



ARLINGTON
VIRGINIA

Arlington Economic Development

**COUNTY MANAGER'S
PROPOSED FY 2023 BUDGET**

County Board Work Session

Thursday, March 10, 2022

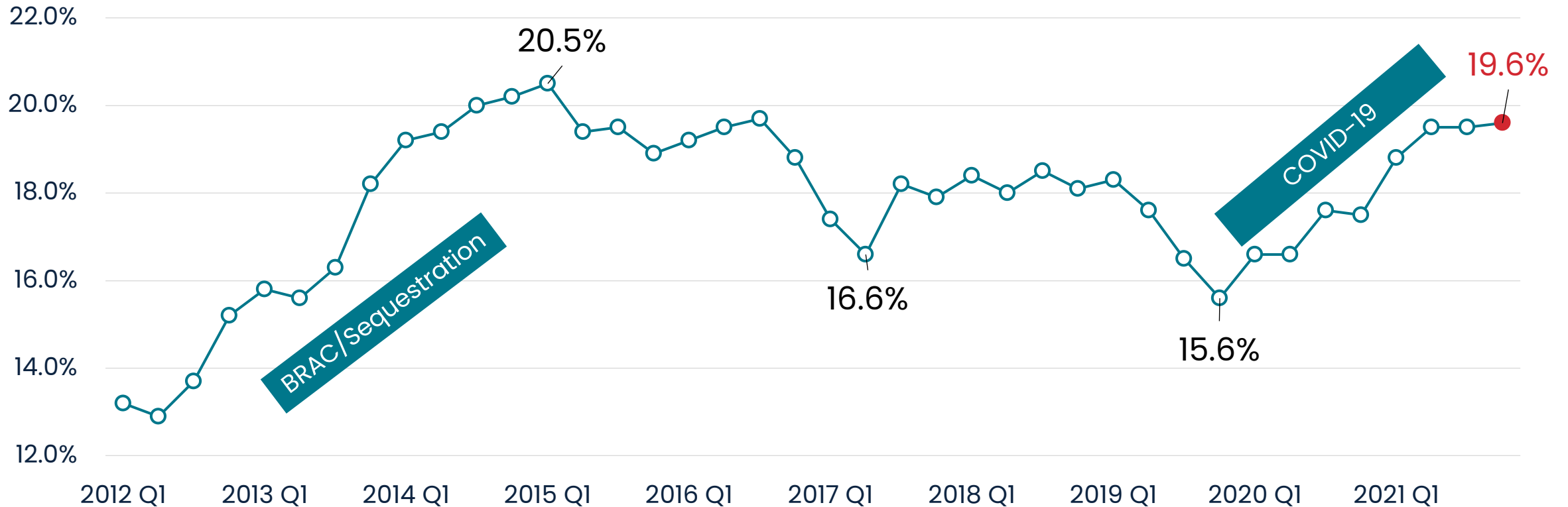
3:00 p.m.



Arlington Economic Development (AED) continues to develop Arlington as an economically vital, competitive and sustainable community by providing leadership and services to the business, real estate, tourism and cultural sectors of the Arlington economy.

Current State of the Office Market

COVID-19 Reversed Steady Progress Since 2015



Source: CoStar 3/3/22, AED

Office Market Recovery

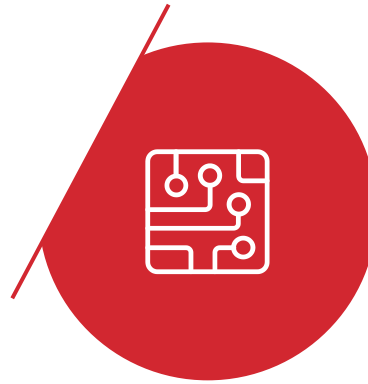
- D.C. region continues to have high vacancy, high sublease availability and flat rental rates
 - Vacant sublet space currently on the market in Arlington is more than 2x pre-pandemic levels
- Remote and hybrid work will continue putting pressure on lease length and square footage
- Nationally, tech companies continue to lease space while other industries are stagnant
- Per recent AED surveying, Arlington's largest employers indicating significant shifts toward hybrid schedules with most employees in the office three days or fewer
- Impacts on commercial real estate are not consistent across the U.S.
- Office conditions continue to negatively impact small businesses and the hospitality industry, which depend on office worker and business traveler revenue

An Increasingly Competitive Landscape



Shifting Market

The pandemic accelerated trends in how businesses and people operate, leaving many jurisdictions scrambling to recover, particularly those dependent on office space.



Innovation Required

As communities strive for economic growth, those without innovative approaches may see themselves falling behind.



Proactive Focus

With communities facing increased vacancy and tight budgets, a proactive strategy is needed more than ever.

Economic Recovery



Business Attraction and Retention

- Rebranding
- Marketing missions
- Lead generation contract
- Industry tradeshows
- Targeted retention efforts



Tech Ecosystem

- Dedicated FTEs to support local entrepreneurs
- Innovation District
- Targeted incentives
- Workforce initiatives
- Events and programming



Flexibility

- Commercial resiliency
- Proactive responses to economic and market shifts
- Expanded allowable uses in commercial buildings

Department Overview



75,000+ clients served since 2002

BizLaunch

FY 2021 Stats

- 2,141 Workshop Participants
- 267 One-on-One Consultations
- 552 COVID-19 Requests for Assistance
- 719 SCORE Consultations
- 36 Workshops

FY 2022 Activities — Entrepreneurial Programs with Impact

- ReLaunch (200 Applications)
- Arlington's Small Business GRANT 2.0
- Small Business Databases
- Marketing Toolkit (Small Business Profiles, Blog Posts, Social Media Features)
- Upcoming programs to address equity and access: SWaMmys, Business Fireside Roundtables and more



Business Investment

FY 2021 Stats

- 736,562 SF of office space occupied
- 2,372 jobs created or retained

FY 2022 Stats

- 312,665 SF of office space occupied
- 1,937 jobs created or retained

FY 2022 Activities

- Increased focus on BRE activities paying off
 - 404 activities to date (81% of annual goal)
 - In-person events during Business Appreciation Month (May)
- In spring, Microsoft opening 180,000 SF office in Rosslyn
- Second phase of Amazon HQ2 moving to Planning Commission and County Board review in spring
- Developing support program for Arlington's tech ecosystem and high-potential entrepreneurs



Communications

FY 2021 Stats

- Internet visits to AED website: 93,790
- Total impressions for social media efforts (Facebook, LinkedIn, Twitter): 3,354,806

FY 2022 Activities

- New marketing and branding to communicate Arlington's competitive advantage
- Content tailored and accessible to target audiences: corporate decision makers, site selectors, entrepreneurs and small businesses
- Project components
 - Logo redesign
 - Messaging
 - Collateral material (proposals, industry briefs, email templates, etc.)
 - Videos
 - [Website](#)



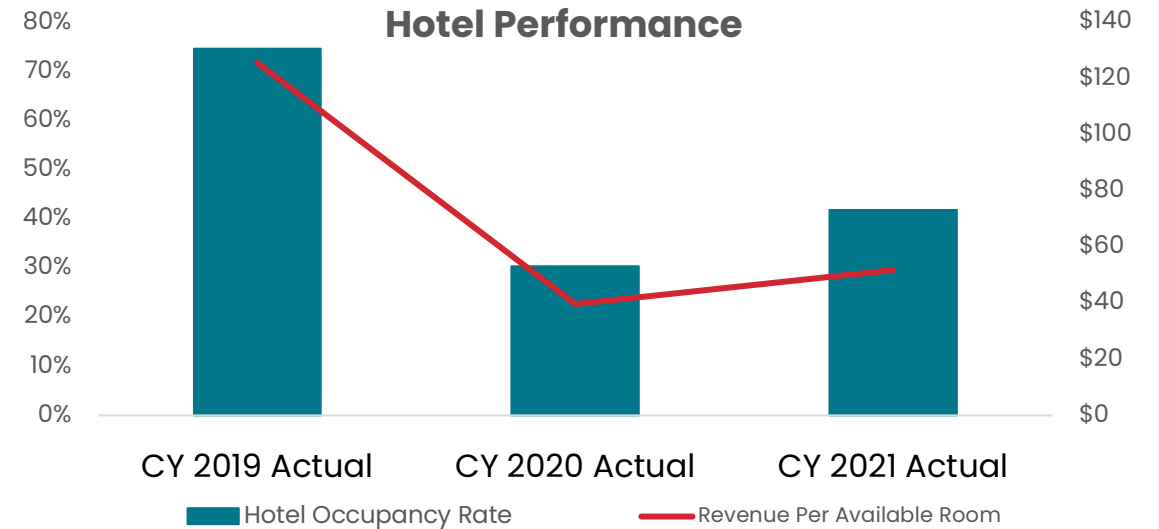
Real Estate

FY 2022 Activities

- Collaborative efforts with CPHD to increase land use flexibility and address office market resiliency
 - Columbia Pike Ground Floor Uses Study adopted by the County Board in November
 - Site plan amendment to accommodate Microsoft's future tenancy in Rosslyn
- Successfully negotiated dark fiber lease in support of an Innovation District in National Landing
- Provided real estate and finance expertise as part of major housing initiatives at Crystal Houses and Barcroft
- Support for active and impactful work initiated by the three BIDs



Convention and Visitors Service

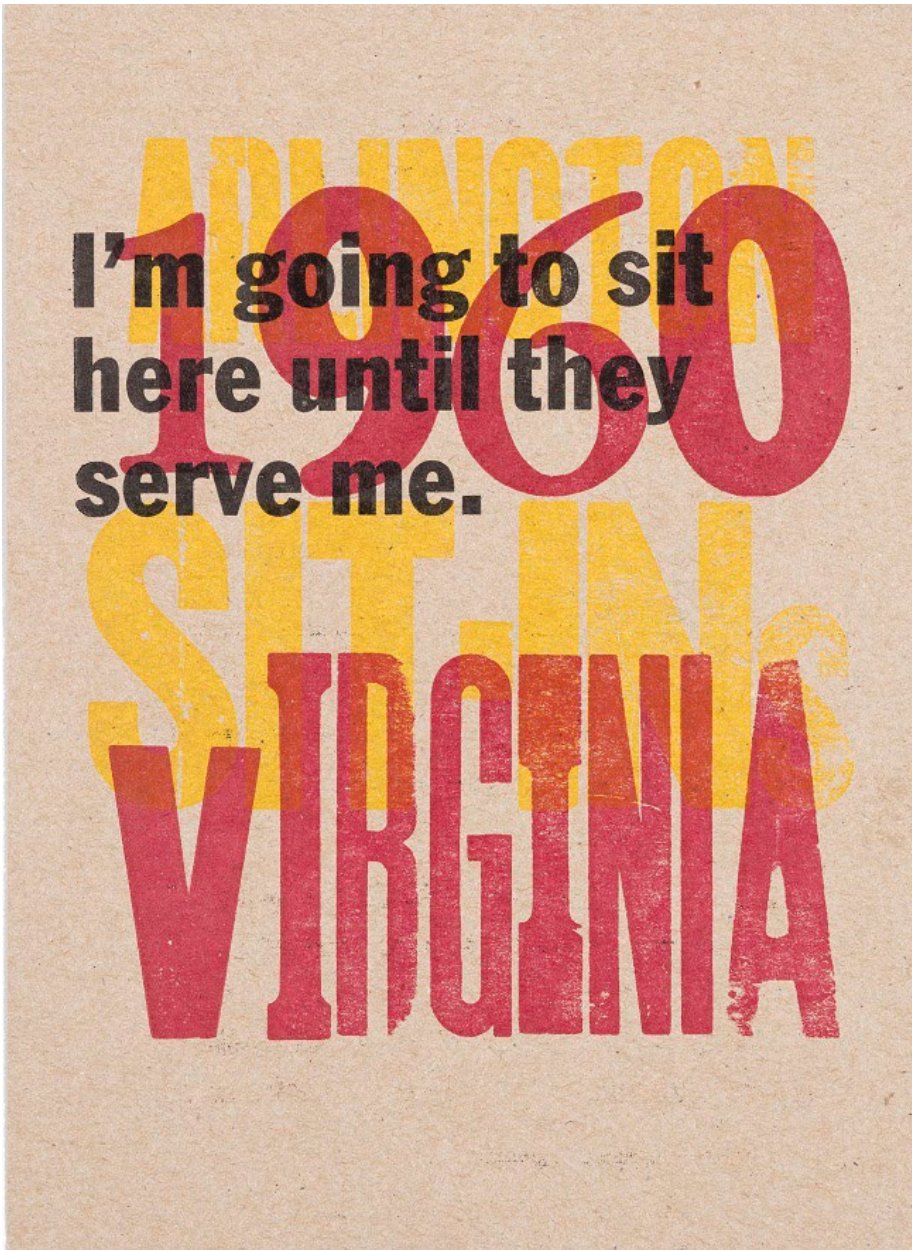


CY 2021 StayArlington Website Visitation

- 283,542 Sessions — Up 51% over 2020
- 422,704 Pageviews — Up 44% over 2020

VTC ARPA Tourism Recovery Program Grant

- \$3.25 Million to be spent by June 30, 2024
- Marketing and sales activities to drive economic recovery through overnight hotel stays and spending at local businesses



Commemorative letter press card on chipboard, by artist Amos Paul Kennedy, Jr.

Cultural Affairs

FY 2021 Stats

- 162 public performances and events
- Social media reach: 595,234 (Facebook, Instagram, Twitter)

FY 2022 Activities

- Public Art Master Plan update adopted November 2021
- The Arlington Art Truck and Public Art joint project: *A Tribute to the Desegregation of Arlington Lunch Counters*
- Lubber Run Summer Concert Series returned to in-person performances with the addition of the fall *Spotlight Series* designed to support Arlington arts organizations
- Furthering 4MRV Area Plan goals
 - *Wheelhouse* sculpture by artist Mark Reigelman installed in Jennie Dean Park
 - Community Engagement process planned for Spring 2022 to deliver a new creative open public space on the site of 2700 S. Nelson/2701 S. Oakland in 2023

Focus on Equity: Realizing Arlington's Commitment to Equity (RACE)



Department Overview

- Normalize ongoing racial equity and awareness to institutionalize racial equity throughout the organization (i.e., guest presentations, facilitated conversations, and trainings)

Capacity Building

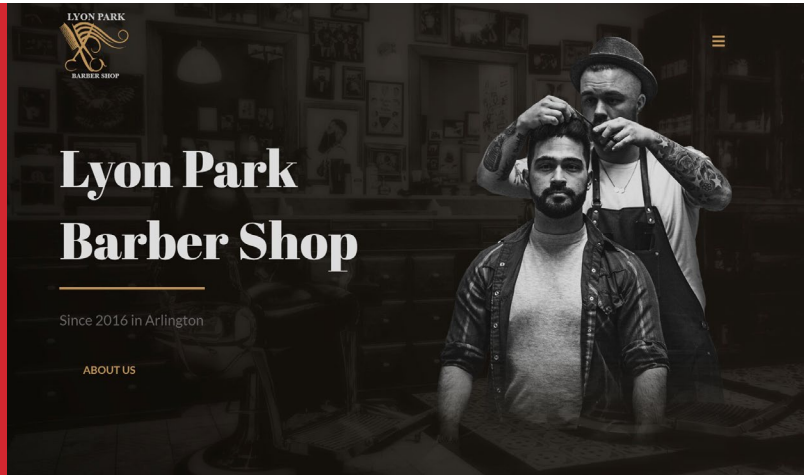
- Build capacity by centralizing Salesforce database resources to improve department-wide data collection efforts and by the intentional collection of demographic data about small business clients

Utilizing Equity Lens

- Incorporating equity lens in all aspects of programming and initiatives across the department
- Intentional focus of marketing towards more diverse clientele

Focus on Equity

ReLaunch



Digital Asset Strategy and Marketing



A.W.A.R.E Grant Program



Business Engagement



Proposed FY 2023 Budget

FY 2023 Budget Summary

General Fund

	FY 2022 Adopted	FY 2023 Proposed	Change	% Change
Expenses	\$8,917,852	\$9,750,476	+\$832,624	+9%
Revenue	\$177,034	\$242,700	+\$65,666	+37%
Staff	46.40 FTEs	46.60 FTEs	+0.2 FTEs	-

- Continuation of ARPA funded programs:
 - Small Business Support Position (\$88,022, 1.0 FTE)
 - ReLaunch Program (\$500,000)
 - Back2Work Tech Talent Program (\$25,000)
- Cultural Affairs Budget Increases:
 - Lee Arts Center building maintenance funding (\$64,655) — Offset by an increase in membership fees
 - One-time funding for arts programming at 2700 S. Nelson Street (\$85,000)
 - Increased Public Art Manager position hours by reallocating existing budget (0.2 FTE)

FY 2023 Budget Summary

Tourism Promotion Fund

	FY 2022 Adopted	FY 2023 Proposed	Change	% Change
Expenses	\$1,097,884	\$2,503,033	+1,405,149	+128%
Revenue	\$1,097,884	\$2,503,033	+1,405,149	+128%
Staff	7.0 FTEs	7.0 FTEs	-	-

- Significant Budget Changes:

- VTC ARPA Tourism Recovery Grant (\$1,300,000)*
- Higher projection in Transient Occupancy Tax Surcharge (\$325,000)
- Restoration of frozen 1.0 FTE Destination Sales Manager position (\$120,290)
- Continuation of ARPA funding for marketing activities and other operating costs (\$131,333)

*VTC ARPA Grant Award of \$3.25M (Spend Plan: FY 2022 - \$650K, FY 2023 - \$1.3M and FY 2024 - \$1.3M)

Key Budget Considerations

- Recovery of hospitality and office sectors will take several years, with some fundamental shifts likely lasting (hybrid office)
- VTC ARPA Tourism Recovery Grant is expected to increase the pace of hospitality industry recovery and associated revenues beginning summer 2022
- Proactive economic development programs and innovative solutions will be necessary to adapt to office impacts
 - Regulatory flexibility and commercial resiliency
 - Tailored marketing efforts to attract new office users
 - Competitive incentive programs to support tech ecosystem development and to compete for limited deal flow
- Future funding for programming at 2700 S. Nelson Street based on the creative placemaking plan that will result from ongoing community engagement process



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