

Budget Deliberations – October 17, 2019

OFFICE OF ECONOMIC DEVELOPMENT

Staff: Yolanda Ho, Analyst

Budget Summary (\$ in 1,000s)

	2019 Adopted	2020 Endorsed	2020 Proposed	% Change 2020 Endorsed to 2020 Proposed
Appropriations by BSL				
<i>Leadership and Administration</i>	\$2,197	\$2,154	\$2,560	18.8%
<i>Business Services</i>	\$8,486	\$8,046	\$8,666	7.7%
Total Appropriation	\$10,683	\$10,200	\$11,226	10.1%
Total FTEs	35.50	35.50	36.0	1.4%
Fund Source(s)				
<i>General Fund</i>	\$10,683	\$10,200	\$11,226	10.1%
Total Funding	\$10,683	\$10,200	\$11,226	10.1%

Background

The Office of Economic Development's (OED) seeks to foster an inclusive economy that grows family-wage jobs and increases wealth among underserved communities. OED's work is focused in four primary program areas, all of which prioritize underserved populations: (1) supporting entrepreneurs; (2) building healthy and vibrant neighborhood business districts; (3) developing the talent of youth and adults; and (4) partnering with key industry sectors.

Compared to the 2020 Endorsed Budget, the Mayor's 2020 Proposed Budget would add about \$1 million in General Fund (GF) support for OED. This increase is primarily due to salary and other benefit increases, higher internal service costs, and position reclassifications. The proposed budget would add \$300,000 in GF support in OED for the Only in Seattle (OIS) initiative, which provides grants and staff support to neighborhood business districts. This budget increase addresses an issue identified in a 2018 audit by the U.S. Department of Housing and Urban Development (HUD) regarding OED's use of Community Development Block Grant (CDBG) funding, which supplied over 56 percent of the resources for OIS grants in the 2019 Adopted Budget.

HUD allows use of CDBG funds for economic development only to provide direct technical support to individual businesses, as opposed to OIS's more comprehensive approach to supporting broader business district needs. The proposed addition of GF dollars to OIS will allow the initiative to continue to fund more general business district priorities, such as beautification, infrastructure improvements, and neighborhood events. The GF dollars to OIS would allow \$300,000 of CDBG funding to be shifted to OED's new Business Stabilization and Tenant Improvement Funds that will directly support individual small businesses, prioritizing those located in areas with high risk of displacement.

[Green Sheet 22-1-B-1-2019](#) imposed a proviso on \$185,000 of OED's 2020 Endorsed Budget for the Transgender Economic Empowerment Program. The 2020 Proposed Budget adds \$185,000 GF to OED's baseline for this purpose.

Issue Identification

1. Proposal to Restructure the Office of Film and Music

Under the leadership of Director Lee, OED is proposing to implement an Inclusive Economy Agenda, which centers racial equity within the department's core functions. This initiative, developed in collaboration with the Office of Arts and Culture (ARTS), includes a proposal to repurpose resources associated with the Office of Film and Music (OFM) to support OED's new Creative Industry Cluster. To effectuate this change, the Proposed 2020 Budget would:

1. Convert the vacant OFM Director position (1.0 FTE Strategic Advisor 3) to serve as the Creative Industry Cluster Director;
2. Add a new Creative Industry Policy Advisor (1.0 FTE Strategic Advisor 2) to support policy and program development and \$164,000 GF to fund the position; and
3. Transfer the Creative Economy Business Advocate (1.0 FTE Strategic Advisor 1) to ARTS, to be shared with OED, and \$50,000 in annual support for the Seattle Music Commission. Both the position and the commission support are funded through the admission tax.

Additionally, the 2020 Proposed Budget would reclassify a 1.0 FTE Administrative Specialist II BU in OFM to a Community Development Specialist to support data collection and analysis in OED, requiring a \$7,000 increase in GF support. Other existing positions in OFM – Film & Special Events Program Lead (1.0 FTE Strategic Advisor 2), Nightlife Business Advocate (1.0 FTE Strategic Advisor 2), Permit Specialists (2.0 FTE Administrative Staff Assistants), and Permitting Administrative Specialist (1.0 FTE Administrative Specialist II BU) – remain unchanged.

Given that this is a new initiative, Councilmembers may want to allow OED to convert the vacant OFM Director position to the Creative Industry Cluster Director as proposed, but not add the Creative Industry Policy Advisor until after OED has filled the Director position and can demonstrate a clear need for this additional position.

Options:

- A. Add position authority and cut \$164,000 GF for the proposed Creative Industry Policy Advisor (1.0 FTE Strategic Advisor 2).
- B. Cut both position authority and \$164,000 GF for the proposed Creative Industry Policy Advisor (1.0 FTE Strategic Advisor 2).
- C. No action.

2. Business Recruitment and Retention Consultant Services

Last year, the Council adopted [Green Sheet 22-4-A-1-2019](#), which cut \$100,000 from OED's 2019 Adopted and 2020 Endorsed Budgets that was proposed to support Greater Seattle Partners, a public-private regional economic development corporation. Despite this action, the Executive fully funded this contract in 2019. The 2020 Proposed Budget adds \$100,000 GF in OED's baseline to continue funding this contract.

Options:

- A. Cut all \$100,000 GF proposed for this contract.
- B. Cut some portion of the \$100,000 GF proposed for this contract.
- C. No action.

Budget Actions Proposed by Councilmembers as of October 10, 2019

- 1. Add resources to support "high road" apprenticeships (Councilmember Mosqueda)** – This action would add funding (amount to be determined) for OED to contract with an organization, such as the Workforce Development Council of Seattle-King County, to support "high road" apprenticeships, defined as those that offer high wages, full benefits, career advancement pathways, and a voice on the job.
- 2. Resources for developers to connect with small businesses and service providers (Councilmember Mosqueda)** – This action is for a Statement of Legislative requesting that OED collaborate with the Office of Housing, Seattle Department of Construction and Inspections, and the Office of Planning and Community Development to develop resources that will connect building owners and developers with small businesses and service providers that are seeking commercial tenancies. This could include, but is not limited to developing: (1) a database of small businesses that are either at risk of displacement or have already been displaced and an inventory of existing vacant commercial spaces and commercial space under development; (2) information on potential funding opportunities for commercial space, such as the Equitable Development Initiative, Seattle Preschool Program, and child care facilities program; and (3) information on permitting, leasing, licensing, and other applicable processes as well as rules and other requirements. Resources should be provided to all developers pursuing mixed-use residential projects (both affordable and market-rate) at pre-application meetings.
- 3. Add \$50,000 GF to identify strategies to assist small businesses through City permitting processes (Councilmember Mosqueda)** – This action would add \$50,000 to develop and translate informational materials about City permitting requirements for small businesses and train community-based organizations to provide permit coaching for local small businesses.

- 4. Add \$50,000 GF to survey small businesses in the Central District (Councilmember Sawant) –**
This action would add \$50,000 for OED to contract with a community-based organization to conduct a survey of small businesses in the Central District to collect business demographics and identify strategies for the City to support small businesses, prioritizing historically marginalized business owners.
- 5. Add \$200,000 GF to support redevelopment of the Seattle Vocational Institute (Councilmember Harrell) –** This proposal would provide the Central District Community Preservation and Development Authority (CPDA) with funding for pre-development costs associated with redevelopment of the Seattle Vocational Institute building.
- 6. Add \$150,000 GF to study employment dependent on fossil fuels and develop strategies for ensuring a just transition for workers (Councilmember O'Brien) –** This action would add \$150,000 for consultant services to analyze employment dependent on fossil fuels in the Seattle metropolitan area (e.g., people directly employed by the fossil fuel industry, pipefitters, natural gas appliance retailers, auto mechanics, etc.); interview key stakeholders, including labor unions, workforce training providers, and small businesses; and provide recommendations to ensure a just transition for workers, in keeping with the principles of the Green New Deal for Seattle.
- 7. Add \$100,000 GF to support the film industry (Councilmember Herbold) –** This action would add \$100,000 to support advancement of the film production sector.