

# 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.

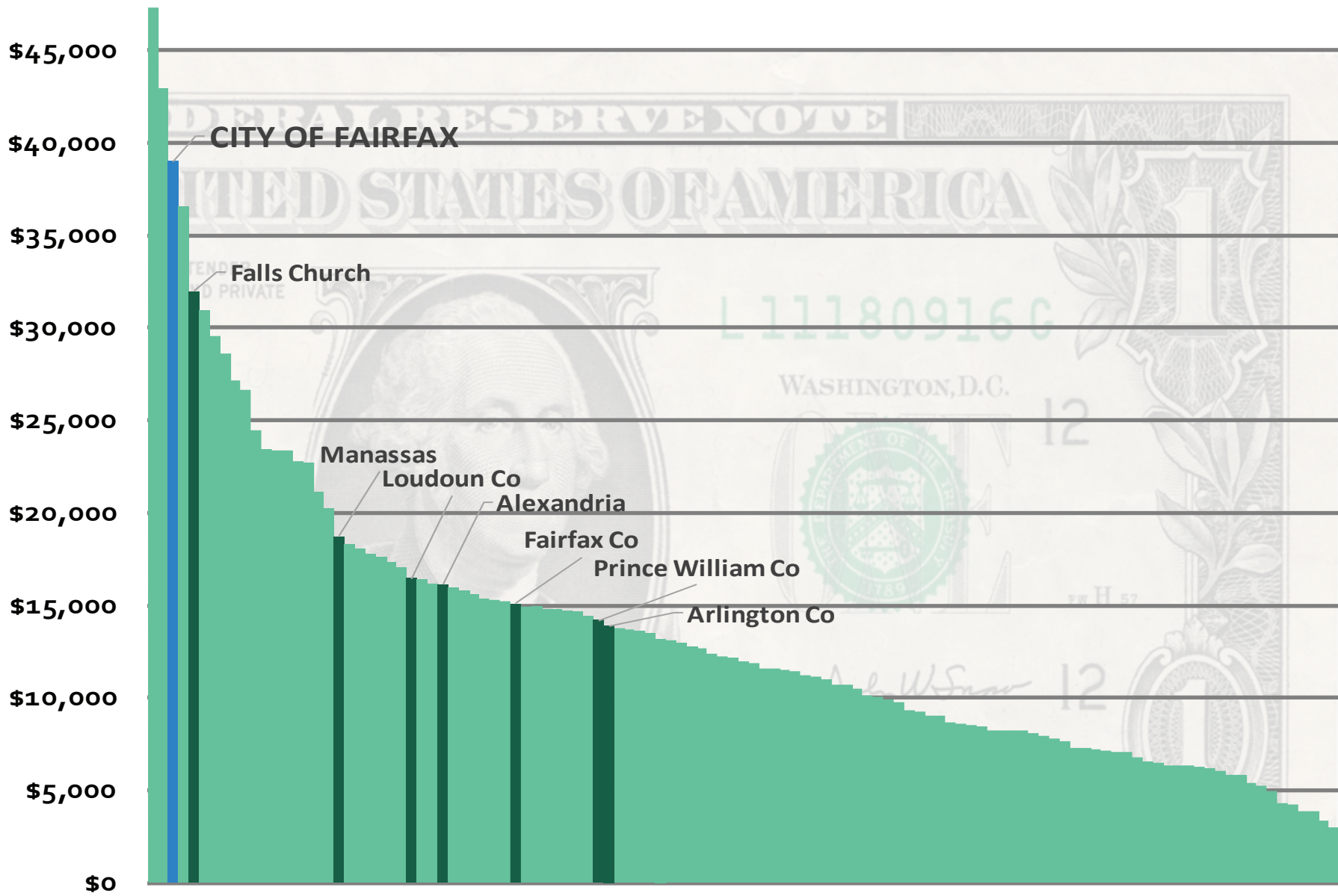
The City has long been a hub for economic activity within Northern Virginia. Due to its central location, proximity to regional destinations such as George Mason University, the Fairfax County Judicial Complex, and Inova Fairfax Hospital, and its setting among transportation crossroads, the City has traditionally boasted a larger 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 third-highest amount of retail sales per capita of any Virginia jurisdiction (as shown in Figure 36), and a regional share of office space more than four 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 a regional economic hub requires both a commitment to maintaining existing commercial infrastructure and positioning the City to be at the forefront of emerging marketplace trends.



FIGURE 36 2022 TAXABLE SALES PER CAPITA FOR VIRGINIA JURISDICTIONS WITH POPULATION OVER 10,000



Source: Virginia Department of Taxation

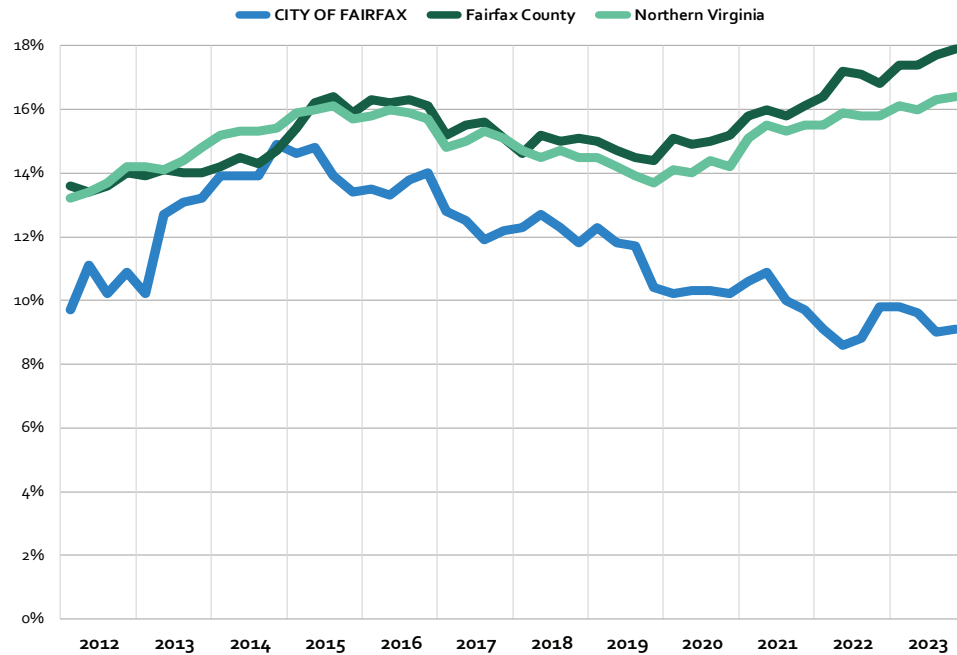
# Opportunities and Challenges

## Shifts in the office market

While Northern Virginia has seen significant increases in office vacancies over the past decade, the City has maintained a lower office vacancy rate than the region as a whole. With previous regional overbuilding, increases in teleworking, and more efficient office space utilization, there will likely be only modest regional demand for new office space in the foreseeable future.

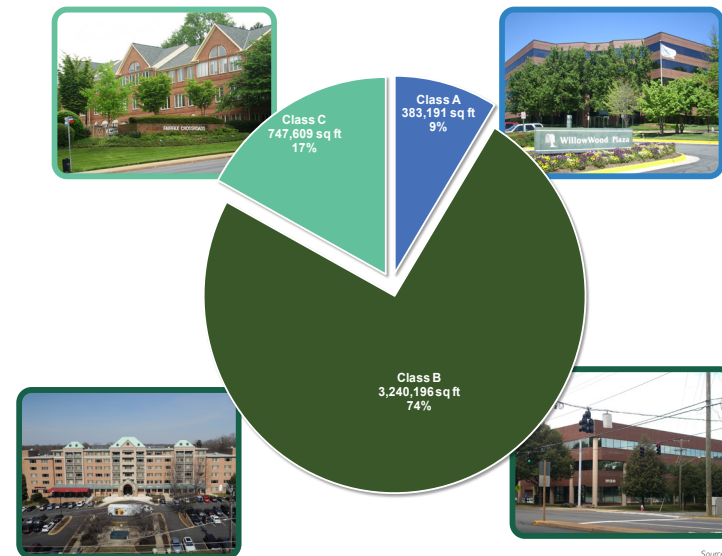
The City office market, while large in size, is overwhelmingly comprised of Class B structures that offer few modern amenities. While Class B space can retain appeal in periods of economic frugality due to lower-cost rental rates, an abundance of Class B buildings can make office space in the City less competitive and less desirable to prospective tenants than Class A space in surrounding areas, particularly in more rapidly expanding sectors of the economy.

FIGURE 37 OFFICE VACANCY RATE



Source: CoStar, January 2024

FIGURE 38 OFFICE MARKET BY CLASS, 2023



Source: CoStar, January 2024

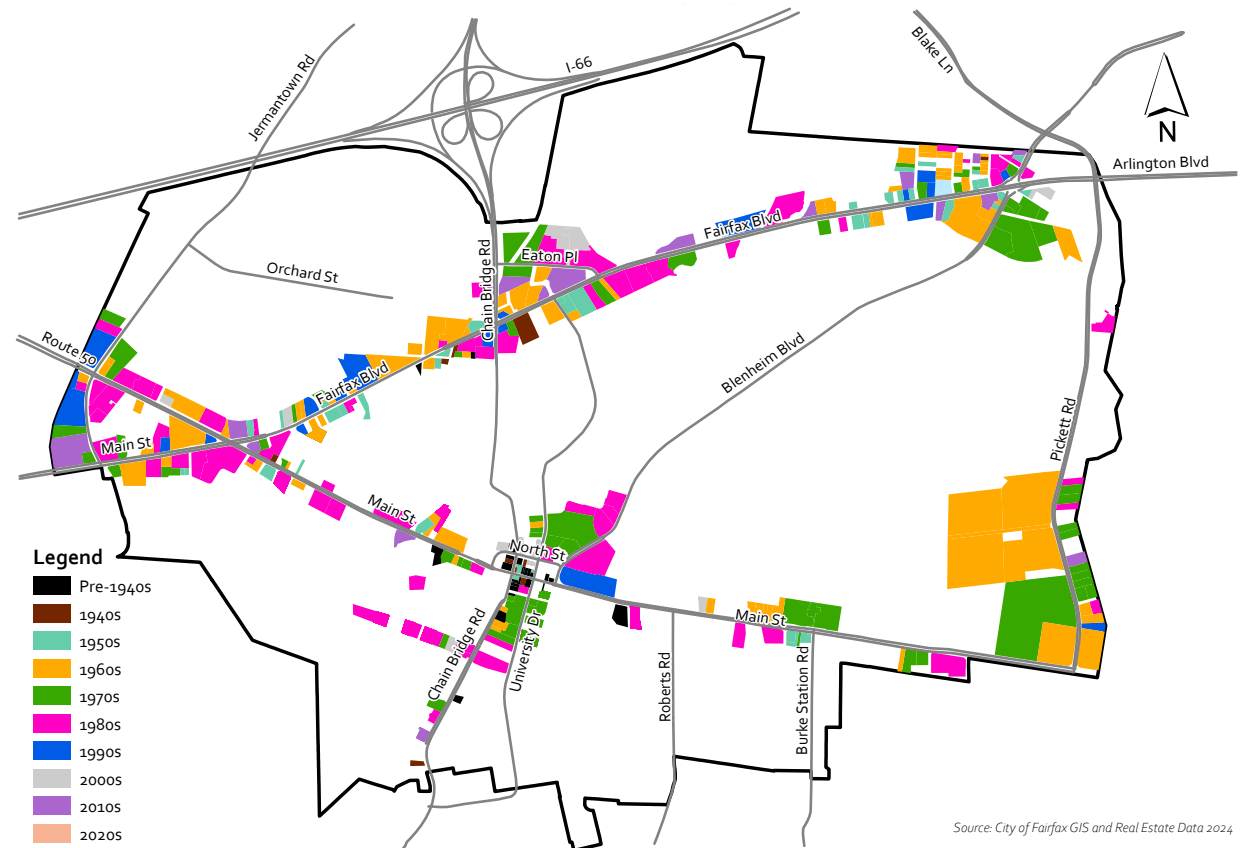
## Shifts in the retail market

Despite shifts in the retail market brought about by online shopping and business consolidations, Northern Virginia's retail market is very strong. As of 2024, the region's total retail vacancy rate is only 3.6%, with the City's even lower at 2.6%. Reductions in demand and/or vacancies caused by corporate closures have been offset by increases in demand 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. 17), 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 much of the City's existing retail space constructed in the 1960s and 1970s, ensuring that consumers and retailers have updated commercial space will greatly enhance the City's retail sector's appeal in this increasingly competitive retail marketplace.

FIGURE 39 COMMERCIAL AND INDUSTRIAL BUILDING AGE BY DECADE BUILT



# Economic Vitality

## Goal 1

Maintain or 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 maintain a significant proportion of the City's taxable properties.

**OUTCOME EV1.1:** New development and redevelopment continues to generate revenue 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, startups, and recent graduates to invest in the City.

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

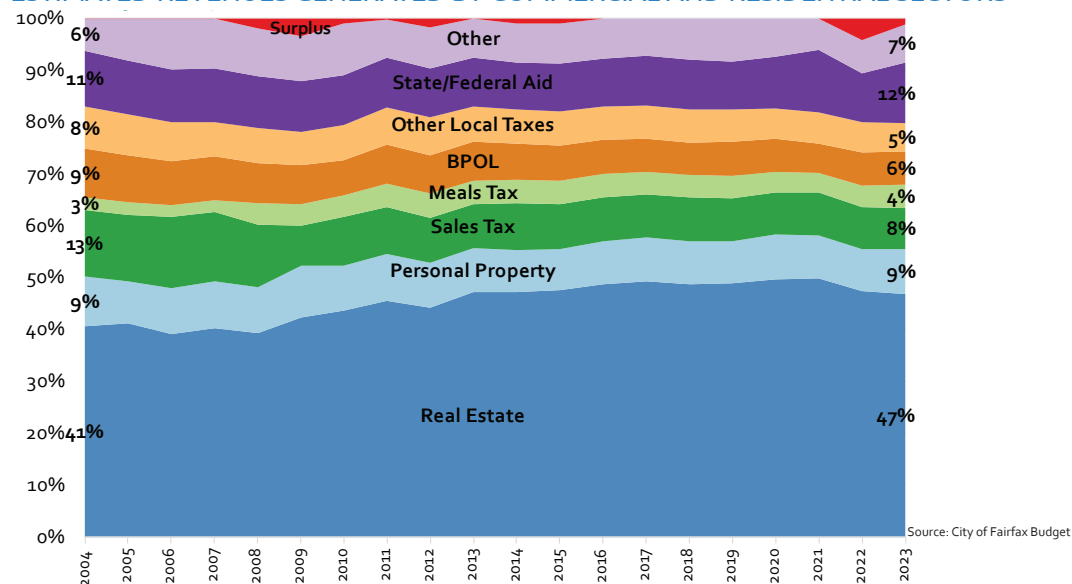
**ACTION EV1.1.4** Capitalize on regional growth in the technology-based, creative, and innovative sectors and encourage related businesses to establish in the City.

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

**ACTION EV1.1.6** Monitor evolving business trends and proactively review codes and standards to ensure cutting-edge businesses can easily locate in the City.

**ACTION EV1.1.7** Address economic opportunity in tandem with other Comprehensive Plan goals and policies, such as those addressing the natural environment, land use, mobility, equity, housing, health, and community facilities and services.

**FIGURE 40 ESTIMATED REVENUES GENERATED BY COMMERCIAL AND RESIDENTIAL SECTORS**





# Economic Vitality

## Goal 2

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

While the City currently has strong levels of retail and restaurant sales, some critical sectors are underrepresented in Fairfax's current retail inventory, as shown in Figure 41. This lack of retail diversity 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 commercial 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.

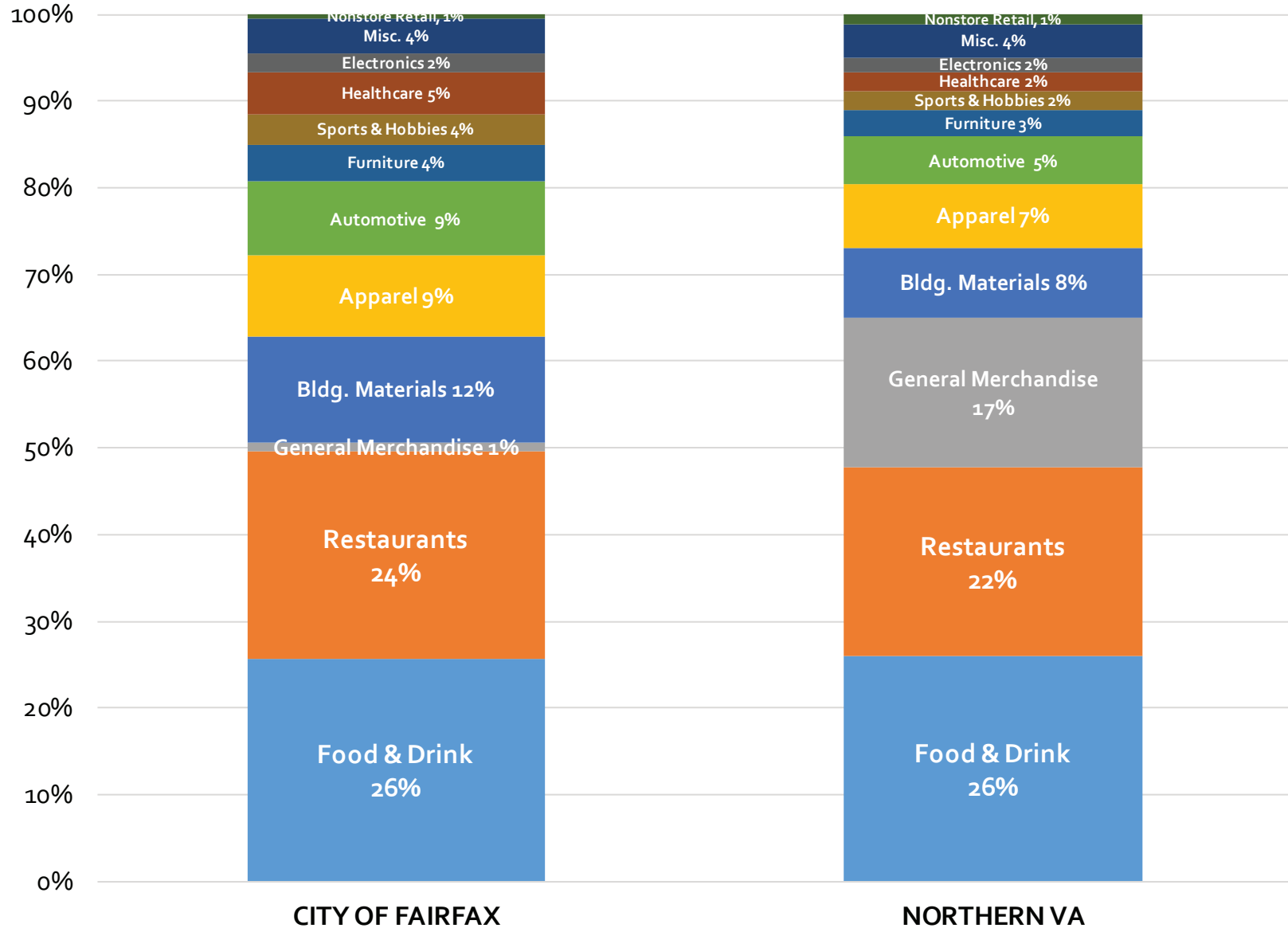
**ACTION EV2.2.2** Encourage the provision of Class A office space in new commercial development projects and renovations.

**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 41 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 strengthen economic vitality. The City's varied Commercial Corridors and Activity Centers 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 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 marketing strategy for individual Activity Centers with support from adopted small area plans, initially focusing on Old Town and Northfax.

**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.

**OUTCOME EV3.2:** Old Town is a regional destination as a cultural hub with enhanced economic benefits for the entire City.

**ACTION EV3.2.1** Market Old Town as a social, cultural, and economic center.

**ACTION EV3.2.2** Promote the unique historical attributes of Old Town.

**ACTION EV3.2.3** Support integration of cultural arts into the historic fabric of Old Town.

**ACTION EV3.2.4** Continue to support the Old Town Fairfax Business Association in organizing activities and events and placemaking efforts.

**OUTCOME EV3.3:** Northfax is recognized as a location that is attractive for investment and redevelopment while balancing ecological sensitivity.

**ACTION EV3.3.1** Expand marketing of redevelopment opportunities in Northfax, especially for underutilized properties.

**ACTION EV3.3.2** Capitalize on standards and guidelines related to ecological design in Northfax to market it as a unique attribute that is attractive to future residents, businesses, and patrons.