

ARLINGTON COUNTY FISCAL AFFAIRS ADVISORY COMMISSION
REPORT TO THE COUNTY BOARD

FY2018 PROPOSED BUDGET

BUDGET AREA:	Arlington Economic Development (AED)
FAAC REVIEWERS:	Tenley Peterson, David Kinney, Michael Shea, Thelma Askey, Joe Corey
DATE OF FAAC ACTION:	February 27, 2017

FAAC Opinion

Economic development — in particular lowering the commercial vacancy rate and attracting and retaining businesses in Arlington — is a priority for our commission.

AED has a long-term goal of reducing the commercial vacancy rate in Arlington from its current rate of 19.8% to what they consider a healthier rate of 10-12%. Staff anticipate that the proposed budget will let them continue to work towards this goal, particularly since they can now better leverage the Economic Development Incentive Fund. However, there are several factors at play that counter their progress. Generally, there is a trend of companies using 20-30% less square footage than they have previously for the same number of employees. The National Science Foundation is leaving Arlington, and the TSA's and DEA's contracts are both uncertain. Moreover, the extended silver line means we have more competition from neighboring jurisdictions.

According to AED, the major factors that draw businesses to Arlington and/or keep them here are: 1) strong workforce, 2) transportation system, 3) excellent schools, 4) things to do, and 5) newer commercial real estate infrastructure. AED conducted their first business survey this year.

AED's strategy for retention and attraction of new business focuses on companies that support the federal government rather than the federal government itself. AED also targets specific innovation and tech sectors that are growing both nationally and in the Capital region, many of which also support the federal government. AED spends more time on retention than on attracting new business.

AED noted that Arlington must ensure we have the real estate and service infrastructure to support commercial businesses in Arlington. Two areas where the current budget support this is the \$250k grant to fund the "last mile" for businesses to hook up to ConnectArlington as well as the new BizLaunch small business development manager. Among other responsibilities, the new BizLaunch position will support child care centers in the county and enable them to improve their business planning and practices. According to AED, Arlington's staff handle a larger volume of support/contacts with fewer FTEs than DC Economic Development.

The county manager has proposed decreasing the percent of tax dollars from the Crystal City TIF dedicated to the area's infrastructure from 33% to 30%. The difference would be split between the county and schools. AED supports this change since it would not affect the county's ability to cover planned projects for the Crystal City area.

FAAC Recommendation #1

The FAAC recommends that the County Board support the County Manager’s proposed FY 2018 budget for AED.

Vote:	Yes: 9	No: 2	Abstain: 1
Comment:	<ul style="list-style-type: none"> • One of the “nos” was against tax dollars paying for commercial infrastructure improvements such as dark fiber. 		

FAAC Recommendation #2

The FAAC recommends that the County Board support the County Manager’s proposal to decrease the percent of the Crystal City TIF dedicated to the area’s infrastructure from 33% to 30%.

Vote:	Yes: 11	No: 1	Abstain: 0
Comment:	<ul style="list-style-type: none"> • AED is in support of this decision based on the projections that it would not affect the county’s ability to cover planned projects for Crystal City over the course of the current CIP. • The difference would be split between the county and schools. 		

FAAC Recommendation #3

The FAAC recommends that the County Board support the addition of a BizLaunch Small Business Development Manager to support retention of and outreach to small businesses, including child care providers.

Vote:	Yes: 12	No: 0	Abstain: 0
Comment:	<ul style="list-style-type: none"> • This supports stated county board priorities. • This responds to an ongoing AED priority — ensuring we have the necessary amenities to support growth in commercial sector. 		

FAAC Recommendation #4

The FAAC recommends that the County Board direct the County Manager to direct AED to conduct more business surveys, in particular inquiring why businesses are coming to Arlington and why they are leaving.

Vote:	Yes: 12	No: 0	Abstain: 0
Comment:	<ul style="list-style-type: none"> • AED conducted their first business survey this year. • As business trends and the workforce continue to evolve, surveys will help Arlington know what to do to stay competitive. • Surveys should be cost-effective and low-impact for respondents. They should be added into the existing work plans—i.e., no impact on budget—for those who work with companies that consider / remain in / leave Arlington. They can be formal or informal 		

	<p>depending on staff resources, as long as they're systematic and intentional.</p> <ul style="list-style-type: none">● An online component should also be available for businesses that do not interact with AED but would like to share feedback.
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Future Considerations

FAAC is interested to hear more about the future of the Economic Development Incentive Fund to see whether the modifications to the application process result in more businesses being attracted to Arlington.

When the transient occupancy tax (TOT) surcharge was re-instated, Arlington decreased funding tourism out of the general fund. However, if the TOT goes away again, AED strongly encourages Arlington to make up some of the difference as before. AED plans to work with the local Chamber of Commerce on extending the life of the TOT. FAAC's Chamber of Commerce liaison would like more stakeholder involvement and inclusion in how the TOT monies are spent.

Many of AED's performance measures are either workload indicators or are fairly subjective. Like many other departments in the county, FAAC recommends that these performance measures be looked at for opportunities for improvement.

As child care is a priority of the county board, county manager, and AED, FAAC advises AED to also encourage and support businesses that coordinate their own child care efforts for their workforce.

FAAC would like to hear a presentation from AED on the results of the department's recent business survey.

As the county manager has been asked to propose an additional 1¢ in cuts to his proposed budget, FAAC plans to provide input at a future time if any of these cuts affect AED.