

# Office of Economic Development

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## Department Overview

The Office of Economic Development (OED) helps create a robust and sustainable economy with broadly shared prosperity. OED supports a healthy business environment, empowers companies to innovate, grow and compete, while at the same time supporting low-income Seattleites towards viable career paths. The core services OED provides capitalize on Seattle's economic strengths, particularly in the industry areas of film and music, manufacturing and maritime, technology, startups, restaurants, healthcare, life sciences/global health, and clean technology. To accomplish this mission, the office delivers services designed to:

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

In addition to these services, OED manages a number of financing programs to increase access to capital for projects from micro-loans to major capital lending. Among these financing tools are two federal programs: New Markets Tax Credits (NMTC) and HUD Section 108. NMTC leverages private investment in low-income communities through federal tax incentives. HUD Section 108 loans provide financing for economic development and housing projects in low and middle-income neighborhoods. Through these programs, the department manages \$79 million of allocated NMTCs, all of which has been awarded, and manages an available HUD Section 108 loan pool of \$36.4 million, of which \$14.7 million has been awarded.

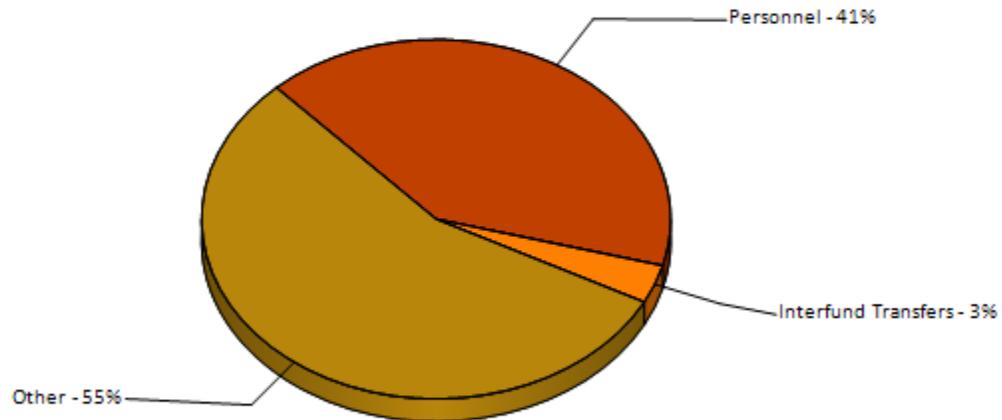
## Budget Snapshot

Department Support	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
General Fund Support	\$7,213,008	\$7,608,750	\$7,568,677	\$7,919,172
Other Funding - Operating	\$3,018,132	\$1,535,683	\$1,470,354	\$1,470,354
<b>Total Operations</b>	<b>\$10,231,140</b>	<b>\$9,144,433</b>	<b>\$9,039,031</b>	<b>\$9,389,526</b>
<b>Total Appropriations</b>	<b>\$10,231,140</b>	<b>\$9,144,433</b>	<b>\$9,039,031</b>	<b>\$9,389,526</b>
Full-time Equivalent Total*	25.50	27.50	27.50	30.50

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

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## 2016 Proposed Budget - Expenditure by Category



### Budget Overview

The 2016 Proposed Budget for the Office of Economic Development (OED) enhances the City's commitment to support, engage and grow businesses in all parts of the city. Several items respond to the unique nature of Seattle's business community, changing needs and evolving long-term economic goals. The proposed budget increases capacity to respond to the growing volume of special event, film and farmers' market permits and implement process improvements adopted in 2015. The proposed budget also transfers the international business development program from the Office of Intergovernmental Relations to better leverage the relationships and resources within OED and connect it to the City's broader economic development agenda. The budget also adds resources to support the Youth Employment Initiative, a citywide effort to increase the number of employment opportunities available to young adults. Finally, the budget realigns existing capacity to broaden the extent and depth of economic development analysis and outreach the office is able to perform.

### Reforming the Special Events Process

In 2012, special events administration was transferred from the Department of Parks and Recreation to OED to strengthen the linkages between the promotion of special events and economic development. The original fee structure was adopted in 1991 and has remained largely unchanged since then. In 2015, OED worked with a number of City departments, event organizers and other stakeholders to develop a revised permit fee structure and process, proposing a number of amendments to the special events ordinance in legislation that was adopted by the City Council in September. The new fee structure aligns the fees charged to event organizers more closely with the services provided by the City, differentiates between the types of event and maintains a level of subsidization for all events.

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In addition to revisions to the fee structure, OED identified a number of process improvements to the permitting process including increased process transparency, timelier permit issuance and better coordination between departments. The proposed budget provides additional resources and capacity to implement the envisioned process improvements, facilitate the permitting process and increase the level of customer service provided to event organizers. The increased administrative capacity will also increase capacity more broadly within the Office of Film and Music and allow for greater flexibility of existing staff to respond to other priorities.

## Enhancing the City's Economic Development Agenda

Seattle continues to grow as a globally competitive hub for international investment and economic development, providing new opportunities to connect local businesses with new markets and bolster Seattle's reputation as a city for international business. The 2015 Adopted Budget provided resources to the Office of Intergovernmental Relations (OIR) to develop an international economic development agenda in partnership with OED and the Mayor's Office to attract international investment in Seattle and capitalize on existing partnerships. The proposed budget transfers the international business development program from OIR to OED to strengthen the ties between international development opportunities and local businesses and better integrate the program into the City's economic development agenda.

While Seattle has experienced rapid economic growth in recent years and is expanding its profile as an international place of business, the City also needs to ensure that economic opportunities are readily available for its youth. Over 6,300 Seattle youth ages 16-24 are not currently employed, in school or have a degree beyond high school. In response to the need for increased access to employment opportunities, the City launched the Mayor's Youth Employment Initiative in 2015 with a goal of doubling the number of available job opportunities to 2,000. To sustain this work and continue expanding the program, the proposed budget includes resources to support an intermediary organization that will identify employment opportunities in the private sector, facilitate connecting youth to jobs and manage relationships between youth, employer, and the City. This intermediary will also track and monitor annual data and continuously evaluate the program's success.

Finally, the proposed budget enhances the strategic capacity of the office by expanding the responsibilities of two existing positions. OED will expand management of the New Market Tax Credit and HUD Section 108 loans portfolio to more efficiently conduct outreach to businesses and provide more direct technical assistance to businesses and the New Market Credit Board. Similarly, OED will expand its communications function to include more rigorous data collection and economic analysis of current trends and best practices to help inform policy and program development. Tracking economic metrics and indicators more closely will allow OED to identify trends affecting key industry sectors, propose policy changes and work across departments to support programmatic investments responsive to the business community's needs.

## Incremental Budget Changes

### Office of Economic Development

	2016	
	Budget	FTE
<b>Total 2016 Endorsed Budget</b>	<b>\$ 9,039,031</b>	<b>27.50</b>
<b>Baseline Changes</b>		
Citywide Adjustments for Standard Cost Changes	-\$ 92,467	0.00

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## Proposed Changes

Transfer International Business Development program	\$ 197,134	1.00
Special Events Permitting Process Reform	\$ 215,922	2.00
Enhanced Economic Development Capacity	\$ 38,906	0.50
Youth Employment Initiative	\$ 175,000	0.00
Citywide Summit Re-Implementation Project	\$ 26,000	0.00

## Proposed Technical Changes

Technical Funding Source Realignment	-\$ 210,000	0.00
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<b>Total Incremental Changes</b>	<b>\$ 350,495</b>	<b>3.50</b>
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<b>2016 Proposed Budget</b>	<b>\$ 9,389,526</b>	<b>31.00</b>
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## Descriptions of Incremental Budget Changes

### Baseline Changes

#### Citywide Adjustments for Standard Cost Changes - (\$92,467)

Citywide technical adjustments made in the initial planning phase reflect changes in the internal services costs, health care rate reduction, retirement contribution rate reduction, and updates to unemployment and industrial insurance charges. There was also an adjustment made to the 2016 base to recoup savings from a higher-than-expected inflation provided in the 2015 Adopted Budget for non-labor expenses. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

### Proposed Changes

#### Transfer International Business Development program - \$197,134/1.00 FTE

This item transfers one full-time strategic advisor position from the Office of Intergovernmental Relations to the Office of Economic Development. This position was added in the 2015 Adopted Budget to develop and oversee a new international business development program. Transferring this position to OED leverages existing relationships with businesses and provides more opportunity for connections and partnerships between Seattle's local business community and foreign investors. In addition to the position, existing funding for the City's annual dues to the Trade Development Alliance is reduced by \$44,000 to \$25,000 and transferred to OED. One-time resources of \$5,000 are provided for space-related costs. An additional \$10,000 is provided for travel as well as \$10,000 for annual dues to the Washington State China Relations Council, a new membership for the City.

#### Special Events Permitting Process Reform - \$215,922/2.00 FTE

This adjustment adds resources to expand the Special Events capacity within the Office of Film and Music to respond to the increased volume and complexity of permits and implement process improvements. One full-time administrative specialist and one full-time administrative staff assistant will complement existing staff dedicated to facilitating the special events permitting process and provide an increased level of customer service to event

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organizers. The 2015 Adopted Budget included one-time, temporary resources to address capacity issues while OED reviewed the special events process and permit fee structure. In addition to increased staffing capacity, this adjustment also includes one-time resources of \$35,000 to create a visual online and printed guide to clarify the permitting process for event organizers.

This item is supported with increased revenue generated by changes to the special events fee structure. The former fee structure was based on the estimated attendance of an event, with no distinction between the event type and the amount of City resources required to put on the event. Since Council adopted the original ordinance in 1991, special events have grown exponentially and the unrecovered cost to the City to support special events was over \$4 million a year. In order to continue providing a high level of customer service and the necessary resources to support events, the new fee structure aligns the permit fee to the services required of the City. The new structure also distinguishes between several different categories of events including free speech, community, parades, commercial, and athletic to determine the appropriate charge for City services. The new fee structure will be phased in over multiple years to assist organizers as they plan for future events.

### **Enhanced Economic Development Capacity - \$38,906/.50 FTE**

This item includes several adjustments to account for leadership changes as well as programmatic enhancements to broaden the City's economic development agenda. A finance analyst assistant position is reclassified to a community development specialist, senior to better align with the breadth of responsibilities for which the position is accountable, including managing the New Market Tax Credit and HUD Section 108 loan portfolios. This reclassification is supported by fees generated by both programs. Additionally, an existing part-time public relations specialist position is increased to full-time and reclassified to a community development specialist to assist with data collection and analysis to develop an economic intelligence function within the office. This position will retain the communications work that it currently manages. OED will pay for this position increase and reclassification using existing funding.

### **Youth Employment Initiative - \$175,000**

This item adds \$150,000 to support the development of youth-employer connections necessary to create new youth internship opportunities. In 2015, the City secured a grant from JP Morgan Chase for \$500,000 over two years to support the implementation of the Youth Employment Initiative with a goal of connecting 2,000 youth to internship or employment opportunities in the first year. To complement this funding, this item will provide resources to develop needed infrastructure and aid an intermediary organization in coordinating employer recruitment, tracking youth employment, evaluating the initiative's success and fundraising to support ongoing operations. An additional \$25,000 is provided to design and implement a governance and oversight structure for the intermediary, ensure the program's design is successful as it develops and support the Youth Employment Task Force, an external advisory group.

### **Citywide Summit Re-Implementation Project - \$26,000**

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

## **Proposed Technical Changes**

### **Technical Funding Source Realignment - (\$210,000)**

This adjustment replaces General Fund support originally intended for business technical assistance programming with existing Community Development Block Grant (CDBG). The 2015 Adopted Budget included \$210,000 of General Fund for business technical assistance targeted towards immigrant and refugee small business owners

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affected by the implementation of the new minimum wage ordinance and other new business regulations and policies enacted by the City. Through a competitive process, OED selected an organization to implement a scope of work that is eligible for CDBG funding. This change maintains the funding source swap implemented as part of the 2015 Council adopted Annual Action Plan. This adjustment will have no impact on the program, and OED will use existing CDBG funding and appropriation authority to implement the program.

### Expenditure Overview

Appropriations	Summit Code	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
<b>CDBG - Office of Economic Development Budget Control Level</b>	<b>6XD10</b>	<b>3,018,132</b>	<b>1,535,683</b>	<b>1,470,354</b>	<b>1,470,354</b>
<b>Office of Economic Development Budget Control</b>					
Business Services		5,628,105	6,306,503	6,250,446	6,576,436
Economic Development Leadership		728,184	517,256	520,845	528,401
Finance and Operations		856,718	784,991	797,386	814,335
<b>Total</b>	<b>X1D00</b>	<b>7,213,008</b>	<b>7,608,750</b>	<b>7,568,677</b>	<b>7,919,172</b>
<b>Department Total</b>		<b>10,231,140</b>	<b>9,144,433</b>	<b>9,039,031</b>	<b>9,389,526</b>

<b>Department Full-time Equivalents Total*</b>	<b>25.50</b>	<b>27.50</b>	<b>27.50</b>	<b>30.50</b>
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*\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.*

### Appropriations By Budget Control Level (BCL) and Program

#### CDBG - Office of Economic Development Budget Control Level

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

	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
<b>Program Expenditures</b>				
Economic Development	3,018,132	1,535,683	1,470,354	1,470,354
<b>Total</b>	<b>3,018,132</b>	<b>1,535,683</b>	<b>1,470,354</b>	<b>1,470,354</b>

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## **Office of Economic Development Budget Control Level**

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
<b>Program Expenditures</b>	<b>Actuals</b>	<b>Adopted</b>	<b>Endorsed</b>	<b>Proposed</b>
Business Services	5,628,105	6,306,503	6,250,446	6,576,436
Economic Development Leadership	728,184	517,256	520,845	528,401
Finance and Operations	856,718	784,991	797,386	814,335
<b>Total</b>	<b>7,213,008</b>	<b>7,608,750</b>	<b>7,568,677</b>	<b>7,919,172</b>
Full-time Equivalents Total*	25.50	27.50	27.50	30.50

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

### **Business Services Program**

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
<b>Expenditures/FTE</b>	<b>Actuals</b>	<b>Adopted</b>	<b>Endorsed</b>	<b>Proposed</b>
Business Services	5,628,105	6,306,503	6,250,446	6,576,436
Full-time Equivalents Total	20.00	21.50	21.50	24.50

### **Economic Development Leadership Program**

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
<b>Expenditures/FTE</b>	<b>Actuals</b>	<b>Adopted</b>	<b>Endorsed</b>	<b>Proposed</b>
Economic Development Leadership	728,184	517,256	520,845	528,401
Full-time Equivalents Total	4.00	4.00	4.00	4.00

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## Finance and Operations Program

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
<b>Expenditures/FTE</b>	<b>Actuals</b>	<b>Adopted</b>	<b>Endorsed</b>	<b>Proposed</b>
Finance and Operations	856,718	784,991	797,386	814,335
Full-time Equivalents Total	1.50	2.00	2.00	2.00