

Arlington Economic Development

COUNTY MANAGER'S
PROPOSED FY 2022 BUDGET

County Board Work Session

Thursday, March 11, 2021, 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 affairs sectors of the Arlington economy.

Department Overview

Communications

A YEAR OF
RESILIENCE
AND INNOVATION



**ARLINGTON ECONOMIC
DEVELOPMENT**
FY 2020 ANNUAL REPORT

FY 2021

Web Traffic: 275,000 pageviews
Public Relations Placements: 150 articles
Social Media: 475,100 impressions

Real Estate



FY 2021

TOSAs: outdoor seating winterization
guidelines and PATOSAs
Administrative guidance: office
conversions
CP FBC: ground-floor uses study

BizLaunch



FY 2020

One-on-one Consultations: 1,256
Workshops: 119
Workshop Participants: 2,884
Over 66,000 clients served since 2002

Department Overview

Convention and Visitors Service



CY 2019

Tax Revenue: \$97.8M

FY 2020

Website Sessions: 235,296

Group Room Nights Booked: 23,720

Cultural Affairs



FY 2020

Create: 217 artists presented

Support: 72 performances and events

Promote: Facebook followers +27%

Instagram followers +47%

Business Investment



FY 2021

Jobs: 2,158

Square Feet: 539,567 SF

Business Engagements: 481

FY 15 – FY 21 Successes

210

Companies

14.8M

Total Square Feet

85K

Total Jobs



Microsoft



block.one



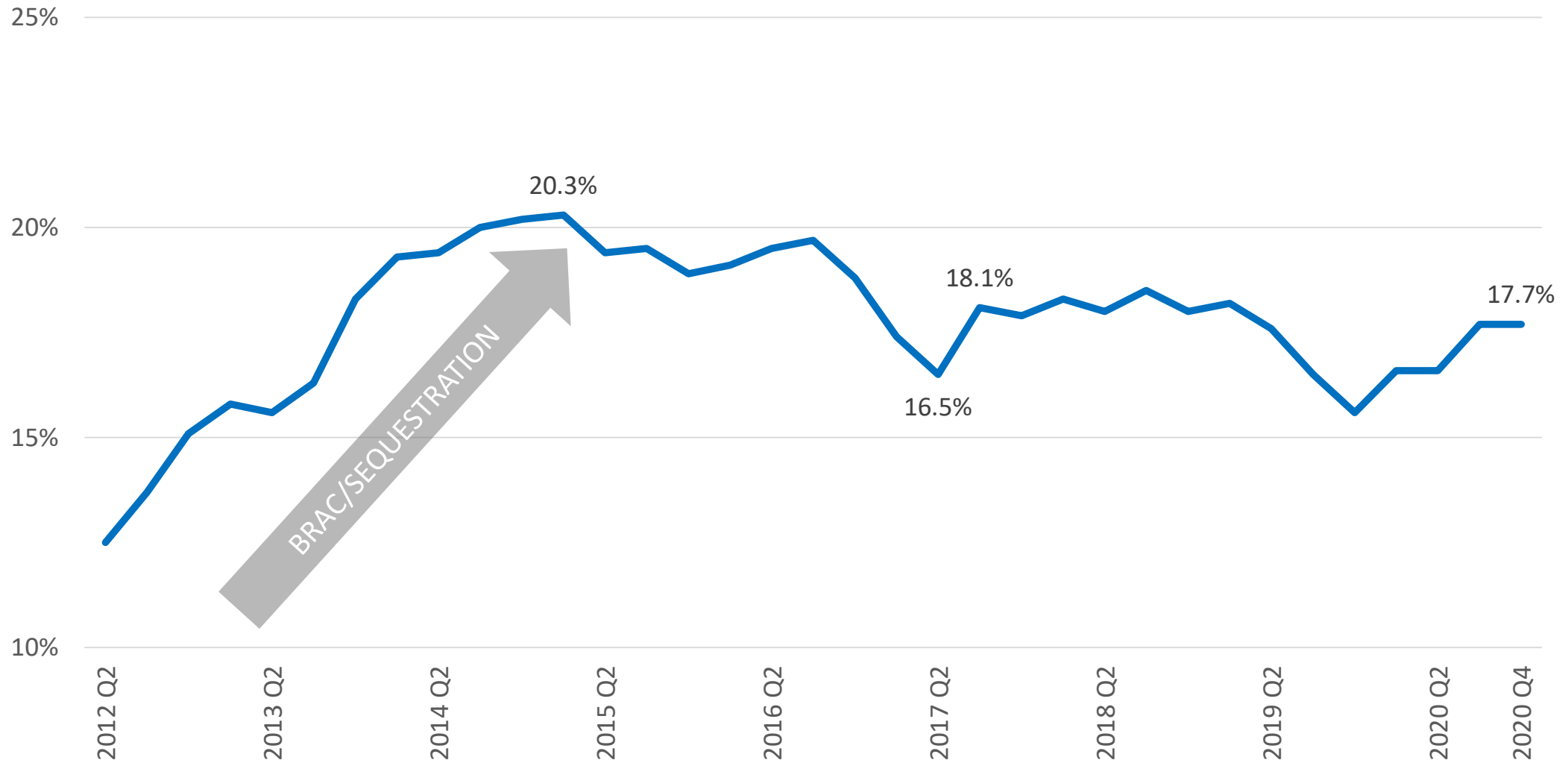
Nestlé



STARDOG



Office Vacancy Rate: 2Q 2012 – 4Q 2020



Source: CoStar 1/11/21

Headwinds

Uncertainty in Office Market

- Mixed outlook for Arlington's key industries and with several major GSA leases (925,000+ SF) leaving the County between November 2020 – April 2021
- Pandemic accelerated trend of remote workforce, may lead to smaller real estate footprints with hybrid office/telework models
- Competition for limited deal flow, including from: a challenged D.C. office market, existing NOVA submarkets and emerging and lower cost tech markets
- Potential vacancies and downward pressure on rents would impact office building values

Challenges in Other Commercial Market Sectors

- Retail spaces in mixed-use projects and shopping centers facing challenging economics with tenant-favored lease terms and changing uses of retail spaces
- Multifamily residential in a supply-driven down cycle, exacerbated by pandemic-driven demand weaknesses, that has already had a significant downward pressure on rents
- Slowdown in construction activity expected as whole
- Hotel closures and conversions, new hotel starts will proceed with caution

Headwinds

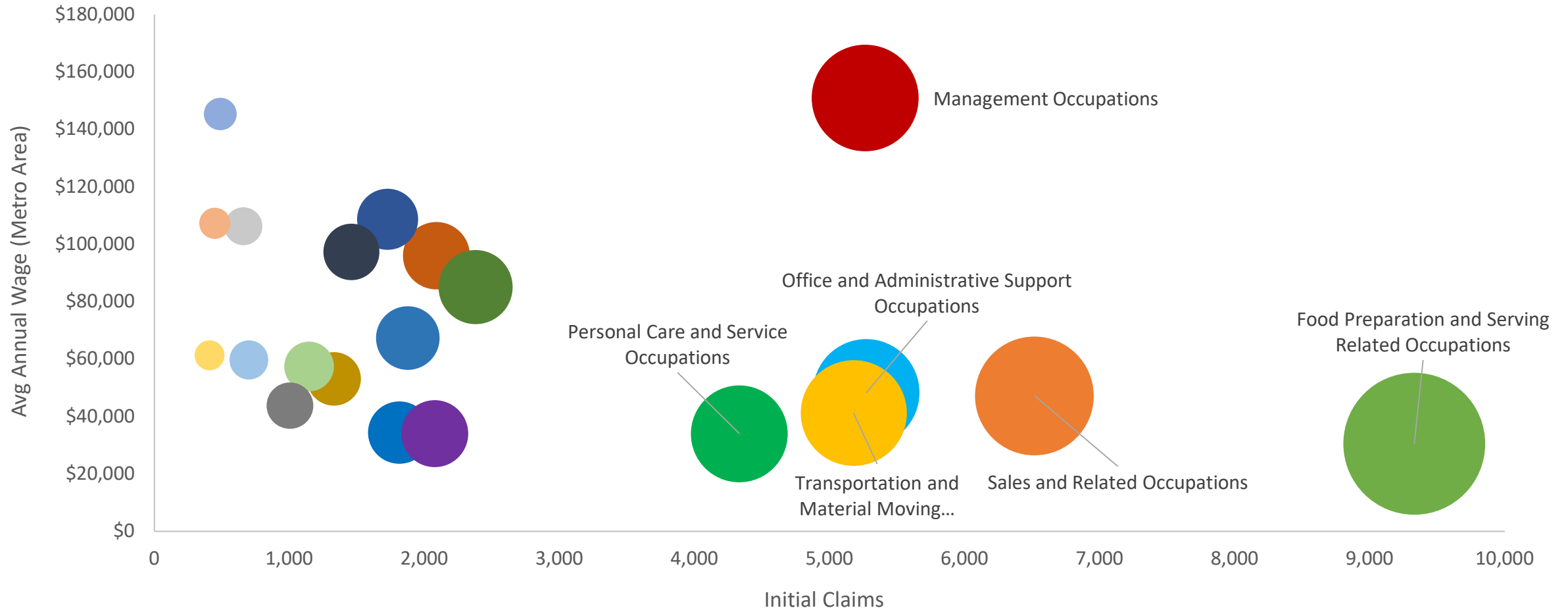
Continued Impacts on Hospitality Industry

- Recovery dependent upon many uncertain factors: vaccinations, public health regulations, business-travel policies, etc.
- Leisure travel expected to return earliest, but pace of more economically impactful business, meetings and group travel expected to lag into 2024

Small Businesses

- Challenged by the long-term impact of COVID-19, micro-enterprises continue to have a strong need to access capital

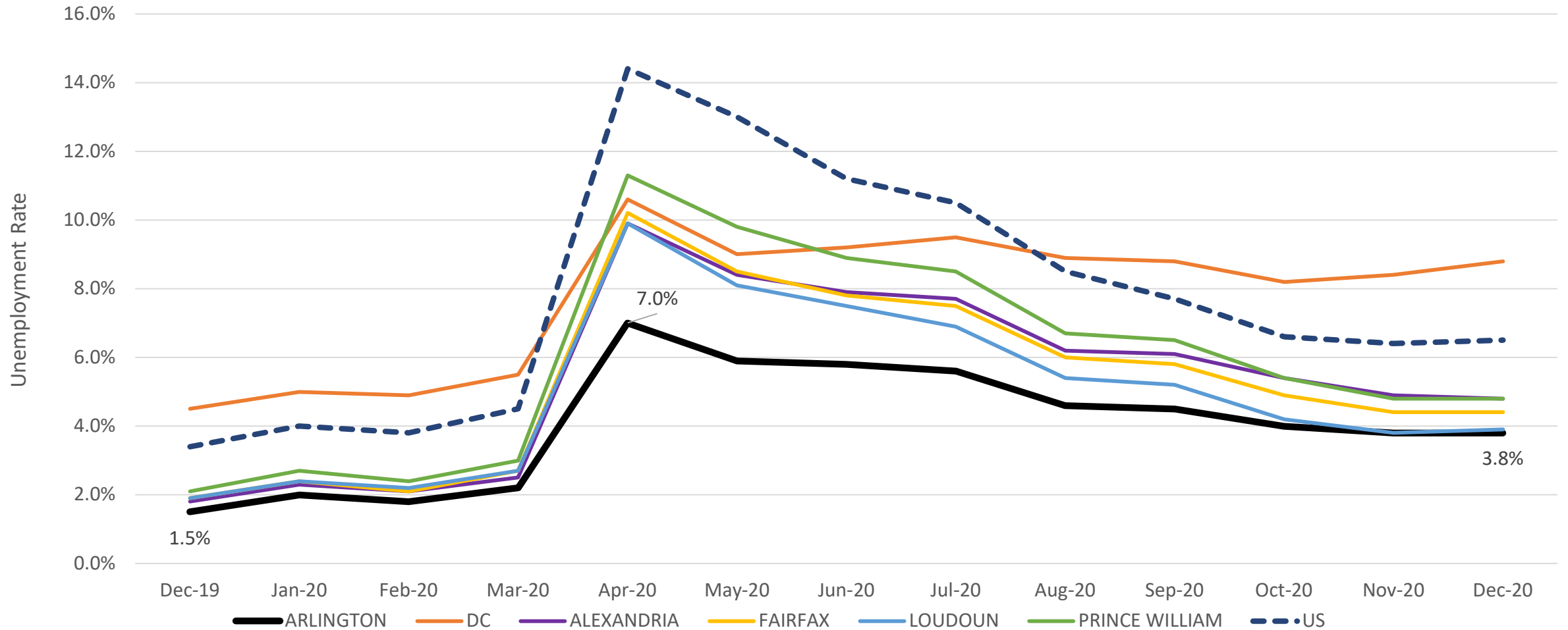
Cumulative Initial Claims by Occupation



Note: Size of Bubble Reflects Number of Initial Claims

Source: Alexandria/Arlington LWDA
March 1, 2020 through February 20, 2021

Unemployment Rate (by Place of Residence)



SOURCE: Bureau of Labor Statistics; QCEW

Final Reporting: Small Business Emergency GRANT

Business Operating Status*

As of Dec. 31, 2020

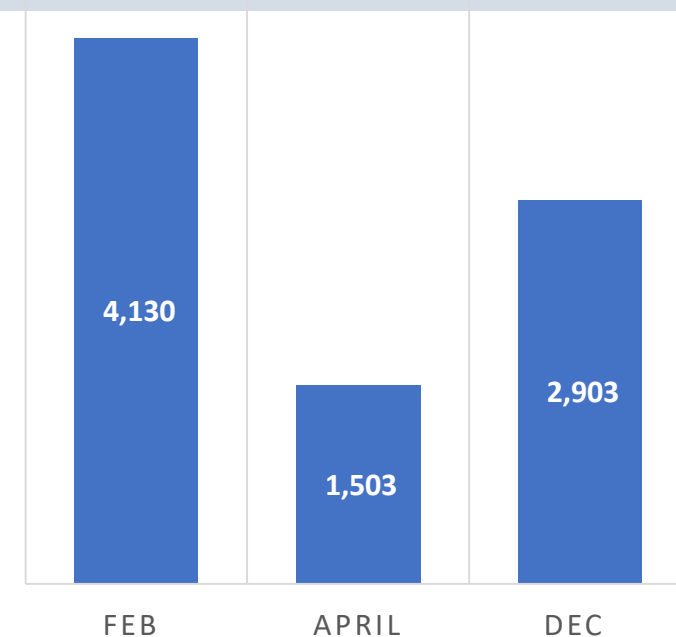
351 Open**

15 Closed
Temporarily

16 Closed
Permanently

Number of Employees

CY 2020



91% of GRANT awardees are open**

Employment remains 30% below pre-pandemic levels, but recipients have recovered a significant number of employees.

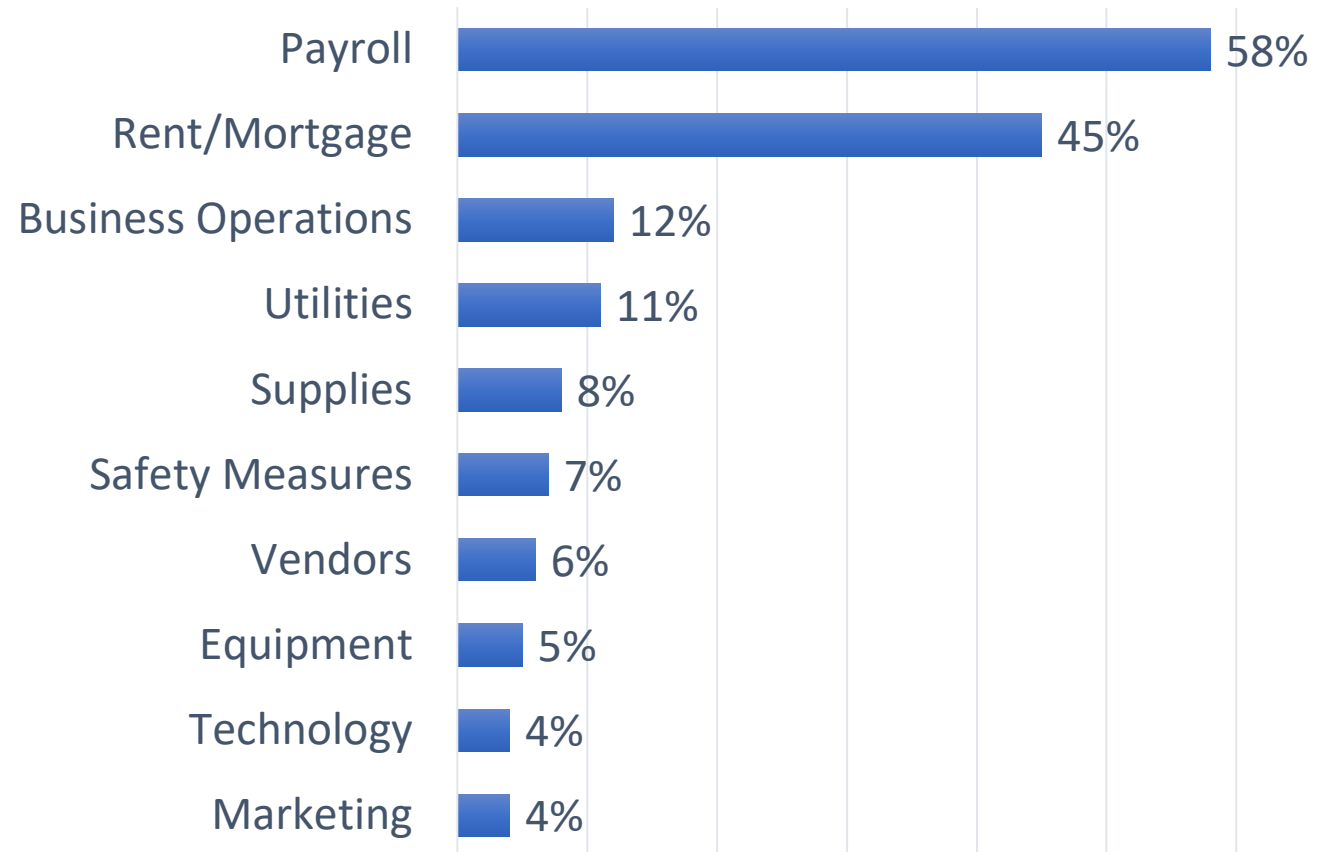
*Information based on 385 (98%) of final reports received as of 2/19/2021.
An additional three businesses indicated they were sold during the grant period.
** Open includes businesses that are operating virtually and at limited capacity.

As of Dec. 31, 2020

GRANT Expenditures by Category

“With the Arlington GRANT, SER was able to set up a nice big tented and heated patio for Arlington customers and continue to pay our 35 staff without delay. Thank you!!!”

– Javier Candon, *SER*



Percent of GRANT recipients that spent GRANT funds in each expenditure category

AED in the COVID-19 Pandemic



GRANT recipient Compass Coffee



Courage by David Amoroso, Words to Art program



Tourism recovery campaign

Beyond the COVID-19 Pandemic

- Office market uncertainty and increased competition for limited deal flow will require proactive and creative business attraction and retention efforts
- Increased importance of digital and social marketing channels to support small business, business attraction and retention programs
- Virtual training, meetings and technical assistance for the business community
- Arts and cultural programming delivery via digital and alternative channels to reach diverse audiences
- Cross-departmental collaboration to find flexible solutions for commercial uses
- Collaborative partnerships across the County

Business Community Support Initiatives

ReLaunch Small Business Support

Potential COVID-19 Contingent

- Small Business
- Business Attraction, Expansion and Recovery Marketing
- Tourism/Hospitality



ReVitalize

Are you seeking ways to strengthen your business with assistance in financial management and sourcing capital, branding and marketing, digital presence, business knowledge, legal structures and strategic planning? [Apply Now!](#)

ReBuild

Are you looking for additional tools to streamline and expand your business during the pandemic? Explore the latest free resources to help sustain and grow your business and check back for frequent updates. [Lean More.](#)

ReNew

Your online footprint is vital now and in the future. Does your website need a refresher? Can your clients find you? Are you using the right tech to expand your opportunities? [Apply Now!](#)

Recycle

Need assistance to pay Arlington's Multi-Family and Commercial Recycling Program fees this year? Find out if help is available. [Lean More.](#)

Focus on Equity

- Department-wide Racial Equity and Awareness Training
- StayArlington launched “Arlington Spotlights,” an ongoing interview series featuring African American community leaders and their unique experiences and perspectives
- Arlington Arts programs and contracted artists reflect the diversity of Arlington, as can be found in our music series, Art Truck program, and Public Art



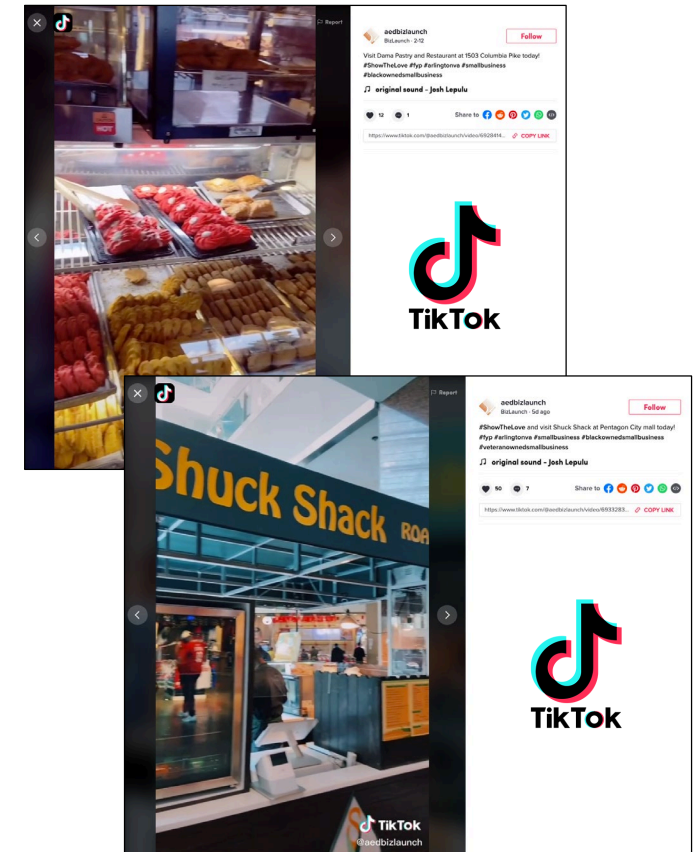
Community by MasPaz, Words to Art program

Focus on Equity



BizLaunch's Small Women and Minority-Owned (SWaM) Equity Outreach

- Inaugural “SWaMmy” launched with the Commonwealth of Virginia in October 2020 as a virtual program
- Collaboration with DMF on 4-part series educating SWaM businesses about doing business in NOVA
- Blog posts and marketing campaigns featuring Arlington’s diverse small business community
- Initiated TikTok *#Showthelove* campaign featuring black-owned businesses during the month of February 2021
- Sponsor of SCORE DC’s 2021 Black Entrepreneurs Virtual Pitch Event
- Sponsors of AWE Women in Business Summit 2021



FY 2022 Budget Summary

	FY 2021 Adopted	FY 2022 Proposed	Change	% Change
Expenses	\$8,669,102	\$8,570,677	-\$98,425	-1%
Revenue	\$177,034	\$177,034	-	-
Funded FTEs	45.40 FTEs	45.40 FTEs	-	-

Proposed budget includes:

- \$64K reduction in Trade and Promotion Marketing budget
- \$28K reduction in the Administrative Operating budget

Details of Budget Reductions

Trade and Promotion: Reduction of Marketing Resources Budget

Service Impacts

- Reduction of Director’s Office marketing budget will reduce funds available for economic studies, program outreach and less support for businesses engaged in the creative sectors of the local economy.
- Reduction of Social Media and Public Relations budget will impact AED’s ability to develop custom targeted outreach to specific audiences and will result in the need to broaden media efforts, which is more costly and less effective.
- Reduction of Business Investment Group’s Marketing and Business Engagement budget will potentially result in a lower number of prospect leads and fewer engagement opportunities with the local business community.

Budget Impact

FY 2022 Change: -\$63,743

Staff Impact

None

Details of Budget Reductions

Administration: Reduce Operations Budget

Service Impacts

- AED will prioritize spending on economic development activities for lead-generation and destination sales marketing memberships, reduce training and travel funding and reduce office supply purchases.

Budget Impact

FY 2022 Change: -\$27,618

Staff Impact

None

Arlington Convention and Visitors Service

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Arlington Convention and Visitors Service

Destination sales, marketing and visitor services

- Promote Arlington to meeting professionals and leisure travelers
- Increase overnight hotel stays and spending at local businesses

CY 2019 Arlington travel impact*

- \$3.5B in visitor spending
- \$1.2B in payroll for 27K employees
- \$97.8M in local tax receipts

CY 2020 hotel occupancy down 59% due to COVID-19**

* Virginia Tourism Corporation/U.S. Travel Association

** STR, Inc.



FY 2022 ACVS Budget Summary

	FY 2021 Adopted	FY 2022 Proposed	Change	% Change
Personnel	\$791,205	\$666,220	-\$124,985	-16%
Non-Personnel	\$418,377	\$286,480	-\$131,897	-32%
Total Expenses	\$1,209,582	\$952,700	-\$256,882	-21%
Transient Occupancy Tax (TOT)	\$962,882	\$500,000	-\$462,882	-48%
Transfer from General Fund	\$246,700	\$452,700	+\$206,000	+84%
Total Revenue	\$1,209,582	\$952,700	-\$256,882	-21%
Funded FTEs	7.0 FTEs	6.0 FTEs	-1.0 FTE*	-

*1.0 FTE (Frozen, Unfunded)

Details of Budget Reductions

Administration: Reduce Operations Budget

Service Impacts

The reduced investments in marketing, sales, technology and professional development will slow COVID-19 recovery efforts that target meetings and leisure hotel stays in Arlington and drive spending at local businesses. Specific reductions include:

- Meetings and conventions sales staff and activities (\$20,000)
- Leisure marketing campaigns and ad optimization project (\$40,268)
- International marketing and regional partnerships (\$20,000)
- Services related to data and digital marketing (\$15,000)
- Memberships and collateral fulfillment (\$24,065)
- Professional development and industry credentialing (\$12,000)

Budget Impact

FY 2022 Change: -\$246,746

Staff Impact

-1.0 Destination Sales Marketing Manager (\$115,413; vacant)

Key Budget Considerations

- Hospitality sector (particularly hotels and restaurants) has been hardest hit by COVID-19.
- Regional competitive market share is at significant short- and long-term risk.
- Increased sales and marketing investment is crucial to recovery for Arlington hotels and small businesses.
- Projected recovery to 2019 levels may take until 2024, so immediate investment is required to mitigate long-term losses

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Appendix: Business Improvement Districts

	FY 2021 Adopted Assessments/ Revenue	FY 2022 Proposed Assessments/ Revenue	Change %
Ballston BID Tax Rate = \$0.045	\$3,488,745,100/ \$1,569,935	\$3,270,248,400/ \$1,471,612	-6.3%
National Landing BID Tax Rate = \$0.043	\$11,022,251,100 / \$4,739,568	\$10,628,822,100 / \$4,570,394	-3.6%
Rosslyn BID Tax Rate = \$0.078	\$5,196,658,100/ \$4,053,393	\$5,395,908,700/ \$4,208,809	3.8%

Appendix: Neighborhood Partnerships

	FY 2021 Adopted	FY 2022 Proposed	FY 2022 Budget Requested by Org.
Clarendon Alliance (CA)	\$80,000	\$80,000	\$140,000
Columbia Pike Revitalization Organization (CPRO)	\$350,000	\$350,000	\$405,000
Lee Highway Alliance (LHA)	\$85,500	\$60,500	\$130,000