



FY 20 BUDGET MEMO # 34

DATE: May 1, 2019

TO: The Honorable Mayor and Members of the City Council

THROUGH: Robert A. Stalzer, City Manager *RA Stalzer*

FROM: Christopher Bruno, Director of Economic Development

SUBJECT: Further Clarification of Additional Request for \$75,000 from Budget Memo #21

Budget Memo #21 submitted to the City Council for the April 23 Work Session responded to an inquiry regarding a \$75,000 request by the Economic Development Office, on behalf of the Economic Development Authority, for “incentive” related funds. CM Yi also inquired as to the “increase” of \$16,000 identified on page D-43 of the City Manager’s Proposed Budget.

The term “incentives” is somewhat nebulous within the context of the FY 20 budget proposal and may create unnecessary confusion with a separate \$75,000 request by the Economic Development Office for the development of a business investment strategy/program. **Neither allocation proposes providing individual businesses with business-specific grants for relocation into the City of Fairfax** (a small business move-in incentive program exists within the context of funds allocated for use in support of the Mason Enterprise Center, however those funds are distinctly separate from the two proposals mentioned above). Any future incentive within the traditional sense would be proposed by the Economic Development Authority to the City Council for a supplemental allocation of funds.

In order to eliminate any possible confusion going forward, the \$75,000 for a proposed allocation to the Economic Development Authority will be referred to as “EDA – Grants”; the separate \$75,000 proposed allocation to the Economic Development Office will be referred to as “EDO - Business Investment Program.” Basic information on each allocation is provided below:

- I. **EDA – Grants:** This \$75,000 proposed allocation to the Economic Development Authority represents a programmatic reorganization of EDA priorities into a category of funds that are disbursed under a compliance agreement. These funds, generally speaking, include:

- a. \$20,000 Capacity Building Grant for the Old Town Fairfax Business Association which supports the position of Executive Director, marketing, event production, and district-wide place making initiatives. This grant is governed by a comprehensive grant agreement with measurable deliverables, dates, and annual reporting. *NB. The first grant issued to this organization was in the Spring of 2019 and it is anticipated that a second grant would be issued in the Spring of 2020.*
- b. \$50,000 Façade Improvement Grant for businesses located throughout Fairfax City to encourage private property investment on the commercial corridors. This grant has also been used as a tool to encourage new businesses to invest in under-developed or underutilized properties. This grant program has been in place since 2016 through varying levels of funding and has realized tangible results initially throughout the Old Town (e.g. De Clieu) and now throughout the City (e.g. Baskin Robbins). The funding for FY20 has been reduced to \$50,000. The Façade Improvement Program has been positively received by the business community, however does require an inordinate amount of staff oversight and resources in order to ensure proper program compliance.
- c. \$5,000 Support Grant to the Central Fairfax Chamber of Commerce replaces the previous “membership fee” that was being charged to the City. The new grant will include a grant agreement and will hold the Chamber of Commerce accountable for program participation and events.

II. **EDO - Business Investment Program:** This \$75,000 proposed allocation to the Economic Development Office represents the programmatic priority of city government to develop initiatives and strategies for the expansion of the commercial tax base. There are currently two alternatives available for the development of a business investment program (commonly referred to as business attraction) which has historically been handled on an *ad hoc* basis by the limited resources of the economic development staff. *NB: The addition of this function would fill a void in the Fairfax City EDO that most other jurisdictions either have staffed with a full time employee or through numerous consultants (e.g. Arlington has a business investment group, Alexandria City has numerous business attraction/ investment specialists).* Option (a) is the preferred alternative, however it should be noted that either alternative is only a small advancement toward a robust business investment program.

- a. \$75,000 to support a contract-consultant to design and implement a business investment program. This program would develop and implement (in conjunction with the city marketing and communications office, the EDA, and the MEC) a regional and national marketing strategy targeting fast/high-growth technology companies, corporate offices, and

targeted industries to increase the diversity of commercial tenants within the city (i.e. cultivate a shift from reliance on government contracting). This consultant would provide intelligence to city staff identifying types of programs, infrastructure, and assistance necessary to recruit nationally and diversify the economy. This position would also work with the EDA to generate qualified leads and strategic partnerships for both the city and the EDA, and help identify capital resources to increase funding for local businesses and University related programs. It is intended that this position would begin working with site-selection professionals as well, in addition to state and regional offices. In sister jurisdictions, this FTE position receives an annual salary ranging from \$79,000 to \$110,000; or

- b. \$45,000 to support a contract-consultant to design and implement a limited business investment program (including only the elements from II (a) above relating to the regional and national marketing strategy). This would represent the minimum business attraction investment a City EDO should be making. The bulk of the business attraction ground work would fall on the existing EDO staff which, while focused on attracting new businesses, would also have to balance competing priorities. The balance of these funds (\$30,000) would be used to update the existing market study report, create new literature for the four remaining activity centers, fund the creation of collateral targeting industry specific businesses, and generate media content that can promote the city beyond the municipal borders coinciding with development opportunities in Northfax and Old Town.

Lastly, the inquiry into the “increase” of \$16,000 listed on page D-43 of the City Manager’s Proposed Budget reinforces the justification for programmatic reorganization of EDA priorities listed in (I) above. Previously, advertising for EDO programs was handled by an advertising fund affiliated with the Economic Development Office; separately, Economic Development Authority advertising projects, which were limited, were handled by a small advertising budget affiliated with the EDA.

As the level of economic development programs and initiatives has grown, the Economic Development Authority has transitioned to a more robust advertising strategy (this includes marketing collateral, purchased media, item and service procurement, website development, etc.). Managing advertising under the supervision of the EDA increases the speed and scope of development for those programs and enables more unique partnerships (e.g. Restaurant Week).

Transitioning traditional advertising to the EDA budget and reclassifying a number of promotional expenses as advertising more accurately reflects the related programs sponsored by, or administered by, the Economic Development Authority. This transfer also allows the EDA budget to be simplified (e.g. previously a line existed for website development - \$10,000 and Restaurant week - \$10,000) into one single marketing/advertising line totaling \$95,000. The EDO budget is now limited to

government-sponsored/ administered programs, and a small budget for property broker meetings which typically fall under the purview of the government office. This transfer is more accurately captured by the fourth bullet point on page D-43 of the City Manager’s Proposed Budget, “increase due to the realignment of the ... resources to the EDA.”

In summary, this memo clarifies the term “incentives” and redefines those objectives under the two separate descriptors, **EDA – Grants**, and **EDO – Business Investment Program**. The proposed EDA funds would be allocated to the economic development authority and reorganize a number of EDA priorities into one category administered through compliance agreements to accomplish the various approved EDA priorities (i.e., cultivating the local business community, working with third party-partners to grow and enhance the local business community, and encouraging private property investment in commercial properties). The proposed EDO funds would be allocated to the economic development office and implementation would fall to the economic development office staff/ Director.

This memo also provides additional detail on an “increase” of \$16,000 represented in the City Manager’s Proposed Budget. This increase represents, primarily, a realignment of funds to the Economic Development Authority for expanded marketing services, and a replacement of the proposed funds for the **EDO - Business Investment Program**.