

Major Employers and Business Patterns

Introduction

As indicated in the Employment chapter, Bellevue is a major employment center for the Eastside and the entire Central Puget Sound region. Bellevue employees work at thousands of companies—both large and small.

This chapter focuses on major employers in Bellevue and on a variety of types of local business patterns. **The first section in the chapter identifies businesses that are headquartered in Bellevue, businesses with the largest number of employees in Bellevue, and sector concentrations in Bellevue.** (Sector concentrations are identified based on the number of firms with their overall headquarters or primary regional location sited here.)

The second section of the chapter examines patterns and trends in the composition of businesses located in and/or doing business in Bellevue. This part of the chapter also looks at trends in local tax revenues collected from or paid by businesses, which provide another indicator of business activity.

- The Business Patterns section starts with an analysis of the number of businesses and employees by the size of businesses located in Bellevue, along with a comparison of the same information for businesses located in the region as a whole. This analysis is based on the covered employment dataset maintained by the Puget Sound Regional Council, which is the same dataset used to examine trends in the Employment chapter.
- The focus then turns to business license registrations, including both those issued by the City of Bellevue and those issued by the State of Washington, to reveal more about trends in the number and types of businesses located and/or doing business in Bellevue. Business license registrations provide an important supplemental data source especially because these registrations are not limited to businesses with employees covered by unemployment insurance.
- The analysis of tax revenues at the end of the chapter includes a brief look at trends in Bellevue's local sales tax receipts which, by their nature, largely reflect trends in local retail sales and are also closely linked with personal income. Also highlighted is recent growth in revenues from the local Business and Occupation (B&O) tax, which provides a broader economic indicator than sales tax revenue due to the broader base of businesses paying B&O taxes.

KEY FINDINGS AND IMPLICATIONS—Major Employers and Business Patterns

Corporate Headquarters, Sector Concentrations, and Major Employers

Several of the largest companies headquartered in Washington state (based on revenue) have their corporate headquarters in Bellevue, including Paccar Inc., Puget Sound Energy, Esterline Corp., and drugstore.com, inc. Several business sectors also have concentrations of headquarters or regional offices in Bellevue. These include real estate brokerages, commercial property managers, home builders, software developers, environmental and engineering consultants, and accounting firms. Having corporate headquarters in Bellevue is not only a sign of the city's *economic strength*. It is also an important measure of *community health* given that quality of life is an important criterion used by companies when deciding where to locate head offices.

Bellevue is home to a number of quite large employers. As noted in the previous chapter Bellevue is a regional employment center, and there are many specific companies and other entities located in Bellevue that are major employers. Entities located in Bellevue that employ over 1,000 people include:

- Bellevue Community College
- Bellevue School District
- City of Bellevue
- Boeing Shared Services Group
- Expedia Inc.
- Overlake Hospital Medical Center
- T-Mobile USA
- Verizon Wireless

Symetra Financial will join this list once it has completed moving its headquarters to Downtown Bellevue in 2005.

Business Patterns and Trends

Bellevue has a range of large and small employers, both are very important to the local economy. Based on covered employment data for 2002, 46 percent of covered *jobs* in Bellevue were in business locations with 100 or more employees, but approximately 82 percent of all business *locations* in Bellevue had fewer than 20 employees. A similar pattern is true for the broader Puget Sound region. In addition, between 2001 and 2002, the number of small business locations in Bellevue grew despite overall employment losses associated with the recent recession.

Between 1999 and 2004, there was an increase of 18 percent in the total number of businesses actively registered with the City of Bellevue Tax Division as located or doing business in Bellevue. The increase in business registrations was driven by businesses that are “non-filers” for Business and Occupation (B&O) tax purposes (that is, businesses expected to fall under the B&O tax exemption levels for gross receipts and business space square footage). Growth in the number of these non-filing businesses continued through the recession. While some non-filers are likely to be small businesses, others may be larger companies that have relatively small gross receipts from business activities in Bellevue. About 60 percent of the 23,000 businesses registered with the City of Bellevue’s Tax Division in 2004 were located in Bellevue.

During the last six years the City of Bellevue processed between 2,200 and 2,800 new business registrations each year. While the number of new business registrations dipped in 2001 (which was the first year of the recent recession), the number quickly bounced back even as the recession continued. This suggests that business creation continued to contribute to business activity in Bellevue in the wake of the more general recent downturn in the economy.

While sole-proprietors comprise a relatively small fraction of workers in Bellevue, a look at state registrations for businesses physically located in Bellevue indicate that sole proprietors are actually the most common type of business entity in the city. Of approximately 13,000 businesses in Bellevue registered with the State Department of Revenue in 2004, 47 percent—or roughly 6,000—are sole proprietors. This is another indication of the important role that self-employed persons and small businesses occupy in the local economy.

Local sales tax revenues and B&O tax revenues, which provide two tax-related indicators of local economic activity, both rose between 2003 and 2004 after declining for a period associated with the regional recession. The 0.3 percent increase in the city's sales tax revenue and the larger increase in the city's B&O tax revenue (5 percent after excluding audit recoveries) join other signs such as improving local office vacancy rates in pointing to improving local economy.

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Corporate Headquarters, Sector Concentrations, and Major Employers

Corporate Headquarters

Many major regional companies have their corporate headquarters in Bellevue. This is important not only as an indicator of economic health, but overall community health as well. For many companies, particularly larger ones, the location of a corporation’s headquarters is an important element to its overall image, and can also be an important part of the company’s identity in the eyes of its customers and investors.

There are many factors that go into a company’s decision regarding location, but overall quality of life is often identified as an important one. The quality of a community’s schools, housing stock, and cultural/recreational amenities are important not only to a company’s image but also to a company’s ability to recruit a talented work force. Other oft-cited criteria for locating corporate headquarters include the available labor force, transportation-related accessibility (particularly to major airports), and overall costs of living and doing business. Bellevue’s prime location in the region (including excellent freeway access from I-405, I-90 and SR-520), its highly-educated population, and its outstanding quality of life, all clearly contribute to the city’s appeal as the corporate headquarters location for many companies.

The following tables show Bellevue-based companies that were recently identified as among the 100 largest public and 100 largest private companies (based on 2003 revenues) of all companies headquartered in Washington state. The first table shows public companies, meaning companies that have sold a portion of their business to the public via public offerings through the stock market. Each of these Bellevue-headquartered companies had revenues of at least 2 million and up to 8.2 billion dollars in 2003. (These companies are listed alphabetically, not in order of revenues.)

| Bellevue-Based Public Companies Among Largest 100 Headquartered in Washington State | |
|--|---|
| Company | Product or Service |
| Bsquare Corp. | Software products, services |
| Captaris Inc. | Software development |
| Cellular One-Western Wireless | Wireless communication |
| Click2learn Inc.* | Software development |
| Coinstar, Inc. | Coin counting and electronic services |
| drugstore.com, inc. | Internet retailer |
| Esterline Corp. | Aerospace and electronic equip. manufacturing |
| First Mutual Bancshares | Financial services |
| InfoSpace, Inc. | Internet content provider |
| Onyx Software | Software development |
| PACCAR Inc. | Truck manufacturing, leasing, and financing |
| Puget Sound Energy | Electric power and natural gas utility |
| Saflink Corp. | Software development |
| Scolr, Inc. | Health supplement supplier |
| Western Wireless Corp. | Wireless telecommunications |
| *Click2learn Inc. based in Bellevue in 2003, but merged into California-based SumTotal Systems Inc. in 2004. | |
| Source: Puget Sound Business Journal, Book of Lists, 2005 | |

The table below lists Bellevue-based *private* companies that are among the highest revenue producers of all companies headquartered in Washington state. Private companies are those owned by a small number of people, often the founder of the company and a few other persons. These Bellevue-based companies had revenue of 78 million dollars to 392 million dollars in 2003. Again, companies are listed in alphabetical order.

| Bellevue-Based Private Companies Among Largest 100 Headquartered in Washington State | |
|---|---|
| Company | Product or Service |
| Attachmate Corp. | Computer software |
| The Burnsteads | Custom home builder |
| Conner Homes Co. | Home builder |
| GLY Construction Inc. | General contractor |
| Leisure Care | Manage retirement communities |
| Lydig Construction Inc. | General contractor |
| North Coast Electric Company | Wholesale distribution of electric products |
| Savers, Inc./Value Village Stores | Retail thrift and discount stores |
| <i>Source: Puget Sound Business Journal, Book of Lists, 2005</i> | |

In the summer of 2005, Symetra Financial, a privately held group of companies, will be moving its base from Redmond to Bellevue.² This will add another 1,000 workers to the city and enhance the economic vitality of Downtown Bellevue, where the company will occupy space in two adjacent office towers (Rainier Plaza and Key Center). (Symetra was formerly made up of a group of Safeco subsidiary companies known collectively as Safeco Life & Investments, which was then purchased in 2004 by an investor group.)

One complicating factor to listing corporate headquarter locations is the issue of corporate mergers and re-organizations. Companies are extremely dynamic, and this is particularly true for “new economy” firms that increasingly have a national and international presence.

- Click2learn Inc., which appears on the list of largest 100 public companies headquartered in this state, was based in Bellevue in 2003 (the year on which the latest ranking was based). While the company still has a major office in Bellevue, it was acquired in 2004 by California-based company SumTotal Systems Inc.
- Examples of companies not included in the lists above of companies headquartered in Bellevue, but which nevertheless have a large presence in Bellevue, include Expedia Inc. Expedia, which went public in 1999, was formerly headquartered in Bellevue and continues to have a large presence in the community. In 2003, Expedia was purchased by IAC/InterActiveCorp (based in New York City), which owns several other on-line services. At this writing it appears that IAC is likely to split in coming months, one result of which would be returning Expedia to being a Bellevue-based company.³ Another prominent example is T-Mobile USA, formerly known as VoiceStream Wireless. T-Mobile USA, a major telecommunications company, is headquartered in Bellevue, but is also part of a large German company, Deutsche Telekom. Therefore, even though Expedia and T-Mobile each have a large corporate presence in Bellevue, neither is officially “headquartered” here.

It should be noted that this same phenomenon may affect other companies in Bellevue as well; however, Bellevue is clearly a location of choice for head offices of many companies.

The *King County Journal* has reported that recent decisions made by major companies to move their headquarters to Downtown Bellevue have been prompted in large part by Downtown Bellevue’s reasonable rents, shopping and dining amenities, central location and easy access to transit and freeways.⁴

In addition to the major companies noted in the preceding tables, there are a number of companies headquartered in Bellevue that are among the fastest growing companies in Washington, based on increases in revenue between 2001 and 2003. Among the 50 fastest-growing private companies in Washington during this time period, 11 are headquartered in Bellevue, including 3 of the top 10. These Bellevue-based companies are listed in the table below. Each increased their revenue between 88 percent and 1,700 percent from 2001 to 2003 (which translates into a compounded *annual* growth rate within these three years of 37 percent to 322 percent). Such high growth rates are associated with the relative youth of many of these companies, the majority having been founded in 1999 or more recently. (Again companies are listed in alphabetical order, not in order of growth.)

| Bellevue-Based Private Companies Among 50 Fastest-Growing of Those Headquartered in Washington State | |
|--|--|
| Company | Product or Service |
| 180solutions Inc. | Provides on-line search marketing |
| Ascentium Corp. | Marketing and technology consulting |
| Congruent | Software development and consulting |
| Danube Technologies Inc. | Software products and services |
| Home Technologies | Residential technology systems |
| HouseValues Inc. | Technology services for real estate industry |
| Image Source Inc. | Promotional marketing |
| Inserve Corp. | Outsourcing human resource services |
| InsuranceOnly Inc. | Wholesale insurance brokerage |
| Knowledge Anywhere Inc. | Technology-based learning systems |
| Smooth Corp. | On-line sales of flooring products |
| *HouseValues Inc. moved its headquarters to Kirkland in December of 2004. Source: Puget Sound Business Journal, Book of Lists, 2005 | |

In addition to fast-growing private companies, there are a number of Bellevue-based companies among the fastest-growing public companies of those headquartered in Washington state, ranked by the three-year compounded annual percent change in revenue from 2001 and 2003. All five of these fast-growing public companies also ranked among the largest public companies headquartered in the state. Each of the Bellevue-based companies ranking among the fastest growing public companies had three-year compounded annual growth rates between 7 percent and 30 percent. Therefore, these firms are not only large in terms of overall revenue, but are also growing quickly in terms of revenue generation.

| Bellevue-Based Public Companies Among 50 Fastest-Growing of Those Headquartered in Washington State | |
|--|---|
| Company | Product or Service |
| Coinstar Inc. | Coin counting and electronic services |
| drugstore.com Inc. | Internet retailer |
| Esterline Corp. | Aerospace and electronic equip. manufacturing |
| Paccar Inc. | Truck manufacturing, leasing, and financing |
| Western Wireless Corp. | Wireless telecommunications |

Source: Puget Sound Business Journal, Book of Lists, 2005

As noted in the first and final chapters of this profile, Bellevue is one of the prime locations in the region for High-Tech and FIRES (Finance, Insurance, Real Estate, and Services) jobs. Therefore, it is not surprising that a large proportion of the major and fastest-growing companies that are headquartered in Bellevue are in these sectors. The following section will explore specific business clusters in which Bellevue has a concentration of corporate headquarters or regional offices.

Sector Concentrations

The previous section discussed companies whose corporate headquarters are located in Bellevue (although, as noted, there is some dynamism when it comes to corporate headquarters locations). When taking a closer look at companies that are headquartered in Bellevue, or have their Puget Sound area headquarters in Bellevue, one finds that **there are several specific industries and types of companies that have significant clusters of area offices or headquarters in Bellevue.** Note that the following list includes firms that may not have their overall corporate headquarters in Bellevue, but are national/international firms that have their largest Puget Sound-area office in the city. The source of this information is the *Puget Sound Business Journal Book of Lists, 2005.*

Sector concentrations are found in Bellevue in the following industry sectors:

Real Estate and Construction

- **Commercial Real Estate Brokerages:** Of the 25 largest (based on licensed agents) commercial real estate brokerage firms in the region, 9 are located in Bellevue.
- **Commercial Property Managers:** Of the 20 largest (based on square footage managed) commercial property managers in the region, 6 are located in Bellevue.
- **General Contractors:** Of the 25 largest (based on billings) general contractor companies in the region, 7 are located in Bellevue.
- **Home Builders:** Of the 20 largest (based on number of homes built) home builders in the region, 9 are located in Bellevue.

Tourism

- **Hotels:** Of the 25 largest (based on number of guest rooms) hotels in the region, 5 are located in Bellevue.
- **Travel Agencies:** Of the 15 largest (based on gross sales for Puget Sound-area offices) travel agencies in the region, 5 are located in Bellevue.

Information Technology

- **Software Developers:** Of the 25 largest (based on revenue) software developers in the region, 11 are headquartered in Bellevue.

Professional Services

- **Environmental Services:** Of the 25 largest (based on billings for environmental services) environmental services firms in the region, 6 are located in Bellevue.
- **Engineering:** Of the 25 largest (based on billings) engineering firms in the region, 6 are located in Bellevue.
- **Accounting:** Of the 25 largest (based on number of area professional staff) accounting firms in the region, 8 are located in Bellevue.
- **Promotional Merchandise:** Of the 20 largest (based on billings for Puget Sound-area offices) promotional merchandise companies in the region, 5 are located in Bellevue.
- **Securities:** Of the 25 largest (based on number of licensed brokers) securities firms in the region, 5 are located in Bellevue.
- **Employment Agencies:** Of the 25 largest (based on number of placements) employment agencies in the region, 8 are located in Bellevue
- **Office Furniture Dealers:** Of the 25 largest (based on number of full-time Puget Sound area employees) office furniture dealers in the region, 5 are located in Bellevue.

These concentrations of companies occur across several specific sectors as indicated in the above list. Many of these concentrations are in business services and other professional services industries (for example, commercial real estate and property managers, environmental and engineering services, accounting and employment agencies) that support the overall regional economy. The less technology-oriented of these service industries typically do not have employment multipliers that are as large as do sectors such as aerospace and information technology.⁵ However, these are still a major component of the economy, and provide many high wage jobs. In addition, within the Information Technology sector, Bellevue contributes the highest ratio (11 out of 25) of the top software developer companies in the entire Puget Sound region. The Employment chapter provides more information on industry sector concentrations in Bellevue based on employment levels. The chapter on Bellevue's Economy and the Regional Economic Strategy goes into more detail on specific businesses that are based in Bellevue in regionally-strong clusters, including Information Technology and Business Services.

Major Employers

As noted in the previous section, there are a large number of overall corporate headquarters (or Puget Sound area main offices) located in Bellevue. In addition, there are many thousands of business entities in the city that provide employment opportunities to residents of the city and the broader region. As noted in the Employment chapter, there are approximately 125,000 total jobs in Bellevue (approximately 110,000 covered jobs), as of 2003. This section will provide more detail on the identity of some specific major employers in the city. The following section provides information on the breakdown of businesses by size and other characteristics.

According to covered employment data from the Washington State Employment Security Department, there were approximately 200 business locations in Bellevue that employed 100 or more people in 2002 (the most current year available). These major employers, even though they only represent a small percentage (4 percent) of overall business locations in the city, accounted for a substantial percentage (46 percent) of total jobs in Bellevue. Note that data is based on business locations; it is possible in some cases that a single business entity might have employees at more than one location within the city.

Among these large employers, research for the profile indicates that the dozen largest employers⁶ in the city include the following entities. These firms are listed in alphabetical order, not based on numbers of employees. The number of employees listed represents the most current estimates of employment by each entity; these employees may be spread over several different locations within the city (for example, Bellevue School District has employees at all of its different schools, plus administrative headquarters).

TOP TWELVE EMPLOYERS IN BELLEVUE

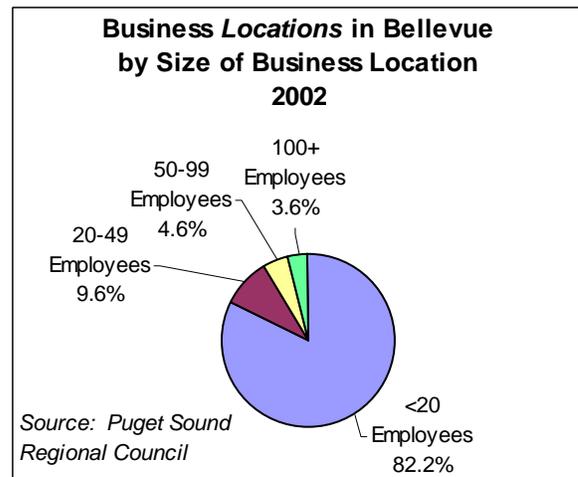
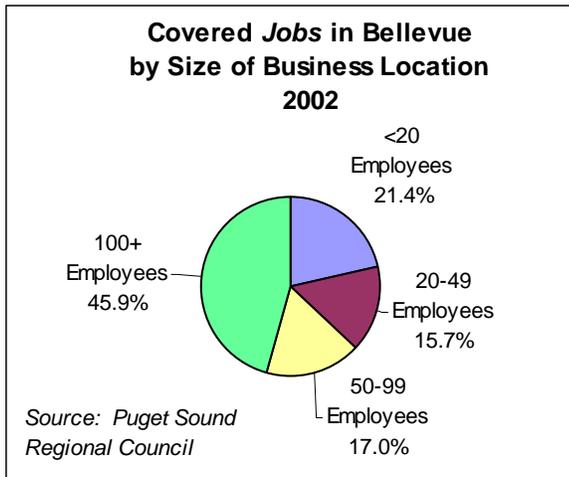
- Bellevue Community College (1,400 employees)
- Bellevue School District (1,900 employees)
- City of Bellevue (1,600 employees)
- Boeing Shared Services Group (2,800 employees)
- Expedia Inc. (1,100 employees)
- Nordstrom Inc. (900 employees)
- Overlake Hospital Medical Center (2,200 employees, not including physicians)
- Puget Sound Energy (800 employees)
- Safeway (800 employees)
- T-Mobile USA (approximately 2,000 employees)
- Verizon Wireless (approximately 2,000 employees)
- Symetra Financial (moving headquarters with 1,000 employees to Bellevue in summer of 2005)

These largest employers represent a variety of sectors: public sector, private sector, and non-profit (in the case of Overlake Hospital Medical Center). There are many other major employers in the city as well, including Paccar and Western Wireless. The twelve largest employers noted above alone account for over 18,000 jobs in the city, which is well over 10 percent of all jobs in the city.

Business Patterns and Trends

Number of Employers with Covered Employees by Business Size

This section outlines patterns in the number of employees and businesses in Bellevue and the region by business size. In this analysis, business size is based on the number of covered employees at an individual business location. As noted in the Employment chapter, covered employees refer to those covered by the state unemployment insurance program.⁷ Only businesses with locations that could be geocoded are included in the analysis. For purposes of this analysis, businesses include establishments in the non-profit and governmental sectors, as well as the private sector.



As noted in the pie chart above to the *left*, about 46 percent of covered jobs in 2002 were within the largest business locations (locations in which 100 or more employees work), while only 21 percent were in smallest business locations (locations where fewer than 20 employees work). **Conversely**, as shown in the pie chart above to the *right*, a large majority (82 percent) of business locations in the city employed fewer than 20 people, while only a small proportion (about 4 percent) employed 100 or more persons.

These figures actually understate the number of small businesses in Bellevue, given that only businesses with employees covered by unemployment insurance are included. As discussed in more detail later in this chapter, there are thousands of additional sole proprietorships and other small businesses in Bellevue beyond the approximately 4,500 small businesses identified here.

Trends between 1995 and 2002 in terms of business locations and jobs in Bellevue are described in the following table. (The actual numbers of business locations with covered employees is somewhat higher than the figures in the table given that these figures are limited to business locations that could be geocoded.)

| Employment and Business Locations by Size of Business Location Bellevue Selected Years, 1995 to 2002 | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------|---------|
| Year | Count of Covered Employment | | | | |
| | Fewer than 20 Employees | Between 20 and 49 Employees | Between 50 and 99 Employees | 100 or more Employees | TOTAL |
| 1995 | 22,094 | 15,390 | 14,311 | 36,663 | 88,458 |
| 2000 | 22,639 | 16,979 | 16,295 | 52,389 | 108,302 |
| 2001 | 22,035 | 16,910 | 18,678 | 52,896 | 110,519 |
| 2002 | 21,888 | 16,032 | 17,442 | 47,023 | 102,385 |
| Year | Count of Business Locations | | | | |
| | Fewer than 20 Employees | Between 20 and 49 Employees | Between 50 and 99 Employees | 100 or more Employees | TOTAL |
| 1995 | 4,531 | 493 | 211 | 154 | 5,389 |
| 2000 | 4,526 | 546 | 236 | 240 | 5,548 |
| 2001 | 4,439 | 549 | 263 | 225 | 5,476 |
| 2002 | 4,502 | 527 | 253 | 198 | 5,480 |
| <i>Based on geocoded business locations and covered employment. Business locations without employees covered by unemployment insurance are not included. Source: Puget Sound Regional Council</i> | | | | | |

The table above shows that in Bellevue the number of jobs overall and within each of the three business size categories with 20 or more employees was substantially higher at the end of the economic boom in 2001 than it was in 1995. However, the number of jobs stayed fairly stagnant for those locations that employed fewer than 20 persons. The same general trend was also true for business locations, although the number of locations peaked in 2000 for businesses overall, and for those with 100 or more employees. Most of the employment growth that happened between 1995 and 2001 occurred in the largest size category: a growth of 16,233 jobs out of 22,061 citywide.

During the economic downturn that occurred between 2001 and 2002, the number of employees in all of the business location size categories fell, as did the number of business locations in most categories. Yet, employment in business locations with fewer than 20 employees decreased only slightly (by 1 percent) and the number of business locations in this smallest category increased slightly (from 4,439 to 4,502). The increase in the number of small business locations was greater than the decrease in the number of larger business locations, translating into a continued increase in total business locations between 2000 and 2001 despite the downturn in the economy.

Most of the city’s employment loss that occurred between 2001 and 2002 happened in business locations with 100 or more employees. Within this one year, this group of businesses lost 5,873 or 11 percent of its employees.

When comparing Bellevue’s composition of businesses with the overall Puget Sound region, **one sees that broad patterns in the size of businesses at the overall regional level are fairly similar to Bellevue’s.** The importance of small businesses is apparent at the overall regional level as well as at the local level, as shown in the following table.

| Business Locations by Size of Business Location Bellevue and the Puget Sound Region Selected Years, 1995 to 2002 | | | | | | | | | | |
|---|--------------------------------|----------|------------------------------------|----------|------------------------------------|----------|------------------------------|----------|--------------|----------|
| Count and Percentage Share of Business Locations | | | | | | | | | | |
| Area and Year | Fewer than 20 Employees | | Between 20 and 49 Employees | | Between 50 and 99 Employees | | 100 or more Employees | | TOTAL | |
| | Count | % | Count | % | Count | % | Count | % | Count | % |
| BELLEVUE | | | | | | | | | | |
| 1995 | 4,531 | 84.1% | 493 | 9.1% | 211 | 3.9% | 154 | 2.8% | 5,389 | 100% |
| 2000 | 4,526 | 81.5% | 546 | 9.8% | 236 | 4.3% | 240 | 4.3% | 5,548 | 100% |
| 2001 | 4,439 | 81.1% | 549 | 10.0% | 263 | 4.8% | 225 | 4.1% | 5,476 | 100% |
| 2002 | 4,502 | 82.2% | 527 | 9.6% | 253 | 4.6% | 198 | 3.6% | 5,480 | 100% |
| Puget Sound Region | | | | | | | | | | |
| 1995 | 63,465 | 84.2% | 6,831 | 9.1% | 2,964 | 3.9% | 2,146 | 2.8% | 75,406 | 100% |
| 2000 | 70,042 | 83.7% | 7,789 | 9.3% | 3,314 | 4.0% | 2,571 | 3.1% | 83,716 | 100% |
| 2001 | 72,355 | 84.0% | 7,916 | 8.4% | 3,252 | 3.8% | 2,595 | 3.0% | 86,118 | 100% |
| 2002 | 74,084 | 84.8% | 7,726 | 8.8% | 3,075 | 3.5% | 2,468 | 2.8% | 87,353 | 100% |

*Based on geocoded business locations and covered employment. Business locations without employees covered by unemployment insurance are not included.
Source: Puget Sound Regional Council*

In the region, as in Bellevue, the percentage of business locations in the smallest category (those that employ fewer than 20 people) have constituted the majority of business locations, while large business locations have comprised a small percentage of all business locations.

While this general pattern remained the same in the region as in Bellevue between 1995 and 2002, there were some shifts in this period, which resulted in Bellevue having a somewhat greater share of large businesses at a percentage of its business locations.

- **During the economic boom that occurred between 1995 and 2001, the number and percentage of business locations with 100 or more employees rose in both the region and in Bellevue, but rose faster in Bellevue.** The number of these large employer locations rose by 46 percent in Bellevue, increasing from 2.8 percent of all business locations to 4.1 percent of all business locations. In the region, the number of large employee locations rose by approximately 21 percent during this same period, increasing from comprising 2.8 of business locations in 1995 to making up 3.0 percent in 2001.
- **Despite the fact that decreases between 2001 and 2002 occurred in Bellevue as well as in the region in the number of large business locations, large business locations were a greater share of business locations in Bellevue in 2002 than they were in the region as a whole:** in 2002 3.6 percent of Bellevue business locations compared to 2.8 percent of business locations regionally contained 100 or more employees.

With regard to small business locations (those employing 20 people or fewer), the previous table does show ongoing importance of these types of businesses to the regional and local economy. In both Bellevue, as previously discussed, and in the region, the number of business *locations* rose between 2001 and 2002, despite the fact that the number of *jobs* overall decreased. Also for both the region and Bellevue, the continued overall increase in the number of business locations between 2001 and 2002 was driven completely by small businesses; in fact, the number of business locations in the other employment categories all dropped during this period. While it is likely that some businesses previously in larger business categories fell in size and became small businesses, the trends presented here as a whole suggest that small businesses have been, in at least some ways, more resilient than large businesses. This speaks to the continued importance of new business start-ups and on-going nurturing of small businesses to both the local and regional economy.

As noted, in 2002 over 80 percent of all business locations in Bellevue had fewer than 20 employees. Supporting and helping small businesses is an important priority for the City of Bellevue and its economic development partners. For example, in 2002 a number of organizations, including the City of Bellevue, the Bellevue Chamber of Commerce, Bellevue Community College, City University, and the Port of Seattle created the Bellevue Entrepreneur Center (BEC). The mission of the BEC is to provide a network of business resources on the Eastside for those seeking to start or expand a business, with a focus on under-served businesses and communities. The BEC places a focus on helping culturally diverse members of the community, given that in 2004 almost a quarter of Bellevue residents (24.5 percent) were born outside of the United States.

Trends in Business License Registrations

Business License Registrations with the City of Bellevue

Bellevue administers and collects revenues from a Business and Occupation (B&O) tax. All businesses engaged in any business activity in Bellevue are generally required to register with the City of Bellevue's Tax Division and obtain a business license.

This section looks at recent trends in the number of active taxpayer accounts and the number of new business license registrations, which are general indicators of local business activity. However, a few caveats need to be kept in mind when interpreting these data:

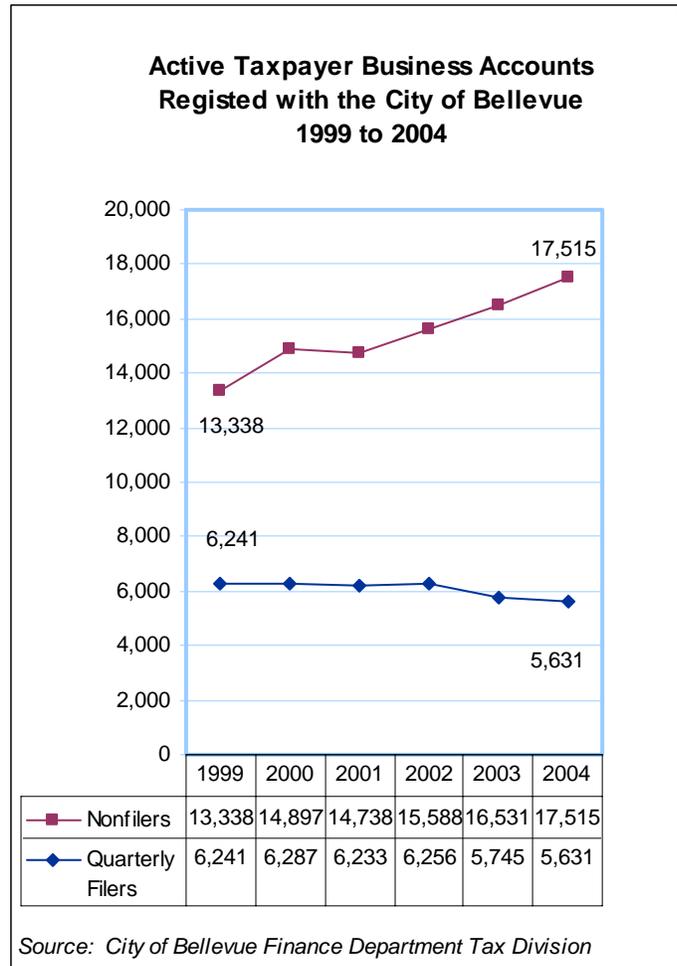
- A significant minority (about 39 percent in 2004) of registered businesses that “engage in business” in Bellevue are not physically located within Bellevue city limits.⁸
- Whether a business has employees covered by unemployment insurance has no bearing on whether a business is required to register with the City of Bellevue.

The prior points are primary reasons why the total number of businesses registered with the City of Bellevue is substantially higher than the number of Bellevue business locations in the covered employment dataset.

Annual Trends in the Total Number of Active Business License Registrations

The chart to the right shows trends in all active business taxpayer accounts registered with the City of Bellevue from 1999 to 2004 by tax filing status for purposes of B&O tax collection. Filing status in any given year is based on estimated annual income for that year or actual amounts reported for the prior year. In 2004, businesses with more than \$125,000 in taxable gross receipts or more than 250 taxable square feet of business space located in Bellevue were required to pay B&O taxes. (The gross receipts income exemption level has increased in increments from its \$100,000 level in 1999.⁹) While some non-filers are likely to be small businesses, others may be larger companies that have relatively small gross receipts associated with business done in Bellevue.

Between 1999 and 2004, the total number of businesses with active registrations with the City of Bellevue increased by about 18 percent from about 19,500 to about 23,000. In 2004, roughly 14,000 of the total 23,000 had physical addresses within Bellevue city limits, while the remaining ones only did business in Bellevue. The number of non-filers registered has been significantly larger than the number of filers.



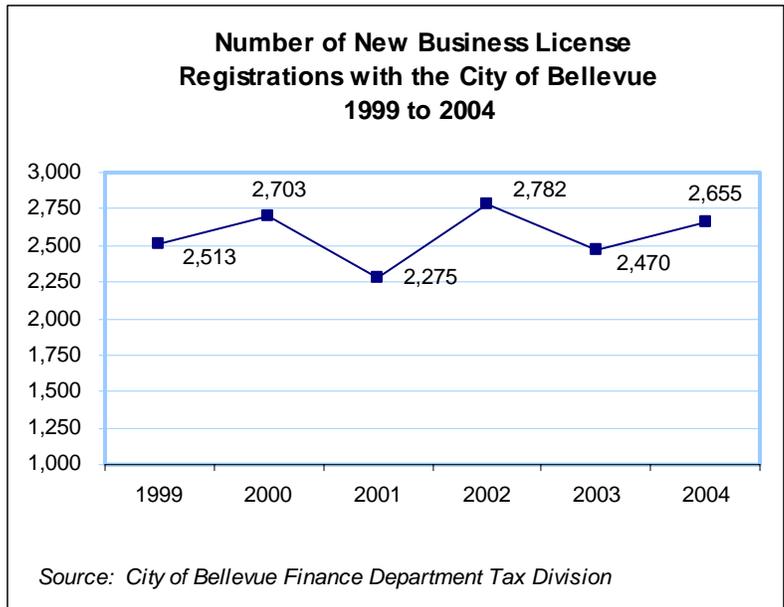
Trends in the number of non-filers were very different from trends in the number of filers, especially in the years after the recession hit in 2001. Between 1999 and 2004, the number of active business registrants that were non-filers grew by almost one-third (or by over 4,000 businesses). By contrast, the number of active business registrants among the ranks of the filers decreased by about one-tenth (or by 610 businesses.) **The number of quarterly filers remained essentially static from 1999 up to 2002 and then declined two years in a row between 2002 and 2004.** By contrast, growth in the number of non-filers was only interrupted between 2000 and 2001, with the number of non-filers going on to increase during the next two years despite the economic decline that was occurring in King County as a whole between 2001 and 2003. There are several potential reasons contributing to the divergence in these trends, although information is not available to identify what factors actually influenced these trends.

Annual Trends in Number of New Business License Registrations

The number of new business licenses issued by the City of Bellevue is one indicator of business activity and shows growth in the number of companies doing business locally.

The chart on the right shows the number of new business license registrations that the City of Bellevue Tax Division issued each year between 1999 and 2004.

During the six-year period beginning with 1999 and ending in 2004, the number of businesses newly registered with the City of Bellevue varied from about 2,200 to 2,800 per year. As previously stated, in 2004 about 61 percent of the businesses registered with the City of Bellevue were physically located in Bellevue. If this also applies to the number of new business license registrations, this would mean that approximately 1,400 to 1,600 businesses physically located in Bellevue registered with the City of Bellevue each year during the last six years.



It is difficult to discern any particular trend in the annual number of new business license registrations between 1999 and 2004. There are also challenges in interpreting these figures because other circumstances in addition to the first-time opening of a business can trigger requirement for a new business registration. New registrations are, for example, also required when a business adds a location, as well as when it changes entity type (for example when it goes from a sole proprietorship to a general partnership, or from a limited liability partnership to a corporation).

However, within this period, it is noteworthy that the number of new business registrations dipped in 2001—the first year of the recent recession—to its lowest point in the last six years, but then rebounded the very next year (in 2002) to its highest point in six years. Also, the number of new business license registrations in 2004 was one of the higher figures in the six-year period.

Not all new businesses continue or succeed in the long term. However, the peaking of new business license registrations the year after the recession began suggests that business creation, likely including that of small businesses, has continued to contribute to business activity in Bellevue in the wake of larger economic downturns.

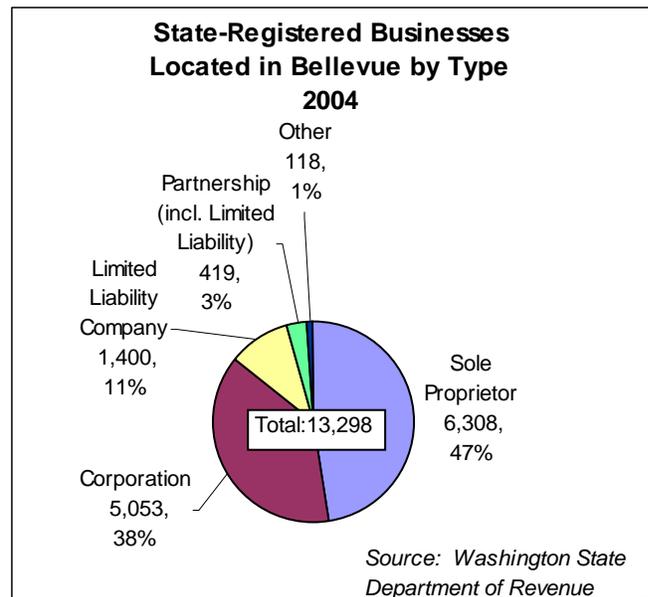
Businesses Located in Bellevue Registered with State of Washington

Annual Trends in Numbers and Types of Active Business Registrations

Businesses and other entities must register with the State of Washington Department of Revenue (DOR) if the business is required to collect sales tax or is required to pay any other taxes or fees to the DOR including business and occupation tax (administered separately from local business and occupation taxes) and/or public utility taxes.

This section examines recent trends in the numbers and types of businesses (and other entities) registered with the Washington State Department of Revenue (DOR) that are physically located in Bellevue. The information covers the period 1999 to 2004 and is for businesses actively registered with the state DOR as of March of each year. The number of businesses in the analysis of state DOR registrations is lower than the overall number in the examination of City of Bellevue Tax Division registrations because only businesses with physical addresses in Bellevue were included in the analysis of the DOR data. While the State DOR and the City of Bellevue Tax Division datasets are different, both include businesses regardless of whether they have employees covered by unemployment insurance.

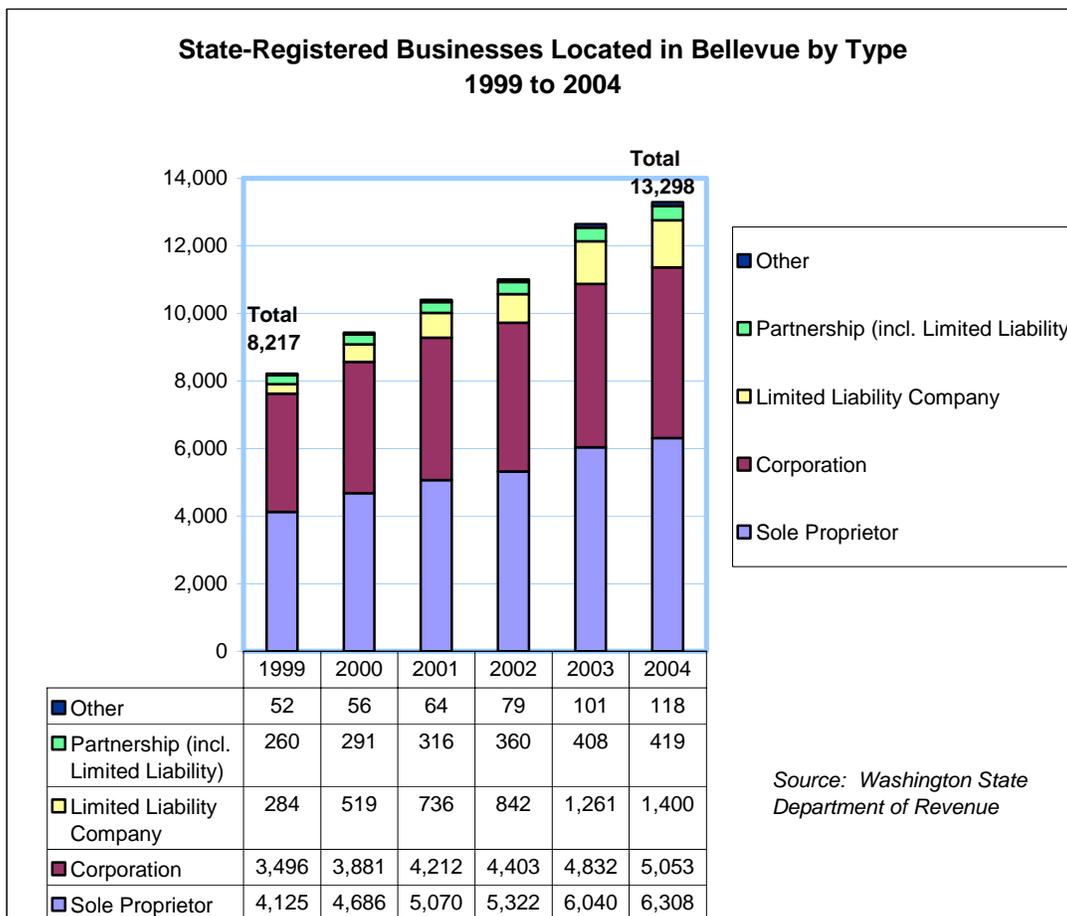
The adjacent pie chart shows the year 2004 percentage share that each entity type comprised of Bellevue-located businesses registered with the Washington State Department of Revenue. **In 2004, as in prior years in the period analysis, the most common type of business in Bellevue was the sole proprietor form, which made up 47 percent of businesses in Bellevue registered with the state DOR.** Nationally, and likely also in Bellevue, the vast majority of small businesses begin as sole proprietorships, which are by definition owned and controlled by one person (or a married couple). **Sole proprietorships employ far fewer people in Bellevue than do corporations. However, the fact that almost half of businesses in Bellevue are sole proprietorships is another indication of the important role that self-employed persons and small businesses occupy in the local economy.**



Corporations made up the second largest share (38 percent) of Bellevue-located businesses registered with the state DOR. A corporation is a legally incorporated entity that is separate from its owners, and can be taxed, sued, and can enter into contracts. (The owners of a corporation are its shareholders. The owners, who are the corporation’s shareholders, elect a board of directors that oversees the corporation.¹⁰⁾

Limited liability companies comprised another 11 percent, and partnerships another 3 percent of Bellevue businesses registered with the state DOR. The remaining 1 percent included a variety of entity types (i.e., mostly non-profit corporations, and associations, along with very small numbers of tenants in common, trusters, and municipal subdivisions.) Limited liability companies (LLCs) were the entity type with the most rapidly growing numbers—increasing from 284 in 1999 to five times that, or 1,400, in the year 2004. This is a fairly new type of business structure that combines certain advantages of a corporation with the flexibility of a partnership.

The chart below shows trends between 1999 and 2004 in the number of Bellevue-located businesses registered with the Washington State DOR overall and within each entity type. **As seen from the chart, the total number of Bellevue-located businesses registered with the state DOR increased greatly from about 8,200 in 1999 to about 13,300 in 2004—a 65 percent increase during this period.** All of the main entity types shown in the chart have also increased by large percentages during this period. The most common form—sole proprietorships—increased by about 53 percent from roughly 4,100 businesses to about 6,300 while corporations increased by a slightly lower 45 percent from numbering approximately 3,500 to about 5,000.



National estimates out of the Northeastern University's Center for Labor Market Studies suggest that from the end of 2001 to the end of 2003, self-employment increased by about 1 million.¹¹ Economists at the center noted that the nation's self-employed people include a wide variety of individuals, including entrepreneurs working to start new businesses, displaced workers, and early retirees. According to analyses produced by the center, the national growth in self-employment stemmed partly from the downturn during the recent economic cycle in which people unable to find the traditional employment became self-employed. However, the analysis also found that growth in self employment was *also* related to a *more permanent* shift in the way work is organized. Many of these trends are likely also occurring in Bellevue, and while available information does not identify definitively whether this is the case, local data on business registrations is not inconsistent with such trends.

Trends in Taxes Collected From or Paid by Businesses

Trends in sales tax revenues are closely linked with trends in personal income, and also affected by consumer confidence levels. When personal income is rising, taxable retail sales and tax revenue from those sales also tend to increase. **B&O tax revenues provide a broader indicator than do sales tax revenues because the B&O tax has a broader base**, being a tax on businesses’ gross receipts and/or square footage of space.

Trends in both sales tax revenues and B&O tax revenues suggest that Bellevue’s economy improved during 2004, as noted in the Bellevue’s Finance Department’s most recent year-end monitoring statement.¹²

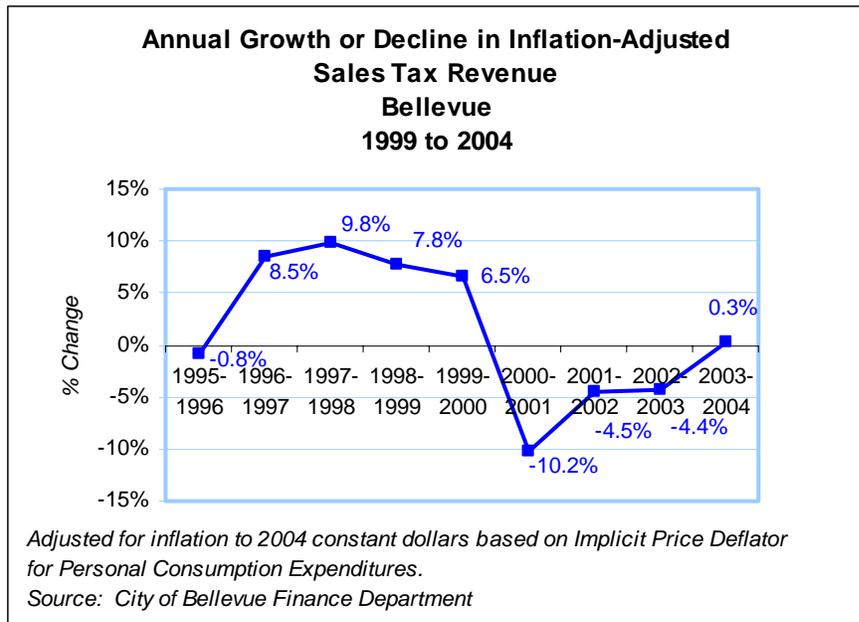
Sales Tax Trends

Sales tax is imposed on the selling price of goods and some services, such as construction, repairs, short term lodging, non-local telephone service, participatory recreational and physical fitness services, and landscape maintenance.¹³ **The majority of sales tax is collected by businesses whose main industry is retailing. In 2004, 58 percent of the City of Bellevue’s sales tax revenue was from sales made by businesses in retail trade.**

The chart to the right shows the annual percentage change in inflation-adjusted sales tax revenues received by the City of Bellevue from 1995 through 2004. **The chart shows that inflation-adjusted sales tax revenues in Bellevue increased each year as the economy grew between 1995 and 2000, and then fell steeply as the 2001 national recession took hold.**

(Although Bellevue’s sales tax revenues are made up mostly of tax dollars paid by retailers, and as such largely reflect trends in retail sales, revenues from construction contributed substantially to the peak of Bellevue’s sales tax revenues in 2000.) While inflation-adjusted sales tax revenues are still substantially below their level in 2000, **the**

decline in Bellevue’s sales tax revenue has halted. Bellevue’s sales tax revenues in 2004 were 0.3 percent higher on an inflation-adjusted basis than in 2003. Data from the Washington State Department of Revenue indicates that taxable retail sales swung somewhat more dramatically in Bellevue than in the county as a whole between 1995 and 2003, which corresponds with the observation Employment chapter that employment changes were also more dynamic in Bellevue than in the county during most of this period.¹⁴



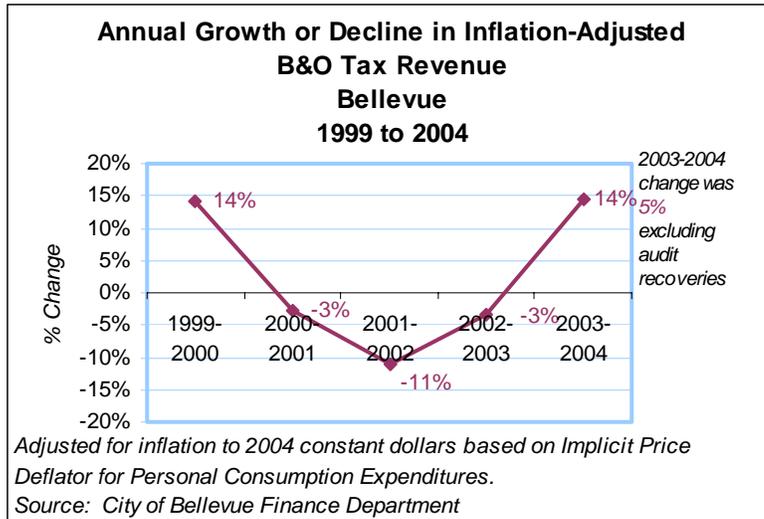
Business and Occupation Tax Trends

As noted in the Business Patterns section of this chapter, Bellevue administers a local Business and Occupation (B&O) tax.

The chart to the right shows the annual percentage change in inflation-adjusted B&O tax revenues received by the City of Bellevue from 1999 through 2004. Like sales tax revenues, B&O tax revenues grew quickly in the late 1990s, peaked in 2000, and then declined for a period which was associated with the recession.

B&O tax revenues experienced more robust growth between 2003 and 2004.

Total B&O tax revenues received by the City of Bellevue in 2004 were 14 percent higher, after adjusting for inflation, than were those received in 2003. Much of this growth was due to increased audit recoveries. Nonetheless, **Bellevue’s inflation-adjusted B&O tax receipts in 2004 were 5 percent higher than 2003 receipts after excluding the effect of audit recoveries.**



ENDNOTES

- ¹ “The Corporate Headquarters Challenge,” Mark Sweeney, www.facilitycity.com
- ² “Symetra drops anchor in Bellevue,” Clayton Park, *King County Journal*, February 14, 2005.
- ³ “Spinoff to return Expedia to Bellevue-based business,” Monica Soto Ouchi, *Seattle Times*, December 22, 2004
- ⁴ “Rental ripple effect-Symetra’s Bellevue move changes shape of office space market,” Clayton Park, *King County Journal*, August 16, 2004 and “Crosstown Move for Web Retailer-Drugstore.com to Relocate HQ to Downtown Bellevue,” Clayton Park, *King County Journal*, August 19, 2004.
- ⁵ See “Employment, Income, and Output Multipliers by Industry” in *the 1997 Washington Input-Output Model*. This most recent update of the model, which was sponsored by the Washington State Office of Financial Management, can be accessed at <http://www.ofm.wa.gov/economy/io/default.htm>.
- ⁶ Sources for these figures vary; but in most cases information was provided by the company either on their web site or directly to City of Bellevue staff.
- ⁷ Specifically, the dataset referenced in this section is from the Quarterly Census of Employment and Wages that the Washington State Employment Security Department coordinates to collect information from businesses that have workers covered by unemployment insurance. The information summarized in this section was obtained from the Puget Sound Regional Council (PSRC), which maintains a database of covered employment and employers and geocodes this data.
- ⁸ A few examples of activities that, when performed in Bellevue, constitute “engaging in business” in Bellevue—and which require a business license from the City of Bellevue’s Tax Division even if the business is not located in Bellevue—include soliciting sales; soliciting, negotiating, or approving franchise agreements; engaging in collections; providing maintenance services; and contracting with the City of Bellevue.
- ⁹ The number of businesses by B&O tax filing status is identified by the City of Bellevue Tax Division in December of each year during the process of sending out tax returns. The gross receipts income exemption level was \$100,000 in 1999 to 2001, \$120,000 for 2002 in 2003, and \$125,000 in 2004.

¹⁰ The United States Small Business Association provides a useful set of descriptions for all major forms of business ownership. See http://www.onlinewbc.gov/docs/finance/org_form.html#corp.

¹¹ “Freelancing in your future? Rise of independent workers highlights challenges facing today's US labor market,” Stacy A. Teicher, *The Christian Science Monitor*, August 02, 2004 <http://www.csmonitor.com/2004/0802/p14s03-wmgn.html>; *Labor Market Problems in Massachusetts From the End of the Labor Market Boom in 2000 Through 2003*, Ishwar Khatiwada et. al., Center for Labor Market Studies, Northeastern University, Prepared for: Workforce Solutions Group, Boston, Massachusetts, May 2004.

¹² Key financial documents for the City of Bellevue produced by the Department of Finance, including the quarterly and year-end monitoring statements, are available at <http://www.cityofbellevue.org/page.asp?view=2606>.

¹³ Sales tax is currently at a rate of 8.8 percent in Bellevue and most King County cities. The sales tax of 8.8 percent has both a local component and a state component, the latter of which is collected at a 1.0 percent rate. Revenue from the local component is split between the City of Bellevue and King County. The City of Bellevue receives 85 percent of the 1.0 percent rate, and King County receives the remaining 15 percent of 1.0 percent. The sales tax rate is slightly higher than 8.8 percent for food and beverages purchased in restaurants and bars.

¹⁴ The Washington State Department of Revenue produces Quarterly Business Reviews compiling statistics on gross income, taxable retail sales and accrued tax liability as reported by Washington state taxpayers. <http://dor.wa.gov/content/statistics/>.

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