

County Manager's Proposed
FY 2025 Budget

Arlington Economic Development

County Board Work Session

March 7, 2024 | 3:00 p.m.





Mission: Arlington Economic Development is dedicated to growing a thriving Arlington economy through collaborative partnerships, promotion of our unique place and innovative programming.

ECONOMIC DEVELOPMENT



Fiscal Health



Economic Opportunity for All

BUSINESS SUCCESS MEANS COMMUNITY SUCCESS

- A healthy business community is how we will generate **economic prosperity** for all Arlingtonians and maintain our exceptional **quality of life**.
- Sustained economic growth and positive community impact takes **partnerships**.
- Strive for **inclusive economic development** across all sectors of the economy and in every corner of the County.





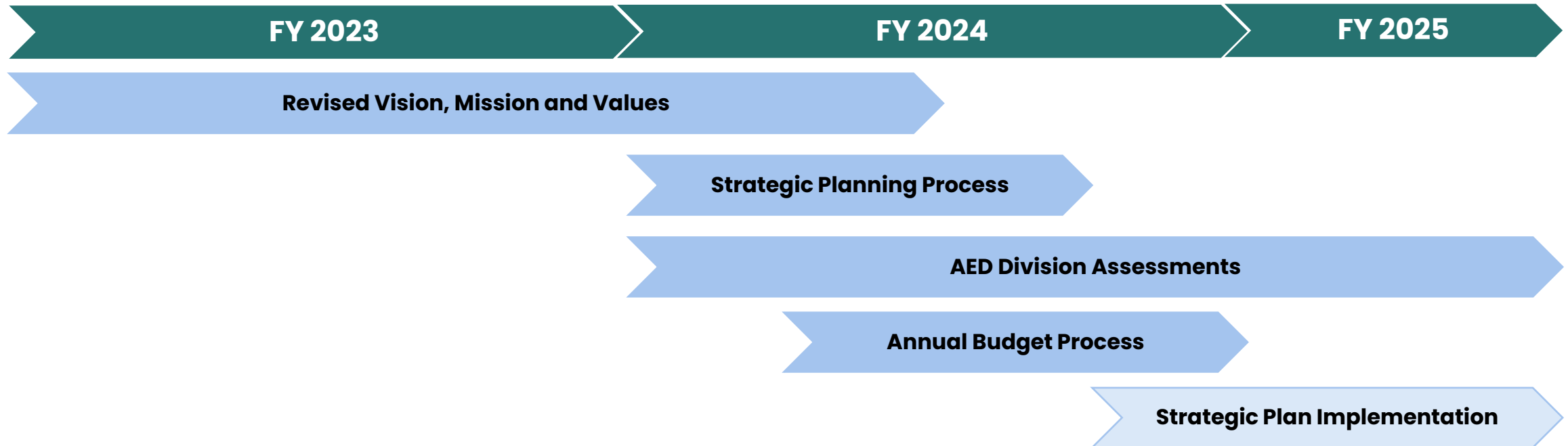
2023: BRIGHT SPOTS IN ARLINGTON'S ECONOMIC PERFORMANCE

- 2.0%** Arlington's unemployment rate
- 5,537** New jobs added
- 14.2%** Growth in consumer revenues (retail sales and meals) from 2022 to 2023
- 8.4%** Increase in hotel occupancy from 2022 to 2023
- 16.5%** Increase small business owner counseling sessions with BizLaunch
- 2,045** New multifamily residential units delivered

Economic Challenges	AED Response
<ul style="list-style-type: none"> Hybrid work, flight to quality and high interest rates impacting existing office supply and commercial development slow down 	<ul style="list-style-type: none"> ✓ Address Both Supply and Demand: Commercial Market Resiliency Initiative (CMRI), Business Recruitment/Retention, BID Partnerships, Tourism and Cultural Affairs Initiatives
<ul style="list-style-type: none"> Strong job growth but talent pipeline for tech is still behind 	<ul style="list-style-type: none"> ✓ Anchor Institution Partnering: George Mason and Virginia Tech Expansions, Arlington Talent Program
<ul style="list-style-type: none"> Consumer spending up, but commercial districts still missing daytime worker 	<ul style="list-style-type: none"> ✓ Thriving Commercial Centers: CMRI, BizLaunch, BID Initiatives, Tourism and Cultural Affairs
<ul style="list-style-type: none"> Tourism rebounding, but business traveler still slow to return 	<ul style="list-style-type: none"> ✓ Tourism Marketing, Promotion and Sales: <i>All in Arlington</i> multimedia Campaign
<ul style="list-style-type: none"> Amazon now biggest employer, but full economic potential not yet realized 	<ul style="list-style-type: none"> ✓ Tech Industry Sector Focus: Arlington Innovation Fund, Business Recruitment and Retention
<ul style="list-style-type: none"> Strong household income and educational attainment countywide, but Black and Latino populations behind White residents 	<ul style="list-style-type: none"> ✓ Small Business Focus: BizLaunch serving majority minority clients; DEI strategies embedded in AED programs

AED STRATEGIC ALIGNMENT

To support Arlington's future economic growth, AED has engaged in a multi-month strategic alignment initiative. This has resulted in a department that is mission aligned and strategically focused.



AED STRATEGIC PLAN (2024-2028)

Aligning our work to a new Strategy for Economic Development is our top priority in 2024

1

All In on Business Investment

We will build and promote a world-class business environment ready for investment

2

All In on Thriving Commercial Areas

We will reimagine and bolster the vitality of our commercial centers and corridors

3

All In on Tech Jobs

We will attract and retain tech businesses and develop our talent pipeline to cement our position in the tech economy

4

All In on Our Small Business Ecosystem

We will support the small businesses that make Arlington unique and inclusive

5

All In on Our Global Arts and Culture

We will invest in arts and culture, while bolstering our creative and tourism industries

TOP LINE MEASURABLE OUTCOMES

Business success

- ✓ Total jobs, total jobs by industry cluster, total jobs by retention/attraction project, unemployment rates and household wealth creation by race

Thriving commercial areas

- ✓ Vacancy rates, development/redevelopment deliveries, foot traffic and commercial revenue growth

Tech sector growth

- ✓ Tech industry cluster job growth, VC investments, AIF grantee business growth and tech workforce growth

Small business success

- ✓ Small business revenue growth, BizLaunch client success rates, minority and legacy business retention and growth

Global arts and culture impact

- ✓ Art enterprise success rates, event/activation attendance and economic impact, tourism-related revenue growth, hotel occupancy, count and success of cultural venues



**Economic
Prosperity**

*For illustrative purposes only.
Final performance measures will be
included in AED's strategic plan.*

OUTPUT AND OUTCOME MEASURES

Business Investment Group (BIG)

Output Performance Measures	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Estimates	FY 2025 Estimates
Number of times Arlington companies were engaged in Business Retention and Expansion (BRE) activities	755	869	900	900
Outcome Measures	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Estimates	FY 2025 Estimates
Close rate on company prospects — percentage of company announcements to active prospects	29%	49%	35%	35%
Leased space (square feet) as a result of AED's efforts	555,497	344,018	500,000	600,000
Total number of jobs created and retained in Arlington as a result of AED's efforts (Attraction and Business Retention and Expansion efforts)	3,276	1,398	1,500	2,500
Total number of companies announcing to move to or stay in Arlington as a result of AED's efforts	29	25	25	30

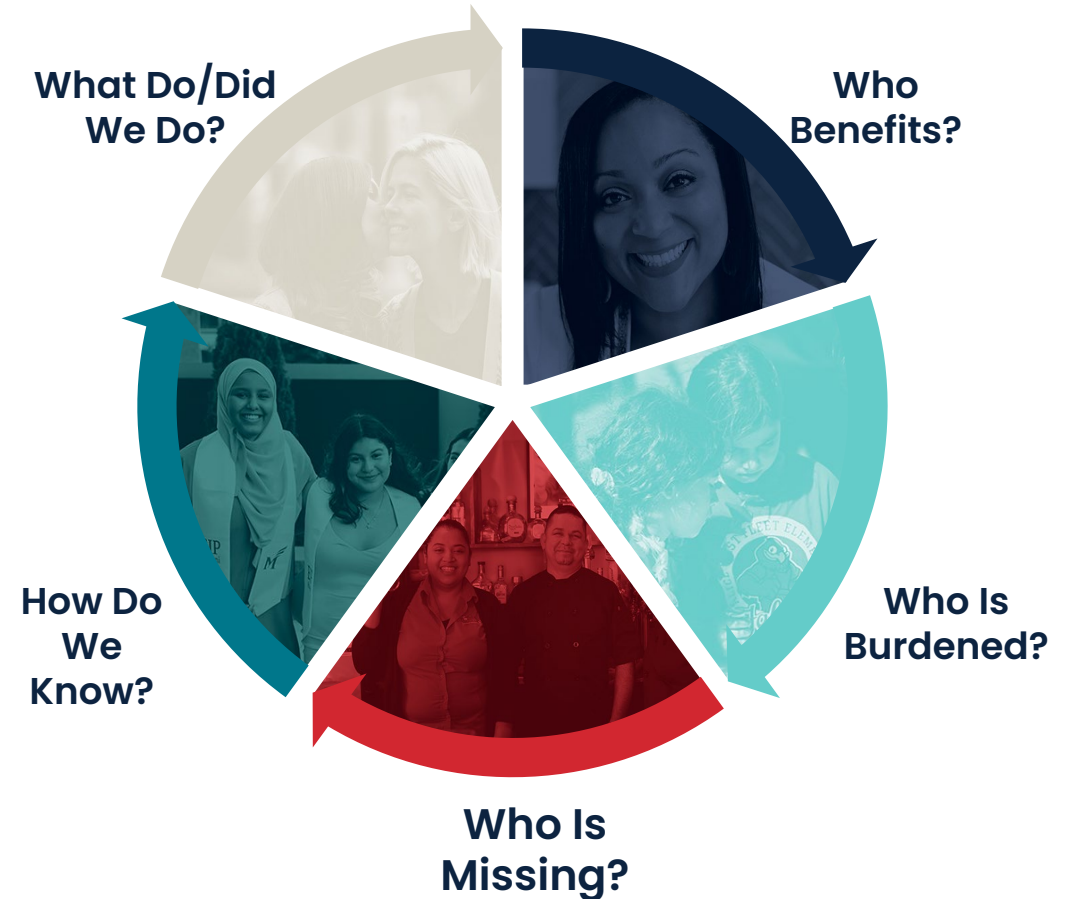
OUTPUT AND OUTCOME MEASURES

Arlington Convention and Visitors Service (ACVS)

Output Performance Measures	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Estimates	FY 2025 Estimates
Internet visits to ACVS	361,347	463,726	525,000	250,000
Leads for the booking of group room nights	22,090	40,488	47,000	50,000
Average daily rate of hotel rooms in Arlington	\$145.05	\$178.03	\$180.00	\$180.00
Outcome Measures	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Estimates	FY 2025 Estimates
Group room nights booked	11,855	30,554	25,850	27,500
Estimated value of group room nights booked	\$1,719,568	\$5,439,529	\$4,653,000	\$4,950,000
Hotel Occupancy	56.0%	69.9%	70.7%	72.0%

EQUITY IN ALL WE DO

- **AED's Racial Equity Action Team (REAT)** conducts regular training and advocates to incorporate equity into AED's work plan. Recent external audit shows very strong progress towards "committed institution" status for department.
- **Small business programming and partnerships** aimed at providing entrepreneurs of color access to information and capital including recent efforts like Minority Vendor Showcase featuring Black-owned businesses and Manos a la Obra training to Spanish-speaking entrepreneurs in partnership with LEDC and Arlington Public Libraries.
- Development of **Arlington Innovation Fund** to expand access to startup funding for underrepresented founders.
- Focus on **affordable housing** as a critical component of economic empowerment through work on projects such as Barcroft and Crystal House.
- **Arts and cultural programming** that reflects the global diversity of Arlington residents, expanded opportunities in public art for African Americans, artist-in-residence programs in Affordable Housing communities and equity criteria in arts grant funding programs.
- **Tourism promotion** by working with community and County partners to promote Arlington's African American heritage sights and experiences and Black-owned businesses through a bold new brochure and continually expanding website content
- **New strategic plan** reinforces call to close gaps in wealth creation for people of color and leverage county's diversity as key asset for economic development.





Investments that Drive Economic Growth Goals

BUSINESS INVESTMENT

BIG is an award-winning team that serves, designs and manages a variety of programs and services to strengthen Arlington's business and tech ecosystems.

Arlington Innovation Fund (AIF) launched in FY 2024 with **\$1M investment** in one-time funding, to grow the local tech ecosystem. Two major impacts:

- Catalyst Grant Program (\$650,000) Resulted in **Five tech start up entrepreneurs awarded grants totaling \$225,000 in February 2024;** Round 2 – Grant proposal process closes March 10th.
- Ecosystem Support Fund (\$350,000) Programming for tech entrepreneurs: **Unstuck Labs** in Rosslyn conducting workshops; partnership with angel investment group **Citrine Angels** to conduct Four-part educational series to **support women founders;** support for **George Mason Entrepreneur-in-Residence** Program to provide mentors for tech startups throughout the region

FY 2025 Proposed Budget: **AIF Ecosystem Support of \$250K, one-time funding,** to include a continuation of FY24 initiatives.



COSTAR GROUP GLOBAL HEADQUARTERS

- CoStar Group
 - Leading provider of online real estate marketplaces, including CoStar, STR, Apartments.com, Homes.com, etc.
 - \$2B in annual revenue and 6,200 employees
- Arlington Headquarters
 - Purchased 1201 Wilson
 - Will occupy 150,000 SF in late 2024
 - 650+ employees in office 4 days per week
 - Paying \$13.9 million for observation deck rights, which will help accelerate Gateway Park revamp
 - Helps protect real estate values in Rosslyn
 - Estimated tax revenue at \$4.7M in FY 2024 plus additional spending by daytime workers



BIZLAUNCH

BizLaunch and BizLaunch en Español is an award-winning technical assistance program that helps entrepreneurs to launch, scale and grow their small businesses through free educational workshops and webinars, marketing support and practical business resources.

ReLaunch a major program investment to **bridge the digital divide for legacy entrepreneurs**. Key impacts include:

- 383 applications since April 2021
- Top 3 industries: food, personal services, and retail
- Top locations: 22204 (43%); 22201 (22%); 22202 (15%)
- 88% of survey respondents say program met expectations
- 90% would recommend ReLaunch to other businesses
- Over 50% say it improved their business operations
- 42% say it increased their brand awareness

Looking ahead for new partner investments to continue ReLaunch work. Recent example is National Landing BID commitment of \$75K to serve legacy businesses in distress in 2024.



CONVENTION AND VISITORS SERVICE

ACVS conducts strategic marketing and sales initiatives targeting meeting, leisure and business audiences to drive new overnight hotel stays and local spending that result in Lodging, Meals and Sales tax revenues for the County.

“All in Arlington” Brand Marketing and PR Investments drive increases in hotel stays and tourism spending locally

- 30.5 Million Impressions from August – December 2023
- Hotel Occupancy: 69.9% (**up 24.8%** from 2022)
- Hotel Average Daily Rate: \$178.03 (**up 22.7%** from 2022)
- StayArlington Website Sessions: 463,726 (**up 28.3%** from 2022)
- StayArlington Website Pageviews: 720,376 (**up 32.9%** from 2022)

One-time ARPA grant funding will generate positive outcomes for years to come. Looking ahead for new partnerships to continue marketing and PR investments beyond June 2024.



ARLINGTON
Virginia

REAL ESTATE DEVELOPMENT

The Real Estate Development Group (REDG) works across county departments and with development community to support sustainable economic growth through the thoughtful and strategic development of Arlington's urban mixed-use corridors.

Commercial Market Resiliency Initiative (CMRI)

- Leading partnership with CPHD to rewrite policies that will address office supply and demand imbalance through redevelopment, conversion and repositioning.
- Resulted in comprehensive work program that includes several Request to Advertise (RTAs); coming to the County Board in Spring 2024

Diversifying our Housing Stock for Economic Empowerment

- REDG providing expertise to help execute entitlements of housing of all types
- Resulted in recent focus on committed affordable units (CAFs), including work on **Crystal House** and the generational County investment in the 1,335-unit **Barcroft community**.



CULTURAL AFFAIRS (CAD)

The mission of CAD is to create, support, and promote arts experiences, connecting artists and the community to reflect the diversity of Arlington while advancing efforts to enhance placemaking and increase the economic impact of the arts.

Implementing the **Arts & Industry District** as part of the Four Mile Run Valley Area Plan.

- **2700 Nelson Flexible Outdoor Art Space**
(Anticipated Completion – Winter 2025)
- **3700 S. Four Mile Run Renovation** – \$4.6M in the Adopted FY 2023–FY 2032 CIP to create new shared studios to consolidate the equipment and programs currently at the Costume Lab at Gunston MS and LAC Studios.
(Anticipated Completion – Summer/Fall 2025)

Arlington Arts Grants Program –

- A \$215,810 annual general operating support grant opportunity for Arlington-based artists and arts organizations.
 - In FY 2024, there were 18 individuals and organizations that received these funds.



INVESTMENT IN BIDS/PARTNERSHIPS

Business Improvement Districts (BIDs)

Three Arlington BIDs (National Landing, Rosslyn and Ballston) supplement AED's work by investing in localized placemaking, beautification and business retention.

▪ **FY 2025 Proposed Budget:**

- Through budget shifts, BIDs continue to support AED and County FY25 projects such as:
 - Public realm improvements, e.g., Gateway Park
 - Growing the local tech ecosystem
 - Strengthening each BID's regional economic development presence

Neighborhood Partnerships

FY 2024 Budget: The County Board added \$60K in ongoing funding

- Partnerships have used the additional funding to boost staffing, which enables groups to enhance community benefits by hosting activities (e.g., Clarendon Day, Columbia Pike Blues Festival, Langston Earth Day etc.)

FY 2025 Proposed Budget:

- Sustains funding to allow for strengthening organizational capacity and financial independence
- Continued County resources available to support small businesses

Proposed FY 2025 Budget

KEY BUDGET CONSIDERATIONS

- AED's charge is to help maintain a **strong commercial real estate and business-related tax base** and provide **economic opportunities for all** our residents.
 - ✓ **Commercial Market Resiliency Initiative (CMRI)** a high priority to reposition our commercial real estate as a collaborative program with CPHD and other departments. Three dedicated AED staff to address **office/commercial supply** issues and **placemaking**; which directly impacts our fiscal bottom line.
 - ✓ **Business Investment** efforts (**recruitment , retention and growth in tech and small business**) are the key efforts to address **office/commercial demand** in Arlington, maintain our strong employment base and support growth our minority entrepreneurs.
 - ✓ **Cross divisional collaboration** is a key need identified in strategic plan and ongoing divisional assessments. Budget reduction forces realignment of resources – notably in **marketing, PR and communications** tactics.
- Identified **proposed reductions that could be mitigated**, given existing capabilities and resources

SUMMARY OF PROPOSED CHANGES

General Fund

	FY 2024 Adopted	FY 2025 Proposed	Change	% Change
Expenses	\$9,965,394	\$9,477,340	-\$488,054	-5.0%
Revenue	\$242,700	\$227,622	-\$15,078	-6.0%
Funded FTEs	52.10 FTEs	50.30 FTEs	-1.8 FTEs	

SUMMARY OF PROPOSED CHANGES

Tourism Promotion Fund

	FY 2024 Adopted	FY 2025 Proposed	Change	% Change
Expenses	\$2,646,700	\$1,546,700	-\$1,100,000	-41.6%
Revenue	\$2,646,700	\$1,546,700	-\$1,100,000	-41.6%
Funded FTEs	7.0 FTEs	7.0 FTEs	-	-

Tourism Promotion Fund Revenue Highlights:

- Higher projection in Transient Occupancy Tax: \$1,300,000
- General Fund Transfer: \$246,700
- VTC ARPA Tourism Recovery Grant funding ends in FY 2024 and removed from base budget*

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

Detail of Proposed Changes

	FY 2025 Proposed Expense	FY 2025 Proposed Revenue	Budget Impact	Staff Impact
Continuation of one-time funding for a BizLaunch en Español position	\$95,385	-	\$95,385	1.0 FTE
Add ongoing funding for the maintenance of 2700 S. Nelson	\$75,208	-	\$75,208	-
Add ongoing funding for Clarendon Alliance neighborhood partnership	\$5,000	-	\$5,000	-

Detail of Proposed Reductions

	FY 2025 Proposed Expense	FY 2025 Proposed Revenue	Budget Impact	Staff Impact
Freeze Cultural Affairs Program Coordinator position	-\$115,061	-	-\$115,061	-1.0 FTE
Eliminate two Marketing and Communications positions	-\$316,504	-	-\$316,504	-2.0 FTEs
Reduction of Trade and Promotion budget	-\$49,544	-	-\$49,544	
Reduction of Social Media and Public Relations budget	-\$53,693	-	-\$53,693	
Reduction of Operation's data subscriptions budget	-\$20,000	-	-\$20,000	

DETAIL OF PROPOSED REDUCTIONS

Freeze Cultural Affairs Program Coordinator position

Service Impacts

- Freezing this position will delay the planning for the activation of 2700 S Nelson Temporary Flexible Arts Space, which can take up to a year
- Depending on when the new space is delivered, activations may be delayed
- Creative activation plans for other public plazas in the County will also be delayed

Budget Impact

Change: **-\$115,061**

Staff Impact

1.0 AED Specialist (vacant)

DETAIL OF PROPOSED REDUCTIONS

Eliminate Marketing and Communications positions

Service Impacts

- **Eliminate an AED Digital Strategist position**
 - Transfer of duties, and retrain other marketing and communications positions
 - Reduce capacity to provide timely response to quick turnaround marketing and communication needs
- **Eliminate an AED Media Production Specialist position**
 - The duties of the position will need to be provided by external vendors, leading to longer response times and increased expenditure spending for the services.

Budget Impact

Change: **-\$316,504**

Staff Impact

-1.0 AED Digital Strategist (filled)
-1.0 AED Media Production Specialist (filled)

DETAIL OF PROPOSED REDUCTIONS

Reduction of Marketing Resources Operating Budget

Service Impacts

- Reduction of Business Investment Group’s Trade and Promotion budget (-\$49,544) will potentially result in less engagement with companies from target sectors and will result in fewer prospect leads to occupy real estate which is critical to reducing the office vacancy rate and protecting office valuations.
- Reduction of Social Media and Public Relations budget (-\$53,693) will affect AED’s ability to perform targeted outreach to specific audiences and force cross-divisional use of already limited advertising dollars, which will result in reduced visibility to business prospects.
- Reduction of the Operations data subscriptions budget (-\$20,000) will have minimal impact as this amount for the ACVS program’s Salesforce subscription will instead be charged directly to the program.

Budget Impact

FY 2024:	\$721,434
FY 2025:	\$598,197
Change:	-\$123,237

Staff Impact

None

Appendix

APPENDIX — BUSINESS IMPROVEMENT DISTRICTS

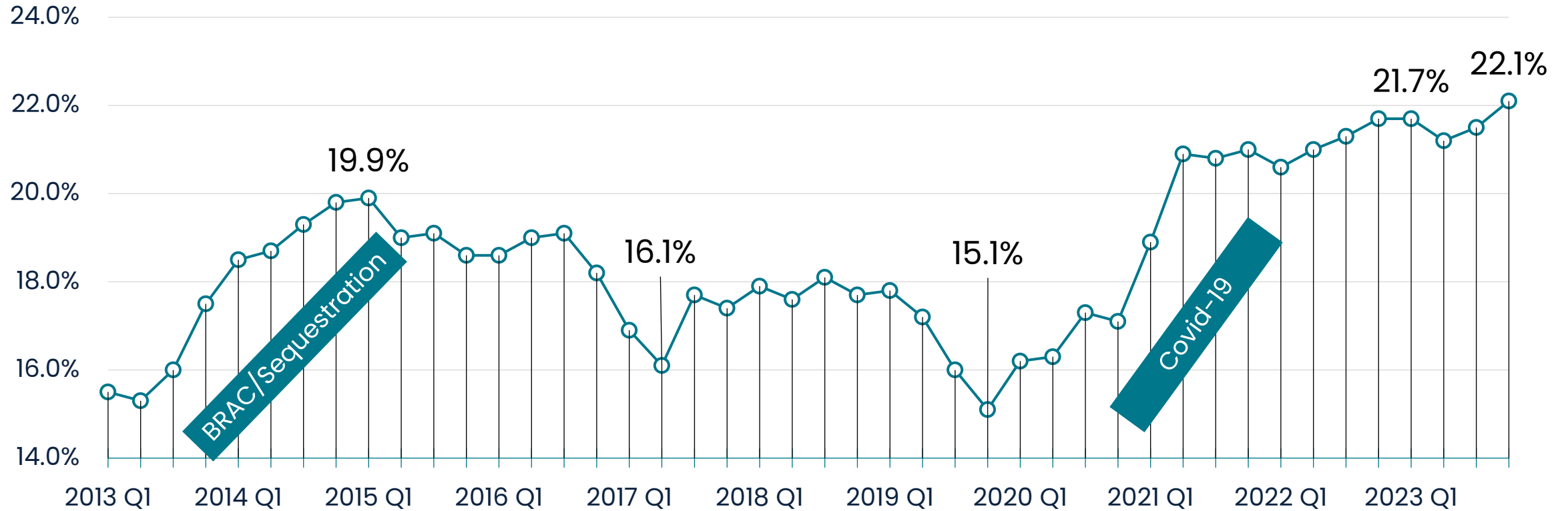
	CY 2023 Adopted Assessments/ Revenue	CY 2024 Proposed Assessments/ Revenue	% Change
Ballston BID CY23 Tax Rate = \$0.045 CY24 Tax Rate = \$0.045	\$3,281,762,600/ \$1,476,793	\$2,959,494,200/ \$1,331,772	-10%
National Landing BID CY23 Tax Rate = \$0.043 CY24 Tax Rate = \$0.043	\$11,028,187,600/ \$4,742,121	\$11,738,822,600/ \$5,047,694	6%
Rosslyn BID CY23 Tax Rate = \$0.078 CY24 Tax Rate = \$0.078	\$5,827,797,500/ \$4,545,682	\$5,680,571,100/ \$4,430,845	-3%

APPENDIX — NEIGHBORHOOD PARTNERSHIPS

	FY 2024 Adopted	FY 2025 Proposed	Change	% Change
Clarendon Alliance	\$140,000	\$145,000	\$5,000	4%
Columbia Pike Partnership	\$410,000	\$410,000	-	-
Langston Boulevard Alliance	\$145,500	\$145,500	-	-

HISTORICAL OFFICE VACANCY IN ARLINGTON

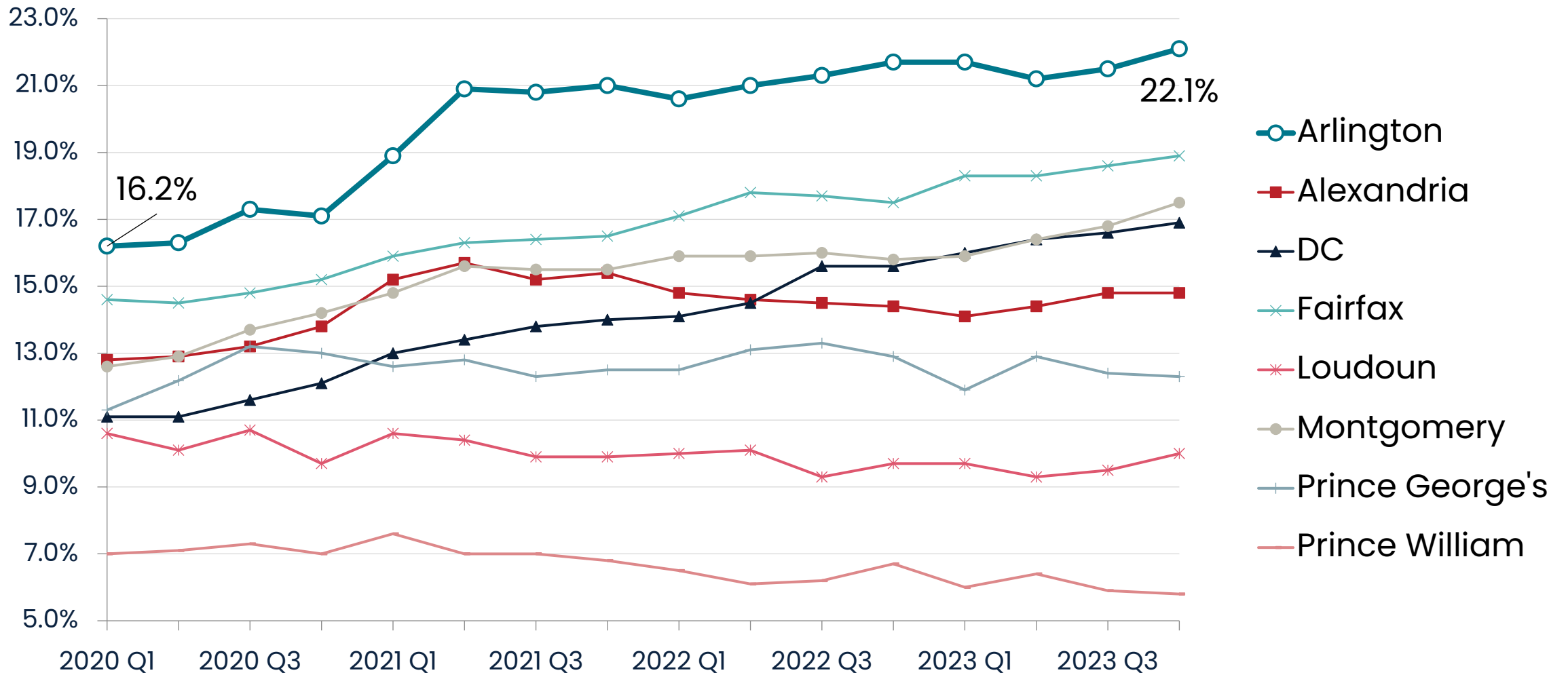
Q1 2013 – Q4 2023



Source: CoStar 1/3/24, AED

OFFICE VACANCY BY JURISDICTION

Q1 2020 – Q4 2023



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