City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 6, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMORANDUM # 81 : FUNDING REQUEST FROM THE ALEXANDRIA ECONOMIC DEVELOPMENT PARTNERSHIP

Attached you will find a detailed FY 2010 funding request from the Alexandria Economic Development Partnership (AEDP).

1.	Landmark Promotion and Investment Program	$65,000
2.	Waterfront Promotion and Investment Program	50,000
3.	Retail and Restaurant Attraction Program	79,000
4.	Feasibility Study -- Tourism Infrastructure Consultant	25,000
5.	Study – Building on the Arts	15,000
	Total	$234,000

These five initiatives are listed on page 16-30 of the FY 2010 proposed budget and are not funded within the proposed FY 2010 City allocation to AEDP of $601,178. Prior budget memorandum #17 explains the AEDP budget changes between FY 2009 and FY 2010.

Attachment

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ALEXANDRIA
ECONOMIC DEVELOPMENT PARTNERSHIP

April 6, 2009

Alexandria City Council
Mayor William Euille and Members of City Council
City Hall, Room 2300
Alexandria, Virginia 22314

Dear Mayor Euille and Members of City Council,

Attached is an explanation of the new programs and initiatives we have submitted for your consideration as part of the FY 2010 City of Alexandria budget process. The City Manager's recommended budget lists these programs on page 16-30. On behalf of the Alexandria Economic Development Partnership (AEDP) Board, I respectfully request your careful review of these budget items considering the need for improvement in the City's economic development efforts.

While we recognize that very few new programs are being funded in the FY 2010 budget, and that many programs have had their proposed funding reduced, these AEDP proposed programs have the potential to result in a significant return on investment to the City. We urge the City to invest now in activities that will deliver increased tax revenues to fund the future.

Each of the new programs described are directly linked to the recommendations included in the Economic Sustainability Report, adopted in principle by City Council in November 2007. In total, the proposed increase in activity is also a direct reflection of one of the report's recommendations:

> *"Resources for economic development need to be significantly increased including staffing and other budget categories such as marketing. AEDP, as now organized, is under-resourced compared to peer economic development organizations elsewhere.*

The new AEDP Board has put into place a framework for success, critically evaluating past functions and activities and selectively choosing to add these new programs and initiatives. The organization is now ready to implement its improved economic development vision and it needs the appropriate resources. We appreciate your partnership in this new economic development vision. Should you have any additional questions, please call on any one of the members of the AEDP Board of Directors.

Sincerely,

Allison Cryor DiNardo
Chair

cc: AEDP Board of Directors
Jim Hartmann, City Manager
Mark Jinks, Deputy City Manager
Bruce Johnson, Director, Office of Management & Budget

Attachment

FSC
Mixed Sources

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Alexandria Economic Development Partnership
Explanation of Proposed New Programs in FY 2010

"Resources for economic development need to be significantly increased including staffing and other budget categories such as marketing. AEDP, as now organized, is under-resourced compared to peer economic development organizations elsewhere.
--Economic Sustainability Work Group Report (2007)

In response to the Work Group's suggestions, the following new programs/initiatives are proposed from FY2010 listed in priority order:

1. LANDMARK PROMOTION & INVESTMENT PROGRAM

As Council has recently adopted the Landmark/Van Dorn Small Area Plan, some of the next steps include seeking advisors, investors, and, specifically, a new owner/developer to create Alexandria's "new" Landmark Mall and associated mixed-use office, hotel and residential development. In collaboration with the City Manager's Office, AEDP would seek to develop a plan to attract the right team that would be financially capable of planning, designing and redeveloping the Landmark Mall site into a vibrant town center. AEDP and the City Manager's Office have started to plan this effort, but added resources would make the effort more effective.

The proposed Landmark Promotion & Investment Program will allow for creating specialized promotional materials; identifying the potential interested parties; convening meetings with potential investors; and continuing work with consultants who have access to domestic as well as foreign investment partners. While this program was started in FY2009 it requires attention and expertise beyond the current staffing of both the City and AEDP.

Consultants:	**$60,000**
Promotional Materials	**$5,000**
Total Investment:	***$65,000***

Short-Term Return on Investment

- Maintaining the momentum created by the drafting, vetting and approval of the Landmark/Van Dorn Small Area Plan
- Moving forward with a solution to the City's challenge of an underperforming and continuously declining shopping mall that not only limits potential property and sales tax revenue, but affects its own neighborhood negatively.
- Preparing to attract the right team to develop the new Landmark mall site as the economy begins to improve is a wise move at this time.

Long-Term Return on Investment

- Accelerated redevelopment of the Landmark Mall site will result in increased property assessments, sales tax, building and permitting fees, new jobs and related income to the City.
- Together, this project could help improve the City's long-term financial picture, and as a result needs to be the top economic development priority.

2. WATERFRONT PROMOTION & INVESTMENT PROGRAM

The City of Alexandria has a rare opportunity to redevelop and revitalize its Potomac River Waterfront for the benefit of generations to come. During this careful, thoughtful process, the AEDP will begin to identify and discuss with potential investors and developers about key redevelopment properties along the Alexandria waterfront.

These efforts will take place in collaboration with the City's Waterfront Small Area Plan (SAP) process. AEDP's Waterfront Promotion & Investment Program will allow Alexandria to cast its net widely to identify development partners who can begin appropriate redevelopment as soon as possible after the planning process is complete. Given the unique landscape, issues and interest in high quality projects, the Waterfront project provides a special opportunity to bring a new group of developers and investors to Alexandria. Conducting its work on a parallel path with the SAP process will increase the City's economic development opportunities more timely, efficiently and effectively, rather than either waiting for developers to come to the table, or starting to seek developers only after the Waterfront planning process is complete

The proposed Waterfront Promotion & Investment Program would provide funds for preparing specialized promotional materials; convening meetings with representatives of potential investors and developers; and continuing work with consultants who have access to investment partners. Close cooperation with the Department of Planning & Zoning would be necessary. This program would allow the AEDP to access needed skills and assistance with low overhead expenses.

Consultants:	**$45,000**
Promotional Materials:	**$5,000**
Total Investment:	***$50,000***

Short-Term Return on Investment

- Proactive outreach to investment and development partners for the waterfront will provide for a more expeditious implementation of the SAP recommendations following the conclusion of the planning process.
- Valuable guidance from experts in waterfront economic development will complement the work of the City.

Long-Term Return on Investment

- Appropriate development can translate to increased property assessments, sales taxes, building and permitting fees, new jobs and related income to the City.
- An increase in visitors' tourism spending (particularly in the amount spent per visitor) will have positive effects on the local economy.

3. RETAIL & RESTAURANT ATTRACTION PROGRAM

One of AEDP's responsibilities is to market the City to national retailers and restaurants, and working with property owners to lease space to these users. Under this program AEDP would conduct a retail demand study for the entire City of Alexandria which will determine who shops in Alexandria and where Alexandrians shop. It will also identify gaps in supply and demand and will allow for ongoing interviewing of retail site selectors to gain insight on location decisions (started in FY2009). The study will include recommendations on how to serve the population better while attracting more shoppers and diners.

While we all know that Alexandria exports retail dollars and that disposable incomes are high, a data-driven persuasive argument needs to be crafted that speaks to the decision making processes of retail site selectors. Also, with a decline in national consumer

spending, and an increase in overall retail vacancies (nationally and in the region) convincing a retailer to locate a store in any locality is a much tougher sell than a year ago. This recent negative trend in retail is likely to continue for the next few years (at least). It the City is to successfully compete to keep its retail stores occupied and active, a more aggressive effort is necessary.

This effort will be coordinated with the Department of Planning & Zoning and the Alexandria Convention & Visitors Association and will incorporate and compliment prior and current retail research, attraction and improvement efforts in Landmark, Old Town, Del Ray, Arlandria and Potomac Yard. The program will allow the AEDP to hire a contract employee with targeted experience in retail leasing. The program will also augment and support ongoing and emerging marketing efforts by existing retailers (example: the Boutique District). This program will enable the City to take action in response to the economic downturn and its effect on retail and restaurants while preparing for the emergence from the downturn.

Retail Leasing Consultant:	**$65,000**	
Retail Demand Research:	**$12,000**	
Total Investment:	***$79,000***	***$57,000 (FY 2009 contingent reserves)***
		$22,000 (FY 2010 general fund)

Short-Term Return on Investment

- Retail and restaurant activity is highly visible to the residents, employees and visitors of Alexandria. Shrinking activity can signal a permanent loss of vibrancy. Arming AEDP with the tools to work smarter to demonstrate Alexandria's commitment to this sector.
- Tracking retail vacancy rates in the core commercial centers of the City to include King Street, Mount Vernon Avenue and Carlyle will allow AEDP to better measure success of the City's activities.
- By taking action with solid research that focuses its best efforts to bump up the retail leasing, the City can positive steps for the current quality of life for those who live, work and visit Alexandria.

Long-Term Return on Investment

- New retailers and restaurants will pay additional sales taxes, meals taxes, real estate taxes, and business and professional occupancy license taxes, growing the tax base.
- Businesses looking to locate in Alexandria will recognize Alexandria's vitality by its flourishing retail and restaurant sector. The health of this sector reflects the strength of economic development of Alexandria.

4. FEASIBILITY STUDY- TOURISM INFRASTRUCTURE

This project would allow the AEDP to work with the City, the Alexandria Convention & Visitors Association and the hotel community to conduct an initial feasibility study to determine the need for, and the possible size of a meeting/conference center, museum or other type of facility in the City. This study will include an initial assessment of specialized proposals like Imagine Alexandria that could support and enhance the tourism infrastructure.

The AEDP, with the input from its partners and the City, would develop a scope of work and implement a contract with a qualified firm or team of professionals to complete this project. If it was determined that there was a need that might be able to be met by some tourism infrastructure investment, further studies of a much larger magnitude in scope and cost

would be needed to take this concept to a next stage.

Tourism InfrastructureConsultant: $25,000
Total Investment: $25,000

Short-Term Return on Investment

- The Economic Sustainability Work Group identified hotel projects as the most economically beneficial land use in the City of Alexandria, as they provide a wealth of income through various taxes but do not require a significant amount of services. Strong and continuous demand for hotel rooms in the City is essential to growing this sector of the City's tax base. With the introduction of new hotel properties in FY 2009 and still more planned for other parts of the City, their continued viability could be improved with additional City amenities including additional meeting space.
- Alexandria would enhance its image as a city that welcomes and encourages tourism, recognizing the needs of its hotel partners, helping them succeed.

Long-Term Return on Investment

- Higher hotel occupancy rates result in more hotel taxes and related tourism revenue (meals taxes and sales taxes) without the added burden of extensive City services.
- Competition for the tourism dollar will increase in the region as the economy evolves. By assessing the infrastructure needs of the tourism sector, Alexandria can focus attention to its tourism economic development while preserving its current market.

5. STUDY- BUILDING ON THE ARTS

The Economic Sustainability Work Group recommended increased recognition and encouragement of the arts cluster in Alexandria as a mechanism for increasing commercial economic activity. This project would fund the first stage of a study that would pull together stakeholders throughout the City to discuss the demand and needs of artists in Alexandria, in addition to those interested in locating in the City. The study would incorporate the Alexandria Commission for the Arts' Lord Report in its determination of whether the City would benefit economically from targeted initiatives to increase the number of artists and activities in the City. Regional art organizations would also be interviewed to measure interest in locating in Alexandria.

The study would identify areas of the City that would be considered prime for arts development with anchors already in place, for example: Arlandria (Birchmere), Old Town (Torpedo Factory, Art League, Metro Stage, and Little Theatre of Alexandria), and West End (Landmark and Northern Virginia Community College). Future stages of the study could identify commercial spaces within the City that might be available for conversion into lofts and studios; opportunities for live/work space. This study will be a collaborative effort, including the existing arts groups in the City, and the City Arts Commission, with the AEDP filling a support/administrative role.

Facilitator/Consultant Services: $15,000
Total Investment: $15,000

Short-Term Return on Investment

- Alexandrians continue to place a high priority on the arts in the community. The opportunity to translate this interest into economic development that expands the tax base is a winning formula.

- This increased economic activity in the arts cluster can serve as a mechanism for increasing commercial activity including enhanced sales tax revenue, additional special events that raise the City's profile and retail and office leasing activity.
- Regional arts organizations have approached AEDP about adding locations in Alexandria so the ability to act now is crucial.

Long-Term Return on Investment

- Identification of opportunities to increase arts activities in the City will result in strengthening the City's reputation and appeal as a destination for artists, visitors and businesses interested in the creative arts.
- A renewed focus on the arts as economic development presents a competitive advantage for Alexandria with its national reputation as promoters of the arts. The enhancement in the quality of life while expanding the tax base is a valuable attribute to other businesses who share this creative outlook.

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04/06/2009 12:36 PM

To <william.euille@alexandriava.gov>, <DELPepper@aol.com>, <timothy.lovain@alexandriava.gov>, <Justin.Wilson@alexandriava.gov>,
cc <Jim.Hartmann@alexandriava.gov>, <Mark.Jinks@alexandriava.gov>, <Bruce.Johnson@alexandriava.gov>, "'Allison Cryor
bcc

Subject AEDP FY2010 Budget Request- Additional Information

Mayor and Members of Council...

Please find attached a memo and supporting documents that I am sending on behalf of AEDP Chair Allison Cryor DiNardo and the AEDP Board of Directors. Thank you for your attention and consideration.

Stephanie Landrum, CEcD
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AEDP FY2010 New Programs Memo.pdf