

MAKING THE CASE:

ARLINGTON AS A LOCATION FOR NATIONAL LAW FIRMS

Arlington County, Virginia has long been a sought-after location for many professional organizations including consulting firms, non-profits, defense contractors, technology firms and more. The many benefits of locating in Arlington, from its proximity to Washington, D.C., to its accessibility to Metro, to its highly educated and talented population have far outweighed the perceived cachet of a Washington, D.C. zip code.

Similarly, many national law firms currently located in the District of Columbia might also choose to locate in Arlington for the same and additional reasons, yet are discouraged from making such a move due to the rules which govern admission of attorneys to the Virginia Bar. Such rules are set by the Virginia Supreme Court and administered through the Virginia Board of Bar Examiners.

Virginia's Bar admission rules significantly disadvantage any firm located in Virginia *vis a vis* D.C. in the ongoing competition to recruit the best talent from government or from locations in other parts of the country. For example, a senior official leaving a non-legal job in government (e.g. agency head; member of a regulatory body; Congressional staff) will likely choose a firm based in D.C. where he

or she can be admitted to the D.C. Bar after filing a routine application, rather than a Virginia firm where a written exam would likely be required. The same is true for a lawyer actively practicing in California, Florida, Maryland or a number of other

states with whom Virginia does not currently have reciprocity in its Bar admissions. If recruited by a national law firm, a California, Florida or Maryland based expert would be required to take the Virginia written exam if the office of the recruiting firm were in Virginia, but would be required only to file the routine application if the office were in D.C.

These same rules also disadvantage firms with senior attorneys currently in practice in D.C. who have recently been admitted to the D.C. Bar

through waiver and who previously practiced in a jurisdiction which is not recognized by Virginia as reciprocal. In order to avoid having to take the written exam in Virginia, the attorney would have to have been a Member of the Bar of the highest court in D.C. for five years. In today's legal market where attorneys move from City to City, this is often a practical barrier to an existing firm considering relocating to Virginia. As a result, firms considering relocating to Virginia have been unwilling to do so, concerned that some current



United States Supreme Court

senior attorneys would be unwilling to relocate and that the firm would be at a disadvantage in the future in recruiting top talent.

Faced with these challenges, no major law firm will take the recruitment risk of being unable to attract sought after talent by locating its primary office in Virginia. This makes the issue one that severely disadvantages Virginia in the economic competition for attracting large national law firms. The issue is especially acute for Northern Virginia and Arlington specifically, which is the community most likely to attract firms relocating from Washington, D.C. to Virginia.

This paper makes the economic argument of why Virginia should make some modifications or exceptions to current requirements for Washington, D.C. law firms who wish to move to Virginia. It illustrates how Virginia is losing economic opportunities, and that even though Virginia has significant economic advantages as a business location, years of marketing and recruitment efforts with D.C. law firms have not been able to surmount the technical obstacle of admission to the Virginia Bar.

Arlington as a Logical Location

Arlington County, Virginia is a diverse, world-class urban community with secure, attractive residential and commercial neighborhoods and a strong, diversified economic base. As one of the closest neighbors to our nation's capital, Arlington is home to many Federal government jobs and numerous other businesses that choose to locate in Arlington because of their close relationships with the Federal government. However, one sector of the regional economy that is closely tied to Federal government activities is largely absent in Arlington County: national legal services employment. While legal services employment is a critical component of the National Capital Region's economy, the rules

of the Virginia Board of Bar Examiners preclude many lawyers who are practicing in the District of Columbia from being admitted to practice law in Virginia without taking a written exam. This fact prevents major D.C. based national law firms from seriously considering Virginia as a place to locate their offices.

Arlington boasts many advantages as a potential location for national law firms, including:

- High quality office space, with a lower overall cost of business than D.C.: on average, a downtown D.C. location is 34% more expensive for a typical corporate tenant and 39% more expensive for a nonprofit association or federal agency than Arlington is;
- The highest residential concentration of lawyers and other legal services industry professionals in the region;
- The presence of a highly educated workforce; over 70% have a bachelor's degree and 37% have a graduate or professional degree;
- Proximity to both the D.C. and Tyson's Corner business districts. While a national law firm may have offices in both D.C. and Tysons Corner or an equivalent suburban location -- and some do -- a firm wishing to relocate its entire office would choose Arlington because of the easy access to federal agencies and regulatory bodies that it offers. No other location in the region can match Arlington for proximity to the federal decision makers;
- George Mason University Law School, located in the heart of Arlington's Rosslyn-Ballston corridor, is nationally recognized for its intellectual property law curriculum;
- A growing residential population and workforce: by 2020, Arlington's residential population will increase to 238,000, and Arlington's workforce is projected to increase by 25 percent, from 207,800 to nearly 260,000 employees.¹

¹ Arlington Planning Research and Analysis, Profile 2010.

Given the many locational advantages, Arlington County could potentially benefit from an increased presence of major national law firms and their associated economic impact of approximately \$30 million over the next ten years.

Arlington is centrally located within the National Capital Region, easily accessible to both D.C. and the Tyson's Corner business districts. However, the overall cost of doing business in Arlington is lower than in D.C., and all Arlington submarkets except Rosslyn are comparable to doing business in Tyson's Corner. A January 2010 analysis found that the total cost of locating in downtown D.C. for a private firm (including all of the costs typically associated with a full service lease on Class A office space) is on average 34% more expensive than it is to locate in Arlington.

Table 1: Total Tenant Cost Square Foot by Submarkets

<i>Arlington County Submarkets Average</i>	\$51.17
Rosslyn	\$55.85
Clarendon/Courthouse-Virginia Sq-Ballston	\$49.84
Crystal City	\$47.83
<i>Tyson's Corner</i>	\$48.01
<i>D.C. Submarkets Average</i>	
Downtown BID	\$68.34
Golden Triangle BID	\$69.34
NoMa BID	\$59.33
Capitol Riverfront BID	\$59.38

Source: Office Tenant Cost Burden, RCLCO (Robert Charles Lesser & Co.) Study for Arlington Economic Development

Arlington's office market offers large blocks of space with the same level of amenities that top D.C. law firms are accustomed to having in D.C. An analysis of the current office space occupied in D.C. by the top 20 law firms² revealed a wide range of current rents, but some firms pay premium

rents exceeding \$50 per square foot. All of these firms occupy large amounts of office space and have hundreds (and in a two cases well over 1,000) employees working on-site.

Table 2: Top 20 D.C. Law Firm's Current Office Space

Avg. Rent/Sq Ft (FS)	\$45
Highest Rent/Sq Ft	\$55 (3 Firms)
Lowest Rent/Sq Ft	\$36 (1 Firm)
Number of Employees on-site	200-1700
Space Occupied (Sq Ft)	5,785-447,722

Source: CoStar

Legal Services Employment in D.C. and Arlington

D.C. is one of the nation's leading areas for employment in legal services, with employment in the industry 7.37 times more concentrated in D.C. than it is in the national economy. However, this concentration in legal services employment does not extend to northern Virginia. While Arlington is located adjacent to D.C., legal services employment in the County is *actually underrepresented when compared to the national economy*.

Table 3: Employment in NAICS 5411, Legal Services, Employment and Location Quotients, 2008

	District of Columbia	Arlington VA
Location Quotient (Employment Concentration)	7.37	0.77
2008 Employment	34,305	921
2008 Legal Services Employment as a Percentage of Total Employment	7.58	0.79

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

² list of the top 150 law firms by firm size in the Metropolitan Washington, D.C. region for 2008 from the publication Legal Times was used to determine the top 20 law firms selected for this analysis. That list can be downloaded online: http://pdfserver.amlaw.com/dc/08t150_mainchart.pdf

In the first decade of the 21st century legal services employment concentration was increasingly concentrated in D.C., with D.C.'s total share of legal services employment in the region rising from 72% in 1999 to 75% in 2008. Between 2001 and 2008 Arlington County employment in the legal services industry fell by nearly 50%, a loss of 887 positions. Total wages earned in the legal services industry in Arlington correspondingly fell from \$146 million in 2001 to \$110 million in 2008.

Table 4: Legal Services Employment and Wages in the District of Columbia (D.C.) and Arlington, VA, 2001-2008

	D.C.	Arlington	D.C.	Arlington	D.C.	Arlington	D.C.	Arlington
2001	34,358	1,808	1,486	208	3,282,551	146,517	95,538	81,057
2002	33,805	1,650	1,484	198	3,358,394	144,502	99,346	87,568
2003	32,919	1,596	1,456	191	3,444,741	136,723	104,645	85,688
2004	32,618	1,602	1,423	192	3,617,919	147,479	110,919	92,040
2005	32,804	1,110	1,396	185	3,751,124	104,424	114,350	94,040
2006	33,207	1,054	1,378	173	4,067,323	105,570	122,486	100,122
2007	34,027	925	1,436	173	4,504,980	104,475	132,394	112,956
2008	34,305	921	1,432	163	4,753,400	110,592	138,564	120,132
Percent Change	-0.1	-49.0	-3.6	-21.6	44.8	-24.5	45.0	48.2

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Residential Patterns of Lawyers

While the employment of legal services professionals in Arlington fell over the past decade, the concentration of lawyers and other legal industry professionals residing in the County has remained strong. Regionally, Arlington has the highest concentration of residents that are lawyers, a location quotient of 7.9, followed by D.C. at 7.0 and the City of Alexandria at 6.0. Arlington also has the greatest concentration of residents that work in all legal industry professions (including lawyers, legal support workers, judges, magistrates), with a location quotient of 6.2, followed again by D.C. at 5.8 and the City of Alexandria at 5.0.

Economic Impact

There is a lease expiring for a major D.C. law firm virtually every year. Between 2010 and 2015 the volume of leased space up for renewal or relocation totals 1.6 million square feet. Another 1 million square feet of leases expire between 2016 and 2019. If Arlington County were able to attract only one in every five firms with leases expiring during this ten-year timeframe, the space need would

be sufficient to facilitate construction of a major Class A office building. Arlington has a pipeline of Class A trophy properties that are ideal targets for potentially relocating law firms –literally the top of the D.C. office market.

A commitment to a 300,000 square foot lease would result in construction commencement of any of several 500,000+ square foot buildings in the pipeline. The fiscal impact for

Arlington would be significant. Arlington would receive an estimated \$2,286,000 in real property taxes and \$1,566,000 in BPOL, and personal property taxes directly and another \$100,000 indirectly

Table 5: Location Quotient by Occupation for Lawyers and All Legal Occupations in the Washington, DC-MD-VA-WV Metropolitan Area

Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	2.9	2.6
Arlington County, Virginia	7.9	6.2
District of Columbia	7.0	5.8
City of Alexandria, Virginia	6.0	5.0
Montgomery County, Maryland	4.1	3.2
Fairfax County, Virginia	3.2	2.9
Loudoun County, Virginia	1.3	1.4
Prince William County, Virginia	0.7	1.0
Prince George's County, Maryland	0.7	1.2

Source: U.S. Census Bureau, American Community Survey, 2006-2008, 3-Year Estimates

through transient occupancy, meals, retail spending and other local taxes, annually. One firm every five years would provide upwards of \$4 million annually in tax benefits for Arlington.

While the Commonwealth of Virginia already receives a substantial fiscal benefit from D.C. law firms in the form of income taxes from attorneys resident in the state, the location of legal offices of national firms in Virginia could likely result in the relocation of attorneys into the state over time. Based on the average number of employees and average salaries of national law firms, the Commonwealth would gain estimated additional income

taxes of more than \$500,000 annually if the residential location of the workforce changed by as small a margin as 5% over time.

Conclusion

Both Arlington County and the Commonwealth of Virginia would have a significant positive net fiscal impact from some adjustments to the rules governing admission to membership in the Virginia Bar. There is sufficient indication of potential gains to warrant continued discussion with the Board of Bar Examiners.

This report was prepared by Arlington Economic Development with assistance from Shana Johnson of Civic Synergy LLC