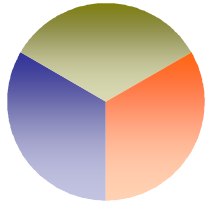


Economic Sustainability:
Weaknesses and Threats Analysis
(Draft)

Economic Development Commission
November 9, 2010

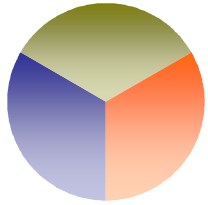
Economic Sustainability Components





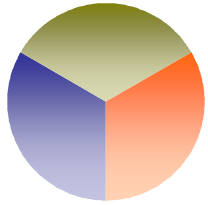
Threats to Economic Sustainability

- The Arlington Economic Development Commission has been defining economic sustainability with a very exciting focus on the future. As part of the larger discussion, staff was asked to help determine the threats to success that we may be facing now and long term. While most economic development agencies won't highlight things that are negative, facing up to them with a strategy and response is inevitably required.
- Listed on the following slides are 10 issues that need to be addressed because they can affect Arlington's competitiveness, resilience, and innovation.
- Confronting these challenges with a plan and strategy is important. The EDC is now working on this strategy in light of the threats and challenges that have been identified. Better to be prepared than surprised.



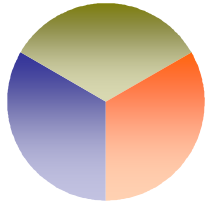
Threats to Economic Sustainability

- **Security:** ATFP & ISC Security Standards have an anti-urban bias, making Arlington more expensive; in many cases making buildings compliant with federal requirements will be difficult.
- **Metro to Tysons/Dulles:** Tysons and Reston will soon become Metro markets competing more strongly with the R-B Corridor. This is especially true for GSA tenants that will be able to check the “transit available” box without the benefit of real urban amenities.
- **Emerging office markets:** Arlington faces new competition from the east in NOMA and South Capital in DC; both are priced at R-B & CC rents. Our own economics are also changing, as the next generation of office cores in Rosslyn and Crystal City will have significantly different economic profiles going forward.



Threats to Economic Sustainability

- **Local regulations:** Arlington is heavily regulated and such things as building signs/lighting/zoning are all difficult, complex, expensive, and slow to change.
- **Workforce:** Arlington has a highly educated workforce but an expensive one; lower wage employers are often driven to suburban markets, further limiting the potential tenant base. Arlington faces a constant challenge to retain and create affordable housing.
- **Aging commercial building stock:** More than half, 55 percent, of Arlington's office buildings were built before 1980, making them at least 30 years old. Many are becoming functionally obsolete, with undersized floor plates, low ceiling heights, and less efficient building systems. Similarly, 20 of our 41 hotels have reached 30 years old. We are always competing with newer product elsewhere.



Threats to Economic Sustainability

- **Dependence on Feds:** The Federal Presence still dominates the office market and diversification is difficult and challenging. We are also facing a potentially smaller federal government, meaning a diminished demand for office space.
- **Maintaining successful retail:** Maintaining a solid base of local “originals” is a constant battle. There is also a tendency for restaurants and banks to “crowd out” retail (shopping) in hot markets like Clarendon. Keeping the proper balance and avoiding Arlington becoming “Everywhere USA” is a challenge.
- **Mobile Population:** Half of Arlington’s population turns over every five years; both diversity and “un-diversity” can change quickly.
- **Congestion:** More people, buildings, and cars in a fixed space will mean congestion regardless of transit, e.g. “Orange Crush”.