

5 Economic Vitality

Guiding Principle:

In 2035, Fairfax is a city with... an economy that cultivates and promotes business success and entrepreneurial opportunities for large, small, and independent businesses and capitalizes on national, regional and intellectual partnerships.

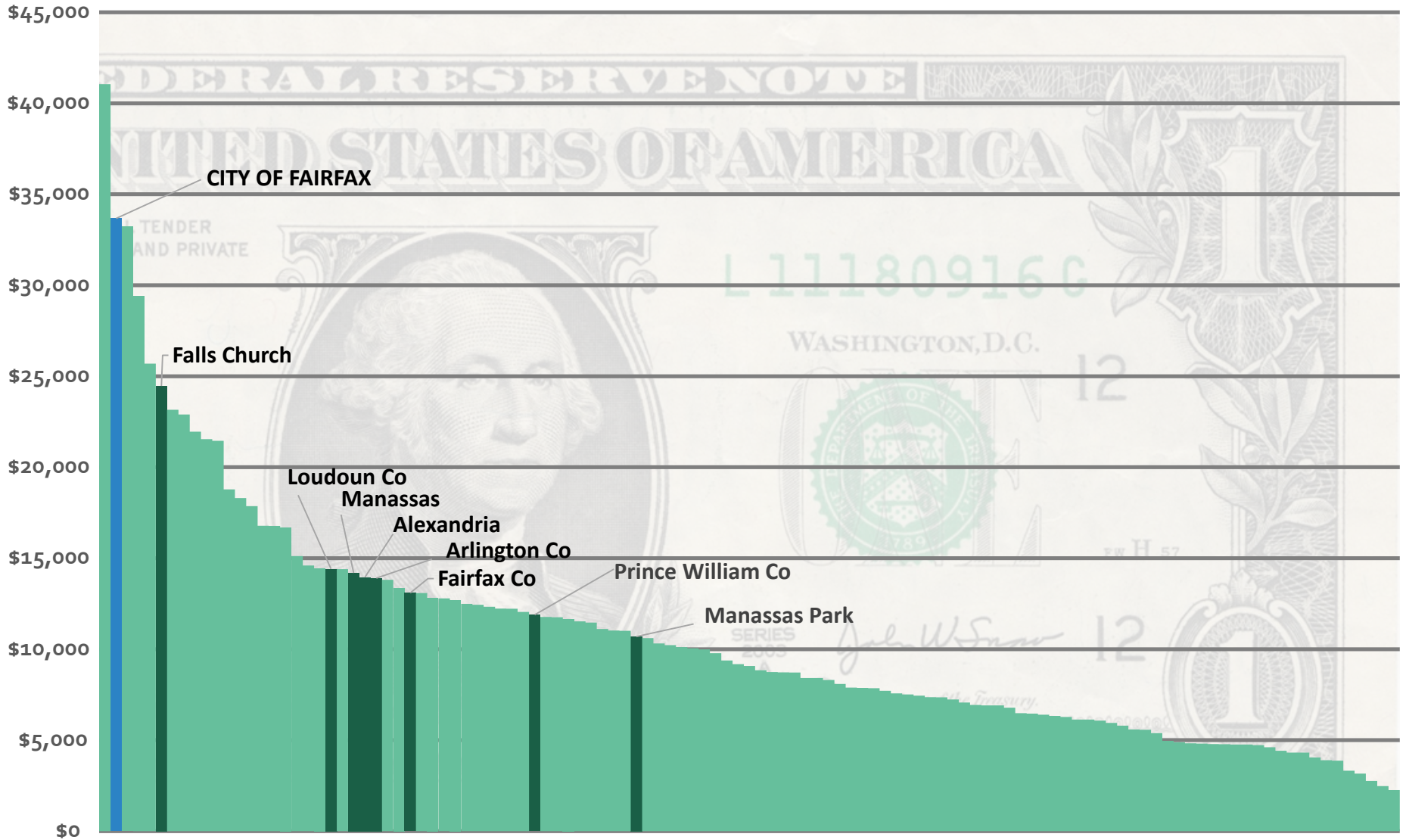
The City has long been a hub for economic activity within Northern Virginia. Due to its central location; proximity to regional destinations such as George Mason University, the Fairfax Courts Complex and Inova Fairfax Hospital; and its setting among transportation crossroads, the City has traditionally boasted a larger proportional share of the region's office and retail activity than its relatively small size and population would suggest. This longstanding concentration of economic activity still holds true, with the City achieving the second-highest amount of retail sales per capita of any Virginia jurisdiction (as shown in Figure 37), and a regional share of office space nearly five times the City's share of Northern Virginia's land area.

This cluster of economic vitality provides Fairfax with many benefits, such as a diversified revenue stream that enables the City to rely less on residential tax revenue than do most nearby jurisdictions. Furthermore, a high concentration of office and retail activity enables City residents to have varied employment and shopping opportunities relatively close to home.

Throughout the Comprehensive Planning process, sustaining this historical advantage has emerged as a priority. However, ensuring that the City remains as an economic hub for the region requires both a commitment to maintaining existing commercial infrastructure and positioning the City to be at the forefront of emerging marketplace trends.



FIGURE 37 2016 TAXABLE SALES PER CAPITA FOR VIRGINIA JURISDICTIONS WITH POPULATION OVER 10,000



Source: Virginia Department of Taxation

Opportunities and Challenges

Shifts in the office market

While the City has seen significant increases in office vacancies over the past decade, this trend is present in Fairfax County and Northern Virginia as well. In fact, the City has generally kept a lower office vacancy rate than the region as a whole. With previous regional overbuilding, increases in teleworking and more efficient office space utilization, however, an overall downward trend in office demand is expected to continue for the foreseeable future. The 2013 Fairfax Boulevard Market Analysis only forecasted a net absorption of 50,000 square feet of office space along the corridor over the ten-year study period.

The City office market, while large in size, is overwhelmingly comprised of Class B structures that offer few modern amenities. Given the increasing interdependence and fluidity of Northern Virginia’s office market, this can make office space in the City less competitive and less desirable to prospective tenants than Class A office space in surrounding areas, particularly in more rapidly expanding sectors of the economy.

FIGURE 38 OFFICE VACANCY RATE

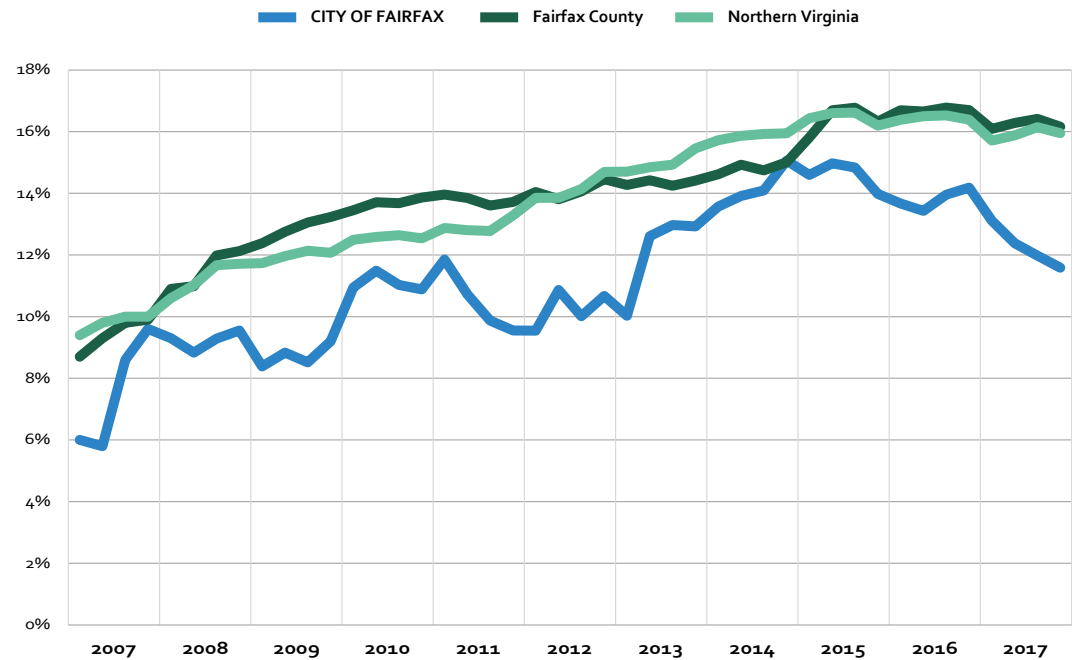


FIGURE 39 OFFICE MARKET BY CLASS, 2017



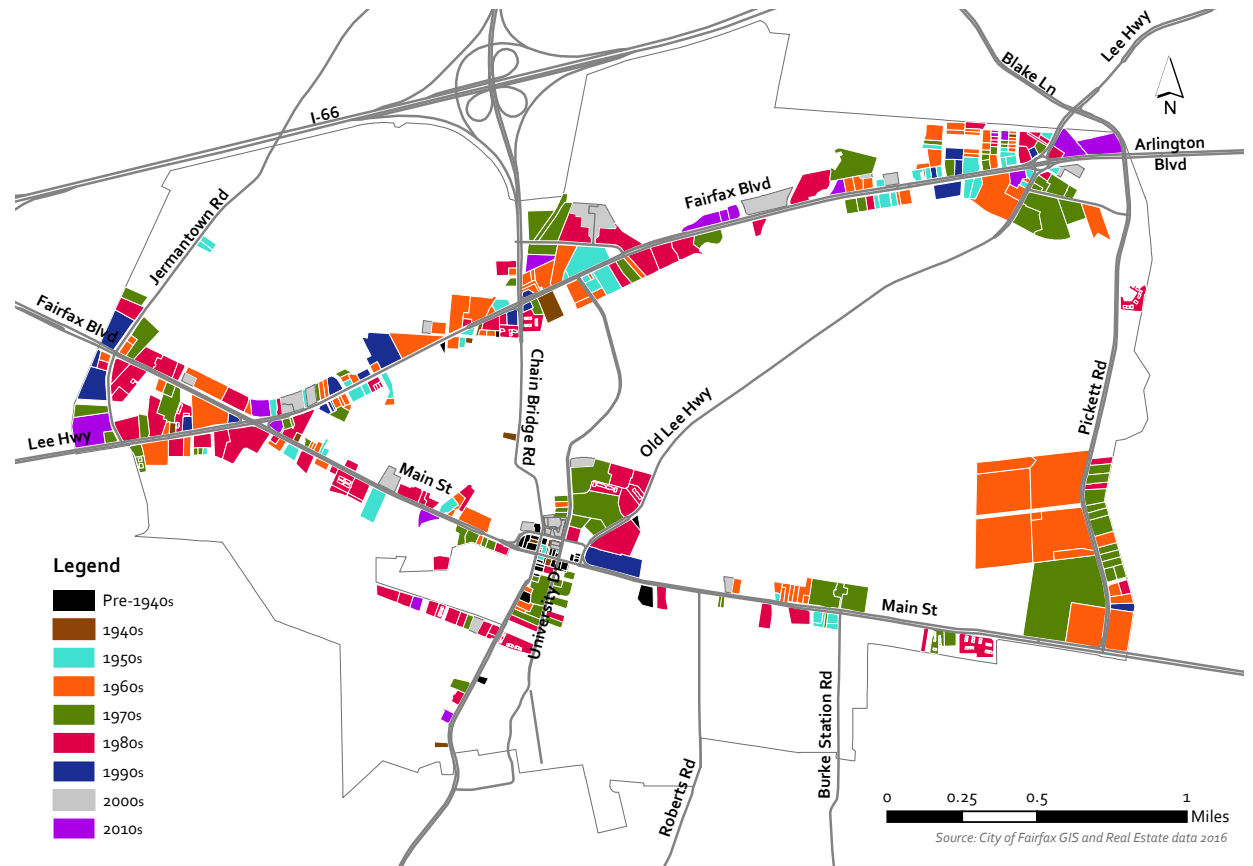
Shifts in the retail market

With consumers gravitating to online purchases and larger format retailers, demand for retail space has been decreasing region-wide in recent years. This has been especially true for older retail spaces that lack modern design requirements. The reduction in demand for traditional retail has been partially offset by increases in demands for food and drink and service type establishments.

These trends have combined to create vigorous regional competition for high-value retailers. As shown in Figure 6 (p. 21), numerous mixed-use centers have been built, or are being planned, within 10 miles of the City. All of these centers use retail as a linchpin to their fiscal success. In order to thrive in this competitive and interdependent retail market, the City must both be mindful of the pragmatic limits of regional retail demand, and must also offer high-quality retail spaces for prospective tenants.

With the vast majority of the City's existing commercial space constructed in the 1960s and 1970s, ensuring that both area consumers and retailers have updated commercial space will greatly enhance the City's retail sector's appeal in this increasingly competitive retail marketplace.

FIGURE 40 COMMERCIAL AND INDUSTRIAL BUILDING AGE BY DECADE BUILT



Economic Vitality Goal 1

Increase the City's ratio of commercial to residential real estate.

Commercial properties tend to contribute more to the tax base than they consume in public expenditures because of relatively high real estate values and lower dependence on public services. The City has historically benefited from having a high ratio of commercial to residential development, resulting in a lesser tax burden on residences. As commercial properties have aged and new commercial development has slowed, this ratio has begun to shift. The City can offset this shift by supporting measures to increase values of existing commercial properties and encouraging new commercial development so that the value of nonresidential properties continues to comprise a greater proportion of the City's taxable properties.

OUTCOME EV1.1: New development and redevelopment that maximize revenue generation from nonresidential buildings and uses.

ACTION EV1.1.1 Attract new commercial businesses while supporting and retaining existing businesses.

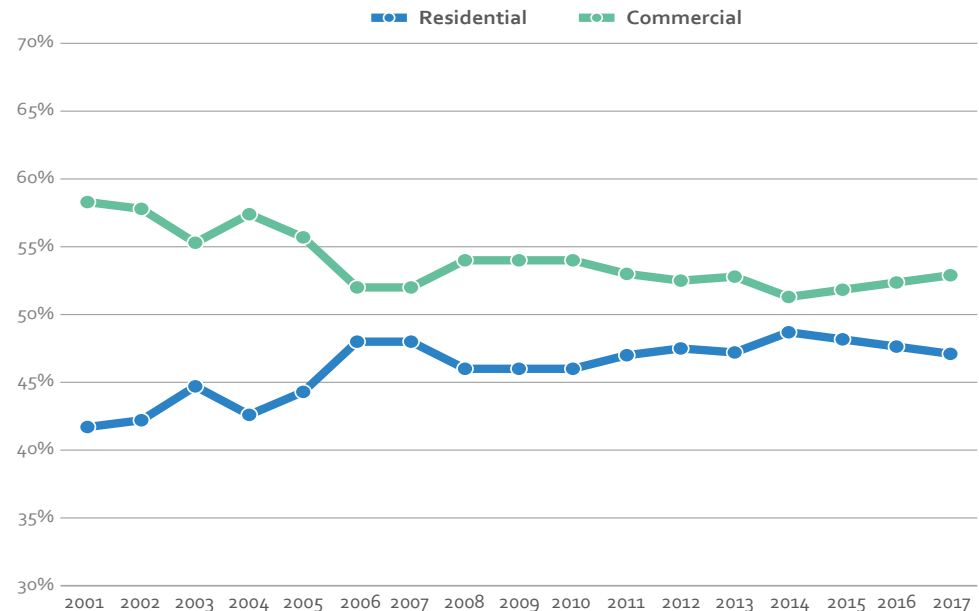
ACTION EV1.1.2 Leverage proximity to George Mason University to attract university spin-outs and startups.

ACTION EV1.1.3 Capitalize on proximity to Inova Fairfax Hospital to attract health- and wellness-related businesses.

ACTION EV1.1.4 Capitalize on regional growth in the technology-based, creative, and innovative sectors and encourage related businesses to establish in the City.

ACTION EV1.1.5 Pursue corporate headquarters to locate in the City.

FIGURE 41 ESTIMATED REVENUES GENERATED BY COMMERCIAL AND RESIDENTIAL SECTORS



NOTE: 2001-2014 data from City budgets. 2015-2017 data estimated based on revenue allocation assumptions from the City of Fairfax Finance and Accounting Department.

Economic Vitality

Goal 2

Support diversification of the retail, service, and office sectors.

While the City has strong current levels of retail and restaurant sales, some critical sectors are underrepresented in Fairfax’s current retail inventory, as shown in Figure 42. This lack of retail diversity – coupled with an inventory of buildings heavily composed of 1960s-70s structures – points to a potential loss of market share to nearby retail areas that are more reflective of current tastes and consumer demand. With a high percentage of Class B office space, the office market in the City may also be less competitive than surrounding office development in Fairfax County. The City will strive to support existing and attract new businesses that fill market or growth opportunities and support an improved office space inventory.

OUTCOME EV2.1: The retail and service sectors more effectively compete with other regional commercial sectors, resulting in increased desirability as a destination.

ACTION EV2.1.1 Attract new retail and service businesses representing sectors that have the ability to become regional destinations.

ACTION EV2.1.2 Create new commercial areas that contain the amenities and atmosphere necessary to attract top-tier commercial tenants.

OUTCOME EV2.2: An improved office space inventory attracts high-value tenants.

ACTION EV2.2.1 Work with owners and operators of existing office buildings to encourage property renovations and upgrades needed to bring properties to Class A status.

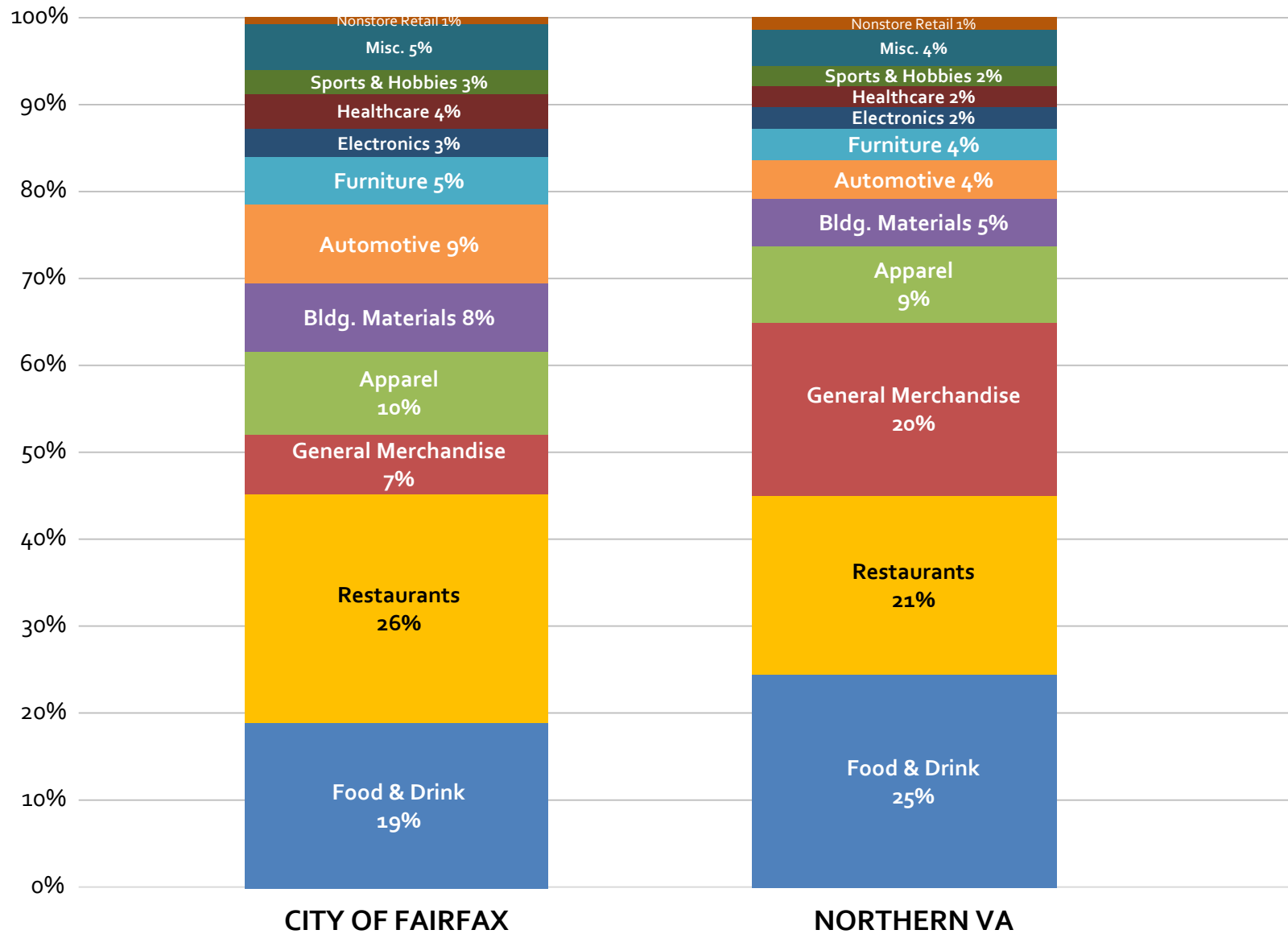
ACTION EV2.2.2 Encourage the provision of Class A office space in new commercial development projects and renovations.

OUTCOME EV2.3: A strong relationship with George Mason University is leveraged to support new development and investment that capitalizes on the needs of the University and supports the Comprehensive Plan Vision for the City.

ACTION EV2.3.1 Use the newly-created position of MEC Business Incubator Director to graduate a consistent pipeline of at least one tenant per year to a permanent location within the City.

ACTION EV2.3.2 Explore the establishment of a local development corporation or other formal partnership between the City and George Mason University.

FIGURE 42 PERCENTAGE OF TAXABLE RETAIL SALES BY STORE CLASSIFICATION



Source: Virginia Department of Taxation

Economic Vitality Goal 3

Transform the Commercial Corridors and Activity Centers.

Being within the economically robust Northern Virginia region presents great opportunity for the City to leverage its many advantages to create and strengthen further economic vitality. The City's varied Commercial Corridors and downtown area provide excellent opportunities to capitalize on the region's growing economy, and to continue being an economic hub for future generations. The City will strive to transform these areas into distinctive regional destinations that can compete effectively with other development and mixed-use centers in Northern Virginia.

OUTCOME EV3.1: Redevelopment projects in the Commercial Corridors and Activity Centers create destinations that attract tenants, customers, and residents.

ACTION EV3.1.1 Develop a branding and marking strategy for individual Activity Centers.

ACTION EV3.1.2 Create a commercial targeting strategy to focus the City's efforts on attracting businesses that would have the greatest impact in competing with other regional commercial sectors.

ACTION EV3.1.3 Prepare conceptual designs for the Activity Centers and present in dynamic marketing materials that clearly demonstrate the desired mix of uses, residential density, building intensity, design aesthetic, multimodal connections, and parking.



Economic Vitality

Goal 4

Create a single ZIP Code for the City.

The City currently contains portions of three ZIP Codes, all of which contain large portions of Fairfax County in addition to City addresses. This creates a complicated web of addresses, which leads to confusion among residents and businesses regarding which areas are located within the City or Fairfax County. Significantly, this has also led to difficulties in revenue collection, since some businesses have reported their addresses in the incorrect jurisdiction – and with e-commerce based revenue becoming more common, this may become a more noteworthy problem in the future. Creating a common ZIP Code for City addresses mitigates these revenue-related problems with an exclusive way of identifying City addresses and allowing business revenue to be more accurately collected. This would also serve a unifying function to easily distinguish the City from the surrounding portions of Fairfax County in terms of economic competitiveness.

OUTCOME EV4.1: The U.S. Postal Service designates a ZIP Code that is unique to addresses within City limits.

ACTION EV4.1.1 Conduct a cost-benefit analysis.

ACTION EV4.1.2 If supported by the cost-benefit analysis, request a ZIP Code Boundary Review from the U.S. Postal Service.

FIGURE 43 CITY OF FAIRFAX ZIP CODES

