



ARLINGTON'S INNOVATION ECONOMY

Civic Federation Meeting

March 3, 2015

Sally Duran, Chair

Economic Development Commission



Arlington: A Unique Mix

Arlington is an remarkable place to work and live because of our values...

***Innovation, Creativity,
Fairness, Health, Education
and Prosperity***

Let's keep it this way – together!



Arlington's Advantage

For Businesses:

- Creative, educated workforce
- Diverse community
- Innovative business environment

For Residents:

- Small town welcome, walkability
- Big city transit, cultural assets, amenities



Economic Development Goal

Maintain 50/50 split in commercial/
residential share of tax base because
commercial property taxes:

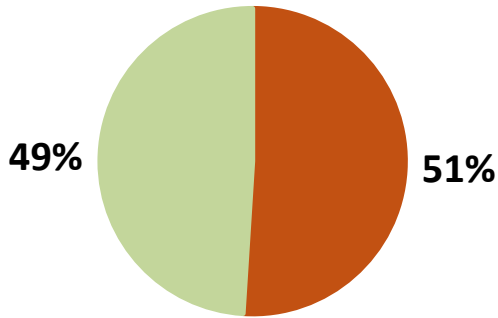
- Fund schools, infrastructure, parks,
quality of life
- Reduce tax burden on residents
- Fund affordable housing, arts,
sidewalks, landscaping, streetlights and
more.

***Arlington's success and prosperity
depends on the collaboration of
businesses AND residents.***



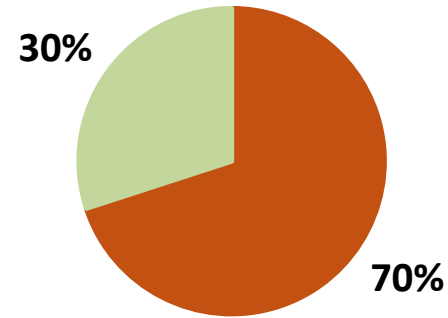
Arlington 2014 Tax Base vs. Regional Average

2014 Tax Base
51% Residential/
49% Commercial Split



Avg. Residential Tax Payment:
\$5,278

Regional Average
70% Residential/ 30% Commercial
Split if Arlington



Avg. Residential Tax Payment¹:
\$7,259
Increase: +\$1,981 (38%)

 **Residential Tax Base**

 **Commercial Tax Base**

¹ Estimated additional amount needed from residential tax payers to achieve adopted real estate tax revenues in the FY2014 Budget.

Note: Avg. tax payment includes base rate and storm water tax. This analysis does not consider commercial transportation tax, and tax rates for other special assessment districts. Also does not consider other tax revenues generated from commercial uses including BPOL, Business Tangible, Transit Occupancy, Local Sales, and Meals Taxes.

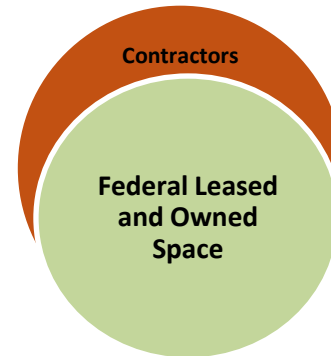
Note: For every 1% decrease of commercial share, there is a 2% increase in cost to residential tax payers



Arlington's Economy is Evolving

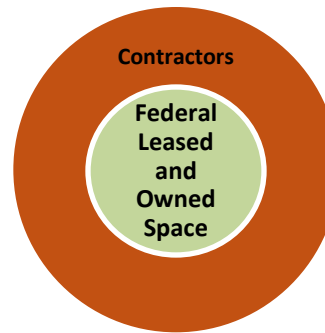
1. 1960s to 1980s

Arlington is seen as a low cost alternative for federal agencies.



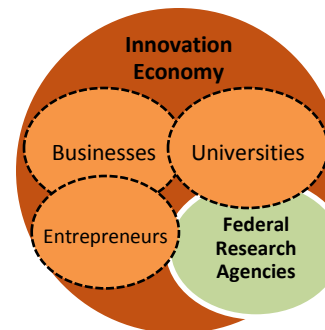
2. 1990s to 2000s

Arlington attracts "value add" federal tenants with classic contractor tail.

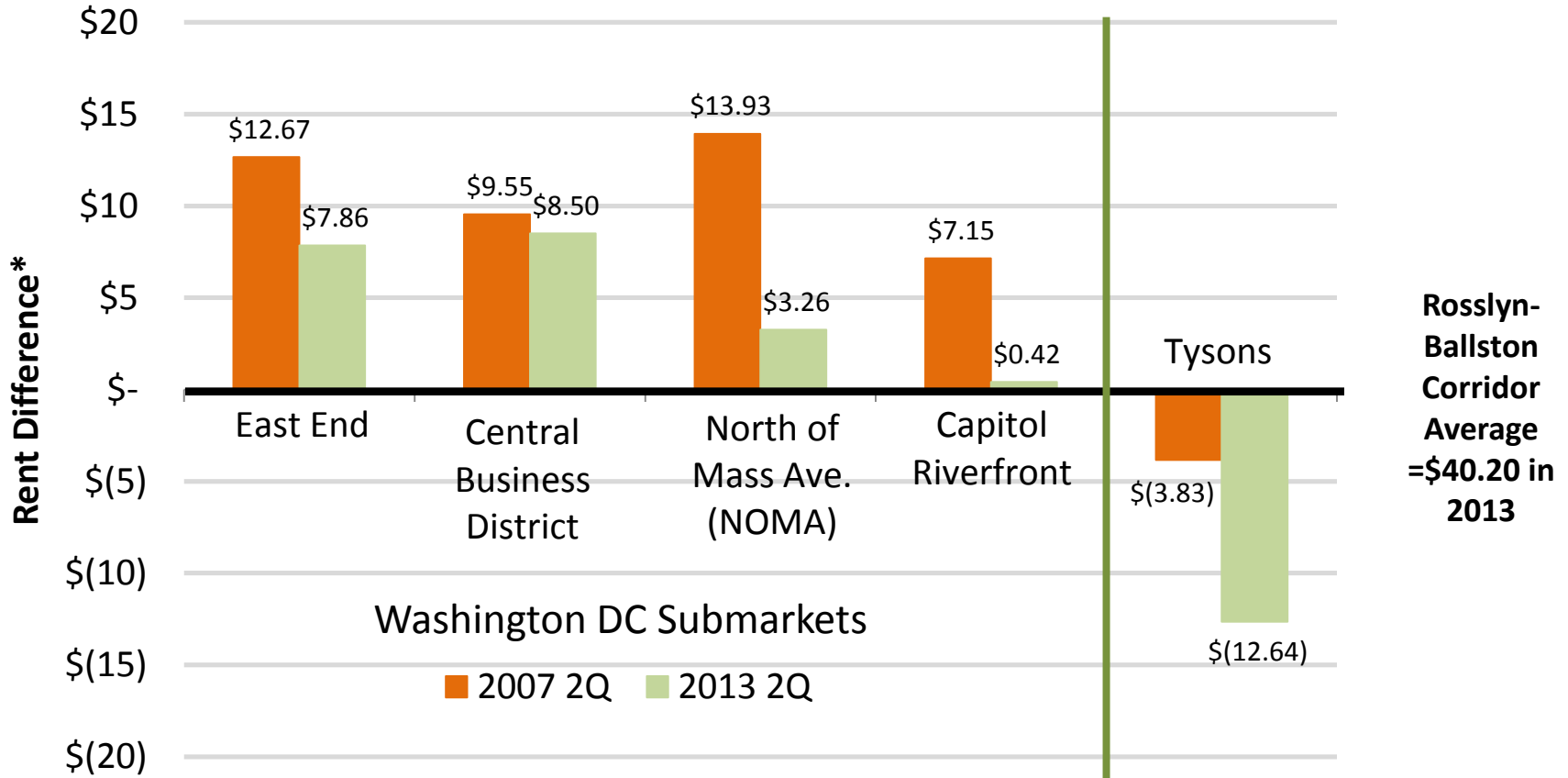


3. 2010 and Beyond

"Innovation Economy" comes to forefront with new focus on emerging businesses in the high-tech sector; federal gov't is just one driver of Arlington's economy.

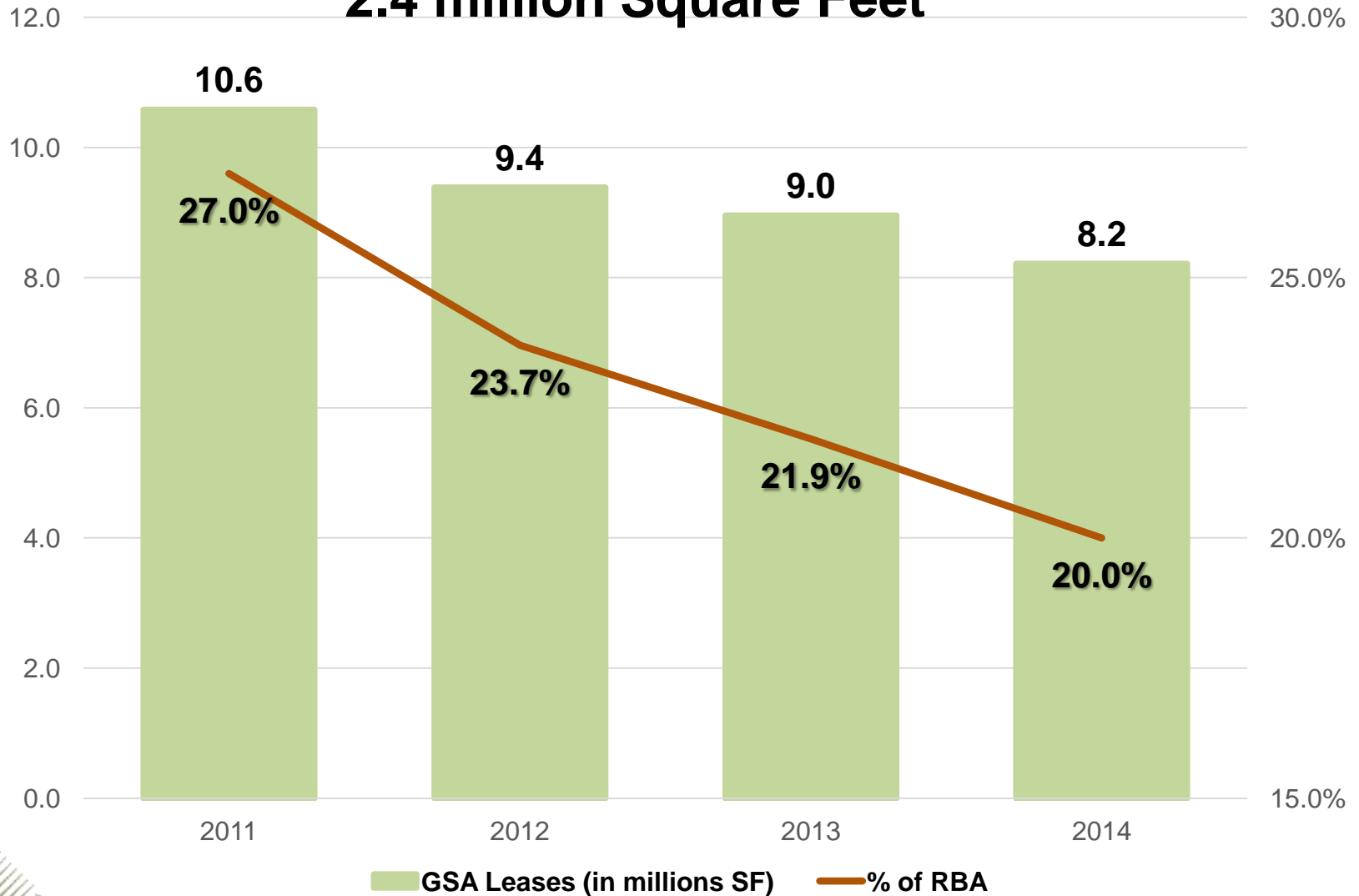


Arlington office rents are less competitive than in the past.



- Difference in average rents per square foot (SF) for Full Service, Class A and B office space between office space in the Rosslyn-Ballston Corridor and office space in Washington DC Submarkets.
- Source: CoStar

Federal Lease Holdings Have Declined by 2.4 million Square Feet



Prime Factors Affecting Competitiveness and Growth

- **Real Estate**
 - Noncompetitive prices, timing and product
 - Increasing “shadow vacancy” rate
- **Incentives**
 - Few retention tools or ways to “write checks”
 - Existing incentives not oriented toward smart growth companies
- **Rules and Regulations**
 - Development process lacks certainty and clarity
 - Burdensome BPOL/Taxes
- **Perception**
 - Arlington’s quality of place (hipness) is losing its edge from business and media POV
- **Community/Neighborhood**
 - Unreasonable resistance or opposition to a project or any development or change

Arlington's Innovation Economy Strategy

1. **Welcoming: Embrace** Arlington's business community and communicate clearly about its value to residents.
2. **Easy Processes: Transform** Arlington's development processes to meet the needs of the users by improving efficiency and predictability.
3. **Competitive and Intelligent Infrastructure: Invest** in resources for economic infrastructure development needs.
4. **Places for the Innovation Economy: Facilitate** innovative, smart, and creative uses of commercial and public spaces.
5. **Economic Ecology: Foster** fast growth companies and STAR Industries (Science, Technology, Arts and Research).
6. **Messaging: Promote** Arlington as a world-class community.

EDC Role in Promoting the Innovation Economy

1. **Messaging to the community** about the value of economic development
2. **Proposing incentives** for business attraction and retention
3. **Developing metrics** to track and improve Arlington's competitive position
4. Completing a study on the **Future of the Arlington Office Market** to assess the evolution in office design/demand and the implications for existing County policy



Arlington Future Office Market Study

Summary
Presentation

01.20.15

The Challenge Ahead

- Office vacancy is **21.8%** -- above its 15-year historical average.
- An increase of 10% in office occupancy would represent **\$34 million annually in local tax revenues.**
- **4.4 million square feet** (s.f.) of office space must be filled for the vacancy rate to reach 10%.
- The entire region is projected to add 3.6 million s.f. per year over the next two years.

Innovation Economy Vision and Community Values

Vision: Take advantage of the talent, companies, community and opportunities to build an **innovation economy** that is number one in this region and world class.

Community Values: Continue to be a **place** where residents and businesses together = Arlington's success and prosperity

“Small Town Charm and Big City Amenities “

The Ask for the Civic Federation

- **Embrace Arlington's business community** and communicate loud and clear about its value to your civic association members
- Support a **culture of "WE"** not "they"
- **Work collaboratively** with businesses and the government to find fair solutions to improve the efficiency of Arlington's development processes.