

Economic Development Authority

Mission

To promote the competitive advantage of Fairfax County and influence the growth of a diverse and innovative ecosystem that enhances the tax base, creates demand for commercial space, and supports an extraordinary and equitable quality of life across Fairfax County.

Connection to the Countywide Strategic Plan

The Fairfax County Board of Supervisors adopted the first-ever Countywide Strategic Plan on October 5, 2021. The Countywide Strategic Plan serves as a road map to help guide future work, focusing on the 10 Community Outcome Areas that represent the issues of greatest importance to the community, and uses our One Fairfax equity policy to invest in people and places that have limited access to opportunity. On February 20, 2024, the second Annual Report on the work of the strategic plan was released to the public. The report contains point-in-time progress highlights for each of the community outcome areas, plus three data dashboards and data stories that are being replicated across all of the outcome areas, and a number of additional initiatives to embed the elements of the plan within department-level work. The report also includes a Year Three Implementation Model, which will engage hundreds of County subject-matter experts to identify and champion the specific strategies that will move forward to implementation under the guidance of the Board of Supervisors. For more information on the Countywide Strategic Plan, please visit www.fairfaxcounty.gov/strategicplan. The Economic Development Authority primarily supports the following Community Outcome Area:



| Community Outcome Area | Vision Statement |
|------------------------|--|
| Economic Opportunity | <i>All people, businesses, and places are thriving economically.</i> |

Focus

The Fairfax County Economic Development Authority (FCEDA) was created by an act of the Virginia General Assembly in 1964, and the Authority will celebrate sixty years in operation in 2024. The Fairfax County Board of Supervisors appoints the nine members of the FCEDA's Commission, which in turn, appoints the FCEDA's president and CEO. The Board of Supervisors appropriates funds annually to the FCEDA for its personnel and programs.

The FCEDA accomplishes its objectives through well-established strategic alliances with organizations and institutions throughout Fairfax County, the state, and the region. The FCEDA's strategic plan is to diversify the County's economy by attracting jobs in technology, financial services, health care, and headquarters locations, and to increase innovation by attracting start-up companies.

Historically, the focus of all programs of the FCEDA has been to market office space and reduce the vacancy rate in order to stimulate new construction that contributes to the real estate tax base and enables the Board of Supervisors to provide high quality public services while minimizing the burden of the costs for residents. In recent years, with continuing low unemployment rates, the ability of companies to hire workers has been an important factor in attracting and retaining businesses. To address this need, the Board of Supervisors and the FCEDA Commission provided a new focus in

the area of talent management. This is a top priority in working with technology companies in particular. In 2019, the FCEDA received additional funding for a talent initiative and this has become a vital complement to existing FCEDA services to businesses.

The FCEDA provides direct assistance to businesses that are considering establishing or expanding their business operations in Fairfax County. It supplies companies with a wide range of information, site location assistance, introductions to needed services and financing sources, and more. The Authority closely tracks the County's real estate markets to provide new and expanding firms with commercial space options best suited to their needs. The businesses are then fully informed to make the site decision that best suits their needs. With the exception of fees for revenue bonds, all other services of the FCEDA are provided without charge and in the strictest confidence.

Fairfax County recorded 6.2 million square feet of office leasing in 2023, amounting to a slight decrease from the 2022 figure of 6.6 million square feet. For the second year in a row, leasing totals amounted to approximately two-thirds of the pre-pandemic average. While this could indicate a new normal, there is an expectation office leasing could continue its recovery once interest rates come down and more of the workforce returns to the office. FCEDA staff will continue to monitor these trends.

While the County continues to diversify its commercial occupancy industry base, the federal government and contractors that serve the federal agencies remain the largest office occupiers, as reflected in the top leases of 2023. There were six leases over 100,000 square feet, all of which fell in the two aforementioned industries. Government contractors like GDIT, Arcfield, and ManTech Advanced Systems either retained their footprint or established a new location, as well as federal agencies like the Federal Bureau of Investigation and Drug Enforcement Administration.

Office tenants across other industries continue to look for efficiencies in space utilization while upgrading the workplace and surrounding amenities. This "flight to quality" is a long-standing trend, as pre-pandemic decisions are now being reflected in the market. The result of these decisions can be seen in examples like Volkswagen Group of America shifting headquarters to a new trophy office tower adjacent to the Reston Town Center Metro station or Capital One consolidating its workforce into their new headquarters campus. Historically, the space left behind in these consolidations or relocations would be backfilled by a new tenant, but today's office market is seeing fewer corporate expansions or market relocations which is leading to an increase in large blocks of vacant office space. The large move-outs coupled with the overall reduction in office leasing resulted in a year-end 2023 direct office vacancy rate of 17.2 percent, a half percentage point increase from year-end 2022. It is important to note the rate of office vacancy rate increases has been slowing, as evidenced by the previous year-over-year increase of 0.7 percentage point.

As of December 31, 2023, the County had an office inventory of 119.5 million square feet, approximately a 400,000 square foot reduction attributed to a shrinking construction pipeline and an increase in office demolition activity. There were no office projects that were delivered during 2023, but there were two office buildings demolished to accommodate the development of a data center. The two office buildings were vacant since delivery in 2013 and represent a replacement in tax revenue given the future use of the site.

Even with elevated demand for the trophy office space that benefits from the "flight to quality," many developers are unable to obtain financing that would kickstart construction of a project. Typically, the County would see construction levels above two million square feet year after year, but under the post-pandemic financial climate there is currently one million square feet under construction, across five buildings. Three of the office buildings under construction commenced work without a

committed tenant but are expected to capture some of the trophy office demand due to location along the Silver Line and proximity to in-demand amenities.

As the office market continues to recover, data center demand remained high in 2023. Two projects started construction in the past year, contributing to the almost 4 million square feet currently “in process” throughout the County. This pipeline greatly exceeds the current standing inventory square footage of 2.3 million square feet. FCEDA staff continue to build relationships in this industry and assist on projects, as data center development in select locations will provide tax revenue from both property and equipment.

In addition to working to attract and retain information technology and professional services that comprise the County’s traditional business base, the FCEDA targets strong and comparable U.S. and global markets and industries to accelerate the process of business attraction. The FCEDA also pursues new business sectors including artificial intelligence, cybersecurity, data analytics and cloud computing, health IT and quantum computing. This effort reflects the FCEDA’s objective to further diversify the County’s economic base.

The FCEDA has had recent successes in a wider range of industry sectors, as well as the traditional economic base in the government contractor sector. There is continued growth of international businesses as well. The FCEDA’s focus on small, minority-owned, woman-owned, and veteran-owned businesses has created a strong base of diversely owned companies. The FCEDA is focused on retaining and attracting companies in those sectors.

The FCEDA has a dedicated talent initiative team focusing on talent attraction and retention activities. Responsibilities include staging virtual career fairs, development of a talent website with job listings from around Northern Virginia, collaboration with area colleges and universities, and engagement with companies who are hiring to ensure career opportunities are reaching a wide range of potential candidates.

Budget and Staff Resources

| Category | FY 2023 Actual | FY 2024 Adopted | FY 2024 Revised | FY 2025 Advertised |
|--|--------------------|--------------------|--------------------|--------------------|
| FUNDING | | | | |
| Expenditures: | | | | |
| Personnel Services | \$4,406,881 | \$4,649,100 | \$4,649,100 | \$4,844,955 |
| Operating Expenses | 4,995,671 | 4,830,284 | 4,971,597 | 4,611,898 |
| Total Expenditures | \$9,402,552 | \$9,479,384 | \$9,620,697 | \$9,456,853 |
| Income: | | | | |
| EDA Bond Administrative Fees | \$460 | \$0 | \$0 | \$0 |
| Total Income | \$460 | \$0 | \$0 | \$0 |
| NET COST TO THE COUNTY | \$9,402,092 | \$9,479,384 | \$9,620,697 | \$9,456,853 |
| AUTHORIZED POSITIONS/FULL-TIME EQUIVALENT (FTE) | | | | |
| Exempt | 36 / 36 | 36 / 36 | 36 / 36 | 36 / 36 |

**FY 2025
Funding
Adjustments**

The following funding adjustments from the FY 2024 Adopted Budget Plan are necessary to support the FY 2025 program:

Employee Compensation **\$195,855**
 An increase of \$195,855 in Personnel Services includes \$92,983 for a 2.00 percent market rate adjustment (MRA) for all employees and \$102,872 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2024.

Contract Increases **\$31,422**
 An increase of \$31,422 is included to cover the cost of inflation-related contract increases.

Department of Vehicle Services Charges **\$192**
 An increase of \$192 in Department of Vehicle Services charges is based on anticipated billings for maintenance and operating-related charges.

Reductions **(\$250,000)**
 A decrease of \$250,000 reflects reductions utilized to balance the FY 2025 budget. The following table provides details on the specific reductions followed by revenue enhancements:

| Title | Impact | Positions | FTE | Reduction |
|---|--|-----------|-----|-----------|
| Reduce Marketing Communications Funding | This reduction will eliminate \$150,000 in Operating Expenses funding for digital marketing campaigns targeted at companies considering corporate expansions in or relocations to Fairfax County. This will have a partial impact on the agency’s marketing communications and would eliminate the business investment lead generation program and could result in fewer jobs created and less square feet of office space leased. There is \$650,000 in funding left for marketing communications. | 0 | 0.0 | \$150,000 |
| Reduce Talent Programming and Marketing Funding | This reduction will eliminate \$100,000 in Operating Expenses funding for Talent programming and marketing, including the K-12 career readiness partnership, the Virginia Values Veterans (V3) support, and digital marketing of talent programs. This will have a partial impact on the agency’s talent programming and marketing program and could result in fewer job seekers connected to job opportunities and at hiring events annually. There is \$700,000 in funding left in talent programming and marketing. | 0 | 0.0 | \$100,000 |

**Changes to
FY 2024
Adopted
Budget Plan**

The following funding adjustments reflect all approved changes in the FY 2024 Revised Budget Plan since passage of the FY 2024 Adopted Budget Plan. Included are all adjustments made as part of the FY 2023 Carryover Review and all other approved changes through December 31, 2023.

Carryover Adjustments **\$141,313**
 As part of the FY 2023 Carryover Review, the Board of Supervisors approved funding of \$141,313 in encumbered carryover to support office relocation and services related to office space design.

Position Detail

The FY 2025 Advertised Budget Plan includes the following positions:

| ECONOMIC DEVELOPMENT AUTHORITY – 36 Positions | | | |
|---|----------------------------------|---|------------------------------------|
| 1 | President/CEO | 1 | Business Resources Manager |
| 1 | Executive Vice President | 2 | Market Researchers III |
| 4 | Vice Presidents | 3 | Market Researchers II |
| 3 | EDA Program Directors II | 1 | Communications Manager |
| 1 | Director of Market Intelligence | 1 | Information Systems Manager |
| 1 | Director of Operations | 1 | Executive Administrative Assistant |
| 1 | Communications Director | 1 | Production/Graphics Manager |
| 1 | Events Director | 1 | Business Development Manager I |
| 2 | Business Development Managers V | 1 | Procurement Specialist |
| 9 | Business Development Managers IV | | |
| All positions are Exempt | | | |

Performance Measurement Results by Community Outcome Area

Economic Opportunity

In FY 2019, the FCEDA Commission revised the metrics to include square footage of office space leased, renewed, or purchased with assistance from the FCEDA.

In FY 2025, the Commission continues to focus on diversifying the economy in the areas of emerging technologies, information technology, cybersecurity, cloud computing, global businesses, and corporate headquarters, as well as supporting businesses with talent attraction and retention initiatives. These priorities all support the measurements listed below.

| Indicator | FY 2021 Actual | FY 2022 Actual | FY 2023 Estimate | FY 2023 Actual | FY 2024 Estimate | FY 2025 Estimate |
|---|----------------|----------------|------------------|----------------|------------------|------------------|
| Economic Opportunity | | | | | | |
| Promoting Economic Vibrancy in All Parts of Fairfax County | | | | | | |
| Jobs from announcements | 9,213 | 9,361 | 7,250 | 9,325 | 9,000 | 9,000 |
| Office Square Footage Assisted | 899,838 | 1,040,000 | 968,000 | 1,524,378 | 1,250,000 | 1,250,000 |

A complete list of performance measures can be viewed at <https://www.fairfaxcounty.gov/budget/fy-2025-advertised-performance-measures-pm>