

## Lines of Business

LOB #46:

### **ECONOMIC DEVELOPMENT AUTHORITY**

#### **Purpose**

The purpose of the FCEDA is to work with businesses not currently in the community to attract them to Fairfax County, to work with the existing business community so they will remain in Fairfax County as they grow, and to grow new businesses. 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 generates approximately 64 percent of the General Fund revenue from which the Board of Supervisors funds public services.

Today, with a highly diverse population of over 1.1 million, Fairfax County has over 116 million square feet of office space. In addition to helping pay for public services, this has also resulted in the nation's second highest median family income.

#### **Description**

The FCEDA is a singular line of business that creates demand for the new commercial construction that expands the real estate tax base and contributes to the quality of life and overall prosperity of Fairfax County. The FCEDA provides direct assistance to national and international businesses that intend to establish their operations with the County and focuses on business retention, by assisting existing businesses that plan to expand their operations within the County.

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-, woman- and veteran-owned firms.
- Provide training for start-ups.
- International business outreach.
- 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 a website 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 and the Board of Supervisors in developing media announcements and events concerning new or existing business prospects.

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- 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. Direct and coordinate all prospect development and prospect services to major businesses seeking to locate or expand in the County.

The FCEDA has three marketing divisions - National, International, and Business Diversity - that work with companies interested in opening or expanding and relocating businesses to Fairfax County. The FCEDA also has Market Intelligence, Real Estate Services and Communications divisions.

Business growth helps Fairfax County fund public services such as a top-ranked public school system that improve the quality of life. Fairfax County offers a well-educated workforce, diverse real estate opportunities, access to global markets through Washington Dulles International Airport, and a business community based on technology and professional services.

As a general principle, the FCEDA has been firmly committed to ensuring that the economic growth in the County extends to all parts of the business community. Various programs are designed to ensure that small, woman-, minority- and veteran-owned businesses are able to take part in the growth. Over time, these efforts have paid off and today, many of these Fairfax County businesses are well represented on several lists of business superlatives such as those published by Black Enterprise Magazine (2014), Washington Business Journal, Women's Presidents Organization and others.

This Line of Business is performed by FCEDA staff who meet with companies locally, and travel to target markets within the United States, Bangalore, London, Munich, Seoul and Tel Aviv. Under the supervision of FCEDA marketing directors, contract representatives assist in identifying companies that want to come to Fairfax County.

## Benefits

Federal contracting has been a dominant business sector in Fairfax County for many years. In 2014, a soft federal contracting environment led to discussion about diversification of the Fairfax County economy. The County remains the top destination in the nation for federal procurement dollars, and federal contracting will continue to be a prime generator of the local economy, with firms such as CSC, General Dynamics, and Northrop Grumman. However, the FCEDA recognized decades ago that Fairfax County needs an economy that has a far broader base.

Since 2007, the FCEDA has attracted headquarters operations of a number of companies that have little to no connection with federal procurement: Volkswagen North America (automotive), Hilton Worldwide (hospitality), Bechtel (engineering and construction), Intelsat (satellite services), and Cvent (event management technology) being the most prominent. Firms such as these have helped create a more stable and more diverse economy.

Future opportunities in Fairfax County will play off the County's traditional strengths in information technology and its highly skilled workforce. Two industry sectors being pursued aggressively are cybersecurity and translational medicine.

The FCEDA's wide array of free and confidential services results 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 the high quality of life while minimizing the burden of the cost of public services for residents.

Because businesses contribute more in tax dollars than they take back in public services, they are helping 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 (FY 1977) to \$1.47 (FY 1984) to today's rate of \$1.09 per \$100 of assessed value. This is made even more impressive by the growth of public service costs for a rapidly growing and diversifying population. In sum, business growth enables the Board of Supervisors to pay for the services that provide a high quality of life for residents.

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## **Mandates**

The FCEDA is authorized in Chapter 643 of the 1964 Acts of the Virginia General Assembly, as amended. The percentage of the FCEDA's resources utilized to satisfy this mandate is 100 percent.

## **Trends and Challenges**

### **Trends**

The number of new jobs created in FY 2015 (7,974) increased over the number created in FY 2014 (6,787). However, companies are both decreasing their real estate footprint, and location decisions tend to be smaller and have longer time frames. There is consolidation in information technology and government contracting – industries that traditionally generated significant job numbers – and these firms are re-focusing their services. Alternatively, new industries such as cybersecurity, cloud computing and data analytics, and translational medicine present future – though perhaps not immediate – opportunities.

The 23-mile extension of Metrorail to Washington Dulles International Airport and the development associated with the Base Realignment and Closure Act (BRAC)-mandated expansion at Fort Belvoir are transformative projects currently underway in the County. Phase I of Metrorail to Dulles opened in July 2014 and includes four rail stations in Tysons Corner and one in Reston.

Construction of Phase II of the project has begun and is expected to be completed in 2019. It encompasses another station in Reston, two in Herndon, one at Washington Dulles International Airport and two in eastern Loudoun County.

An additional transformative event was Inova's acquisition of the former Exxon Mobil campus in Merrifield. The 117 acre site will serve as the home of the Cancer Institute and the Institute for Translational Medicine. Over time, it is believed that the campus will spin off new companies and jobs.

The BRAC recommendations released by the United States Department of Defense in 2005 called for the relocation of selected agencies from leased facilities in the County and its neighboring jurisdictions to Army-owned property for financial, strategic and national security reasons. Under the largest initiative in the national BRAC program, Fort Belvoir in the southeastern region of the County added roughly 20,000 personnel (about 5,600 on-post) to its existing complement of about 23,000 workers.

BRAC has necessitated the construction of new buildings on-post and on other Army land holdings. The latter includes the Fort Belvoir North Area (formerly known as the Engineer Proving Ground) in Springfield, where the National Geospatial-Intelligence Agency (NGA) completed construction on its 2.4 million square foot headquarters, housing approximately 8,500 employees. There is potential for a new round of BRAC impacts in the next few years. This could have a repeat effect on the southeastern quadrant of Fairfax County.

The Fort Belvoir expansion and NGA development represent opportunities for office development that are expected to bring a large number of high-paying jobs to the southeastern region of the County and generate additional business taxes for the County. Such growth further strengthens the Board's ability to provide quality public services and an enhanced quality of life to the citizens of the County while minimizing the tax burden on residents to the extent possible.

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## **Challenges (past and future)**

Vacant office space is a critical metric. A low office vacancy rate of about 6 to 8 percent typically triggers the demand for new construction that contributes to the expansion of the real estate tax base and the ability of the Board of Supervisors to fund services. The County's office vacancy rate stood at 17.7 percent as of year-end 2014, slightly above the level at the end of 2013. Demand for office space in the County has been solid over the past five years. However, in the face of volatile national and global factors, the resultant financial uncertainty, and credit constriction, this could change.

Fairfax County presently has over 116 million square feet of office space, but 20 million square feet of the inventory is vacant. Furthermore, there is an additional 15 million square feet of vacant office space throughout the rest of Northern Virginia. The focus of all programs of the FCEDA is to market office space and reduce the vacancy rate.

Another trend that impacts the FCEDA is that, as Fairfax County has become a preferred location for many businesses, it has also become a target for other jurisdictions that want to recruit businesses into their communities. And, while there had been a "gentleman's agreement" amongst local jurisdictions that they would not approach businesses in each other's territories, some of those jurisdictions and in other parts of the Commonwealth have approached companies located in Fairfax County about moving.

Federal sequestration led to a drop of over 10 percent in federal procurement dollars for Fairfax County companies in FY 2013. A federal budget deal in December 2013 eased budget pressures somewhat in FY 2014 and FY 2015, but sequestration may affect contracting totals again in FY 2016. Impacts will be felt in job development, wealth generation, tax revenues, and – most critically – office space vacancy rates. Fortunately, the impact today will be far less than it might have been one or two generations ago because of the diversification of the County economic base over time. Still, the impacts will be stressful for many.

Another trend that has impacted the ability of FCEDA to be successful has been the steadily rising cost 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 number of impressions being steadily eroded over time.

## **Resources**

As this line of business encompasses all activities of the agency, please refer to the table in the Department Resources section above.

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## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Jobs Created	9,027	6,787	7,974	6,425	6,300
Retention Conversions	313	245	286	260	250

The goal of the FCEDA is to foster and promote the governmental, social, educational and environmental infrastructure to make Fairfax County a world-class, 21st century business center and the global capital of the knowledge industry. The key performance measures, as approved by the FCEDA Commission are:

- to create 6,425 new jobs in FY 2016; and
- to identify 260 companies through retention visits, that may expand or grow in, or even leave Fairfax County.

The FCEDA Commission evaluates the performance of the organization based on a balanced scorecard. The FCEDA Balanced Scorecard was established by the FCEDA Commission in FY 2000 and was first implemented in FY 2001, to measure progress and track results of the organization's performance in meeting its goals for the fiscal year. At the beginning of each fiscal year, the Commission establishes and prioritizes performance objectives for several strategic measures, taking into account the economic environment. During the year, the Commission receives quarterly reports on the status of the performance objectives. At the end of June, the FCEDA President prepares the final numbers for that year's activities and those numbers are audited by an outside firm.

With respect to the metric indicators, the number of new jobs created in FY 2015 increased over the number created in FY 2014. However, companies are both decreasing their real estate footprint, and location decisions tend to be smaller and have longer time frames. There is consolidation in information technology and government contracting – industries that generate the primary job numbers – and these firms are re-focusing their services. Alternatively, new industries such as cybersecurity, cloud computing and data analytic, and translational medicine present future – though perhaps not immediate – opportunities.