



FY20 BUDGET MEMO # 21

DATE: April 22, 2019

TO: The Honorable Mayor and Members of the City Council

THROUGH: Robert Stalzer, City Manager *RA Stalzer*

FROM: Chris Bruno, Economic Development Director

SUBJECT: Business Incentives

There are currently three streams of funding committed to the overall encouragement of businesses relocating, starting, and expanding within Fairfax City. In one form or another, these funds are committed to helping businesses grow or relocate into the City, and to establishing Fairfax as the most competitive jurisdiction (with unmatched benefits) for doing business.

- \$75,000 for New Business Attraction (Contract Services – EDO)
 - Two possibilities exist for these funds as proposed:
 - \$75,000 for a contract-consultant to design and implement a business investment program. This program would enhance our ability to conduct outreach to target businesses (retail and office) with the intention of establishing a relationship that would ultimately lead to the relocation of (or opening of a second location) the business within the City’s jurisdiction. The addition of this contract-consultant 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 1 is the preference.
 - \$40,000 for a contract-consultant to design and implement business investment collateral. 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 (\$35,000) would

be used for updating the existing market study report and creating new literature for the four remaining activity centers and City as a whole.

- \$75,000 for Grants (EDA). This line represents a cleanup and re-allocation of previous commitments from numerous lines.
 - \$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.*
 - \$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 incentivize 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).
 - \$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.

- \$105,000 for the Mason Enterprise Center (EDA)
 - \$30,000 Annual Commitment on behalf of the City/ EDA for the administration of the Mason Enterprise Center. This amount has been established by the Memorandum of Agreement and, while the City obviously cannot be bound by a previous agreement, changing this number prior to the lapsing (2021) of the MOA is increasingly difficult and would damage the City’s relationship with GMU.
 - \$15,000 Increased Commitment to support the Executive Director’s Salary was established in 2018 as a way of attracting a high level individual charged with the development of a strategic vision for the MEC, and to help the partnership generate revenue which off-sets the individual party’s financial contributions to Center administration.
 - \$45,000 Business Attraction (Graduation Incentive) Grant (a.k.a. *The City Connected Grant*) was established for the purpose of encouraging businesses to “graduate” from the MEC and to relocate into space within Fairfax City. At present, businesses that relocate from the MEC into Fairfax are eligible for \$15,000 each as long as they establish a presence in the City and commit to an agreed upon lease term within the

City. Previously these funds had been limited to \$5,000/ businesses, however it was determined this amount of funding was insufficient to serve as an incentive for businesses to leave the MEC. Since restructuring the program, the MEC has already graduated one business into the City and is in discussion with two additional businesses who have expressed interest in using this grant to relocate within Fairfax.

- \$15,000 MEC Promotions are funds used to attract new businesses into the MEC (government contractors are excluded from this program in an effort to continue diversifying the MEC business base). This commitment stems from a previous agreement contained within the Memorandum of Agreement.