

Economic Development Authority

Economic Development Authority

Mission

To encourage and facilitate business and capital attraction, retention and development in all of the business markets throughout Fairfax County in order to expand the County's nonresidential tax base.

Focus

The FCEDA provides direct assistance to businesses that intend to establish or expand their operations in the County and assists businesses with information provision, site location assistance, introductions to needed services and financing sources, and more.

The FCEDA closely tracks the County's office and industrial/hybrid (flex) real estate markets to help businesses relocate or expand into commercial space best suited to their needs. The County's office space inventory stood at 106.3 million square feet at mid-year 2007, up from 105.1 million square feet at year-end 2006. New office construction fell off slightly during the first six months of 2007, following on the heels of one of the busiest development cycles in recent memory. At mid-year, nearly 4.7 million square feet of new office space were under construction, down from 5.8 million square feet at year-end 2006. However, the amount of new office space delivered in the county increased for the first time in more than a year. Approximately 1.6 million square feet of new office space delivered by mid-year 2007—a trend that is expected to continue through mid-year 2008.

Typically, it takes between 12 and 18 months from groundbreaking to deliver a new office building. New office construction contributes vital revenue to the Fairfax County tax base and enables the County to provide a range and volume of high-quality public services without adding to the burden of residential taxpayers.

Leasing activity through mid-year 2007 totaled 4.6 million square feet—on pace with the 4.5 million square feet of leasing activity recorded during the second half of 2006, but below the 6.3 million square feet recorded during the first half of 2006.

The combination of cooling near-record levels of leasing activity over the past year with a rise in office deliveries caused the overall office vacancy rate (which includes sublet space) to climb from

THINKING STRATEGICALLY

Strategic challenges for the FCEDA include:

- Building on already strong business sectors including technology businesses, internationally-owned businesses, and woman- and minority- owned businesses;
- Continuing to attract venture capital to support the growth of business;
- Positioning Fairfax County as THE place for innovative companies to harness a creative workforce so they may evolve to the next level of economic activity; and
- Maximizing opportunities that occur as a result of the Base Realignment and Closure Commission (BRAC) developments in Springfield and the Richmond Highway corridor.

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9.2 percent at year-end 2006 to 10.2 percent at mid-year 2007. The direct office vacancy rate was 8.5 percent at mid-year 2007, up from 7.7 percent at year-end 2006.

With nearly five million square feet of new, largely speculative office space scheduled to be added to the market within the next 18 months, and sluggish leasing activity expected to continue its downward trend, it's anticipated that the slight uptick in vacancy rates will continue through 2007 and stabilize in early 2008.

Budget and Staff Resources

Agency Summary		
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan
Authorized Positions/Staff Years		
Exempt	34/ 34	34/ 34
Expenditures:		
Personnel Services	\$2,613,273	\$3,008,726
Operating Expenses	4,009,921	3,665,092
Capital Equipment	5,145	0
Total Expenditures	\$6,628,339	\$6,673,818

SUMMARY OF ALL AGENCY LOBS (FY 2008 Adopted Budget Data)

Number	LOB Title	Net LOB Cost	Number of Positions	LOB SYE
16-01	Economic Development Authority	\$6,673,818	34	34.0
TOTAL		\$6,673,818	34	34.0

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LOBS SUMMARY

16-01: Economic Development Authority

<i>Fund/Agency: 001/16</i>	<i>Economic Development Authority</i>
LOB #: 16-01	<i>Economic Development Authority</i>
Personnel Services	\$3,008,726
Operating Expenses	\$3,665,092
Recovered Costs	\$0
Capital Equipment	\$0
Total LOB Cost:	\$6,673,818
Federal Revenue	\$0
State Revenue	\$0
User Fee Revenue	\$0
Other Revenue	\$0
Total Revenue:	\$0
Net LOB Cost:	\$6,673,818
Positions/SYE involved in the delivery of this LOB	34 / 34.0

► LOB Summary

Background

The purpose of the Fairfax County Economic Development Authority is to work with businesses not currently in the community to attract them to Fairfax County and to work with the existing business community so they will stay in Fairfax County as they grow. As businesses grow and either bring jobs to the county or keep them here, the impact is felt in the office space market. When office vacancy rates become low enough, the private sector initiates the process to develop additional office space. It is that new construction that contributes to the real estate tax base which is about 62 percent of the General Fund from which the Board of Supervisors funds public services.

Because businesses contribute more in tax dollars than they take back in public services, they help to reduce the cost of public services for residents, who take back far more than they pay in taxes. As a result, the real estate tax rate in Fairfax County has been reduced from \$1.74 (1976) to \$1.42 (1984) to today's rate of 89 cents. This is made even more impressive by the growth of public service costs for a rapidly growing and ever-increasingly diversifying population. In sum, business growth helps to pay for a high quality of life for residents.

Today, with a highly diverse population of nearly 1.1 million, Fairfax County has about 105 million square feet of office space. In addition to helping pay for public services, this has also resulted in the nation's lowest unemployment rate and its highest median family income. As a result, *Time* Magazine, in 2007 called Fairfax County "one of the great economic success stories of our time."

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As a general principle, the FCEDA has been firmly committed to ensuring that the rapid economic growth in the county extends to all parts of the business community. Various programs are designed to ensure that small, women-owned, and minority-owned businesses are able to take part in the growth. Over time, these efforts have paid off and today, Fairfax County businesses are disproportionately represented on any list of business superlatives. *Black Enterprise* magazine's list of the top 100 African-American owned and operated countries in the United States includes seven that are located in Fairfax County. The comparable list in *Hispanic Business* magazine includes 15 Fairfax County businesses in the top 500 from around the country.

One of the programs that enables small businesses to grow in Fairfax County prepares companies and makes introductions for them to venture capital financing sources. When this program was initiated by the FCEDA, there was only one venture capital business in Fairfax County; today, there are 36, and Fairfax County regularly ranks in the top ten communities in the United States in terms of attracting venture capital deals.

Under the leadership of the FCEDA, in October 2007 Fairfax County hosted the National Conference on Creative Economy. The Conference focused on discussion of how businesses and communities develop and leverage creativity and innovation to drive growth. The conference marked Fairfax County as a prime location to find and maintain a creative workforce and is an example of the creative economy: 57 percent of county residents work in "creative occupations" in information technology, professional services, education and other fields.

All of these efforts result in job growth and the subsequent creation of demand for new office construction. This generates the taxes that help the Board of Supervisors to sustain our high quality of life while minimizing the burden of the costs of public services for residents.

Historical Data

Data	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Business Announcements	135	123	115	147	192	130	146	106	154	155	107
Jobs Created	12,373	11,558	10,068	13,082	13,550	13,000	12,658	8,691	12,536	7,691	7,140
Venture Capital Attracted - Fairfax County share of U.S. deals	1.1%	1.1%	1.3%	1.1%	1.7%	1.36%	1.6%	1.47%	1.66%	1.31%	1.46%

Funding Sources

The operating expenses of the FCEDA are fully funded by the Fairfax County Board of Supervisors. However, for special events, it has been possible to engage private businesses as sponsors. This has been especially true for events conducted in the United Kingdom. The "sponsors" have helped to defray the costs of those events but will not help to fund ongoing operating expenses. Another

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prime example of success in generating private support for one-time events is the 2007 National Conference on the Creative Economy. The support of the Board of Supervisors enabled the conference to be successful. Some business contributions were received that helped to defray costs and were made available for this one-time event.

Trends and Future Issues

There are several future issues that need to be followed. John Warner's announcement not to seek re-election has created some uncertainty in the defense contractor community. Regardless of who replaces him in the Senate and how good he or she may be, there will still be a considerable loss of status and power. Given his seniority, his committee chairmanship, and his ability to talk to both sides of the aisle, Senator Warner has been able to help drive that portion of the northern Virginia economy that works on Department of Defense and other federal contracts. Corporate executives are discussing the potential for a slow-down in the economy because there is uncertainty about the next (national) administration. Whether Democratic or Republican, it is clear that local contractors will take a wait and see attitude about any growth over the next year and a half or two until new policy directions and procurement areas become clearer.

Another area of concern relates to the Metro coming to Tysons Corner and later to Reston. Many community groups are cooperating to ensure that there is not an exodus of companies from those areas during the construction phase. The FCEDA will be devoting a great deal of attention to retaining businesses in the area or, as an alternative, to ensure that they remain in Fairfax County. Retention is an increasingly important element of the FCEDA programs because, as the economy has grown locally, we have become a target for other jurisdictions' marketing efforts.

Another trend that has impacted the ability of the FCEDA to be successful has been the steadily rising costs of advertising placements. A key part of the outreach to businesses is the placement of print and electronic advertisements to raise the impression of Fairfax County as a great place to live and work in the minds of site location decision-makers. Rising costs have resulted in the numbers of impression being steadily eroded over time.

Economic growth is slowing as the federal government begins to temper contract spending. This is reflected in the decrease in jobs created by the FCEDA from 12,536 in FY 2005 to 7,651 in FY 2006. The number of business announcements in FY 2006 increased by one from 154 to 155. The number of announcements is expected to decrease to 140 in FY 2007 and 130 in FY 2008.

► Method of Service Provision

The FCEDA provides services through the following activities:

- Promote Fairfax County as the ideal location for national and international businesses to locate, and promote the expansion of existing businesses.
- Pursue advertising and promotional strategies, building upon past campaigns, to enhance the image of Fairfax County as a primary business location and increase awareness of, and familiarity with, Fairfax County among site location decision-makers, business executives and capital sources nationally and worldwide.
- Encourage retention and growth of local businesses, including minority- and woman-owned firms.

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- Provide new and existing business prospects with current, local, national, international and trade media contacts to assist with relocation announcements and other press contacts as appropriate.
- Research and develop real estate-oriented and business publications in response to prospect and public requests. Examples include the *Doing Business in Fairfax County* guidebook.
- Develop and maintain web site designed to provide information regarding services available to businesses through FCEDA's various programs.
- Assist businesses with resolution of problems vis-à-vis state/County agencies and other organizations.
- Collaborate with the FCEDA Commissioners or Board of Supervisors in developing media announcements and events concerning new or existing business prospects.
- Assist with the planning and implementation of special events to support business attraction and retention efforts.
- Provide direct outreach to the major employers in the County through regular meetings and special programs. Direction and coordination of all prospect development and prospect services to major businesses seeking to locate or expand in the County.

► Mandate Information

The FCEDA is state mandated. The percentage of the FCEDA's resources utilized to satisfy the mandate is 100 percent. See the January 2007 Mandate Study, reference page 37 for the specific state code and a brief description.

AGENCY PERFORMANCE MEASURES

Objectives

- To create 7,000 new jobs in FY 2009.
- To attract 1.45 percent of the total venture capital deals in the United States to Fairfax County businesses.
- To attract a net gain of 4 foreign-owned business to Fairfax County.
- To attract a net gain of 100 minority-owned business to Fairfax County.

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Indicator	Prior Year Actuals		Current Estimate	Future Estimate	LOB Reference Number
	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009	
Output:					
Business announcements	155	140 / 107	100	100	16-01
Companies entering incubator program (1)	8	NA / NA	NA	NA	16-01
Incubator graduates staying in Fairfax County (1)	0	NA / NA	NA	NA	16-01
Efficiency:					
Cost per job attracted	\$838	\$860 / \$938	\$935	\$964	16-01
Outcome:					
Jobs created	7,651	7,700 / 7,140	7,140	7,000	16-01
Market share of venture capital deals	1.30%	1.40% / 1.46%	1.50%	1.45%	16-01
Foreign-owned companies	358	370 / 361	361	365	16-01
Minority-owned companies	3,792	4,000 / 4,146	4,300	4,400	16-01

¹ The incubator program was discontinued in FY 2007. No further data will be generated.