



City of Seattle
Office of Economic Development

Memorandum

DATE: August 11, 2010

TO: Regional Development and Sustainability Committee
Councilmember Richard Conlin, Chair
Councilmember Jean Godden
Councilmember Michael O'Brien
Councilmember Tim Burgess

CC: Ben Noble, Central Staff Director
Traci Ratzliff, Central Staff

FROM: Steve Johnson, Acting Director

SUBJECT: **SLI: 113-4-A-1: Economic Development for the Local Food Sector**

This memo serves as the response to SLI: 113-4-A-1, which requested the Office of Economic Development (OED) to identify potential economic development actions to support the local food industry.

According to the consultants at Urban Food Link, there are over 5,000 food-related businesses in King County, supporting 118,000 jobs with a payroll of over \$3 billion annually. We know there is tremendous potential to support existing businesses and support the development of new businesses in Seattle, and with the right investments, the City can support a sector that is ripe for growth.

Below are initiatives OED is currently undertaking to support the local food economy. These action items recognize the role of economic development in supporting the local food system by impacting jobs, encouraging growth in diverse sectors, and incentivizing businesses to increase access to healthy foods in low-income neighborhoods. These specific activities are supported by OED's current capacity and core lines of business: small business assistance and lending, vibrant neighborhood business districts, outreach and assistance to key industry sectors, and energy efficiency lending.

“Healthy Foods Here” – Business Incentive Program

OED is leading a project, funded by Public Health - Seattle & King County, to increase the access of healthy food available in King County. The project is part of the Communities Putting Prevention to Work Initiative and will be countywide, with particular emphasis on providing better access in the focus communities of South King County, Seattle Central District, and

Stephen H. Johnson, Acting Director
Office of Economic Development
700 Fifth Avenue, Suite 5752
PO Box 94708
Seattle, WA 98124-4708

Tel (206) 684-8090
Fax (206) 684-0379
www.seattle.gov/economicdevelopment
OED@seattle.gov

Southeast and Southwest Seattle. \$1.1 million will be used to provide incentives for food businesses such as small convenience and corner stores that will result in increased access to healthy food. Key outcomes of the project include:

- Increase availability of healthy food and beverage products in target communities
- Increase in capacity of businesses to effectively participate in WIC/EBT
- Increase capacity of store owners to profitably sell healthy food
- Increase demand for healthy products in the participating businesses

Participating businesses will receive a menu of incentives valued at up to \$50,000 per business, which include:

- Consulting services on topics such as merchandising, inventory management, marketing, store layout and design improvement, WIC/EBT assistance, nutritional consultation and distribution/supply chain development
- Marketing to increase awareness of the business' healthy offerings and participate in a larger campaign
- Financial incentives such as low-cost loans to make store improvements, purchase equipment, or provide working capital.

Farmers Market Viability

The City has a substantial interest in supporting farmers markets. They are extremely popular in neighborhood commercial districts and provide valuable public benefits. The benefits include improved access to high quality fresh fruits and vegetables, a regular gathering place for people to interact in their neighborhood business districts, increased commerce for adjacent businesses due to greater foot traffic on market days, and preservation of local farm land. Regional small farmers report that neighborhood farmers markets have become a vitally important source of revenue that enables them to keep their farms in production.

In densely developed commercial districts throughout Seattle, farmers markets have struggled to find affordable space. In response, OED developed policy in support of markets locating on city property by working with SDOT, the Fire Department, and the Parks Department to reduce public assembly and use fees for markets that are comprised of at least 75% farm vendors. OED now facilitates the reduced fee permitting of eligible farmers markets. Since the reduction of City fees, the Queen Anne, Cascade /SLU, Lake City, and Columbia City markets have started or relocated to street closures and/or Parks property.

Farmers markets are critical components to healthy and vibrant neighborhood commercial districts, and the demand for these markets remains high. However, there is some evidence of limited capacity of the existing farmers to participate in every neighborhood that wants a market, and with the increasing number of markets, including non-farmer markets, profitably has become more difficult. The markets are now competing with each other for the same consumer dollar and struggling with organizational capacity issues.

Moving forward, OED will continue to play a lead role in broadening support for farmers markets by clearly identifying and addressing the new challenges markets face. In particular, we will conduct an analysis to examine strategies to support the long-term viability of neighborhood farmers markets. Key findings should include: current conditions, market share, supply of

farmers, market season, underserved areas, new markets, direct-market channels, economic benefits, competition and the City's continued role in nurturing and sustaining farmers markets. This information will help the markets to determine where new markets should strategically be located to maximize both management capacity and profitability.

Food Manufacturing

Seattle's food manufacturing and wholesale sector are supported by a wide diversity of business functions led by the seafood and fishing sector. In an economic impact analysis of Seattle's manufacturing and industrial economy published by OED last year, the food manufacturing and wholesale subsector generated \$3 billion in revenue and employed over 10,500 people with wages averaging nearly \$43,000 in 2007.

The same study estimated that a \$1 million increase in economic output in food manufacturing creates nearly 12 jobs and results in a total of over \$2 million to the rest of the economy. This subsector also has the 8th highest job multiplier effect in Washington State, creating four jobs total in the broader economy for each job created in the food manufacturing sector.

Industry stakeholders noted that information technology investments have greatly improved management of inventory and distribution and wholesalers are moving towards consolidation to cut costs and remain competitive. However, continued innovations and investment is needed in cold storage facilities to increase energy efficiencies.

OED will support the food manufacturing and wholesale sector in several ways including:

- Prioritizing outreach and business assistance for food processing businesses, in particular specialty food manufacturers in immigrant communities searching for culturally appropriate food products.
- Working with food manufacturing, wholesale and cold storage businesses and Seattle City Light (SCL) to retrofit electrical systems in inefficient space. OED is developing a finance program that couples SCL conservation rebates with low-interest loans to support energy efficiency improvements in these facilities.

The items below were identified by Urban Food Link as potential economic development action items. These actions warrant additional discussion and would require additional staffing capacity and resources to execute.

Business Cluster Development

The businesses in the local food economy and their associated supply chain have increasingly become more integrated. These links include grocers and farmers markets, producers, manufacturers, restaurants and distributors. Opportunities exist to facilitate even deeper network development training for food-related businesses to promote better linkages. A possible outcome could be alternative distribution models, such as cooperative efforts.

Infrastructure Improvements

One of the major reasons why local farmers are not able to meet the demands of the local consumers is the lack of scale-appropriate infrastructure needed to wash, sort and pack their goods for distribution. Opportunities exist in the development of mid-size distribution and

processing facilities to increase urban food-related business and a wholesale market terminal to allow more efficient systems and facilitate food sales to institutions.

If you have any questions, please do not hesitate to call Brian Surratt at 206-684-8591.