

Commercial Market Resiliency Initiative 2.0

National Capital Region Transportation Planning Board
Freight Subcommittee
March 14, 2024



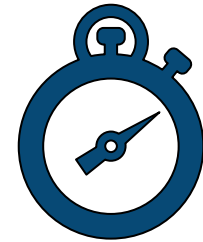
UNPRECEDENTED CHANGE REQUIRES NEW THINKING AND BOLD ACTION



The continuation of remote work has upended Arlington's office market. Today, we have an oversupply of office space when demand is at an all-time low.



The potential for structural office vacancy for years requires us to explore new pathways to drive economic growth. This may necessitate investments in new and existing tools and changes to how we do business.



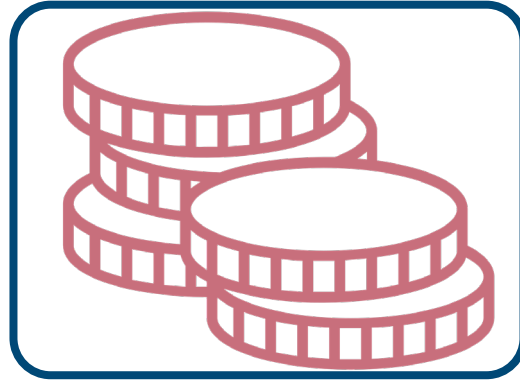
Other jurisdictions, both regionally & nationally, are also trying to identify and implement creative solutions to encourage economic growth. The most resilient communities will be those who act boldly and quickly.

WHY IT MATTERS TO ARLINGTON



50/50

Historically, Arlington had close to an even split between its residential and commercial tax bases.



Taxes

A decrease in commercial property tax revenue shifts more burden to residential tax revenue.



Services

When these revenues decrease, services and programs that benefit all residents are impacted.



Placemaking

Strong placemaking elements contribute to an amenity-rich environment attracting residents, visitors & employees.

ROBUST RESPONSE TO ADDRESS INCREASING VACANCY & DECLINING VALUES



Addressing Office Demand

Focus on a robust business retention and expansion program, aggressive efforts to attract high-growth companies in emerging markets, and new and creative uses to lease office space



Rethinking Office Supply

Streamlining zoning and land use processes to enable the alternative use, conversion, redevelopment and repositioning of office buildings through the County's Commercial Market Resiliency Initiative

COMMERCIAL MARKET RESILIENCY INITIATIVE

Modernize regulations, practices, and processes to ensure we can more nimbly accommodate the fullest **range of existing and emerging new uses** where appropriate.

New Uses in Commercial Buildings

- Ground floor
- Upper stories
- New, emerging uses
- Allow existing uses more broadly

Process to Consider New Uses

- ACZO use categories
- Internal coordination
- External processes

Type of Entitlements

- By-right
- By-right with use standards
- Use Permits

Other Process Changes

- Omnibus site plan amendments (SPAs)
- Standard conditions
- Admin/major/minor SPAs

ARLINGTON DOES NOT HAVE THE CAPACITY TO ATTRACT LARGER-SCALE FREIGHT OPERATORS

- Arlington has the capacity to support last mile micro-fulfillment, and research and development efforts in support of Industry 4.0 innovations.
- R&D buildings in support of Industry 4.0 innovation are specifically:
 - Driven by a clustered tech ecosystem
 - Supported by a tech talent hub

ARLINGTON'S TECH ECOSYSTEM

Deloitte.

Consumer
Technology
Association™

accenture

fw federated
wireless

ZE BOX
THE INNOVATIVE STARTUPS COMMUNITY.

ORACLE | **OPower**

Bullish

mastercard.

amazon

Gartner

twosix
TECHNOLOGIES

Microsoft

nvtc
NORTHERN VIRGINIA
TECHNOLOGY COUNCIL

HIGHER LOGIC
ALL TOGETHER

Storyblocks

Excella

DEEPSIG

Raytheon
An RTX Business

**ye
xt**

evolent
HEALTH

AXIOS

A RECOGNIZED TECH TALENT HUB

- 3rd best market for tech talent in the U.S.
 - CBRE Scoring Tech Talent Report, 2023
- Best U.S. city for women in tech
 - SmartAsset, 2022
- Region with 3rd most net tech employment
 - CompTIA Cyberstates Report, 2023
- Region with highest educational attainment rate (53.4%)
 - CBRE Scoring Tech Talent Report, 2023
- Top 5 market for tech degree completions
 - CBRE Scoring Tech Talent Report, 2023



CASE STUDY: ZEBOX

- Opened in Arlington in the National Landing neighborhood in April 2022
- North American HQ
- Grew out of international logistics company CMA CGM
- Bridges gap between R&D start-ups and large corporations to innovate in areas of supply chain, logistics, mobility and Industry 4.0

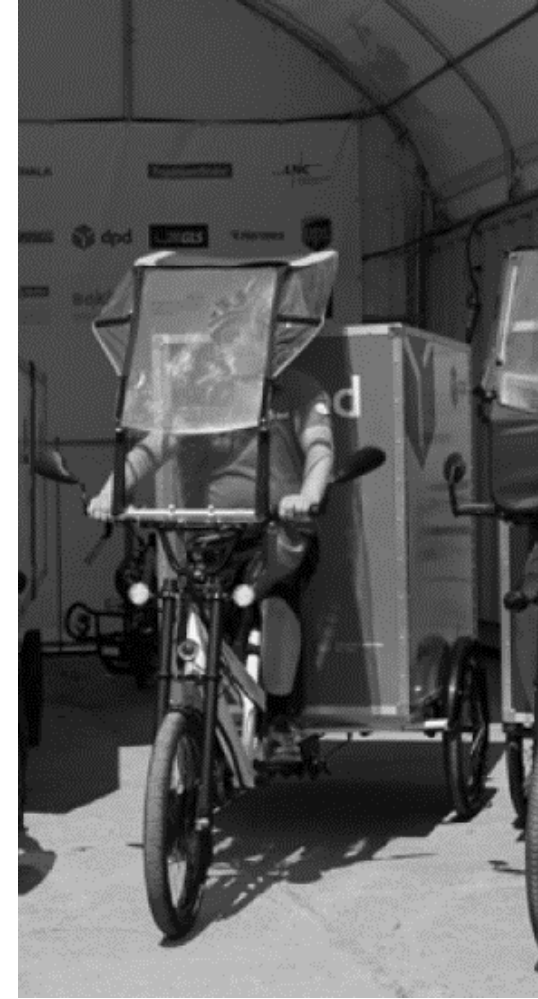
Arlington was the natural place to establish our new home in North America. National Landing is the country's first 5G smart city and one of the most exciting emerging U.S. tech hubs, with access to world-leading talent, major enterprises, and of course institutions including the Pentagon, Congress, the Port of Virginia, and more.

- Charley Dehoney, Vice President at ZEBOX



TARGETED USES: Micro-fulfillment Centers

- What are micro-fulfillment centers?
 - Allows for quick delivery of goods to consumers in defined and discrete trade areas – greater consumer choice and access to goods.
 - The “last mile” of the customer fulfillment process requiring a much smaller scale than the larger, more typical warehouse facilities.
 - Location proximate to consumers. Arlington’s mixed-use neighborhoods allow access the dense clusters of desirable customers.
 - Without a specific definition in the ACZO, a micro-fulfillment center would likely be viewed as most approximate to warehouse and freight movement – a use only permitted in Arlington’s (limited number of) industrial districts.
- Three significant reasons to allow micro-fulfillment center uses in commercial/mixed uses parts of Arlington:
 - Leverage Arlington’s density and demographics
 - Create occupancy opportunities for commercial spaces that are in challenging locations for conventional retail.
 - Support Arlington’s competitive market positioning for residents, workers and visitors who will come to expect these types of services and the convenience they offer.



TARGETED USES: Research & Development, Flex Office

- Use that requires in-person work, brings people back into business districts; knock on effects for local businesses.
- Allows BIG team to recruit, attract, locate R&D businesses
- Allows businesses that need space to expand in more district
- Allows entrepreneurs to locate near Universities & Industry
- Streamlined process = certainty = faster investment
- Benefit of R&D Lab Space Build Out: the space is universal, so it has high reusability and low tenant improvement costs (makes the investment a long-term upgrade)



OFFICE SUPPLY - REMOVE REGULATORY BARRIERS TO ACHIEVE MARKET SOLUTIONS

Redevelopment

Tear downs and reconstruction of an entirely new building (although sometimes parking is retained).

Conversion

Converting an existing building to an adaptive reuse. Includes Conversion+ - when some floors are added.

Repositioning

Making significant investments in existing office buildings to upgrade market competitiveness.

TARGETED APPROACH: Rethinking office

C. Office

1. Characteristics

Activities conducted in an office setting and generally focusing on business, government, professional, medical, research, development, laboratory, or financial services.

2. Examples

Examples of offices include advertising offices; business management consulting; urban colleges and universities; counseling in an office setting; day labor; employment agency; financial services, such as lenders, investment or brokerage houses, collection agencies, or real estate and insurance agents; government; professional services such as lawyers, accountants, bookkeepers, engineers, data processing, or architects; medical or dental offices or clinics, including doctors, physicians, dentists, psychologists or similar practitioners of medical or healing arts for humans and licensed for such practice by the state; urban agriculture; sales office; travel agency; ~~television and radio~~ audio-visual production and broadcast studios; research and development, flex; and utility offices.



Seaport
Science
Center,

Boston, MA

Thank You.

QUESTIONS OR
COMMENTS?



ARLINGTON
VIRGINIA

