

**CITY COUNCIL WORK SESSION
WITH THE MAYOR'S ECONOMIC SUSTAINABILITY GROUP**

TUESDAY, JUNE 12, 2007

5:30 P.M.

CITY COUNCIL WORK ROOM

AGENDA

1. Welcome and Introductions Mayor William D. Euille

2. Presentation of Economic Sustainability
Recommendations Nigel Morris, Chair
Members of the Work Group

3. Council Comments and Discussion

Individuals with disabilities who require assistance or special arrangements to participate in the City Council Work Session may call the City Clerk and Clerk of Council's Office at 703-838-4500 (TTY/TDD 703-838-5056). We request that you provide a 48-hour notice so that the proper arrangements may be made.

WS
6-12-07

Mayor's Economic Sustainability Workgroup



Recommendations to City Council

June 12, 2007 Work Session

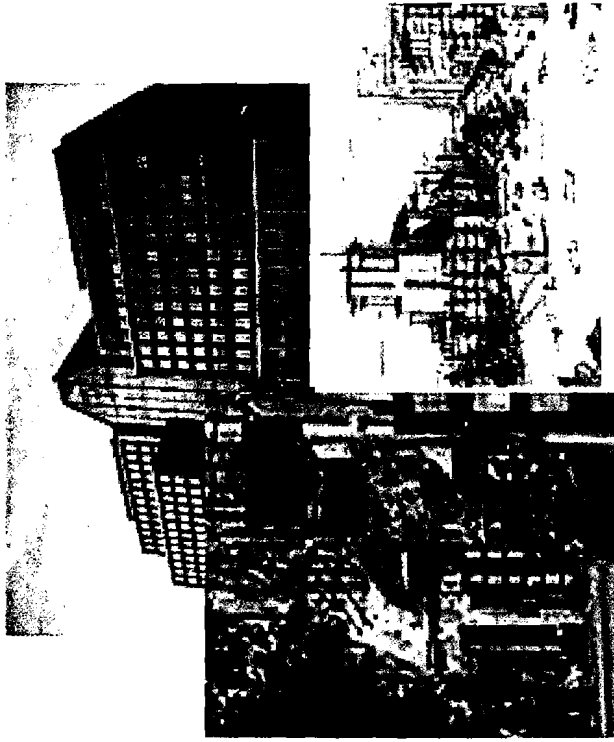
WE'RE REPORTING BACK WITH OUR FINDINGS

ECONOMIC SUSTAINABILITY WORKGROUP

Nigel Morris, Chair
Jim Butler, Consultant, BFAAC Member
Lavern Chatman, NoVA Urban League
Stephen Fuller, Regional Economist
Dennis Garcia, Potomac Management Corp.
Charlotte Hall, Potomac Riverboat Co.
Mark Kington, X10 Capital Management Corp.
Greg Leisch, Delta Associates, Inc.
John Meagher, Former Treasury Dept. Official
Lonnie Rich, Former Council Member

- Inspired by Economic Summit (Jan. 2006)
- Established by Mayor (June 2006)
- Diverse, Bipartisan, Experienced Group
- Questions to Answer Provided by Council
- Town Hall Update (March 2007)
- Reflects Nearly a Year of Work
- Final Report For Circulation
- _____
- We Took a Common Sense Approach
- Integrated Recommendation
- No Cherry Picking
- This Was In Many Ways The Easy Part

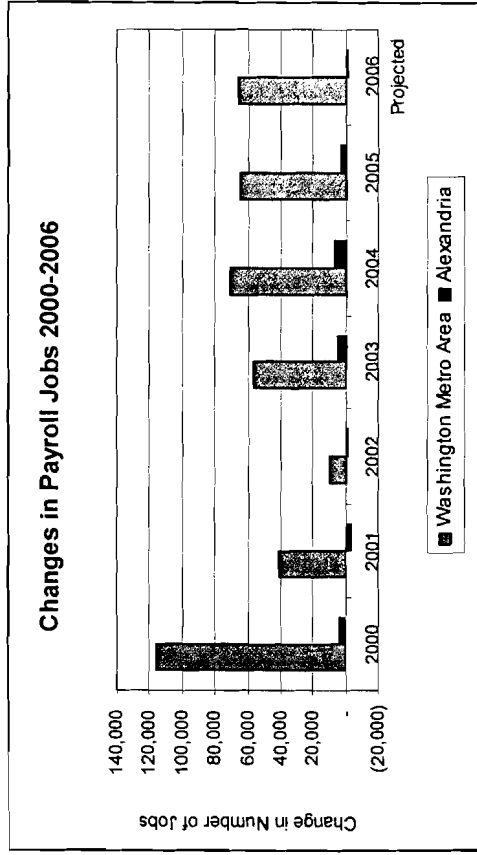
ALEXANDRIA HAS MUCH GOING FOR IT



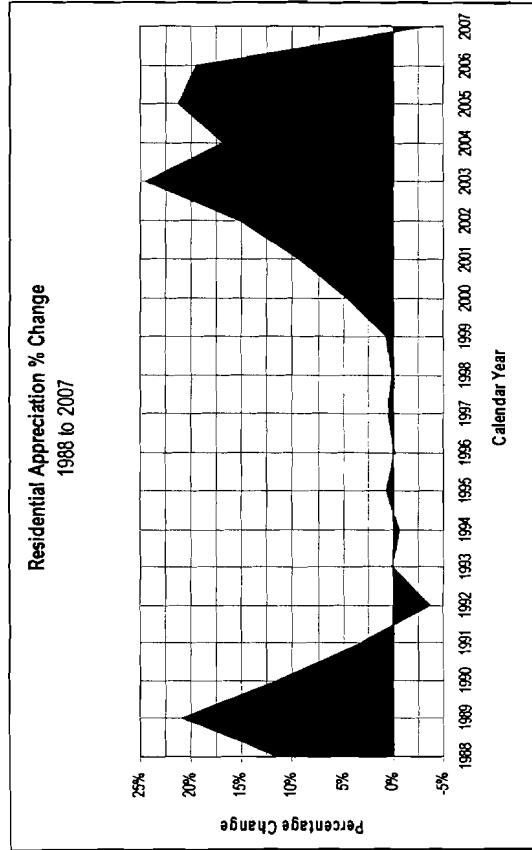
- Unemployment is Low [2.2%]
 - Roughly half the national average
- Income is High [\$57,224 per capita]
 - Nearly 20% higher than DC area
- Population is Well-Educated
 - Over 50% have a college degree
- Crime is Low...and Falling
 - Violent crime down 50% from 1996
- Tax Base Has Grown Significantly
 - Doubled in last 5 years
- Services Abundant
 - Service spending twice the 1997 level



BUT ALEXANDRIA IS NOT WELL POSITIONED for the FUTURE



Source: Delta Associates



- Businesses—and jobs—have gone elsewhere
 - Job growth flat during the recent boom
 - BRAC costs 7,200 more jobs by 2011

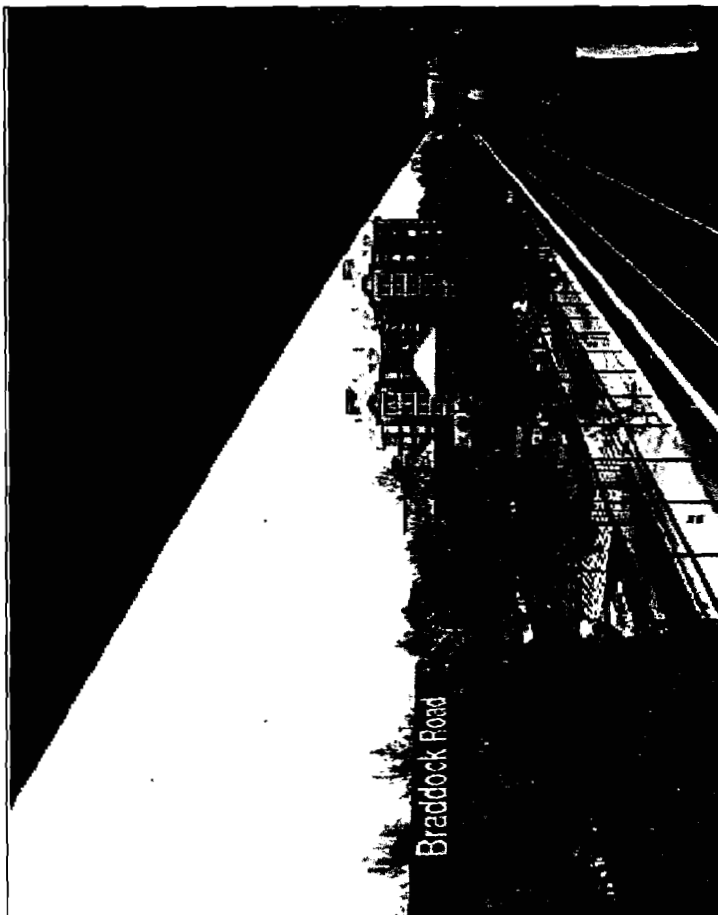
- The residential party appears to be over
 - Home prices likely to fall or be flat this year

- Commercial property not picking up the slack
 - Hotel occupancy off 6% this year
 - Office vacancy at 12.2%

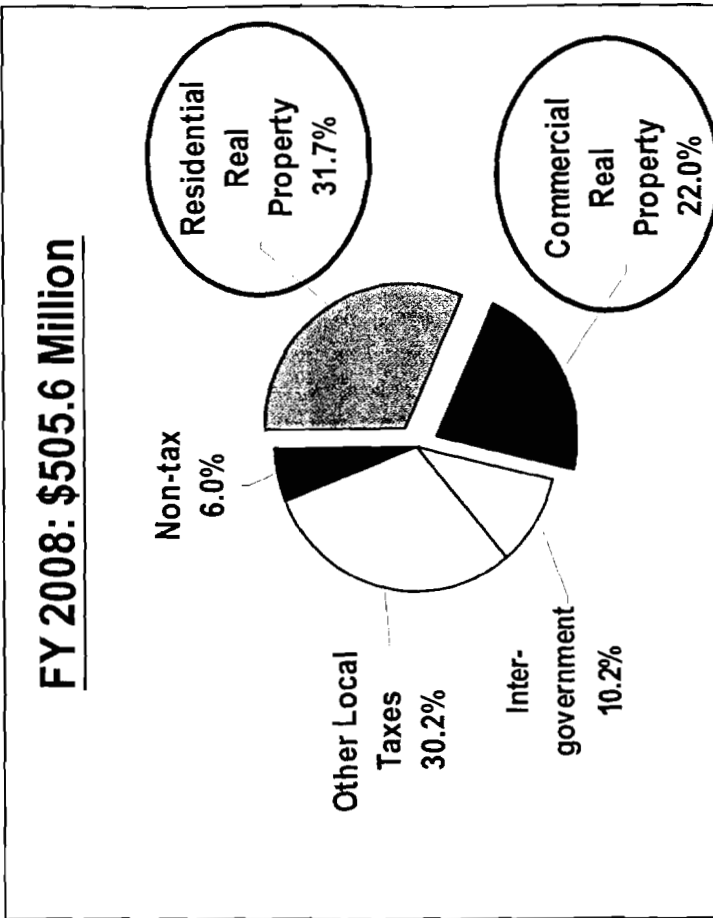
- Meanwhile, the competition has charged ahead
 - Pentagon City
 - Tysons Corner
 - Bethesda
 - National Harbor/Gaylord

TWO MAJOR OBSERVATIONS—AND RECOMMENDATIONS

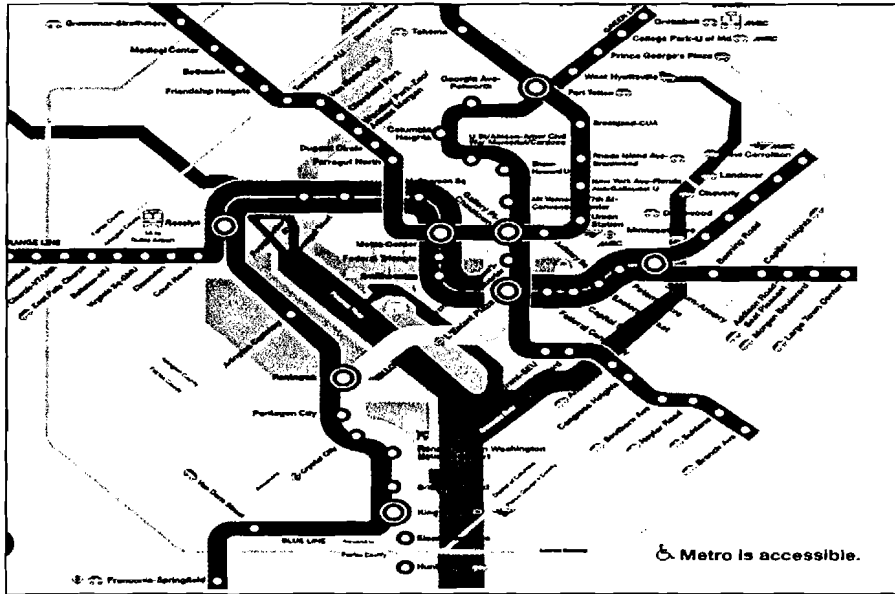
I. LEVERAGE EXISTING ASSETS



II. RESTORE COMMERCIAL BALANCE



OUR METRORAIL IS UNDERUTILIZED



WALL STREET JOURNAL YESTERDAY

"During the 1970s, Arlington was in decline....In response, the County planned five closely spaced metro stations...to anchor medium-to high-density, mixed use development, generally within a quarter mile of each stop....Today, although the corridor is less than 8% of the county's land area, it is the source of more than 30% of Arlington's real estate taxes."

- All 4 City Stations Are Underutilized
 - Eisenhower the 2nd lowest in VA
 - Suburban Design in Urban Setting
 - Poor Return on Investment
- Denser adjoining development needed
 - Commercial and residential blend
- Update the names of the stations
 - "Old Town—King Street"
 - "Landmark—Van Dorn"
- Fill in with new strategic stations
 - Potomac Yard?
 - Btw. Eisenhower and Van Dorn?

OUR WATERFRONT IS A UNIQUE AND HUGE OPPORTUNITY

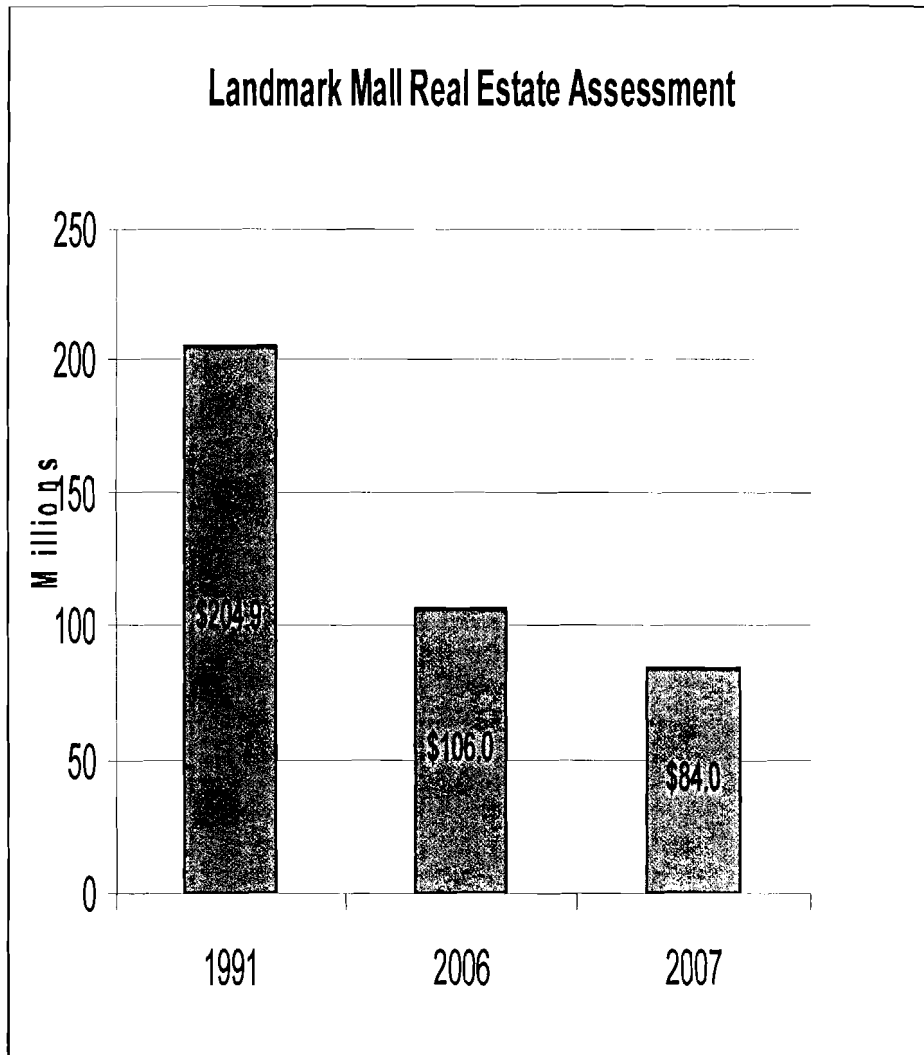


- World-class redevelopment needed
 - Incorporate historic architecture
 - Active usage for the river

- Prepare for the National Harbor
 - opens April 2008
 - 4,000 hotel rooms
 - largest hotel convention center on east coast
 - 1M sq. feet of retail/commercial planned



LANDMARK MALL—OUR MAJOR MALL—HAS ACTUALLY LOST VALUE SINCE 1991!



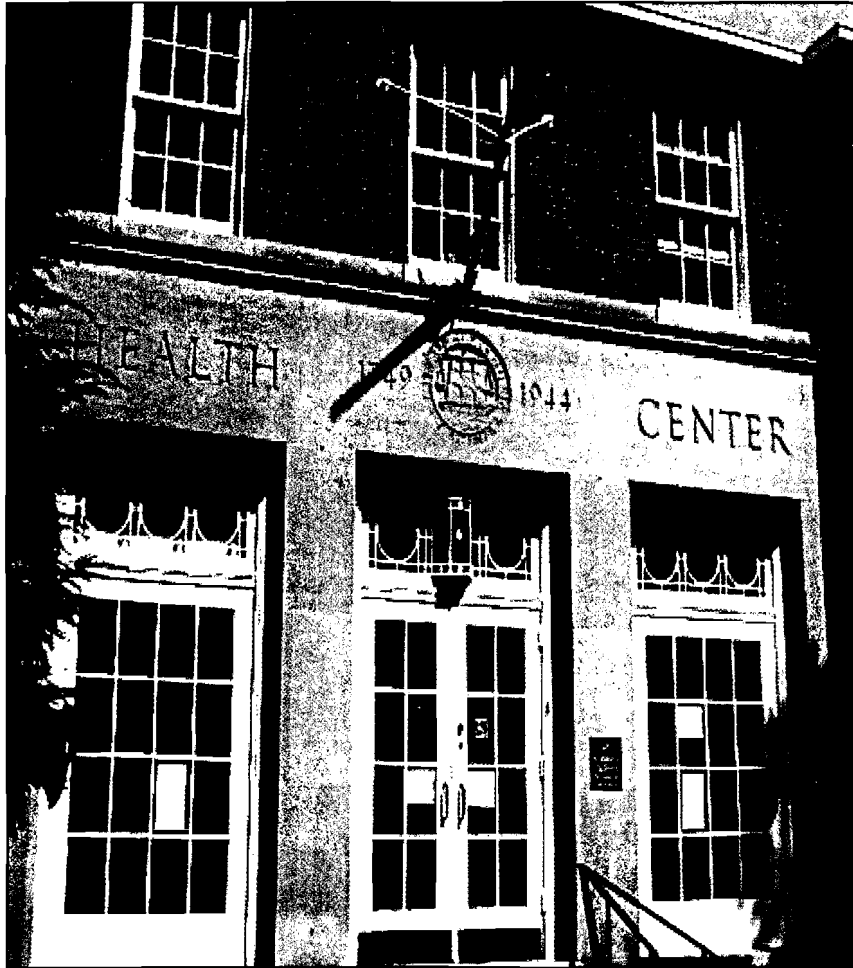
- The City's Major Mall Is In Bad Shape
 - 55 acres of prime commercial space
 - Alexandrians shop elsewhere
- We need a vision and a plan
 - see Tysons and Pentagon City
 - office as component
 - high density
 - mixed use
- City funds may be required

WE ARE NOT TAKING FULL ADVANTAGE OF TOURISM



- The City Has Major Tourism Assets
 - Over 6,000 18th & 19th c. properties
 - On the way to Mt. Vernon
 - 15 minutes from The National Mall
- We need a vision and a plan
 - rethink “funside” brand
 - revitalize the visitors center
 - improve signage
 - expand marketing dollars
 - target regional spending
- Set goals and identify metrics for measuring progress, or lack thereof

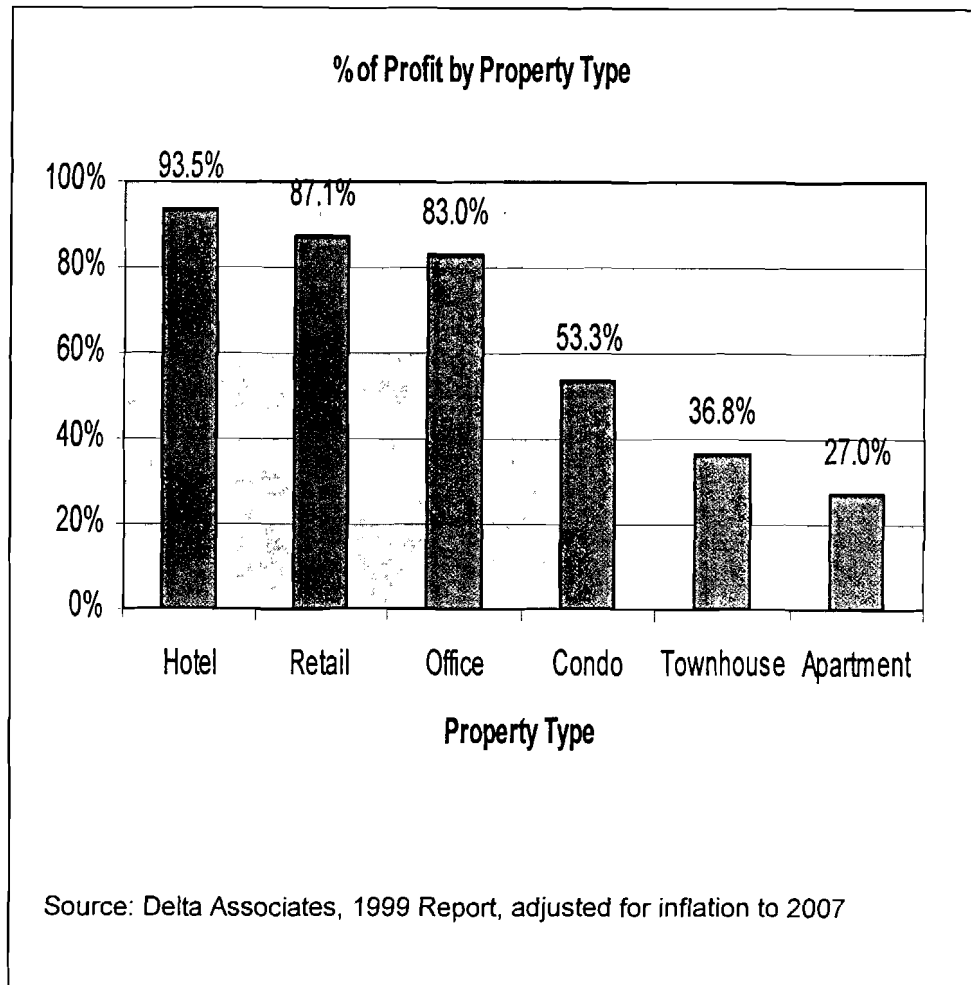
WE SUSPECT THAT WE'RE JUST SCRATCHING THE SURFACE!



- We need a current inventory of City assets
 - what are they?
 - where are they?
 - what can they be used for?
 - what is the opportunity cost?

- Realign where opportunities exist
 - sell/lease underperforming assets
 - invest proceeds in the City

COUNTER RESIDENTIAL REAL ESTATE MARKET FORCES



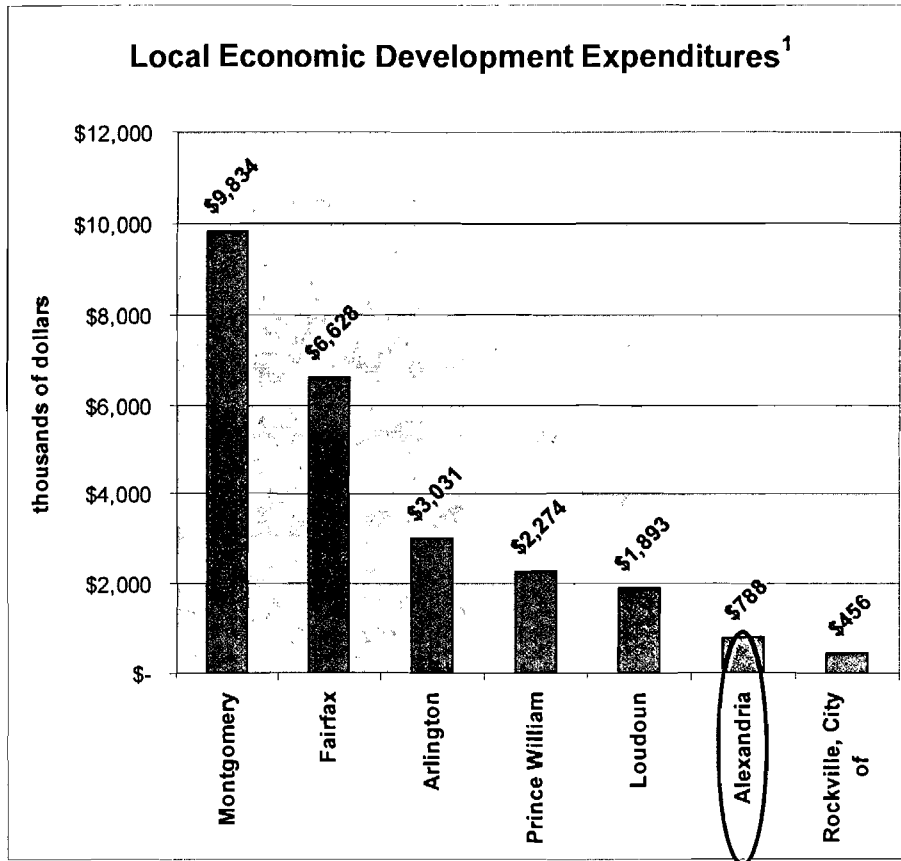
- All development is not created equal
 - commercial is roughly twice as “profitable” to the City
 - residential extracts more services, and therefore costs more

- Compared to residential development, commercial development offers citizens:
 - lower taxes, or
 - more services

- Update fiscal impact model to reflect this reality
 - the City should know—in advance—the return from each development

- Restore tax base to 50% commercial
 - expand retail base
 - identify and prepare sites for commercial development
 - establish job growth targets

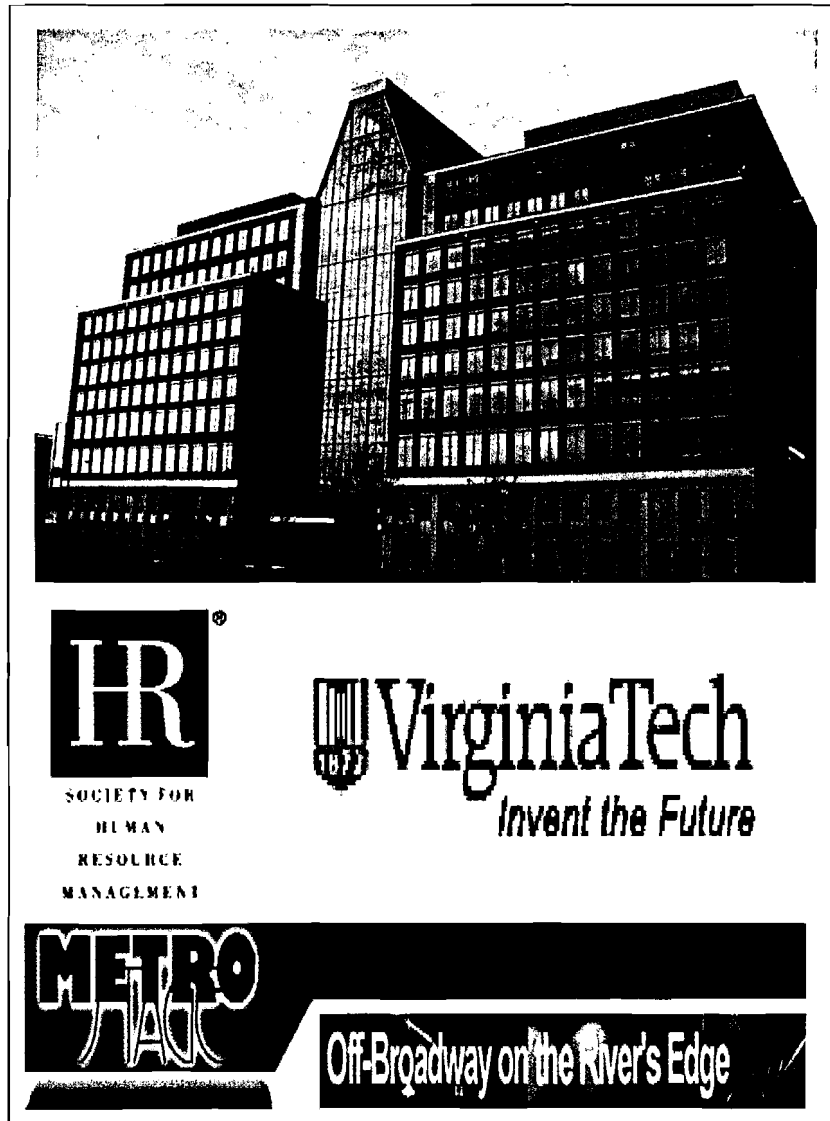
RESTRUCTURE ECONOMIC DEVELOPMENT FUNCTIONS



¹ Functions may vary

- The Current Approach Is Underperforming
 - we are losing to the competition
- The City Needs to Make This a Priority
 - allocate more resources
 - organize for efficiency and effectiveness
- Our Recommendation
 - create new Economic Development Organization (EDO) replacing AEDP
 - bring outsiders to the Board
 - establish measurable performance criteria at the outset
 - monitor objectively and regularly

EXPAND RETENTION AND ATTRACTION EFFORTS



- We Need to Reach Out Aggressively
 - we did it successfully with associations
 - the marketing budget must support

- Build Out Current Clusters
 - associations
 - retail
 - tourism
 - financial services

- Incubate Clusters of the Future
 - high tech
 - intellectual property
 - communications
 - arts
 - education

REPAIR REPUTATION IN REGIONAL BUSINESS COMMUNITY



- Mea Culpa on Spaghetti Slide
- This City Needs a Positive Reputation for Business
 - entrepreneurs need support
 - roadblocks need to be addressed
- We Need to Improve
 - reengineer building and land use process
 - reform SUP practice
 - online integration vs. in-line frustration
 - make system user-friendly

TO SUMMARIZE, TWO THEMES FOR OUR RECOMMENDATIONS

I. LEVERAGE EXISTING ASSETS

1. Metrorail
2. Waterfront
3. Landmark Mall
4. Tourism
5. City Asset Inventory

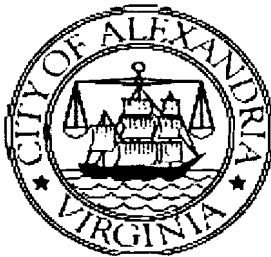
II. RESTORE COMMERCIAL BALANCE

1. Counter Residential Market Forces
2. Restructure Economic Development Functions
3. Expand Retention and Attraction Efforts
4. Repair Reputation

NEXT STEPS THAT WE RECOMMEND

**Recommendations
of the
Mayor's
Economic Sustainability Work Group**

June 12, 2007



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- **Functional Steps That We Need to Take**
 - develop action plan for execution
 - formulate transition plan
 - establish governance
 - identify measurable goals & accountability
 - create measurement system
 - launch

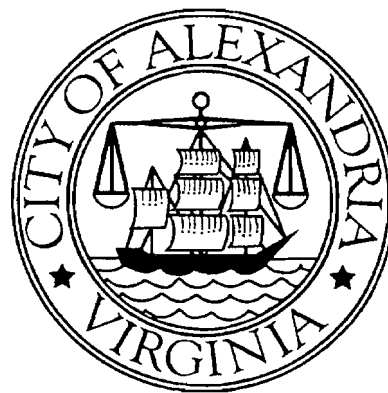
- **Procedural Path to Implementation**
 - existing processes should continue
 - disseminate report to public
 - process public feedback
 - submit actionable plan in Fall
 - City Council action

COMMENTS & QUESTIONS

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ALEXANDRIA'S ECONOMIC VISION

- **A 21st Century, knowledge-based, creative class, diverse community with a high quality of life.**
- **A place where businesses locate and grow.**
- **A place where planning and land use encourage smart fiscal practices with historic preservation.**
- **Where the City government is responsive to all.**
- **Where taxes generated by commercial activities fund community needs and help reduce taxes paid by residents and local businesses.**

**KEY RECOMMENDATIONS
OF THE
ECONOMIC SUSTAINABILITY WORK GROUP
(Not in order of importance)**

- Re-balance real estate tax base to 50% commercial and 50% residential
- Establish employment growth targets reflecting a mix that favors an increasing share of higher paying jobs across all sectors
- Make economics part of land use decision process
- Expand business retention and recruitment efforts
- Capture the full economic development potential of the City's Metrorail Stations
- Redevelop Landmark Mall into a major economic center
- Create a world class waterfront
- Increase the economic benefits generated by the City's visitor industry
- Restructure economic development functions
- Establish positive City reputation in the regional business community

**RECOMMENDATIONS
OF THE
CITY OF ALEXANDRIA
ECONOMIC SUSTAINABILITY WORK GROUP**

ISSUE: METRORAIL

FINDINGS: METRORAIL IS THE MOST UNDERUTILIZED ASSET IN WHICH THE CITY HAS MADE A SUBSTANTIAL INVESTMENT AND HAS NOT RECEIVED A FULL RETURN. THIS REPRESENTS A MAJOR OPPORTUNITY.

RECOMMENDATIONS:

1. Develop land use plans for transit oriented development at the Braddock Road, King Street, and the Van Dorn Metrorail stations.
2. Model density on best practices such as the retail/office/residential redeveloped Clarendon area in Arlington County which has a mix of heights and densities.
3. Approve mixed-use development at Metrorail station sites with office uses as the primary type of development.
4. Create a world class development project at the King Street Metrorail station.
5. Establish parameters for development of the Eisenhower West area.
6. When reviewing the Potomac Yard Land Bay H (the town center land bay) revised plans, consider densities that would better encourage the building of a new Metrorail station in the land reserved for such a station.
7. Rename the Metrorail stations in Alexandria so they provide economic value such as:
 - a. "King Street" to "Old Town - King Street," or "Old Town - South"
 - b. Braddock Road to "Old Town - Braddock Road" or "Braddock Road - Potomac Yard" or "Old Town - North"
 - c. "Van Dorn" to "Landmark - Van Dorn"
 - d. Expand the "Eisenhower" Metrorail station name once the area develops more of an identity.

8. Consider creating a new Metrorail station near the Clermont - Eisenhower intersection.
9. Improve connectivity between Eisenhower Avenue and the rest of the City.

ISSUE: COMMERCIAL ECONOMIC ACTIVITY

FINDINGS: REAL ESTATE MARKET FORCES HAVE CAUSED CONVERSION OF OFFICE LAND USES TO RESIDENTIAL USES AND REDUCED THE ECONOMIC AND TAX YIELD POTENTIAL OF REDEVELOPMENT.

RECOMMENDATIONS:

1. Council should adopt specific policies regarding commercial development and land use.
 - a. Restore commercial real estate tax base back to more than 50% commercial.
 - b. Reduce tax residential burdens by encouraging commercial development.
 - c. Commercial development (office, retail, hotel, service) should be specifically encouraged and sought out.
2. The City should update the fiscal impact model that was produced from the PTO project so that the fiscal impacts of commercial development are better understood by residents and those in decision making capacity.
3. Specific employment growth targets should be established.
 - a. Alexandria should share in regional private sector employment growth.
 - b. A "One-for-One" program should be established so that for every new residential unit there is a new job created in the City primarily through development of new office buildings.
 - c. Employment growth target reflects a mix that favors an increasing share of higher paying jobs across all sectors.
4. Commercial and residential new development should be balanced.
 - a. An inventory of potential new office building sites should be conducted and these sites land use zoning as office should be preserved.
 - b. Where commercial land use plans currently allow either commercial or residential development, amend the land use regulations so that residential use is not by right, but only could be done by development special use permit.

- c. Consider increased densities so that office uses could be incentivized as part of residential development. This could be in lieu of, or in addition to, incentives for affordable housing.
- 5. The success of nearby mixed use retail centers such as Shirlington, Clarendon, as well as the emerging plans for Crystal City should be studied to learn from those successes, as well as to better understand the competition.
- 6. The City should expand its focus on retail expansion as part of the economic development equation so that retail spending is a new import and not a net export.
- 7. Tax incentives or tax increment financing (TIF) should become a judiciously used economic development tool where the situation warrants such actions to attract desired commercial development, or to entice "marquee" name office users.

ISSUE: POTOMAC WATERFRONT POTENTIAL

FINDINGS: WHILE THERE HAS BEEN SUBSTANTIAL PROGRESS OVER THE LAST THREE DECADES IN IMPROVING THE WATERFRONT, THERE REMAINS SUBSTANTIAL POTENTIAL REMAINING.

RECOMMENDATIONS:

1. Mixed use development should be encouraged along the waterfront in the remaining opportunity parcels with commercial retail, restaurant, and hotel development opportunities targeted.
2. Existing warehouse sites have high visibility and represent a major obstacle to completing the enhancement of the waterfront with world class redevelopment.
3. Redevelopment architecture should be in keeping with 18th and 19th Century's historic fabric of Old Town and be consistent with the historic image and brand that of the City and respect the adjacent residential neighborhoods.
4. A public access plan should be part of the waterfront plan.
5. Existing public promenades along the waterfront should be linked and completed.
6. Water uses such as kayak and sailboat rental and additional marina slips should be encouraged.
7. Major existing docks should be maintained so that ships (such as the Coast Guard Eagle tall ship and small passenger ships) can still be accommodated.
8. Further expansion of water taxis and water shuttles should be encouraged.
9. Public parking needs along the waterfront should be addressed in the waterfront planning.
10. The City should complete its planned waterfront land acquisitions, and as well as negotiations with the Old Dominion Boat Club.
11. The City should work with the National Park Service and the U.S. Department of Justice on settling the waterfront title disputes for the seven parcels where a settlement agreement has not yet been completed.
12. The City should take full advantage of the tourism and business development potential of National Harbor development across the Potomac River from the City, as well as future further waterfront development in the region.

- a. The recently approved water taxi service between the City and National Harbor should be implemented as planned, and potentially expanded as demand and other related opportunities (the new Washington Nationals baseball stadium).
- b. A visitor center or similar orientation area/technology should be developed for tourists coming to the City by water taxi.
- c. Through better signage, as well as the production of marketing materials, efforts should be made to better educate and orient tourists coming from National Harbor as well as existing tourists.
- d. A fare-free shuttle type transit service should be developed between the foot of King Street at Union and the King Street Metrorail station. Such service should be integrated into the existing transit network in the City, as well as be aimed at moving existing workers, shoppers and residents up and down King Street on both weekdays and weekends.
- e. The food court at the City Marina should be rethought and revitalized.
- f. The underutilized area underneath the Chart House represents an opportunity to expand services to tourists and marina users.

ISSUE: LANDMARK MALL

FINDINGS: LANDMARK MALL, AS THE CITY'S ONLY REGIONAL MALL, HAS BEEN AN IMPORTANT PART OF THE CITY'S RETAIL TAX BASE AND IS IN A STATE OF SUBSTANTIAL ECONOMIC DECLINE. IT REPRESENTS ONE OF THE TOP MAJOR ECONOMIC DEVELOPMENT OPPORTUNITIES IN THE CITY.

RECOMMENDATIONS:

1. The City should pursue with all deliberate speed the total redevelopment of the 55 acres of the current Landmark Mall site into a high quality, high density, mixed use development.
2. A strategy to get Sears to become a partner in the Landmark Mall redevelopment needs to be found by the City, General Growth Properties and Federated.
3. General Growth Properties, Sears and Federated Department stores should cooperate and put the redevelopment back on a fast track before the opportunity is eclipsed by other retail development in the regional market areas served by Landmark such as the Springfield Mall.
4. The City should regularly track the tax production trends of Landmark Mall (as well as other retail areas of the City).
5. Using Reston Town Center as a model, the Landmark Mall prior redevelopment plan should be revamped to include substantial office space in addition to the previously planned retail and residential uses.
6. A redeveloped Landmark Mall site should be an inviting town center with open space, public amenities, and be pedestrian-oriented in its design.
7. As one of the Gateway sites and key sites in the West End of the City, care should be exercised to ensure that the redevelopment represents a quality product, so that this site becomes the focal point of West End activities and vibrancy.
8. If warranted by the real estate economics, and the potential level of new tax production, the City should stand ready to utilize tax increment financing (TIF) in order to make the Landmark Mall redevelopment occur in such a way that it benefits the City in a major way.

ISSUE: LEVERAGING THE CITY'S ASSETS

FINDINGS: THE CITY DOES NOT HAVE AN INVENTORY AND LONG RANGE PLAN FOR PROPERTIES THAT IT OWNS THAT HAVE DEVELOPMENT POTENTIAL.

RECOMMENDATIONS:

1. The City should develop and keep up to date an inventory of properties that it owns.
2. The City should periodically evaluate those properties to determine their long term use which would be in the long term best interest of the City.
3. The City should sell, lease or otherwise dispose of properties that it determines are not needed for a public purpose after determining what is the highest and best use of those properties.
4. Funds derived from land sales or lease payments should be reprogrammed to meet currently unfunded City capital needs.
5. The City should look to determine if the current uses planned for properties it owns represents the most efficient utilization of the property.
6. The Alexandria City Public Schools should also undertake such a review of properties it owns and develop a long-range plan in conjunction with the City.

ISSUE: TRAVEL AND TOURISM

FINDINGS: THE CITY AND THE ALEXANDRIA CONVENTION AND VISITORS ASSOCIATION (ACVA) SHOULD WORK ON A SERIES OF INITIATIVES TO PRESERVE, AS WELL AS TO GROW, THE CITY'S SHARE OF THE WASHINGTON, D.C. REGION'S TOURISM DOLLARS.

RECOMMENDATIONS:

1. The City's "brand" of being one of America's most historic, well preserved, unique, and vibrant cities should be a consideration and a theme in nearly land use, marketing, and other governmental and private sector activities particularly in the greater Old Town area. A professional marketing firm with tourism branding experience should be retained to study this issue and to make recommendations.
2. ACVA should look at its resource allocation to determine if additional staff and non-personnel funds should be devoted to marketing.
3. The City should increase its funding of ACVA's marketing programs once ACVA presents the City with a specific plan that is market research based.
4. ACVA needs to become more measurement and metrics oriented.
5. A new or expanded Visitors Center is needed as Ramsay House, although well located, it too small and difficult to access.
6. The City should consider expanding ACVA's role as the lead agency in marketing the City's retail stores, restaurants, museums, art galleries and studios, and entertainment venues to the greater Washington, D.C. metropolitan area in order to gain a larger share of regional consumer discretionary spending. ACVA has indicated it would need additional resources to do this.
7. ACVA should continue to focus its resources during the upcoming year on planning on how to get National Harbor convention and meeting attendees to visit the City.
8. When Landmark Mall is redeveloped, thought should be given to creating new tourism products so that the West End can better benefit from the City's tourism activity.
9. The City should evaluate conference and meeting space needs in the Old Town area and consider joint venturing with the private sector the building of additional conference and meeting space in conjunction with other development.

10. Increasing the tie-ins of the City's historic and other tourist related assets with existing (Mt Vernon) or new major regional tourism sites (Army Museum) should be considered in order to capture an additional share of the tourism market.
11. The "Funside" branding has served the City for 10 years and should be reviewed and rethought.
12. More market research in order to better understand the tourism market segments needs to be undertaken.
13. ACVA should consider expanding its target marketing of different segments of the tourist market, as well as expand the media it uses to market the City.
14. Studies should be undertaken to determine if ACVA should expand its marketing further in foreign markets including collaboration with other tourism marketing organizations in marketing to those markets.
15. Further tourism marketing efforts should be undertaken at both National and Dulles Airports.
16. The City should fast track its planned wayfinding signing program.
17. Consideration should be given to early implementation of signing for public parking garages and for signing the City Marina and King Street for water taxi arrivals.
18. ACVA should consider expanding its direct mail campaigns.
19. The City should consider improving the lighting on King Street, as well as keeping the holiday tree lights lit 12 months of the year.
20. ACVA should expand its orientation and training program of concierges and other hotel staff for all City hotels, as well as those at National Harbor and in Arlington.

ISSUE: FOCUS OF ECONOMIC DEVELOPMENT ACTIVITIES

FINDINGS: THE CITY NEEDS TO EXPAND ITS EXECUTION OF ECONOMIC DEVELOPMENT IN RELATION TO BUSINESS RETENTION AND ATTRACTIONS.

COMMENT: This section summarizes major economic development opportunities and brings into focus some major approaches and targeted business and governmental sectors that could enhance economic development in the City.

RECOMMENDATIONS:

1. The City and its economic development agencies should work to retain and to expand its exiting business clusters thereby building on existing strengths: a) Hi-Tech, b) Intellectual Property, c) Associations, d) Tourism (see travel and tourism recommendations), e) Retail (see Landmark Mall and Commercial Economic Development Activity recommendations), f) Arts, Communication, Advertising, Graphics, Web design, and g) Educational Institutions.
2. Business recruitment and retention activities should position the City as a leader and a first-tier organization in its economic development efforts.
3. The City's has an extensive "creative class" and "knowledge" economy. This should be exploited as a marketing tool. (Base on the widely accepted economic development theories of Professor Richard Florida.)
4. Economic development efforts need to be more aggressive and reach out to more potential users in more markets across the United States.
5. Greatly expand the marketing budget for business recruitment.
6. Effective targeted international recruitment should be planned if such recruitment can be done on a cost effective basis.
7. With a revised economic development effort and structure in the City, private sector economic development organizations, such as AEDP, should continue to be an active part of regional business recruitment and tourism promotion efforts.
8. Various City government department and agencies should be used as resources in the recruitment and retention process and greater coordination of effort is essential.

9. The revitalized AEDP, and related non-profit economic development agencies, should strengthen their focus on metrics and industry based research.
10. All outcomes of economic development activity must be measured on a return on investment manner (ROI) basis.
11. The City should target high-value office users such as professional service firms, defense contractors, and others who pay medium to high salaries for locating or expanding in the City.
12. The City is favorable situated an already enjoying the presence of branches of major higher educational institutions; these need to be encouraged to expand, and the City should court these and other entities to grow and possible coordinate activity in the City.
13. The transfer of 7,200 jobs from the City due to the recommendations of the Base Realignment and Closure (BRAC) Commission should be carefully monitored and viewed largely as a long-term opportunity.
14. The City should be open to selectively attracting the headquarters operations of highly visible and recognized federal agencies

ISSUE: RESPONSIVENESS OF CITY BUREAUCRACY AND CITY PROCESSES

FINDINGS: THE CITY IS PERCEIVED THROUGHOUT THE REGION AS UNFRIENDLY AND NEGATIVE TO THOSE OPENING OR OPERATING A BUSINESS AND THIS REPUTATION HARMS ECONOMIC DEVELOPMENT.

COMMENT: This section deals with the regional negative perception of Alexandria processes and operations toward development of new businesses. It highlights areas to examine to improve land use and building regulation, cross-departmental coordination, an attitude of helpful customer relations, and focus on business friendly attitudes while retaining necessary protection for historic preservation, health, safety and quality of life.

RECOMMENDATIONS:

1. The City should review its business practices relating to land use and building regulation in order to make these processes better understood, as well as to erase the regional negative perception of the City toward new business development; this includes greater efficiency and timeliness, with applicants seeing cross-departmental coordination as seamless and more efficient.
2. The City needs to make a cultural shift in its attitude, and that of its employees, towards businesses, so that it is less of a negative regulator and more of a partner and a facilitator.
3. The City should develop the best customer relationship processes in the entire Washington, D.C. metropolitan area
4. City processes need to be business friendly, but retain the necessary protections in regard to historic preservation, health, safety, as well as quality of life.
5. The City should review its Special Use Permit (SUP) processes to determine which SUP categories could be eliminated or made administrative in order to reduce the time necessary to open a business.
6. The use of internet-based technology should be expanded both in the field, and by the provision of more online information and interactive functions between businesses and the City staff. The goal should be "on line, not in line."

ISSUE: ORGANIZATION, VISION AND PERFORMANCE OF ECONOMIC DEVELOPMENT FUNCTIONS

FINDINGS: THE STRUCTURE AND EXECUTION OF ECONOMIC DEVELOPMENT HAS BEEN DIFFUSED AND HAS NOT LED TO THE OPTIMAL ECONOMIC DEVELOPMENT RESULTS; SIGNIFICANT CHANGES ARE NEEDED.

COMMENT: The economic development function in the City has received attention from government and various private sector groups, some funded primarily by the City. The effort lacks coordination, there is little accountability for decisions, little coordinated planning and few metrics to measure program effectiveness. In some cases there is overlap of functions.

The structure of economic functions needs to be reformed. The Alexandria Economic Development Partnership (AEDP) Board should be entirely reconstituted and with a majority of Board members appointed by the City Council. AEDP should be renamed as it should become a new economic development organization (referred to in this report as "EDO"). The EDO Director position should be filled by an Economic Development professional and should staff the EDO Board. This action must be accompanied by a study of mission, functions and organization and the steps necessary to provide leadership. The result should be a coordinated public/private partnership to enhance and expand the economic base of Alexandria, especially in commercial, knowledge-based, hi-tech, arts and other business sectors detailed elsewhere in this report.

RECOMMENDATIONS:

1. The EDO Board should be reconstituted with its all Board positions vacated and refilled based upon a to-be-determined makeup of persons knowledgeable in business or economic development. EDO Board positions should represent a cross section of the business community and also Board positions should have specific experience requirements (i.e., development, real estate finance, hotel management, etc)
2. A majority of the the EDO Board should be appointed by City Council, with some of the Board appointed by organizations such as the Chamber of Commerce. The Civic Federation should also appoint a person to the EDO Board (this is a recent change made by AEDP).
3. The EDO Director should be employed by and report to the EDO Board.
4. The EDO Board should be an active Board and meet at least monthly, as well as have subcommittees to focus on specific issues or functions.
5. The Chair of the EDO Board should be highly accomplished in the business community.

6. The EDO Board should utilize the best practices of board governance including having term limits, an executive committee, an audit committee, and utilize 360 degree feedback.
7. EDO should be fully accountable to the City (which is its funding source) with the City setting specific written performance and accountability standards.
8. The EDO Board should keep the City Council regularly informed of its plans and activities, and meet with the Council annually to discuss its proposed plans and initiatives for the upcoming year.
9. The reconstituted EDO Board and staff should be given one year to meet the City's performance expectations, and if expectations are not met or significant progress has not been made, then EDO should be internalized and become a City Commission and the EDO staff would become a department of the City government.
10. One of the first tasks of the EDO Board would be to rename AEDP
11. EDO staff compensation should be performance based.
12. A major initial step of the reconstituted EDO Board should be a study of the mission, functions and organization of economic development activity including the current functions of AEDP and ACVA, the major private organizations funded primarily by the City, and components of a sound program that should be instituted.
13. EDO should retain its offices outside City Hall in class "A" office space, as is the norm with many economic development organizations in other jurisdictions. This will facilitate the public/private features of the new arrangement and provide the "feel" of a true partnership in an enhanced economic development effort.
14. The functions of the new EDO Board should include:
 - a. Actively advising the City Manager and the City Council on economic development policy and consulting on related policies impinging on economic development
 - b. Being engaged on land use policies and major land use issues coming before the Planning Commission and City Council.
 - c. Being tasked with developing a City-wide shared vision and proposed economic development strategy and a multi-year plan for achieving that strategy; the outcome being adoption by City Council of an economic development section of the Master Plan.

- d. City officials should no longer serve on the newly constituted group as the Mayor, a member of City Council, and the City Manager do serve on the current AEDP Board. This will allow the EDO Board members to be free to provide independent advice.
 - e. Resources for economic development need to be significantly increased including staffing and other budget categories such as marketing. AEDP, as now organized, is under-resourced compared to peer economic development organizations elsewhere. After a study, the functions assigned to EDO should be increased by at least three to four additional staff to a total of eight or nine.
15. One of the City's existing Deputy City Manager positions should be designated as having responsibility for economic development. Those would be to coordinate economic development matters inside the City government and to be the City's point staff person in dealing with EDO. The Executive Director of EDO, who should be considered the lead economic development executive in the City, should regularly meet with the City Manager, and the designated Deputy City Manager, in order to help keep matters between the City government staff and EDO coordinated.
16. In order to advocate for the economic development point of view, EDO staff under the new structure should have their views fully considered along with other points of view, through being a regular part of City staff meetings, as well as a regular part of the process that leads to the development of recommendations to the new EDO Board, the Planning Commission and City Council.
17. The Business Facilitation function now housed in the City Manager's office and related funding should be transferred to the EDO.
18. The tourism activity now conducted by the Alexandria Convention and Visitors Association should be reformulated following a study by an outside tourism industry assessment team.
19. The EDO, ACVA, the Small Business Development Center (SBDC), and the Eisenhower Partnership, and any other economic development organization receiving a major portion of funding from City funds, should be governed under terms of specific written performance management contracts between these organizations and the City. Such relationships should include:
- a. Performance contracts with evaluation criteria, mutually developed goals, and required periodic reports with specific report elements and timing delineated.

- b. Clear identification in any such contract of the role of the organization and elimination of any overlap of functions with any other City-funded organization or the new economic development department program under guidance of the new EDO.
 - c. Valid metrics (with cause and effect relationships) and mutually agreed upon evaluation criteria of all economic development activities.
 - d. Monitoring by the City of Return on Investment (ROI) of its economic development functions including any organization funded by the City along with related private sector organizations.
20. Business Improvement Districts (BIDs) should be encouraged.
- a. BIDs should come from grass roots efforts in the affected sector of the community.
 - b. More than one BID should be encourage to be established in the City.
 - c. BIDs should be created using a consensus process.
 - d. The City should increase its funding of infrastructure improvements as part of BID implementation

ISSUE: TAX STRUCTURE: REAL ESTATE ASSESSMENTS IN ALEXANDRIA HAVE RISEN BY DOUBLE DIGIT RATES FOR THE LAST SEVEN YEARS. RESIDENTIAL ASSESSMENTS HAVE INCREASED THE FASTEST. CONSEQUENTLY, RESIDENTS ARE SHOULDERING MORE OF THE COST OF GOVERNMENT, AND LOWER AND MIDDLE INCOME CITIZENS ARE BEING FORCE TO REDUCE THEIR STANDARD OF LIVING OR RELOCATE TO MORE AFFORDABLE AREAS. THE CITY IS LOSING VALUABLE WORKERS AS WELL AS ITS ECONOMIC, SOCIAL AND RACIAL DIVERSITY.

FINDINGS: THE CITY (AS ARE ALL OTHER VIRGINIA CITIES AND TOWNS) IS OVER DEPENDENT ON THE REAL PROPERTY TAX; OVER THE LAST EIGHT YEARS, THE COMMERCIAL REAL ESTATE TAX BASE HAS DROPPED FROM 49.5% TO 41.0% (UP FROM 38.2% IN 2006); THIS HAS MEANT THAT HOMEOWNERS ARE PAYING A HIGHER SHARE OF THE COST OF GOVERNMENT.

RECOMMENDATIONS:

1. The City must review its overall existing tax structure to determine how it can be changed in order to provide meaningful property tax relief to those citizens who find their standard of living reduced each year due to rising property tax assessments.
2. The City should utilize changes in the tax law recently enacted by the General Assembly to diversify its revenue base while at the same time providing property tax relief.
3. Alexandria officials should work with other municipalities to frame additional tax changes that will allow these entities more flexibility in their methods of taxing. The goal is to allow our municipalities to adopt measures that deal with today's problems, not those of earlier eras. These changes should be ready for presentation to the Governor and the legislature at the next session of the General Assembly in 2009.
4. The goal is to adopt tax regimes that rely less on the regressive real property tax for City revenues.

DASH

ALEXANDRIA TRANSIT COMPANY

WS
6-12-07

June 11, 2007

NOTICE OF MEETING

There will be a special meeting of the Stockholders of the Alexandria Transit Company on June 12, 2007, at 6:50 P.M., at City Hall for the purpose of electing a member of the Board of Directors for Karen Leibach, resigned.

The Board of Directors proposes as Ms. Leibach's replacement, Mr. David Williamson.

Justin M. Wilson
Chairman