

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

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Expenditures/Revenues

	2012 Adopted	2013 Proposed	% Change '12 to '13	2014 Proposed	% Change '13 to '14
Expenditures by BCL					
OED	\$5,865,000	\$6,135,000	4.6%	\$6,230,000	1.5%
<i>Business Services</i>	4,617,000	4,765,000	3.2%	4,837,000	1.5%
<i>Economic Development Leadership</i>	611,000	635,000	3.9%	654,000	3.0%
<i>Finance and Operations</i>	637,000	735,000	15.4%	739,000	0.5%
Community Development Block Grant (CDBG)	\$4,091,000	\$2,984,000	-27.1%	\$1,209,000	-59.5%
Total Expenditures	\$9,957,000	\$9,119,000	-8.4%	\$7,439,000	-18.4%
Total FTEs	24.0	22.5	-6.3%	22.5	0%
Revenues					
General Subfund	\$5,865,000	\$6,135,000	4.6%	\$6,230,000	1.5%
Other Revenue Sources (CDBG)	\$4,091,000	\$2,984,000	-27.1%	\$1,209,000	-59.5%
Total Revenues	\$9,957,000	\$9,119,000	-8.4%	\$7,439,000	-18.4%

Introduction:

The 2013 Proposed Budget for OED is just over \$9.1 million and reflects an 8.4% reduction (\$838,000) from the 2012 Adopted Budget. In 2014, OED's Proposed Budget drops again to about \$7.4 million, a decrease of around 18.4% (\$1.7 million). These reductions are due to the planned ramp-down of CDBG funding for the Rainier Valley Community Development Fund (RVCDF). Ten years ago, the City agreed to provide RVCDF with \$35 million in CDBG support to mitigate the impacts of Link Light Rail construction on southeast Seattle neighborhoods and businesses and to carry out other community development objectives. In 2012, OED provided RVCDF with \$3.3 million in CDBG funding. That allocation is proposed to drop to \$2 million in 2013 and be eliminated in 2014 upon the City's fulfillment of its funding commitment.

OED's two primary revenue sources are the General Subfund and CDBG support. Although the Department's CDBG allocation is proposed to decline significantly between 2012 and 2014 as the City's funding commitment to RVCDF is met and CDBG funds are redistributed to support other City priorities, the amount of General Subfund support directed to OED is proposed to grow by 4.6% (\$270,000) in 2013 and by 1.5% (\$95,000) in 2014. These increases are requested to cover the costs of sustaining OED's existing lines of business over the next two years.

Two minor personnel changes are also requested for OED. The first would formally convert a filled part-time position from 1.0 FTE to 0.5 FTE. The second would eliminate a vacant grant-funded position that was added in 2011 to support the now-expiring Healthy Foods grant the City received

from Public Health – Seattle and King County. Both of these personnel changes would take effect in 2013 and are expected to be cost-neutral to the Department. OED’s current FTE count is 24.0; the proposed reductions would bring that total to 22.5.

No legislation or capital projects are associated with the 2013-2014 Proposed Budget for OED.

Identified Issues:

Central Staff has identified the following elements of OED’s 2013-14 Proposed Budget for further review by Councilmembers.

1. Career Bridge – New Program

The 2013-2014 Proposed Budget includes funding for a new employment services program called Career Bridge. Career Bridge would provide extremely disadvantaged individuals facing multiple barriers to employment with access to education and job readiness training, as well as the wrap-around social services they need (e.g., housing, childcare, transportation) to succeed as students and in the workforce. The population groups that Career Bridge would seek to serve include limited English speakers, low-income men of color, and the previously incarcerated. Career Bridge is intended to serve as a precursor and supplement to the employment training and placement services the Seattle Jobs Initiative (SJI) supports for jobless and underemployed adults. Together with OED and the Human Services Department (HSD), SJI would be a critical partner in developing and implementing Career Bridge over the next two years.

Proposed 2013-2014 funding and outcomes for Career Bridge are summarized in the following table and described in greater detail below.

Funding for Career Bridge in the 2013-2014 Proposed Budget

Year	CDBG	General Fund	Outcomes
2013	\$60,000 – HSD	\$150,000 – OED (included in SJI contract)	120 individuals provided with education readiness training and other services
2014	\$800,000 – HSD	\$0	240 individuals provided with education readiness training and other services (full build-out)

The Proposed Budget provides a total of \$860,000 in CDBG resources (\$60,000 in 2013 and \$800,000 in 2014) to support the implementation of Career Bridge over the next two years. The CDBG funds, which are included in the 2013-2014 Proposed Budget for HSD, would be used to support contracts with Community-Based Development Organizations (CBDO) that meet federal qualifications and would have primary responsibility for administering the Career Bridge program. Contracts would be awarded pursuant to a competitive review process consistent with standard City practices. Among the responsibilities of the CBDOs would be coordinating recruitment activities, assessing the individual needs of program participants, providing each participant with 20 hours of education readiness and job search training, providing referrals to post-secondary programs, and connecting participants with the social services they need to be successful in the job training and placement programs supported by SJI.

In addition, the Proposed Budget calls for \$150,000 from OED's 2013 contract with SJI to be directed toward SJI's efforts to help establish Career Bridge. SJI is supportive of this change and would use the funding to provide core program services for Career Bridge participants until those responsibilities could be fully transitioned to CBDOs. As SJI already provides some of its clients with services that are similar to what Career Bridge would offer, allocating a portion of SJI's 2013 contract funding toward Career Bridge is not expected to affect the established annual outcomes associated with that contract. In 2013 and 2014, OED anticipates providing SJI with about \$2.1 million in General Subfund support per year. The value of OED's 2012 contract with SJI is also \$2.1 million.

With the level of support included for Career Bridge in the Proposed Budget, OED and HSD expect the program to provide training and other assistance to 120 individuals in 2013 and 240 individuals in 2014. Achievement of the 2013 service goal assumes the provision of significant in-kind services by the selected CBDOs and other program partners as Career Bridge scales up toward full build-out in 2014. Ongoing annual funding at the level proposed for 2014 would be necessary to sustain the program at 2014 levels.

In the near-term, the Proposed Budget calls for making CDBG dollars the primary source of City support for Career Bridge. Although the 2013 wrap-up of the City's 11-year funding commitment to RVCDF will free up some CDBG funds for reallocation to other projects, the recent trajectory of Seattle's CDBG entitlement awards has been downward. Between 2001 and 2012, the value of the City's annual CDBG allocations declined almost every year, falling from \$15.3 million to \$9.3 million. Fully funding any ongoing programming with CDBG resources could, over time, place additional stress on what is already a very constrained resource.

Options

a. Develop a Statement of Legislative Intent (SLI) that would call on OED and HSD to submit a response to the Council, prior to the delivery of the 2014 Proposed Budget, that includes the following components:

- A detailed description of the Career Bridge program, including its proposed organizational design and service delivery models.
- Information about how the framework for Career Bridge was informed by existing research and established best practices related to the provision of workforce development services for extremely disadvantaged individuals.
- A detailed annual reporting plan and a proposal for a long-term formal evaluation of Career Bridge's effectiveness in moving participants into stable, living wage jobs. The reporting plan should include specific, measurable program outcomes, such as the number individuals expected to annually enroll in Career Bridge, complete education and job readiness training, be placed in a post-secondary instructional program, and obtain stable employment. The evaluation proposal should set out a methodology for comparing the outcomes of Career Bridge participants with a comparable population not involved in the program.
- Information about how the target program outcomes were identified and, if applicable, how they compare to the outcomes associated with employment and training programs serving similar populations in other jurisdictions.
- Estimates of Career Bridge's fixed and scalable costs and information about how potential changes to the City's annual CDBG allocations could impact the program's scope and

capacity.

The SLI response would be used to inform the Council's decision about whether to fund Career Bridge in 2014 and beyond.

b. In addition to developing a SLI as described under Option A, place a proviso on a portion of the 2013 funds proposed to support Career Bridge until OED and HSD submit a satisfactory SLI response to the Council.

c. Approve funding for Career Bridge as requested in the 2013-2014 Proposed Budget.

2. Only in Seattle Infrastructure Improvement Program – New Program

This program would provide new funding in 2013 and 2014 to support streetscape improvement projects in neighborhood business districts that have on-street paid parking. Businesses in these areas have expressed concern to OED that the presence of on-street paid parking makes it more challenging for them to attract and retain customers. Additionally, neighborhood business associations often lack the necessary resources and authority to move forward with the types of infrastructure improvement projects that can make a business district more attractive and welcoming to potential visitors.

Under this proposal, a total of \$500,000 per year in General Subfund dollars would be made available through Finance General to fund a variety of projects, including:

- Large-scale infrastructure improvements: street and alley repaving, and stormwater drainage upgrades.
- Small-scale infrastructure improvements: sidewalk repairs, street lighting enhancements, pedestrian and bicycle access upgrades, and wheelchair ramp and crosswalk installations.
- Beatification projects: installation of benches, planters, banners, wayfinding signs, kiosks and landscaping.

Only neighborhood business organizations serving commercial districts with paid on-street parking would be eligible to apply for the funds and projects would be selected via a competitive process. Although the overall program would be administered by OED as part of its ongoing Only in Seattle neighborhood business district support initiative, applications would be reviewed by an interdepartmental selection panel comprised of personnel from OED, the Seattle Department of Transportation (SDOT), the Department of Planning and Development (DPD), the Department of Parks and Recreation, and the Department of Neighborhoods. Applications would be evaluated based on project need, potential project impacts, and the extent to which relevant local stakeholders were engaged in the development of the proposal. The prioritization of proposed projects in existing neighborhood plans and the completion of any initial design or engineering work would also be considered. Eligible neighborhood business organizations would be limited to one project application per year.

In addition to the funding included for this program under Finance General, the 2013-2014 Proposed Budget also provides SDOT with \$125,000 per year in new, associated General Subfund support. The SDOT funds would be used to provide preliminary engineering review services for

the proposed infrastructure improvement projects. This work would be assigned to existing SDOT staff and a new 0.5 FTE Associate Transportation Planner position.

Options

- a. Reduce or eliminate the amount of General Subfund support that would be made available through Finance General to administer the Only in Seattle Infrastructure Improvement Program in 2013 and 2014. **Note:** If the Council decides to cut all Finance General support for this initiative, the associated add of \$125,000 in annual General Subfund Support for SDOT should also be rejected.
- b. Reduce funding for SDOT's involvement with this initiative from \$125,000 per year to about \$40,000 per year. The lower amount would support the new 0.5 FTE staff position (preliminary CBO estimate for direct compensation only) but not the work of existing staff whose salaries are currently covered by other project funds.
- c. Approve funding for the Only in Seattle Infrastructure Improvement Program as requested in the 2013-2014 Proposed Budget.

3. growSeattle Entrepreneurial Training and Lending Program – Expansion of Existing Program

Since 2010, OED has, through its growSeattle initiative, provided culturally appropriate entrepreneurial and business development training to 186 immigrant business owners, including 70 that launched new businesses after participating in the program. Past City investments in this work include \$150,000 in CDBG funding in 2010 and \$75,000 in CDBG funding in 2012. A majority of the individuals that have received training through this program are from the East African community. Several Vietnamese immigrant entrepreneurs have also taken part.

The 2013-2014 Proposed Budget includes \$75,000 per year in continued funding for immigrant entrepreneurial training services. This level of support would allow an additional 60 entrepreneurs to participate in the program in each year. Washington CASH is currently under contract with OED to administer this training initiative. That contract will expire at the end of 2013 and any subsequent contract for such program administration services will be awarded pursuant to a competitive application review and selection process.

In 2014, the Proposed Budget also includes \$375,000 to support a companion micro-lending initiative. Through the lending initiative, an estimated seven to ten loans with an average size of about \$50,000 would be provided to low-income small business owners, leading to the expected creation or retention of about ten jobs. It is expected that most, if not all, of the loan funds would be used to support lending activities likely to be considered unbankable by conventional lenders. Between 2009 and 2012, OED managed a similar lending initiative using \$1.4 million in American Recovery and Reinvestment Act (ARRA) CDBG funds. OED partnered with Community Capital Development, Craft3, and RVCDF to deploy those resources, which were ultimately used to issue 22 loans with an average size of about \$60,000. An estimated 46 jobs were created or retained as a result of that effort. With OED's CDBG funding commitment to RVCDF coming to an end in 2013, this proposed lending program, if approved, would be the only City initiative that provides Seattle small businesses with access to micro-loan capital.

Options

a. Develop a SLI that would call on OED to submit a response to the Council, prior to the delivery of the 2014 Proposed Budget, that includes the following components:

- Additional data on the outcomes of OED's recent investments in entrepreneurial training and lending activities, including the number of participating businesses that are still operating and a repayment status report on the distributed ARRA loan funds.
- A detailed annual plan for tracking, evaluating, and reporting on measurable program outcomes.

b. Approve as requested in the 2013-2014 Proposed Budget.

4. South Park Business District Support – Continuation of Existing Program

In 2013, the Proposed Budget includes \$150,000 in CDBG funding to help mitigate the impacts of the South Park Bridge closure on nearby businesses. More specifically, the CDBG allocation would be used to provide up to 30 businesses with technical and marketing assistance. With the South Park Bridge scheduled to reopen in September 2013, no continued funding for this effort is proposed for 2014. The City previously provided CDBG funding for South Park business district support in 2011. In that year, a total of \$150,000 was made available to provide technical assistance to individual businesses and support marketing and beautification services for the business district. Community Capital Development was selected by OED to manage the effort and a total of 28 small businesses received some form of assistance. Most of the technical assistance services supported by the 2010 CDBG allocation focused on improving management capacity at the participating businesses.

Options

a. Reduce or eliminate the amount of 2013 CDBG funding that would be made available for South Park business district support in light of the fact that the South Park Bridge will reopen midyear.

b. Approve as requested in the 2013-2014 Proposed Budget.

5. Restaurant Permitting – Potential Council Funding Add (Clark)

In the fall of 2010, the Council adopted a SLI (48-1-A-1) that tasked the Department of Finance and Administrative Services with completing a comprehensive review of all City-issued licenses and permits required to open and operate a business in Seattle. OED assisted with this work and, as a result, became involved in a new collaborative effort with King County and the State to streamline the permitting process for restaurants. To keep moving this endeavor forward, OED has identified the following next steps for 2013:

- Execute an agreement with the County and State that includes a negotiated workplan and articulates staffing and funding responsibilities.
- Hire a consultant to identify and help resolve conflicting and duplicative permitting requirements across agencies.
- Provide coordinated and enhanced customer service training to public employees that serve as points of contact for individuals seeking permits for restaurants.

The Proposed Budget does not include dedicated funding for any of this work. OED estimates the

cost of completing the above identified tasks in 2013 at about \$70,000, with some portion of that amount coming from the County and State. Estimates for potential 2014 work items have not yet been developed; however, some are likely to be costly, including the proposed creation of an interagency concierge service and the development of a shared online database that could be accessed by permitting staff at the City, County, and State levels.

If Councilmembers are interested in adding General Fund support to OED's 2013 budget to help streamline restaurant permitting processes across City, County, and State agencies, Central Staff will work with OED and CBO to provide additional information and analysis related to this proposal.

If you have questions about any aspect of the 2013-2014 Proposed Budget for OED, please feel free to contact me at any time at sara.belz@seattle.gov or 4-5382.