; someone choosing "Seattle" may end up in Bellevue or Tacoma. Firms reason the same way: a company comparing Seattle to Nashville is first comparing laborsheds – the talent it can reach within a commute – and perhaps state policies, not downtowns (until much later in the site selection process). The competitive position the City is trying to influence is set at the regional scale.

The goal is not to settle the debate about Seattle's economy – the kind that happen at the Chamber, the

Tech Alliance, Challenge Seattle, and other similar forums – but to give it a stable floor. Like in many other cities, Seattle's debate about the economy has suffered from bad measurement, in two key ways. The first is comparing Seattle to irrelevant regions – the CNBC-style "best states for business" and cost-of-doing-business indices that score every region against the same generic firm and treat low cost as the definition of competitiveness. Seattle is not competitive with places that score well on these rankings – e.g., Dallas – but it's also not competing with them in any meaningful sense. The second is excessive focus on year-over-year change. Progress matters, but if Seattle has more restaurants per capita than almost any other city, then a significant year-over-year drop in the number of restaurants should be taken in context. This is why this dashboard measures performance rather than rate-of-improvement, and it's why it compares Seattle with eight metros that actually compete with Seattle for the same talent and industries (plus the top 100 metros for national context). And this is why it is built on auditable public and licensed sources with documented methods, so the numbers can be interrogated rather than taken on faith.

Notes

Pages 1-22

- 1** The top 1% of U.S. households now hold a record 32% of all national wealth, the highest share on record since the Federal Reserve began tracking in 1989. [p.13](#)
- 2** These are: 5112 Software Publishers, 5415 Computer Systems Design, 5182 Data Processing and Hosting, and 5191 Other Information Services (web portals/search). [p.14](#)
- 3** Kim, J Daniel et al. "High-Growth Firms in the United States: Key Trends and New Data Opportunities." U.S. Census Bureau, 2024; Guzman and Stern. "The Startup Cartography Project." NBER, 2024. [p.16](#)
- 4** Paul Krugman wrote in 1994 that: "Productivity isn't everything, but in the long run it is almost everything." [p.20](#)
- 5** Autor, David, et al. "The Unexpected Compression: Competition at Work in the Low Wage Labor Market." NBER, 2023; Research by Raj Chetty and co-authors finds that local employment rates are among the strongest predictors of upward mobility, particularly for children from low-income families. [p.21](#)
- 6** Card, David, and Alan B. Krueger. "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania." NBER, 1994. [p.21](#)
- 7** Neumark, David, and William Wascher. "The Effect of New Jersey's Minimum Wage Increase on Fast-Food Employment: a Re-Evaluation Using Payroll Records." NBER, 1995. [p.21](#)
- 8** Manning, Alan. Monopsony in Motion: Imperfect Competition in Labor Markets. Princeton University Press, 2003. [p.21](#)
- 9** Dube, Arindrajit. "Impacts of Minimum Wages: Review of the International Evidence." UK Government, 2019. [p.21](#)
- 10** Jardim, Ekaterina, et al. "Minimum Wage Increases and Individual Employment Trajectories." NBER, 2018. [p.22](#)
- 11** Reich, Michael, Sylvia Allegretto, and Anna Godøy. "Seattle's Minimum Wage Experience 2015-16." Center on Wage and Employment Dynamics, UC Berkeley, 2017; and Allegretto, Sylvia, et al. "The New Wave of Local Minimum Wage Policies: Evidence from Six Cities." Center on Wage and Employment Dynamics, UC Berkeley, 2018. [p.22](#)
- 12** Jardim, Ekaterina, et al. "Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle." NBER, 2017. [p.22](#)
- 13** Luca, Dara Lee, and Michael Luca. "Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit." Harvard Business School Working Paper 17-088, 2017. [p.22](#)
- 14** An, Yuan, et al. "Delivering Higher Pay? The Impacts of a Task-Level Pay Standard in the Gig Economy." NBER, 2025. [p.22](#)
- 15** Seattle's App-Based Worker Minimum Payment Ordinance (SMC 8.37), The First Report: An Analysis of the First Eighteen Months for App-Based Delivery Workers." Seattle Office of Labor Standards, 2026. [p.22](#)

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- 16** Muro, Mark et al. America's Advanced Industries. Brookings, 2015. [p.23](#)
- 17** Kunkle, Gary. "Sustained Growth Companies: Evidence and Implications." Center for Regional Economic Competitiveness, 2025. [p.23](#)
- 18** Muro, Mark and Siddharth Kulkarni. "America's Advanced Industries: New Trends." Brookings, 2016. [p.23](#)
- 19** Atkinson, Robert, Mark Muro, and Jacob Whiton. "The Case for Growth Centers: How to Spread Tech Innovation Across America." Brookings, 2019. [p.23](#)
- 20** Couture, Victor and Jessie Handbury. "Neighborhood Change, Gentrification, and the Urbanization of College Graduates." Journal of Economic Perspectives, 2023. [p.23](#)
- 21** Buzard, Kristy, et al. "The Agglomeration of American R&D Labs." Journal of Urban Economics, 2017. Similarly, in the life sciences, papers whose lead authors worked in the same building were cited 45 percent more than papers whose authors were in different buildings, with impact declining at every increase in distance between collaborators. (Lee, Kyungjoon, et al. "Does Collocation Inform the Impact of Collaboration?" PLOS ONE, 2010.) [p.24](#)
- 22** Storper et al. "The Rise and Fall of Urban Economies." Stanford University Press, 2015. [p.24](#)
- 23** For example, Washington State ranks 45th in the Tax Foundations State Tax Competitiveness Index, but has ranked 11th for its economy in U.S. News, and 8th among best states for business by Forbes. Likewise, the Seattle MSA ranks 57th on ASU's much cited Doing Business North America ranking, but 5th on Oxford Economics' Global Cities Index and 2nd on CBRE's Scoring Tech Talent ranking. [p.25](#)
- 24** Escaping this trap requires building massive amounts of housing, among other market essentials. Austin is the closest Seattle-relevant example. From 2015 to 2024, Austin added 120,000 units to its housing stock – an increase of 30 percent, more than three times the overall rate of growth in the United States. From 2021 to 2026, rents fell from 15 percent higher than the U.S. median to 4 percent lower (a decline of about \$250). This decline occurred even though the city population grew by 18,000 residents from 2022 to 2024. But even Austin has not fully outrun the cost pressures of its own success; rents remain well above pre-pandemic levels. The lesson is that the cost pressures of innovation-driven growth can be moderated but not eliminated. [p.25](#)
- 25** Hurst and Pugsley, "Wealth, Tastes, and Entrepreneurial Choice." NBER, 2017. [p.26](#)
- 26** The "hollowing out" framing draws from the labor market polarization literature, which describes the simultaneous growth of high-wage and low-wage employment alongside relative or absolute decline in middle-wage employment. See David H. Autor, Frank Levy, and Richard J. Murnane, "The Skill Content of Recent Technological Change: An Empirical Exploration," Quarterly Journal of Economics 118, no. 4 (2003): 1279–1333; and Maarten Goos, Alan Manning, and Anna Salomons, "Explaining Job Polarization: Routine-Biased Technological Change and Offshoring," American Economic Review 104, no. 8 (2014): 2509–26. [p.27](#)

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- 27** Wage quintiles are defined by ranking occupations within each geography by their 2024 median wage and grouping into employment-weighted quintiles. Each quintile contains approximately one-fifth of that geography's total employment. Because wage tier boundaries are geography-specific, Seattle's middle quintile (roughly \$28 to \$39 per hour) covers occupations that would fall into the upper-middle tier of the national distribution (roughly \$21 to \$29 per hour). Comparisons across geographies measure the share and growth of employment within each geography's own distribution. Source: Lightcast Occupation Employment and Earnings data, 6-digit SOC codes, QCEW-covered employees, 2014 and 2024. [p.28](#)
- 28** Real wage growth is computed by deflating nominal hourly wage percentiles from Lightcast (DAT_OCC_EARN, all-occupations rollup for the Seattle MSA, QCEW-covered employees) using the Bureau of Economic Analysis Metropolitan Area Regional Price Deflator (MAIRPD) for the Seattle-Tacoma-Bellevue MSA. The MAIRPD captures changes in local price levels across all consumer expenditure categories — housing, food, transportation, healthcare, and goods — and adjusts each year's nominal wage to a constant-dollar basis. Real growth rates and absolute changes are expressed in 2024 dollars. [p.30](#)
- 29** Economic Policy Institute. 2026. Family Budget Calculator. Released March 2026; data in 2025 dollars. The basic budget covers housing, food, transportation, healthcare, childcare, taxes, and a small allowance for other necessities. It does not include savings, debt service, or any discretionary spending. EPI's two-child budget assumes one child age four in full-time childcare and one child age eight in before/after-school plus summer care — the cheapest of the two-child configurations. Wage figures throughout this section are MSA-level median wages from Lightcast (2024, inflated to 2025 dollars) for the Seattle-Tacoma-Bellevue MSA, paired with King County basic budgets because labor markets are MSA-level while housing and childcare costs are county-specific. EPI cautions against using the Family Budget Calculator as a price index over time because input methodologies have varied across releases. [p.31](#)
- 30** Authors' analysis of Zillow Home Value Index (ZHVI), middle tier, smoothed and seasonally adjusted, December endpoints. Growth and levels are county-level, deflated to 2025 dollars using BLS CPI-U annual averages (CUUR0000SAO): King County's real index runs 100.0 in 2015 to 140.7 in 2025, reaching \$873,895. Required income uses nominal MSA values (\$331,464 in December 2014; \$753,378 in December 2025), Freddie Mac PMMS 30-year fixed rates (4.17%; 6.60%), a 20 percent down payment, and principal and interest capped at 28 percent of gross household income. Sources: Zillow Research, <https://www.zillow.com/research/data/>; Freddie Mac PMMS, <https://www.freddiemac.com/pmms>. [p.31](#)
- 31** Authors' analysis of HUD FY2024 Fair Market Rents (two-bedroom, Seattle-Bellevue HMFA: \$2,645/month; based on 2017-2021 ACS data trended forward to FY2024) and Lightcast 2024 occupational median wages for the Seattle MSA, against a 30%-of-income affordability threshold (assuming full-time work, 2,080 hours/year). [p.31](#)
- 32** Affordability uses HUD's FY2024 Fair Market Rent for a two-bedroom apartment, applied against the 30-percent threshold: \$2,645 in Seattle-Bellevue, \$2,201 in Denver, \$1,924 in Austin. The later "Housing" section uses Zillow's Observed Rent Index (ZORI) for trajectory analysis that captures the entire housing market; HUD FMR is bedroom-specific and better suited to household-composition analysis here. Sources: HUD; Lightcast. [p.32](#)
- 33** Authors' analysis of U.S. Census Bureau, American Community Survey 2019–2023 5-Year Estimates, Table B25140, for King, Pierce, and Snohomish counties (Seattle–Tacoma–Bellevue MSA). White refers to non-Hispanic white. [p.32](#)

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- 34** EPI Family Budget Calculator (2026 release; costs in 2025 dollars), two-parent/two-child renting household. [p.33](#)
- 35** U.S. Department of Labor, National Database of Childcare Prices (2008–2022); deflated by BLS CPI-U for Day Care and Preschool (CUUR0000SEEB03), real 2025 dollars. Cost of full-time, year-round center-based care for one 4-year-old. The underlying price series ends in 2022, before pandemic-era American Rescue Plan childcare stabilization funding lapsed in late 2023 and early 2024. Industry reporting suggests prices accelerated meaningfully after that funding lapsed, particularly in markets with low subsidy rates and high labor costs – a description that fits Seattle. The 2022 figures used here probably understate current prices. [p.33](#)
- 36** Azoulay, Pierre et al. “Age and High-Growth Entrepreneurship.” National Bureau of Economic Research, 2018. [p.34](#)
- 37** Feldman and Zoller. “Dealmakers In Place: Social Capital Connections in Regional Entrepreneurial Economies.” Regional Studies, 2012. [p.37](#)
- 38** This chart should be interpreted cautiously. The 2022 data covers calendar-year 2022, which had a big tech selloff and could include unusual one-time capital gains realizations on outgoing returns. This coincided with an unusual national surge in relocations due to Covid-related economic and social dynamics. [p.37](#)
- 39** “Electric Power Monthly: Table 5.6.A.” EIA, Accessed 2025. [p.38](#)
- 40** 2024 Integrated Resource Plan Progress Report. Seattle City Light. [p.38](#)
- 41** “Seattle Hopes to Build its Future in Oregon’s Desert — or Blackouts May Follow.” Seattle Times, 2025. [p.38](#)
- 42** These estimates are highly sensitive to how a firm apportions revenue to Seattle for the purposes of B&O taxes, which is unknowable for any individual firm and more difficult to estimate than, for example, the workforce profile that determines JumpStart and Social Housing tax burden. Both Washington state and Seattle city B&O taxes use double-factor apportionment – the average of a payroll factor (share of the firm’s total payroll located in Seattle) and a sales factor (share of revenue sourced to Washington or Seattle, respectively). For the mega tech archetype, we assume the firm has a substantial payroll concentration in Seattle (~7% of global payroll) but a very small sales factor (~3%). The blended result is roughly 5% – meaning that even with 30,000 Seattle employees, a firm selling to customers worldwide apportions only about \$30 billion of \$600 billion in revenue for B&O purposes. Our apportionment assumptions are: mega tech 5%, big tech 20%, large professional services 40%, manufacturing 40%, small professional services 70%. Details in methodology appendix. [p.39](#)
- 43** Bartik, Timothy. “‘But For’ Percentages for Economic Development Incentives.” Upjohn Institute, 2018. [p.41](#)
- 44** Bozio, Antoine, Thomas Breda, Julien Grenet, and Arthur Guillouzouic. “Does Tax-Benefit Linkage Matter for the Incidence of Payroll Taxes?” The Review of Economic Studies, 2025. [p.42](#)
- 45** “Wealth Surtax May Generate \$3 Billion.” Yahoo News, 2025. [p.42](#)

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- 46** Young, Cristobal and Ithai Lurie. "Taxing the Rich: How Incentives and Embeddedness Shape Millionaire Tax Flight." American Journal of Sociology, 2025. **p.42**
- 47** Ocampo, Omar. "Wealth Expands After Higher State Taxes on High-Income Earners." Institute for Policy Studies, 2025. **p.42**
- 48** "Tax Flight Takes Off." Pioneer Institute, 2026. **p.43**
- 49** Sullivan, Greg. "Eight Reasons to Question Professor Cristobal Young's Conclusions About Millionaire Migration." Pioneer Opportunity, 2018. **p.43**
- 50** A foundational finding in Alfred Marshall's Principles of Economics (1890, Book IV, Ch. X), which has been replicated and extended many times, including recently by Chetty et al., "Social Capital I: Measurement and Associations with Economic Mobility," Nature 608 (2022): 108–121, <https://doi.org/10.1038/s41586-022-04996-4>. **p.43**
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- 62** Authors' analysis of Census Bureau County Business Patterns data, all-industry establishment counts, Seattle MSA 2017–2023. [p.48](#)
- 63** Authors' analysis of Lightcast Gazelle company data, MSA-level firm-level scaling histories. [p.49](#)
- 64** Authors' analysis of Lightcast Gazelle company data, revenue tier distribution among tech companies in each metro. [p.49](#)
- 65** Authors' analysis of Lightcast Gazelle company data, average local employee count among standalone product/platform companies (NAICS 5132, 5182, 5162, 5192). [p.49](#)
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- 99** This exercise is meant to suggest that population growth does not need to be extremely high to have positive fiscal impact if Seattle grows in the right way. [p.78](#)
- 100** This likely understates the importance of Advanced Industries, because it is hard to imagine 5,000 net new residents per year in Seattle if growth were driven primarily by local-serving industries. [p.78](#)
- 101** Figures are estimates for illustration. New jobs from migration assume 85 percent of in-migrants are working-age and employed. New jobs from employment rate gain are calculated against the city’s working-age population (~600,000). Job creation costs of \$5,000 per job reflect customized services (customized workforce interventions, site development, shared R&D equipment) rather than firm-specific tax incentives. Workforce costs assume 75 percent of employment rate gain requires intervention and 1.25 trainees per successful placement, at \$12,000 per trainee. The \$15M/year institutional capacity figure represents strategic capacity Seattle currently lacks and is additive to the existing OED budget. Figures do not net out marginal General Fund service costs from new residents (~\$1,500/capita) or credit state and federal matching dollars that would reduce the city’s net cost. [p.78](#)

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