

Whatcom County Business & Commerce Committee

July 13, 2020

Voting members zooming: Andrew Gamble, Casey Diggs, Paul Burrill, Bob Pritchett, Troy Muljat, Debbie Ahl, Clark Campbell, Pete Dawson

Non-voting members zooming: Don Goldberg, County Executive Satpal Sidhu, CJ Seitz, County Councilor Rud Browne, Michael Jones

Public zooming: Cara Buckingham, Rob Fix, Diane Kamionka, Guy Occhiogrosso, Jennifer Noveck, POB Commissioner Ken Bell

Bob/Clark called the meeting to order at 1:05pm.

Don introduced CJ Seitz, the new higher education industry representative.

Don asked for Bob or Clark to call the meeting to order at 103pm.

Bob called the meeting to order at 103pm, opened the meeting to public comment.

Don introduced Diane K, who is the Director of the NW Resource Innovation Center, which is running the Amazon Catalyst Competition.

Diane thanked Don and Debbie Ahl for their introductions. Diane introduced the NWIRC, then described the competition. The program is to generate ideas and then the money goes to the best idea. In Bellingham the theme is 'ocean's health' which could be fishing, pollution, maritime, mining minerals from the ocean floor, it is very open and exciting for innovation in our region. Any resident from any city can apply to any of the themes and is very flexible. At the end of the competition, our region gets to look at the resources and potential for innovation. They will send the information through Amazon and NWIRC's website for the competition, as well as some webinars and resources to help with applications. They really need help getting the word out and she believes that depending on how successful we are showing innovation in the region, it could give attention from the state and other investors broadly.

Andrew asked if there was a flier or brochure with the information.

Diane will email it to Don and will send it out to the group.

It closes on July 31st at midnight.

Don asked if there were any other public comments.

Satpal noted he competed in a competition with the NWIRC a long time ago, a clean tech competition. He said it is very worthwhile and they've done an excellent job with the program.

Don wanted to provide an overview of what REP has been doing since we met last in Feb 2020.

The first few months of COVID, our team was fully embedded into Whatcom Unified Command. At that point our main job was to coordinate all of the economic development organizations and agencies. About six weeks ago we returned to the Port and our normal roles, WUC was moving towards a different, more sustainable model. We report out weekly to the Port Commission, County Executive's Office, Bellingham, and all Small Cities

We have been doing federal, local, and state grant programs. We did Commerce WWSBEG grant, then some larger grants. We were awarded \$333k for about 33 businesses and found out we would be receiving an additional \$300k.

We have been working on figuring out how to spend \$16 million for CARES Act, has to be spent by October 31 and it is restrictive in use. We are working with the County and COB (Tyler and Tara) on how this will be spent.

\$2.5 million to expand the small business grant program we are hoping about 200+ businesses will get up to \$15k grant, no loans. Commerce was 10 employees, \$10k max, ours is 25 employees, \$15k max. Press release on Wednesday.

We are accelerating the broadband program, attempting to get laptops and other materials to students and teachers.

We have done a general survey, three fishing surveys, an agriculture survey, childcare survey.

We are going back into the CEDS report, very glad that we did not build the report prior to COVID, because the situation is different now. COVID will be a large chapter as to how we will move forward as a region.

REP and WHD are co-marketing campaign with decals, posters, handouts, to get people to culturally accept that the best way to make sure businesses stay open is to take the health of employees and customers. The Port ordered 200. Jennifer provided the links to the materials for download and ordering in the Zoom chat (<https://whatcomtogether.org/get-materials/>).

The border closure has been very hard on our economy, especially Tourism.

Western Crossing: we are getting close to issuing an RFQ for a P3 organization to see if development organizations are interested in participating in P3 arrangements given the COVID economic situation.

Rud noted that Don has been very accessible and very busy over the past few months, but wanted to recognize the work that the Team has done.

Don said in the next part of the meeting he will hand it over to Clark, discussion of best practices, what are you implementing, what are you having troubles with?

Clark said he is interested in understanding the different ways COVID is impacting different parts of the economy. The outdoor business generally, if in footwear or apparel, since this has started, retail sales are off about 45-50%, significant drops, regardless of if you have an online presence or not. CNN effect: discretionary spending goes away. If it is not an essential product, the things you do decide to buy are either an immediate need or want. Apparel and footwear are not it.

Hard goods and equipment, especially lowest cost items, surge of people wanting to get into hiking and backpacking, any form of camping. Coglands (spelling?) in Canada, their revenue is up over 70% from last year in the month of June and similar numbers in May. Most of their sales are in the United States, even with retail being shut down there are seeing huge growth. For Gear Aid, it hasn't been as much, it is care and repair, but it is a good time for repairing (they don't want to buy new, they have time, they are trying to get outside). From a business perspective, they saw it suddenly, March business was off by 9%, 33%, 35%, year to date down 18%, but expenses (no trade shows, no travel), even though revenue is off 18%, expenses are off 60. This is before PPP and family first credits, which they took advantage of. The PPP loan they've tracked 87% is being used for payroll, will be used up by end of next week. There are a lot of dark clouds on the horizon for retailers, everyone's online business is up but if states and regions shut down, that will definitely cause a downturn. They had one retailer in Canada file for bankruptcy. MEC is probably next.

From customers, business has been rough (OEM sales to Patagonia, Yeti, etc.), and that has remained strong. When they started, they shut down everything per the order, but because much of their business is govt sales, but because they provide a product that is in military contracts, they had to declare themselves a. They turned Amazon and REI off and focused on govt business first. Reduced number of shipping days. Put all office staff remote. They have a lot of space, so they've installed extra production areas, brought in plexiglass and everyone is in masks. Cut 10 temps, permanent staff of 42 has stayed, they are going to hire some full time people. They are seeing an increase due to repair and anti-fog needs. In the bike business and kayak hard goods, those are social distant activities so they are doing really good business right now. They are trying to keep up with manufacturing.

Debbie Ahl provided an update with healthcare. On the payer side, payers are going to see a big increase due to critical care costs, but in reality it's been offset by the amount of healthcare that has been delayed. This may push these costs into next year.

Quick transition to telehealth, basically became a reality overnight. Telehealth (mental, dental, physical) have seen significant increases in uses. There was an expectation that it might not continue and wouldn't be covered by payers, but in her conversations, this is definitely an access issue and a lot of these areas needed better telehealth services. Additionally, there are people who have health conditions and are better served by telehealth as it is too dangerous or difficult for them to go into a hospital.

Social determinants of health can also show you some environmental issues related to health (are people living in construction sites, etc.).

While difficult, there are silver linings in this industry as well.

Bob: There business is doing okay, because they are helping churches go remote. Their workforce adapted to remote work quickly. 10% of revenue was live conferences, but they redeployed that to webinars, live demos and online trainings. So far haven't had to cut back staff at all. His biggest concern is them working remotely and how much they like working remotely. He doesn't know how to onboard people remotely because you do not have social capital from going to lunch with people.

Good news, people can work from here from anywhere. But the contribution to the economy is different, they might still eat the restaurants but there are no workers in the downtown. 50% of his workers want remote work to be permanent, but he is not sure if that is good for commercial real estate and he thinks that is a cascading effect on neighboring businesses. He's hoping that we can do things to make Downtown still attractive to be in and remove regulatory behaviors.

Troy: real estate, they just did their 2nd quarter, sales down 16-32% depending where you are, 27% down in Whatcom year over year. Values are up, it is a record low inventory levels. People did not put homes on the market in the spring time, which usually happens. Might happen in summer or fall? They are seeing some surge, a lot of out of town buyers coming in. Commercial is doing okay, it could be worse. Rent collection on commercial space in their portfolio is 77-85%, so not bad. Roughly 80% of tenants paying rent. Residentially, 97% tenants continue to pay their rent. Surprisingly strong number. Big factor is how WWU opens up, they've been told that WWU will allow a minimum of students back on, which may put 2k students onto an already stressed rental market. Not a great time for that to happen. But overall the market is down but not out.

Don: What do you see the future looking like?

Troy: Bob hit a concern. A lot of people have long term leases. When those leases end, will they renew or will they downsize? What will they do? That's probably six months to two years out before we see impacts, we do see a larger impact in big cities with larger tech companies, Seattle, etc., that will be working remotely for the

foreseeable future. They have seen a strong demand for people wanting executive office rentals, people are sick of working at their home offices. There are unique bright spots. But the large chunk of office space may be harder to move in the future as demand is declining. Industrial continues to be strong and is as healthy as it's been in two decades. Retail is bad.

Don: Be near big cities, but not in them. We are hoping we are going to get the positive side.

Troy: Arizona real estate is 30% above all time high. Unique markets people are flooding too. Smaller cities are doing better. But it is still really early and only one full quarter of data.

Casey: The supply chain is having issues: to go containers, can lids, every brewery or restaurant pivoted to selling things to go or trying to package beers to sell to groceries, so every can and lid has been bought up. Was hoping to get can lids in June, but still do not have them, have enough for 4 canning runs, so they have enough through August.

Don: What about moving out into the street? How is the 50% rule and take out working?

Casey: It is hit and miss. Some days are really good, others are bad. More people feel comfortable sitting outside. Restaurants and tap room sometimes have people, but mostly people want to be outside. They are using the sidewalk. They haven't considered using the parking spaces, but might. With 50% they still have to staff 100% because the restaurant takes up more space. Hard to look at the numbers right now.

Paul: Fishing industry (processing and wild capture): They were hit in January with the closures of the crab markets in Asia. Most boats are down 35-50% in gross revenue, some of the PPP money has gone to boats and self-employed people. Dock to table platforms have done really well. The volume still does not replace the restaurant orders. The boats are in Alaska, those products are going into the freezer. Spoke with Cantwell and Fish & Wildlife, they've been really helpful. Looking for places to off load some of the frozen product.

Salmon catch is down this year; this is a normally down year. That could actually be helpful because the freezers won't fill up. The Russia fisheries have really impacted prices due to high production. They think that people will be able to pull through.

Andrew: At the beginning of this we saw oil go negative, but as predicted it rebounded. The best price is \$50-60/barrel. Locally, they haven't seen any layoffs. A lot of project work, anything discretionary, has been stopped. A lot of their contractors are struggling right now. Most administrative folks are working from home, transitioned pretty quickly after getting everyone the resources they needed. They had surface transportation issues: 14-day quarantine for border crossing, they worked out some self-management plan with drivers. Because they are critical infrastructure, they've been impacted a lot less.

It has been hard to see what happened to Intalco/Alcoa. They worked really hard to modernize that facility over the past few years, but the market conditions were crushing.

Pete: Construction is really concerned with 2021, short term down 20%, back up working but have about \$35 million in projects on pause, some for financing reasons. Trying to not have jobs take longer, supply chains have been okay. 3/4 of the office is working remote, they are reporting they are more productive, folks have really embraced doing more work online.

Clark: Are you seeing any shifts in construction project types? For 2021 pipeline is it different than before?

Pete: Well, some of our work is in Alaska. Tourism is down and oil is down, so Alaska's economy is doing really poorly right now. They are anticipating commercial / office space work will probably come to a stand still. Multifamily has so many barriers to entry for building.

Cara (for Sarah/Birch Equipment): They were essential and were able to stay open. Most of the workforce stayed on for majority of shutdown, a lot of equipment is used for industrial and manufacturing sites so they felt it was important to stay available for customers. They focused on safety for team and customers, followed the CDC guidelines as they started and evolved. Equipment rental industry followed construction in terms of impacts on revenue. Extreme times 50% down, but climbing out since reopening. They started adding telematics and security equipment on site so that the equipment could be monitored remotely.

Don: update from Debbie on childcare.

Debbie: In 2019 research study, 48% of parents missed 5 or days of work. 59% came late, some quit or left school, some lost jobs, the indirect cost \$2.1 billion, \$6.5 billion lost in opportunities. Not just babysitting, we are talking about early learning. 50% of kids in WA arrive to kindergarten underprepared for school. This gap widens hugely by 3rd grade. Before COVID, we needed 7700 spots, we were missing about 4000 spots because we do not know how many friends and family are providing education. We had a lot of closures during COVID, they are still working on how many will reopen. How do we retain and expand? How can we individually license home centers? How do we rebuild after COVID? REP was very helpful in doing a survey so we can answer some of these questions.

The ratio of staff to child has increased and the number of children per room has decreased, so the cost per provider is significantly higher. Very difficult to break even in this situation.

The survey found that coming out of covid 73% said they need childcare, only 29% really had a plan for that care because they did not know if it was open. 27% were unsure when they would go back or would keep remote. 45% were not sure. Many were very concerned about the emotional and mental well-being of their children as well as the trauma that they are experiencing as a result of COVID. As a community we really need to think about how we are going to address this going forward.

Don: We still have our housing and childcare issues to deal with alongside COVID.

Rud: Really supports work on childcare, it is a national issue. One concern is that childcare is a key for the economy to work. What are nonfinancial things we can do to address these issues? Changing regulations? What can we do locally, state level? Trying to focus on things we have control over.

Don: Bob, vote to approve the Feb 2020 meeting minutes?

Bob: Motion to approve out Feb 2020 minutes

Clark seconded.

Passed unanimously.

Don: Bob was so nice when we were forming and no one wanted to be the Chair. He graciously took this on. What we were thinking – we move the Deputy into the Chair, we roll with two year terms.

Bob: Motion to let the Deputy become the Chair after a one-year term.

Troy made the motion.

Debbie seconded the motion.

Don: If someone else wants to be up for co-Chair, Debbie has offered.

Bob: A motion to make Clark our Chair and Debbie as our co-Chair

Troy: seconded.

All in favor!

Don: Last thing, we can meet monthly, does that sound alright? We can do a doodle poll.

Ken: Asked Casey if the can lids were from China? Casey: No.

Ken: What about Bellingham's annexations?

Rob: Alderwood is off. Not sure about the others.

Don: I am guessing it has to do with the additional costs of extending services to the area.

Ken: There were a couple others, but with housing being an issued it seems important to move forward with those annexations.

Rob said he'd find out more details.

Clark: Should our committee declare support for the marketing campaign? It's political, we understand, but it shouldn't be. It is taking the position that mask use is required when they public is involved. Not sure if we should do this as a poll, but something that supports the campaign from our group might help support the campaign. We do not want to go back to Phase I, everyone will be negatively impacted.

Bob motioned to adjourn.

Troy seconded.

Meeting adjourned at 2:30pm.