Response to Questions on the FY 2010 Advertised Budget Plan

Request By: Supervisor Smyth

Question: What private sector funding sources exist for other EDAs that our EDA could explore?

Response: The following response was written by the Fairfax County Economic Development Authority (FCEDA)

1. It is not entirely accurate to state that 100 percent of FCEDA funds come from Fairfax County. While it is correct that all operating funds do come from the County, the FCEDA has learned over time that private funds can be attracted for events that are of particular interest to the specific companies. These events include programs overseas that are used to promote Fairfax County as a good place to do business. The amounts attracted vary from one year to the next but generally total between $50,000 and $100,000 per year.

2. Similar to Fairfax County, other jurisdictions in the metropolitan Washington, DC area also provide 100 percent of the operating funding for their economic development program. This includes Arlington County, Loudoun County, Montgomery County, and the District of Columbia. Nationally, there are a variety of funding models. In cases where more than half of the budget comes from private sources, the vision and direction of the business attraction efforts also comes from private sources. In this region, the Greater Washington Initiative of the Greater Washington Board of Trade does constitute its budget from both public (30 percent) and private (70 percent) sources. Again, the private sector calls the shots. GWI would represent a competitor in terms of private fund-raising.

3. Funding that is received from the private sector would not be available at the very time it is most needed. In the current economic climate, the County needs the FCEDA to be more aggressive and more effective than ever before. It is at this very moment that private sector funding would be least likely to be available.

4. The most likely sources of private funding received by the FCEDA would come from interests in Tysons Corner and Reston. In those cases, the primary attention for economic development outreach would be expected to support those two communities. Similar attention would not likely be focused on other areas, including the revitalization districts and other areas in the county that are in the greatest need of attention.

5. It has been suggested in the past that funding be solicited to support the economic development program from the real estate community because they, as is the County, are also beneficiaries of the development. Notwithstanding that these sources would not be at all productive in today's economy, there is a significant concern with receiving funds from these sources. There is no doubt that funding from those sources would come with the assumption of priority treatment for their properties and projects. This would erode the critical reputation of the FCEDA for representing ALL land and office space equally to prospects.

6. Fund-raising by the FCEDA would detract from the ability of private, non-profit organizations to raise funds from the same companies. This includes charitable groups, cultural organization, youth groups, and more.

7. The FCEDA Commission considered the feasibility of assessing fees for Industrial Revenue Bonds (IRBs) that it approves. The Commission appointed a committee to review the pros and cons of charging such fees and make a recommendation to the Commission.

   The recommendation of the Committee to the full Commission is that the Commission report to the Board of Supervisors that the intangible, but nevertheless symbolically important, benefit that the FCEDA provides without charge contributes to Fairfax County's competitive success in consistently attracting and retaining business.

   The County Board's policies have created a climate conducive to attracting and keeping business. The FCEDA regards providing IRBs without fees as an intangible but important ingredient that has contributed to the county's success.

   Background:
   The Commission has been asked by the Board of Supervisors to consider the question of assessing fees for issuing IRBs as a means of offsetting a portion of the annual appropriations to the FCEDA.

   The Committee makes its recommendation to the full Commission on the basis of its assessment of the potential impacts of such a policy. The Committee recognizes that, by assessing fees, the FCEDA could possibly realize some additional funds that could offset county appropriations; however in the Commission's judgment, the negatives of such a policy would far outweigh the benefits. Those negatives are summarized below:

   1. It is a core belief of the FCEDA Commission that the crucial relationship between economic development, the condition of the county's tax base, and the ability to deliver public services that residents expect and deserve, makes public funding of this critical mission essential to the economic health of Fairfax County.

   2. Common sense and our collective experience demonstrate that when the county needs a robust response to an economic downturn, the FCEDA, if dependent upon private funding, would be at risk. The private funding would be least available when the need would be most acute.

   3. As the only northern Virginia jurisdiction not to assess fees for the issuance of IRBs, Fairfax County enjoys an enviable reputation as a jurisdiction that welcomes and supports businesses. Requiring fees now will detract from the county's business-friendly reputation.

   4. If the FCEDA imposes fees for issuing IRBs, the non-profit organizations that comprise the vast majority of applicants would lose the use of those funds.

The Commission agreed with the committee's recommendation.

The Board of Supervisors and the FCEDA Commission have often stated their belief that economic development in Fairfax County is designed to attract businesses and to fill office space because, when vacancy rates reach 5 percent to 7 percent, there is a demand generated for the new construction that generates additional real estate tax revenues and enables the Board of Supervisors to provide public service while minimizing the burden of their costs for residents. It is vital for the funding to be constant and dependable, especially at a time when the economy is struggling.