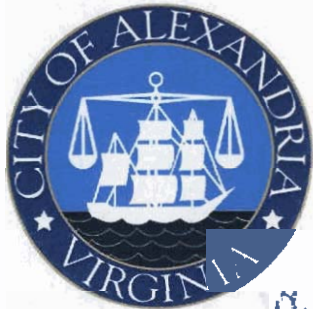


WS  
6-13-12

# Economic Development Strategy for the City of Alexandria

Work Session

City Council & Alexandria Economic Development Partnership



June 13, 2012



# Economic Development Strategic Planning

- January 2009- 'new' AEDP Board adopts strategic plan
  - Targets identified:
    - Federal Government & Government Contractors
    - Associations & Nonprofits
    - Focus on Retail and Restaurants
- FY2010 through FY2012 Plan implementation
- Need to update the plan to reflect:
  - Completion of many of the items in 2009 plan
  - Challenging economic realities
  - Increased competition and changing market forces
    - Silver Line to Tysons
    - Office at National Harbor
    - Increased density and redevelopment in Crystal City

# AEDP Strategic Planning Committee

## David Speck, Committee Chair

- ▶ Allison DiNardo
- ▶ Chris Hartman
- ▶ Marcy Anderson
- ▶ Jim Devlin
- ▶ David Heiden
- ▶ Mark Jinks
- ▶ Greg Leisch
- ▶ Dave Millard
- ▶ Andrew Palmieri
- ▶ Scott Shaw
- ▶ Val Hawkins
- ▶ Stephanie Landrum

Date	Meetings
October 2011	Context setting- presentation from Jones Lang LaSalle
February 2012	Context setting- presentation from Delta Associates
February 2012	Strategic Planning Committee forms
April 2012	Consultant team brought on board
April 30 <sup>th</sup> & May 15 <sup>th</sup>	Strategic Planning Committee meetings
April 26 <sup>th</sup> & May 31 <sup>st</sup>	AEDP Board strategic planning sessions

# Key Questions Considered

1. What are Alexandria's competitive advantages and disadvantages from an economic development perspective?
2. Which industry clusters exist in Alexandria today?
3. Which companies serve as anchors to those clusters?
4. How does Alexandria compare to Arlington and Fairfax Counties in terms of concentrations of jobs, clusters, and other qualitative factors that play a part in location decisions?
5. How much of employment growth in Alexandria can be attributed to the city (deliberate efforts?), as opposed to regional and industry growth?
6. For specific industry clusters, are there barriers to growth in Alexandria?
7. Where are industry clusters located within Alexandria?



## Practice Areas

- ▶ Urban Development
- ▶ Community Development
- ▶ Economic Development
- ▶ Management Consulting

## Offices

- ▶ Washington, DC
- ▶ Los Angeles
- ▶ Austin
- ▶ Orlando

**RCLCO** is a land use economics firm delivering **real estate strategies, market intelligence, and implementation assistance**

# Strategic Game Plan

Outline and tasks included in process that began in April 2012

## Phase 1- April/May

**Base Conditions  
2012-2030**

- Review existing studies
- Forecast regional growth drivers
- Fiscal assessment

## Phase 2- May

**Forecasting  
and  
Real Estate**

- Cluster modeling & forecasting
- Competitiveness assessment
- Overview of real estate market

## Phase 3- June

**Analysis**

- Opportunities matrix
- ID of market driven opptys vs. those that need support

## Phase 4- Summer

**Strategy**

- Strategy menu
- Final report

# Analysis that Informs the Strategic Game Plan

## Economic & Demographic Comparisons

### Geographies:

Alexandria, Arlington, Fairfax, and Montgomery counties, Washington, D.C. MSA

### Analysis

- Population
- Households
- Income
- Age
- Employment
- Unemployment

## Industry Cluster & Competitive Advantage

### Geographies:

Alexandria, Arlington, Fairfax Counties

### Analysis

- Employment growth by cluster
- Location quotient analysis
- Shift share analysis
- Business growth by industry cluster
- Geographic concentrations

## Real Estate Trends

### Geographies:

Alexandria, Arlington, Fairfax, Montgomery counties, Washington, D.C. MSA

### Analysis

- Office absorption, vacancy, rents, inventory
- Cost of doing business
- Transit preferences & requirements
- Densification of office spaces & impact on future demand



## KEY FINDINGS



# Key Findings - Compelling Office Location Underperforming Relative to Potential

**Alexandria has 22 million SF of office space...**

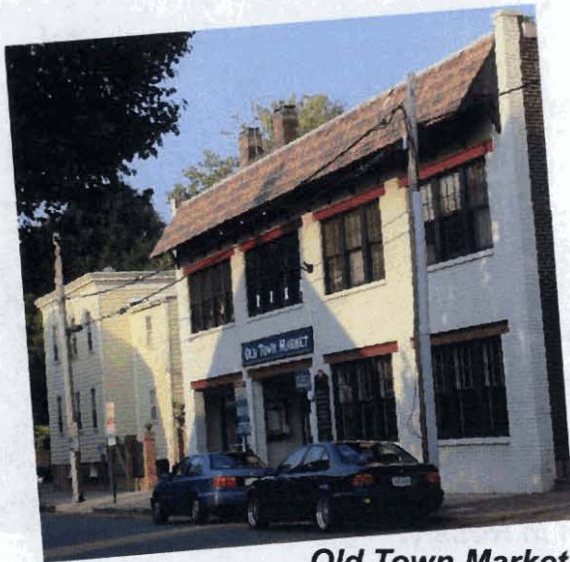
***...but almost half is class B space and is non-competitive for top-tier professional office tenants***

**Alexandria's Class A vacancies drive the city's 15% vacancy rate...**

***...lower vacancy rates in Class B (11%) and Class C (6%) office confirm Alexandria's appeal to cost-driven tenants***



**Victory Center**

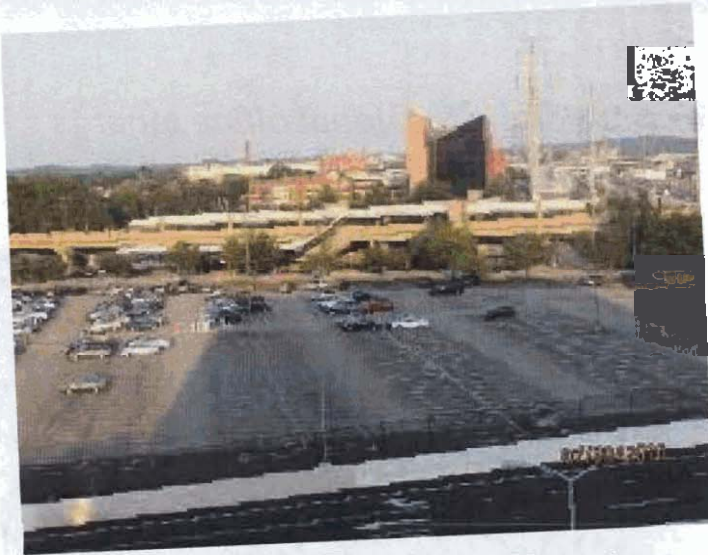


**Old Town Market**

**Office tenants are looking regionally for neighborhoods that Alexandria already has...  
*...but they're looking for better quality office space than is currently available***

# Key Findings - Compelling Office Location

## Underperforming Relative to Potential



*Eisenhower Metro Station*

**Alexandria's four Metro stations are significant assets, and Carlyle has demonstrated that transit-adjacency drives higher office rents (\$40+) and low vacancy rates (4%)...**

***...but Alexandria's Metro stations are largely under-utilized***

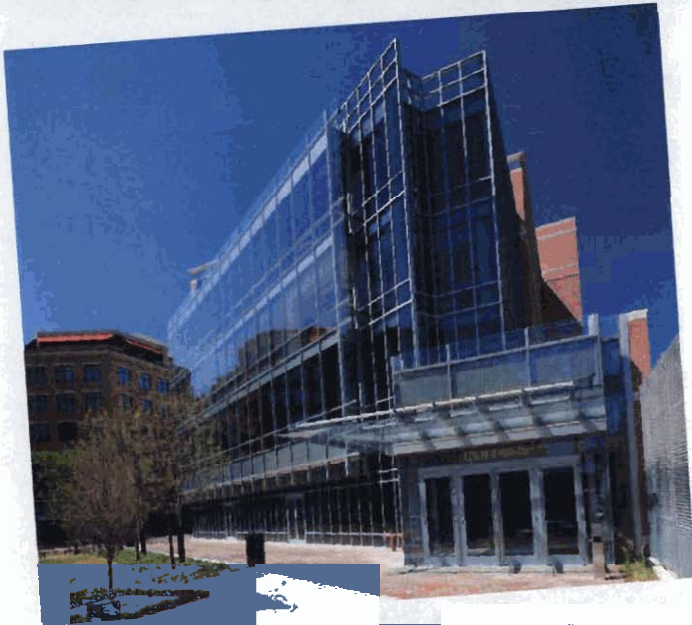
**Alexandria added almost one million SF of privately-owned office space from 2007-2012 and maintained its 11% share of the Northern Virginia office market...**

***...but the R-B Corridor and Loudoun County grew their share of the regional office market by a greater rate, in spite of a recessionary market***



*Office construction in Rosslyn*

# Key Findings - Compelling Office Location Underperforming Relative to Potential



**1701 Duke St- rents in upper \$40's/SF**

**New Class A office construction requires \$45+ rents to support construction costs...**

***...but associations & non-profits, one of Alexandria's largest clusters, and federal tenants will not pay premium rents needed to support new Class A office development***

**Office demand has fundamentally shifted and tenants are now demanding significantly less space per employee (100SF/employee v. the tradition 225SF/employee)...**

***...this is both an opportunity and challenge for Alexandria's office market***



**Cube Farms are the new norm**

# Key Findings - Compelling Office Location

## Underperforming Relative to Potential

- ▶ Alexandria has 22 million SF of office space...  
*...but almost half is class B space and is non-competitive for top-tier professional office tenants*
- ▶ Alexandria's Class A vacancies drive the city's 15% vacancy rate...  
*...lower vacancy rates in Class B (11%) and Class C (6%) office confirm Alexandria's appeal to cost-driven tenants*
- ▶ Alexandria's four Metro stations are significant assets, and Carlyle has demonstrated that transit-adjacency drives higher office rents (\$40+) and low vacancy rates (4%)...  
*...but Alexandria's Metro stations are largely under-utilized*
- ▶ Office tenants are looking regionally for neighborhoods that Alexandria already has...  
*...but they're looking for better quality office space than is currently available*
- ▶ Alexandria added almost one million SF of privately-owned office space from 2007-2012 and maintained its 11% share of the Northern Virginia office market...  
*...but the R-B Corridor and Loudoun County grew their share of the regional office market by a greater rate, in spite of a recessionary market*
- ▶ New Class A office construction requires \$45+ rents to support construction costs...  
*...but associations & non-profits, one of Alexandria's largest clusters, and federal tenants will not pay premium rents needed to support new Class A office development*
- ▶ Office demand has fundamentally shifted and tenants are now demanding significantly less space per employee (100SF/employee v. the tradition 225SF/employee)...  
*...this is both an opportunity and challenge for Alexandria's office market*

# Key Findings - Target Industry Clusters

## Trends, Projections & Strategy

Cluster	2011 Alexandria Employment	% of Alexandria Total 2011 Employment	Projected Employment Growth 3-County 2011-2020	Alexandria Competitive Advantage	Economic Development Strategy
Business Services (FIRE)	12,170	12%	2%	↓	PURSUE
Information Technology	5,821	6%	1%	↓	PURSUE
Defense and Security	1,389	1%	3%	↑	GROW
Design and Engineering Services	3,145	3%	0%	↔	GROW
Legal Services	1,977	2%	-1%	↑	GROW
Advertising & PR	798	1%	-1%	↑	PROTECT
Arts, Entertainment & Recreation	1,765	2%	1%	↔	
Association Cluster	7,709	7%	0%	↑	PROTECT
Hotels and Restaurants	8,408	8%	3%	↔	PROTECT

# Key Recommendations - Target Clusters to PURSUE

## PURSUE | Strategically target industry clusters that can fuel growth and create value within the Alexandria office market

*Anchor clusters that are major employers and drivers of growth should be aggressively pursued so that Alexandria increases its capture of regional employment in these clusters and establishes a competitive advantage*

### Business Services

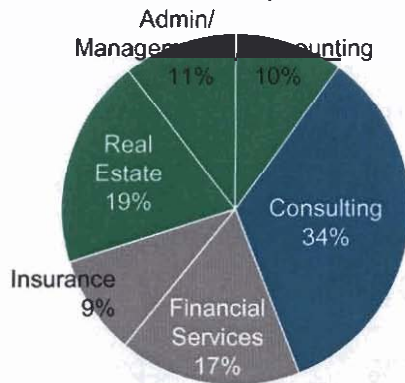
CONSULTING | ACCOUNTING | FINANCIAL SERVICES |  
INSURANCE | REAL ESTATE | ADMIN SERVICES

### Information Technology

SOFTWARE DEVELOPMENT | SYSTEMS DESIGN |  
TECHNICAL SUPPORT |

#### Why Alexandria?

PROXIMITY TO DCA, FEDERAL AGENCIES



**Business Service Cluster  
Employment by Business Type  
(2011)**

#### Why Alexandria?

PROXIMITY TO METRO, FEDERAL AGENCIES

Source: Moody's Economy.com

# Key Recommendations - Target Clusters to **GROW**

**GROW** | Articulate a unique value proposition that attracts top-tier companies within the most competitive industry clusters

*Clusters in which Alexandria has a competitive advantage should be aggressively targeted in order to promote growth*

## **Legal Services**

LAW FIRMS

### **Why Alexandria?**

PROXIMITY TO PTO AND OTHER  
FEDERAL AGENCIES

## **Defense & Security**

DEPT OF DEFENSE |  
DEFENSE CONTRACTORS

### **Why Alexandria?**

PROXIMITY TO DoD

## **Design & Engineering**

ARCHITECTURE | GRAPHIC DESIGN  
| INTERIOR DESIGN | ENGINEERING  
| BUILDING INSPECTION

### **Why Alexandria?**

ESTABLISHED CONCENTRATION OF  
DESIGN & ENGINEERING FIRMS AND  
SERVICE PROVIDERS

PROXIMITY TO METRO AND DC

VIBRANT NEIGHBORHOODS AND  
UNIQUE OFFICE SPACES

# Key Recommendations - Target Clusters to **PROTECT**

**PROTECT | Retain clusters that are major employers and that enhance the appeal of Alexandria to office workers, residents, and visitors**

*Clusters for which Alexandria has a competitive advantage, but which are value-driven for office space selection (associations), or which follow employment growth (hotel).*

## **Associations**

ASSOCIATIONS |  
NONPROFITS

### **Why Alexandria?**

AVAILABILITY OF LOWER  
RENT, CLASS B/C OFFICE  
SPACE IN A VIBRANT  
NEIGHBORHOOD

CONCENTRATION OF  
ASSOCIATIONS

## **Hotels &**

### **Restaurants**

HOTELS | RESTAURANTS

### **Why Alexandria?**

PROXIMITY TO  
WASHINGTON D.C., DCA,  
AND EMPLOYERS

## **Arts,**

### **Entertainment, & Recreation**

BROADCASTING | GOLF  
COURSES | MARINAS |  
FITNESS CENTERS

### **Why Alexandria?**

WATERFRONT, GOLF  
COURSES, AND OTHER  
RECREATIONAL AMENITIES

## **PR & Advertising**

PUBLIC RELATIONS FIRMS |  
ADVERTISING AGENCIES

### **Why Alexandria?**

STRONG COMPETITIVE  
ADVANTAGE IN  
ALEXANDRIA

STRENGTHENS  
ALEXANDRIA'S BRAND  
AMONG CREATIVE SECTOR  
COMPANIES



# Issues of Impact- Discussion

## Myths:

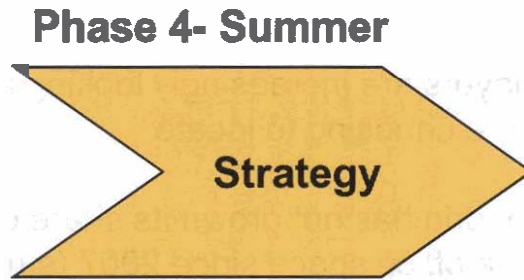
- Alexandria has a competitive advantage for association employment
- Economic development must focus on recruiting a major employer
- Alexandria office absorption fluctuates in line with the Northern Virginia market
- GSA will be a driver for growth in Alexandria
- Alexandria's competitive advantages will be maintained without proactive action
- The most valuable real estate is brand new or completely reutilized (this is both a risk and an opportunity)
- Employers are increasingly looking at transit when they are choosing to locate
- Alexandria has not grown its share of Northern Virginia office space since 2007 (stuck at 11%)
- Perceived and actual public aversion to new development
- Tourism is an important part of Alexandria's economy, and both business and leisure visitors stay in Alexandria

## Realities:

- The average business in Alexandria has 15 employees
- Density implications- shift to a reduced need for office space
- Alexandria public school performance has an economic impact; school quality drives business location choices

# Next Steps

- Fall work session to present:



- Strategy menu
  - Final report
- Strategy menu will require City Council guidance on:
    - policy
    - tax & finance
    - marketing
  - Establish regular structured discussions throughout strategy implementation