

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6a
Date of Meeting June 14, 2016

DATE: May 17, 2016
TO: Ted Fick, Chief Executive Officer
FROM: David McFadden, Managing Director, Economic Development Division
SUBJECT: Establish Port Economic Development Partnership Program

Amount of This Request: \$962,435
Est. Total Project Cost: \$962,435

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to: (1) establish a new economic development grant fund that advances the Century Agenda, promotes a dramatic growth agenda, and supports middle class jobs; (2) authorize up to \$1,000,000 for 2016 grants to King County cities; and (3) perform necessary project management and contract administration to support the new grant program.

SYNOPSIS

The Port would create a new economic development grant fund that provides thirty eight King County cities per capita funding to advance local economic development throughout the region. Annual grant funding would be provided on a \$1 per capita formula with a maximum of \$65,000 while ensuring each city receives at least \$5,000 (see allocation table on next page)

The new grant fund would be structured to drive meaningful outcomes:

- Provide some flexibility to define local economic development projects
- Tie to economic development (ideally the Century Agenda although not required)
- Require a 50 percent local match to ensure cities are also committed to project success

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Proposed Century Grant Allocations

City	2015 Population	grant formula: \$1 per capita \$60k maximum - 10k minimum
Seattle	662,400	
Bellevue	135,000	\$ 65,000
Kent	122,900	\$ 65,000
Renton	98,470	\$ 65,000
Federal Way	90,760	\$ 65,000
Kirkland	83,460	\$ 65,000
Auburn	65,950	\$ 65,000
Redmond	59,180	\$ 59,180
Shoreline	54,500	\$ 54,500
Sammamish	49,980	\$ 49,980
Burien	48,810	\$ 48,810
Issaquah	33,330	\$ 33,330
Des Moines	30,100	\$ 30,100
SeaTac	27,650	\$ 27,650
Bothell	25,410	\$ 25,410
Maple Valley	24,700	\$ 24,700
Mercer Island	23,480	\$ 23,480
Kenmore	21,500	\$ 21,500
Tukwila	19,300	\$ 19,300
Covington	18,520	\$ 18,520
Snoqualmie	12,850	\$ 12,850
Lake Forest Park	12,810	\$ 12,810
Woodinville	11,240	\$ 11,240
Enumclaw	11,140	\$ 11,140
Newcastle	10,940	\$ 10,940
Duvall	7,345	\$ 7,345
Pacific	6,770	\$ 6,770
North Bend	6,460	\$ 6,460
Normandy Park	6,420	\$ 6,420
Black Diamond	4,200	\$ 5,000
Algona	3,105	\$ 5,000
Medina	3,095	\$ 5,000
Clyde Hill	3,020	\$ 5,000
Carnation	1,790	\$ 5,000
Yarrow Point	1,020	\$ 5,000
Milton	1,010	\$ 5,000
Hunts Point	410	\$ 5,000
Beaux Arts Village	300	\$ 5,000
Skykomish	195	\$ 5,000
		\$ 962,435

The Port will create an application for cities and hold application workshops for interested partners. The grant application will be straightforward and relatively easy to fill out.

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BACKGROUND

Economic Development Division staff evaluated economic development grant models across the country. We found that grant funding is very limited for cities that want to pursue economic development projects or initiatives.

State and federal government agencies and private foundations are the biggest grant funding sources. The U.S. Economic Development Administration (EDA), for example, has long administered funding programs for public works projects as well as economic development initiatives. Philanthropy plays a role too - the Ewing Kaufman Foundation invests millions in entrepreneurship education and training.

For regional, city, or neighborhood development organizations it is difficult to secure grants for special projects that can lead to new jobs and economic impacts. EDA does help but their funds are terribly limited and typically it takes months or even years to secure their funds (their application is also not for the faint at heart). Private foundations are typically more laser focused in particular areas – application processes are very competitive and typically screened at the national level.

Washington State has not had an economic development grant program for over 20 years. The former Local Development Match Fund supported a variety of economic development projects and studies until the mid-1990s.

PROJECT JUSTIFICATION AND DETAIL

The Port's new Port Economic Development Partnership Program grant program will help address the lack of economic development funding for local projects. The Port can also use this new program to accomplish Century Agenda goals through purposeful economic development partnerships with local cities.

In its analysis of grant funding resources the Port also looked at how it supports economic development within the region through sponsorships, memberships and contracts. Staff found the Port contributes \$100,000 to \$200,000 annually to Seattle-based economic development organizations. Conversely, the Port contributes very little to economic development groups within the metropolitan area outside of Seattle. As a result of this imbalance the Port is focus its grant resources on the 38 King County cities outside of Seattle. However, the Port will continue to make investments in Seattle-based economic development programs.

Project Objectives

The Port Economic Development Partnership Program will help the Port advance regional economic vitality through focused partnerships with King County cities. Grants will be made to each city to pursue programs and projects that stimulate business development, job creation and community revitalization. Each participating city may in turn contract with local nonprofits (ex.

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Chamber of Commerce, Visitor Bureau, etc.) to carry out specific initiatives. Port Economic Development Partnership Programs can be used to support the following economic development activities:

- Business recruitment initiatives designed to attract new companies to a region or city
- Small business development (including incubator/accelerator projects)
- Industry retention and expansion assistance (ex. Maritime, Aerospace, etc.)
- Tourism development
- Downtown revitalization
- Commercial or industrial property development
- Other community or economic development projects that support new investment and job creation

The Revised Code of Washington article 53.08.245 authorizes the port to engage in economic development programs. While RCW 53.08.245 specifically permits ports to engage with non-profit corporations in furtherance of such programs, it does not address port engagement with other governmental agencies.

Another port district statute, RCW 53.08.240 (2) permits the Port to enter into contracts with other municipal corporations (as well as counties, US government and State). The Interlocal Cooperation Act, Chapter 39.34 RCW, and specifically RCW 39.34.080, also permit such joint activity. The general requirement is that in all the joint activities, the two agencies must be able to exercise the same power separately as they intend to exercise jointly. RCW 35.21.703 authorizes cities to enter into economic development programs.

These statutes allow the Port to make funds available to King County cities for the purpose of advancing programs that are consistent with Port related/authorized activities. Contracts or interlocal agreements will identify the specific obligations of each party (and the specific use of the Port funds) to ensure that partnerships and initiatives pursued are appropriate.

Scope of Work

Upon Commission authorization Port staff will need to take several steps to implement the new Port Economic Development Partnership Program grant program:

- Publicize grant fund development and purpose
- Develop a grant application (almost complete)
- Publicize and conduct application workshops for cities and their partners
- Work with Strategic Initiatives and Legal Department to develop agreements with each city around use of Port Economic Development Partnership Programs
- Develop methodology to evaluate Century Grant outcomes
- Complete evaluation of grant outcomes (2nd Quarter 2017)

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Schedule

June (TBD) – Announcement about new grant program made at Sound Cities Alliance meeting

June 14 – Commission Authorization

June 14 – Public information (including web content) about Port Economic Development Partnership Program available

June/July – Application workshops

June to October 2016 – Agreements negotiated and approved with King County Cities

June 2016 to May 2017 – Project implementation

May 2017 – Project evaluation

FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

The Port Economic Development Partnership Program is a new initiative that will cost \$962,435 to implement in 2016. There is not a budgeted source of funds for this program so staff recommends using the property tax levy to support the initial 2016 grant program.

Lifecycle Cost and Savings

The Port Economic Development Partnership Program is anticipated to operate annually. It will likely cost between \$950,000 and \$1,000,000 per year unless the Commission changes or eliminates the program.

STRATEGIES AND OBJECTIVES

This project supports the Century Agenda vision of adding 100,000 jobs through economic growth led by the Port of Seattle. Grant funds will be distributed to 39 city partners in King County so a larger team is working to create middle class jobs within the region. Through purposeful contracts with local governments, the Port can extend its economic development reach to all parts of King County.

Creating a Port Economic Development Partnership Program also honors the Port's commitment to create economic opportunity for all, partner with surrounding communities, and promote social responsibility. The new grant program also can help:

- Position the Puget Sound region as a premier international logistics hub;
- Advance this region as a leading tourism destination and business gateway;
- Promote small business growth; and
- Anchor Puget Sound urban-industrial land use to prevent sprawl in less developed areas.

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do Nothing

Cost Implications: Alternative 1 would cost nothing.

Pros:

- (1) Given the future demands on the Port levy there are higher funding priorities for the Port
- (2) There are already ample grant funds, corporate sponsorships, and philanthropic resources to support key economic development projects. Good projects will find the funding and the current environment favors those proposals and organizations that can deliver the best impact.

Cons:

- (1) Many cities in King County do not have resources to pursue impactful local economic development projects. As a result economic development is uneven across King County and generally favors larger cities with more resources. Good projects or initiatives may be wholly missed or not implemented without additional economic development funding available.
- (2) The Century Agenda's success depends in part on teamwork. Without active economic development partnerships with King County cities the Port may not realize Century Agenda aspirations and goals.

This is not the recommended alternative.

Alternative 2 – Set up a competitive grant program for King County cities. The Port would take applications from cities periodically and award funds to jurisdictions with the most impactful projects.

Cost Implications: The cost would still be approximately \$962,000 annually, but the Economic Development Division would also need an additional FTE to administer the grant cycles and selection process.

Pros:

- (1) A competitive process helps ensure the Port picks projects that create jobs and closely match our own interests
- (2) A good program design can ensure that cities of all sizes compete fairly for Port grant dollars (ex. Set aside funds for smaller cities)

Cons:

- (1) The grant program would be more complicated and take significant additional time to administer. Extra steps would need to be taken to help local jurisdictions with project scoping, funding and grant application development
- (2) Some cities who don't receive funding may be upset and these sentiments could impact the overall success and sustainability of the grant program

This is not the recommended alternative.

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Alternative 3 – Establish a per capita based economic development grant for King County cities

Cost Implications: The cost would be approximately \$962,000 annually (not including staff time)

Pros:

- (1) The program is easy to understand and application/contracting processes are manageable.
- (2) The per capita formula ensures that all King County cities benefit. Program parameters help ensure that city projects align with the Port's business interests.

Cons:

- (1) The program could be seen as an entitlement – Cities may want initial or growing flexibility to use Port funds for projects that do not tie to economic development or the Port's interests.
- (2) Compared to a competitive grant program it may be more difficult to develop contractual partnerships that produce impacts and outcomes that support the Port's Century Agenda and economic development aspirations.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None