

Budget Deliberations
OFFICE OF ECONOMIC DEVELOPMENT

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Table 1. Expenditures/Revenues (\$ in 1,000's)

	2016 Adopted Budget	2017 Proposed Budget	% Change 2016 to 2017	2018 Proposed Budget	% Change 2017 to 2018
Expenditures by Budget Control Level (BCL)					
Office of Economic Development	\$10,066	\$9,021	(10.4%)	\$9,151	1.4%
Community Development Block Grant (CDBG)	\$1,420	\$1,438	1.3%	\$1,441	.2%
Total Expenditures	\$11,486	\$10,459	(8.9%)	\$10,592	1.3%
Total Full-time Equivalents (FTEs)	31.0	35.5	14.5%	35.5	0

Totals may not exactly reflect sum of line items due to rounding.

Dollars rounded to nearest \$1,000; percentages to nearest 0.1%.

Interactive Budget Page Link:

<http://www.seattle.gov/city-budget/2017-18-proposed-budget/economic-development>

INTRODUCTION

The Office of Economic Development (OED)'s 2017 Proposed Budget is \$10.5 million, about \$1 million or 8.9 percent lower than the 2016 Adopted Budget. This reflects the removal of \$2.2 million in one-time funds included by Council in the 2016 Adopted Budget.

Budget and staffing additions in the 2017 Proposed Budget include:

1. \$597,000 to expand the Mayor's Youth Employment Initiative (MYEI), including one Strategic Advisor (SA) 2 position to support management and growth of the program;
2. \$144,000 to expand outreach and assistance to small businesses before and during major construction projects through an SA2 position partnering with the Seattle Department of Transportation and the Department of Neighborhoods;
3. \$136,000 to support the Office of Film + Music + Special Events to develop OED's nightlife initiative through an SA1 position; and
4. \$362,500 to activate King Street Station, \$85,000 for a commercial affordability programming, and \$122,000 to fund financial support or microbusinesses (Note: Mostly uses existing reprogrammed CDBG funds.)

IDENTIFIED ISSUES

1. **Reallocate Only in Seattle grants to fund BIA staffing - \$136,306**

The proposed budget funds an SA1 position for BIA development by reducing the base budget for Only in Seattle (OIS) infrastructure projects (\$500,000) by \$136,306 of General Subfund (GSF), a 27.3 percent reduction. Reducing GSF dollars from the OIS program reduces the amount of funding available to neighborhoods not qualified for CDBG funding¹ from 46 percent to 41 percent and reduces the total OIS funding by 8.7 percent.

While both programs address needs of neighborhood businesses, the OIS infrastructure projects directly awards GSF for capital improvement projects to enhance amenities in parks and rights of way. BIAs support neighborhood services such as public area maintenance, streetscape improvements, parking, and security; and in contrast, each BIA is supported through a self-imposed property tax on BIA property owners.

In addition, the City fully funds the costs of support and administration of BIAs. Though OED considered imposing a fee on existing BIAs for such costs, it ultimately did not implement one. To the extent that BIA staff will be splitting work between supporting existing BIAs and helping new BIAs form, it may be worth reexamining whether to create a fee structure to proportionately fund the support and administration of existing BIAs and the timeframe for doing so.

Options:

- A. Restore some or all funding to the OIS program by using funds shifted to the BIA position, and retain the BIA position and provide position funding through a one-time add of GSF while examining the potential for an administrative fee on BIAs in 2018;
- B. Restore some or all funding to the OIS program by using funds shifted to the BIA position, and retain the BIA position and provide position funding through ongoing GSF;
- C. Do nothing: accept OED's proposed budget reallocation of \$136,306 from OIS to fund the BIA position.

2. **Supporting the Mayor's Youth Employment Initiative - \$597,049**

The 2017 proposed budget would add (a) \$450,000 to maintain a contractor managing youth employment opportunities and (b) \$147,049 to fully fund the addition of a proposed new SA2 position to support the program.

Between OED's initial proposal to add \$597,049 earlier this year and the delivery of the Mayor's proposed budget in September, OED's youth employment projections dropped from 4,000 to 2,700 internships for 2016 and from 5,000 to 3,000 in 2017. While the rate of anticipated growth for the program decreased, the proposed funding was not adjusted to reflect the decrease. In addition, the revised projections indicate that there will be approximately 1,000 fewer internships available as initially estimated due to a lower rate of growth. In other words, the delivery of internships is becoming more costly.

¹ In 2017, without the proposed reprogramming, the total Only in Seattle funds available would be \$1.6 million, of which \$500,000 would be for the City Infrastructure Grant, with an additional \$220,000 GSF for general grant awards. The remainder is use-restricted CDBG funds.

Options:

- A. Decrease funding to \$450,000 by not funding the new position to reflect the reduction in projected internships;
- B. Do nothing: Approve the 2017-2018 proposed budget funding at \$597,049.

COUNCILMEMBER PROPOSALS

1. *Add \$186,306 GSF for Only in Seattle – Councilmember Bagshaw*

This add would restore \$136,306 in funding to OIS (see discussion in Identified Issues) and provide \$50,000 in additional funding for OIS investments in Belltown.

2. *Add \$100,000 GSF for a study on legacy businesses – Councilmember Herbold*

This funding would support a study to determine the scope and definition of a Seattle Legacy Business project. Based on San Francisco's model, a Legacy Business Project could preserve businesses that contribute to the City's unique culture and character and are at imminent risk of closure. Potential elements of a Seattle Legacy Business project could include one or more of the following:

- 1. The creation of a business registry that recognizes businesses meeting a specific set of criteria as historic assets.
- 2. The creation of a preservation fund that supports registry businesses with marketing and promotion, business assistance grants, rent stabilization grants, business assessments, business technical assistance, tenant improvement grants, and property acquisition grants.

The study could look at how the City's current processes for reviewing projects, making decisions, and planning preservation can support those establishments.

3. *Proviso on \$360,000 CDBG funds for King Street Station activation – Councilmember Herbold*

The Mayor's Commercial Affordability Recommendations committed \$360,000 in the 2017 budget to transforming the second floor and plaza space of King Street Station into affordable food and retail space that will serve as an attractive gathering place for neighboring residents, workers and travelers. The CDBG funding for the renovation of tenant spaces may be matched by funds from other sources (e.g., federal grants, foundations). This proposal would require that OED report back to Council before funding is released to describe how the RFP will:

- Direct commercial affordability opportunities and resources to low-income entrepreneurs;
- Showcase the cultural and racial diversity of Seattle;
- Encourage cross-cultural interactions;
- Demonstrate commitment to involving the adjacent communities in development;
- Support a model that serves as a business incubator for low-income immigrant and refugee entrepreneurs by providing education, training, resources, facilities and support; and
- Create new independent businesses in a scalable and sustainable way

4. *Statement of Legislative Intent (SLI) for Commercial Rent Control – Councilmember Sawant*

This proposal would request that the Mayor's Office and OED convene a task force of small businesses to make proposals for reasonable regulations on the rents of commercial property in Seattle. Any recommendations from this group could inform Council's consideration of a future ordinance to implement some form of commercial rent control.

5. *SLI for flexible retirement accounts – Councilmember Sawant*

The proposal would request that OED investigate how the City could establish and manage a flexible retirement savings account system that employers throughout Seattle could contribute to as part of their employees' compensation. The City would not be contributing to these retirement accounts; rather, the City would manage a new system that would allow small businesses to provide retirement services to their employees.