

Meeting Summary: Committee Meeting #2
February 25, 2015; 7:00 – 10:00 pm
Yorktown High School

1. Opening Remarks and Meeting Overview

- Study Committee Chair John Milliken reviewed the [committee's charge](#) and schedule and the roles of Study Committee and Resident Forum.
- The Chair also reviewed the meeting format, a series of presentations on economic issues followed by break out table discussions.
- The Chair announced that a Financial/Economic Development Subcommittee will use input from the table discussions to draft a report on economic issues and challenges for the committee.
- Later in the meeting, the Chair recognized County Board Chair Mary Hynes, County Board Member Jay Fissette, School Board Chair James Lander, School Board Member Nancy Van Doren, and County Manager Barbara Donnellan.
- Questions posed during the table discussions:
 - What future challenges do you see to Arlington's basic economic model of reliance on the commercial sector (office, multi-family rental residential and retail) for 50 percent of its real estate taxes?
 - If challenges exist, what steps or solutions should Arlington consider to address those challenges?
 - What constraints or barriers exist to taking those steps or solutions?

2. Regional Trends in Property Assessments

- Dr. Terry Clower, Deputy Director of the George Mason University Center for Regional Analysis, delivered a [presentation](#) comparing Arlington's real estate assessments to that of other localities in the region.
- In addition to discussing assessments, Dr. Clower noted the following:
 - Last year the Washington region underperformed all other regions in job growth.
 - Federal procurement spending has declined for three straight years.
 - New jobs being created in the region since the recession have lower wages than the jobs lost during recession.
 - The average wages per job in the region have declined year over year.
 - Arlington County has done well at expanding existing businesses and supporting startups but is losing businesses that are relocating elsewhere in the region.

3. Economic Performance in the Washington Metro Region

- Dr. Massoud Ahmadi, Senior Vice President at Strategic Impact Advisors, delivered a [presentation](#) covering both the national and regional economic outlook and how Arlington's economy compares to the nation and region.
- Key takeaways from the presentation:

- Arlington’s economy is heavily dependent on two employment sectors: federal government and professional/business services. The reliance on the federal government makes the County vulnerable to volatility in federal jobs and procurement spending.
- Federal sequestration and Base Realignment and Closure (BRAC) have contributed to a loss of 4,700 federal jobs in Arlington since February 2010, the greatest loss of any jurisdiction in the region.
- Compared to the U.S. as a whole, most of Arlington’s economic sectors are less competitive and are growing at a slower pace.
- Arlington has competitive advantages in information services and financial activities and should focus on business formation in these sectors.

4. Arlington’s Office/Commercial Market

- Alex Iams, Acting Deputy Director of Arlington Economic Development, [presented](#) (slides 1- 19) an economic overview of Arlington County, including office market conditions, trends and challenges.
- Key takeaways from the presentation:
 - Arlington's office vacancy rate is 10% above its 15-year historical average, and net absorption of office space has declined by 3 million square feet over the last four years.
 - There is very little demand for office space in older buildings. Positive net absorption is attributable to buildings built since 2000.
 - The nature of the office market is shifting (see [Arlington Future Office Market Study Mid-Year Report](#) for more information)
 - Office occupancy costs (e.g., lease rates, taxes) in Arlington’s submarkets are less expensive than comparable submarkets in D.C., but tenants in D.C.’s submarkets typically receive incentives that level the playing field. Arlington is typically more expensive than other submarkets in Northern Virginia.

5. Arlington’s Economic Response to Market Shifts

- Victor Hoskins, Director of Arlington Economic Development, [presented](#) (slides 19-27) an overview of strategies the County is considering to become more attractive to businesses and competitive in the office market.
- Key takeaways from the presentation:
 - The County needs to reposition itself in the market and diversify its economy.
 - The County will be going into new markets to attract businesses.
 - The County is actively looking to partner with neighboring cities and counties in Virginia on economic development.

6. Questions on Presentations *(with responses when provided)*

- Question for Dr. Ahmadi: Slide 10 shows that the education and health services sector grew during and after the recession at the regional level. Over the same period, Arlington lost jobs in that sector (slide 17). Why is that?
- Question for Dr. Ahmadi: Is there a way to match overall income levels and housing costs? The data shows housing needs for low income households, but not middle income. *The data in the presentation comes from the U.S. Department of Housing and Urban Development. The data*

source only includes households at certain income levels (i.e., 30%, 50%, and 80% of Area Median Income).

- Question for Mr. Hoskins: Is there a sense of an anchor tenant or industry the County is looking to pursue in the next five years? *Arlington has highly educated workforce, and many residents are skilled in the high tech industries that are growing. We need to create an environment that is conducive to rapid business formation in those industries.*
- Question for Dr. Clower: When you say that wages have declined for three years in a row, is that the Area Median Income? *That data is based on average wage per worker, which includes salary and wages but doesn't include benefits.*
- Question for Mr. Hoskins: How do quality of life and education help to attract businesses? *Quality of life is important, but other jurisdictions in the region also have a high quality of life and good schools. Arlington's advantage in the past has been Metro access, but the Silver Line is giving that advantage to our neighboring counties. We have to move with the times to stay competitive.*
- What is the County doing to transition the federal and contracting workforce into new jobs?
- Question for Mr. Hoskins: Do we need to think about business development outside the Metro corridors? *The corridors lend themselves to different types of businesses than commercial areas without Metro access. Washington D.C. has a Great Streets corridor program that works with existing businesses to help them reposition and recruits complementary businesses. That could be a model for the commercial areas outside the corridors.*
- Question for Dr. Ahmadi: Looking at slide 23 (showing shortage of affordable rental housing in Arlington), is similar data available for other jurisdictions in the region? How does affordable housing affect business development? *Comparable data for other jurisdictions is not readily available.*
- Is data available on the number, size, and nature of international businesses in Arlington?
- Has the County considered using its older, more affluent population as an anchor for economic development? *Baby boomers like a lot of the same things that millennials do and will spend money on cultural and arts activities. Boomers also tend to be highly skilled and have a critical advantage in the workforce.*
- Is data available on what percentage of the County's taxes came from real estate assessment back when Virginia had the car tax?
- Will the County's decision to end the streetcar project be a disadvantage to attracting millennials to the County? *The Study Committee's next meeting (March 11) will include a presentation on the different generations and their housing choices.*

Web:

bit.ly/ACGFacStudy



Together, Arlington County and Arlington Public Schools have launched a broad-based planning effort that will build a consensus framework for assessing the community's future funding, resource and facility needs.
[Learn more about the Arlington Community Facilities Study.](http://bit.ly/ACGFacStudy)