

**Overview and Initial Issues Identification
OFFICE OF ECONOMIC DEVELOPMENT (OED)**

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Expenditures/Revenues*

	2014 Adopted Budget	2015 Proposed Budget	% Change '14 to '15	2016 Proposed Budget	% Change '15 to '16
Expenditures by BCL					
OED	\$6,974,000	\$7,509,000	7.7%	\$7,569,000	0.8%
Community Development Block Grant	\$1,529,000	\$1,536,000	0.5%	\$1,470,000	-4.3%
Total Expenditures	\$8,503,000	\$9,044,000	6.4%	\$9,039,000	-0.1%
Total FTEs	25.5	27.5	7.8%	27.5	0.0%
Revenues					
General Subfund	\$6,974,000	\$7,509,000	7.7%	\$7,569,000	0.8%
CDBG	\$1,529,000	\$1,536,000	0.5%	\$1,470,000	-4.3%
Total Revenues	\$8,503,000	\$9,044,000	6.4%	\$9,039,000	-0.1%

* Minor mathematical discrepancies are due to rounding.

Introduction:

The 2015 Proposed Budget for OED is just over \$9 million and reflects a 6.4% increase (\$542,000) from the 2014 Adopted Budget. In 2016, OED's budget proposal is also just over \$9 million. OED's two primary revenue sources are the General Subfund (GSF) and Community Development Block Grant (CDBG) support. The most significant proposed changes to OED's baseline budget are listed below and described in greater detail in the "Identified Issues" section of this memorandum:

- 1) New funding for technical assistance and other services for small businesses impacted by the new minimum wage requirements and other recent changes to the City's business regulations (\$210,000 GSF in both 2015 and 2016);
- 2) New funding for business outreach services associated with Access Seattle, an interdepartmental construction management program coordinated by SDOT (\$143,000 GSF in 2015; \$135,000 GSF in 2016); and
- 3) Additional funding for neighborhood business district support provided through the Only in Seattle initiative (\$250,000 CDBG in 2015; \$185,000 CDBG in 2016).

Three personnel changes are requested for OED: a new Strategic Advisor 2 position to provide business outreach services as part of the Access Seattle program (1.0 FTE); a new part-time Public Relations Specialist position (0.5 FTE); and increased position authority for the existing part-time Strategic Advisor 2 position held by OED's Finance

Director (0.5 FTE increase). All of these proposed staffing changes are further described in subsequent sections of this document. OED's current FTE count is 25.5; under the 2015-2016 Proposed Budget, that total would rise to 27.5.

One piece of OED budget legislation will be presented to the Council during Round 1. It pertains to Central Area Capital Fund expenditures and is summarized in the "Other Changes" section of this memorandum. No capital projects are associated with OED's 2015-2016 budget proposal.

Identified Issues:

Central Staff has identified the following elements of OED's 2015-2016 budget proposal for further review by Councilmembers:

1) Small Business Support – New Program

The 2015-2016 Proposed Budget for OED includes \$210,000 GSF, per year, to provide small businesses impacted by the new minimum wage requirements and other recent changes to the City's business regulations with access to technical assistance and other services that will help them operate successfully into the future. The funding is proposed to be ongoing and, following the 2015-2016 biennium, would become a part of OED's baseline budget. OED expects to contract out the full \$210,000 GSF for both years to local business associations and other organizations that are well-positioned to identify specific businesses in need of training, financial services, and other forms of support as they amend their cost structures and come into compliance with new City laws.

Further discussion of this issue, as well as an overview of possible options for associated Council budget actions, will occur during the Issues Identification session for the proposed creation of an Office of Labor Standards (OLS) within the Office for Civil Rights. The 2015-2016 Proposed Budget assigns OLS responsibility for investigating, enforcing, and performing community outreach activities related to all City regulations that address labor standards. These regulations include, but are not limited to, the City's minimum wage, paid sick and safe leave, wage theft, and job assistance ordinances. In light of this intended mission for OLS, Councilmembers may want to explore opportunities for reorganizing or consolidating some of the funding for small business outreach and support included in the budget proposals for OED and OLS. The Issues Identification session for OLS is scheduled to occur immediately following the OED presentation on October 22.

2) Business Outreach Services for Access Seattle – New Program

Access Seattle is a new interdepartmental program managed by SDOT and tasked with planning, coordinating, and monitoring construction activity in downtown Seattle and neighborhood commercial districts. SDOT and OED have piloted elements of the program over the past year using existing resources. SDOT's budget proposal includes nearly \$1.5 million to formalize Access Seattle in 2015 and just over \$1.4 million in 2016. These investments, all supported by street use permit fee revenues, would be used to fund technology and communications upgrades, consultant services, and two new staff positions in SDOT.

OED's budget proposal also includes funding for Access Seattle: \$143,000 GSF in 2015 and \$135,000 GSF in 2016 to fund a new, full-time (1.0 FTE) Strategic Advisor 2 position to provide businesses impacted by large-scale construction projects with outreach services and other assistance. The extra \$8,000 GSF for 2015 would be used to support office space planning activities and equipment purchases associated with the position add. The specific responsibilities assigned to the new position would include:

- Determining, in consultation with SDOT staff, which businesses will be most heavily impacted by planned construction projects;
- Establishing direct lines of communication with individual businesses and commercial property owners before and during construction projects;
- Providing or connecting businesses with technical assistance, training, and strategic advice;
- Identifying promotional opportunities for businesses affected by large construction projects, including coordination with existing neighborhood marketing efforts; and
- Working with SDOT and neighborhood business district representatives to identify street-level improvements that could be implemented in active construction areas to help mitigate impacts on nearby businesses (e.g., signage, additional street cleaning services, business access plans, temporary art installations).

Access Seattle is proposed as an ongoing program, which, if approved by the Council for formal implementation in 2015 and 2016, would result in the funding for the business outreach position becoming part of OED's baseline budget in 2017 and beyond. The business outreach position is the only element of Access Seattle that is not proposed to be housed within SDOT. Further discussion of the Access Seattle program will occur during the Issues Identification session for SDOT on October 24.

Options

- a) Amend the 2015-2016 Proposed Budget to eliminate position authority and GSF support for the Access Seattle business outreach position.
- b) Transfer the position authority and GSF support for the Access Seattle business outreach position from OED to SDOT.
- c) Transfer the position authority for the Access Seattle business outreach position from OED to SDOT, cut the associated GSF support, and direct SDOT to fund the position using its existing resources.

- d) Approve the position authority and funding for the Access Seattle business outreach position as requested in the 2015-2016 Proposed Budget.

3) Only in Seattle – Additional Funding for Existing Program

Since 2011, OED’s Only in Seattle program has provided more than \$5 million in City-funded grants to neighborhood business districts across the City. These resources have supported façade improvement projects, community marketing initiatives, capacity building programs for local business organizations, retail recruitment activities, graffiti removal efforts, and other strategies to improve Seattle’s neighborhood-based commercial districts. A summary of all Only in Seattle program funding since 2011 is provided below.

Only in Seattle Program Funding, 2011-2016

	2011	2012	2013	2014	2015 (Proposed)	2016 (Proposed)
CDBG	\$687,168	\$592,792	\$677,702	\$1,049,304	\$916,675	\$851,675
GSF	\$213,832	\$323,000	\$720,000	\$980,000	\$720,000	\$720,000
OED Funding	\$901,000	\$915,792	\$1,397,702	\$2,029,304	\$1,636,675	\$1,571,675
Other Funding*	\$170,000	\$290,000	\$181,095	\$131,300	\$230,000	\$100,000
Total Funding	\$1,071,000	\$1,205,792	\$1,578,797	\$2,160,604	\$1,866,675	\$1,671,675

* For 2015, this funding includes \$100,000 from the Seattle Investment Fund (New Market Tax Credit fee revenues) and \$130,000 from the Central Area Capital Fund (see item 3 in the “Other Changes” section of this memorandum). For 2016, the Seattle Investment Fund would again provide \$100,000.

Total funding for Only in Seattle increased annually from 2011 through 2014. In 2015 and 2016, funding for the program is proposed to decline. The reductions are largely due to the non-continuance of one-time special investments in Chinatown/ID and Little Saigon (\$580,000 in 2014) and the Central Area (\$130,000 in 2015; see item 3 in the “Other Changes” section of this memorandum for more information). To offset a portion of these cuts, OED’s 2015-2016 budget proposal includes \$435,000 CDBG in new Only in Seattle program funds (\$250,000 in 2015 and \$185,000 in 2016) to support neighborhood business district improvement projects located in CDBG-eligible areas across the City. Overall, City support for Only in Seattle is on a course to increase by 74% between 2011 and 2016.

Options

- a) Amend the 2015-2016 Proposed Budget to reduce the amount of CDBG or GSF funding that would be available to support the Only in Seattle program. If Councilmembers are interested in pursuing this option, Central Staff will work with CBO and OED staff to determine the specific impacts associated with different levels of funding cuts.

- b) Approve funding for Only in Seattle as requested in the 2015-2016 Proposed Budget.

Other Changes that Do Not Warrant Analysis as “Issues”:

1) Minor Staffing and Administrative Adjustments

As was noted previously in this memorandum, OED’s 2015-2016 budget proposal provides position authority for a new part-time Public Relations Specialist (0.5 FTE) and increased position authority for the existing part-time Strategic Advisor 2 position held by OED’s Finance Director (0.5 FTE increase). Both of these staffing adjustments would be supported by existing GSF resources. OED anticipates it will be able to pay for these staffing increases in 2015 and 2016 using salary underspend generated by other, existing positions in the Department that are currently under-filled. In subsequent years, additional GSF resources may be necessary to sustain these positions at the proposed FTE levels.

OED’s budget proposal also includes \$10,000 GSF, to be payable to the Office of Housing (OH), for ongoing accounting support provided to OED by OH. OH has provided such assistance to OED since 2013, with OED using its existing resources to compensate OH. Adding the requested \$10,000 GSF to OED’s baseline budget would provide dedicated funding to support this continuing arrangement between the two departments.

Finally, OED’s budget proposal includes \$40,000 GSF in one-time, 2015 funding for temporary staff support to assist with the coordination of special event, film, and farmers’ market permits. Over the next several months, OED plans to work with the Mayor’s Office of Policy and Innovation and the City Budget Office to identify possible amendments to its permit fee structures and approval processes that could be proposed for implementation during the 2015-2016 biennium.

2) Repayment of Alpha Cine Section 108 Loan

OED oversees a HUD Section 108 loan program that includes 12 loans with a total value of \$26.3 million. In 2013, Alpha Cine, a film processing company, defaulted on its Section 108 loan, leaving the City to repay HUD a little less than \$1 million over 14 years. OED’s 2015-2016 budget proposal includes about \$74,000 CDBG per year to cover the required payments. These payments will continue through 2028.

3) Community Equity Fund and Central Area Capital Fund (CACF) Ordinance (Ratzliff)

This legislation would amend the policies for the Community Equity Fund, a program of the CACF, and authorize expenditure of \$630,000 for specific purposes consistent with the proposed policy changes. The CACF was created in 1995 to promote redevelopment in the Central Area through the financing of physical redevelopment projects – including façade improvements, and the construction of commercial and mixed-use (commercial-residential) structures. The proposed legislation would modify the policies for the Community Equity Fund to permit for-profit or non-profit entities selected by the City to use remaining funds in the CACF for the following:

- a) Up to \$100,000 for the Central Area History Project, a community-based effort to highlight and strengthen the neighborhood's history and African American culture through activities such as cultural events and the installation of signage and markers for cultural, artistic, and historical sites;
- b) Up to \$400,000 to provide operational support, as needed, for low-income housing projects in the Central Area, including the Harvey, Union Apartments, and James Apartments; and
- c) Up to \$130,000 to support the development and implementation of a commercial revitalization plan in the Central Area based on the updated neighborhood plan and other efforts. These funds would be distributed as part of OED's Only in Seattle Program (see item 3 under "Identified Issues").

Central Staff recommends passage of the legislation.

If you have questions about any aspect of the 2015-2016 Proposed Budget for OED, please feel free to contact me at any time at sara.belz@seattle.gov or 4-5382.