Arlington Economic Development
Victor Hoskins
Director
Amazon 101

March 6, 2019

Washington Business Congress

Innovation lives here
THE PROCESS – GETTING FROM A TO Z

WHAT DOES IT TAKE TO WIN?

• Amazon released its RFP on September 7, 2017 and announced its decision 432 days later

• Project consisted of written proposals, multiple site visits, custom website and videos

• In Arlington, a core team of 6 AED staff and in Alexandria, the equivalent of 3 full-time employees were dedicated to the project. It is estimated that thousands of hours were worked in order to be responsive and timely

• More than 100 county, city, and schools employees across multiple departments assisted AED and AEDP with preparing the joint proposal
UNPRECEDENTED JOINT PROPOSAL FOR HQ2 BID

JOINT PROPOSAL BY ARLINGTON & ALEXANDRIA IDENTIFIED SITES IN NATIONAL LANDING - PENTAGON CITY, CRYSTAL CITY AND POTOMAC YARD

• Located in the heart of the DMV adjacent to Reagan National Airport
• Single development partner– JBG SMITH
• Highly educated market
• Proximity to the Nation’s capital
• Extensive transportation network
• Over +17 million square feet of office space
WHAT IS NATIONAL LANDING?

- 3 connected urban districts
- 24,000 housing units affordable at average Amazon income within two miles
- +17,000,000 square feet of office space
- Walk to Reagan National Airport, Metrorail, Virginia Railway Express, and bus rapid transit routes
- 15 minutes to everywhere - housing, talent, and government

Arlington is #1 for Millennials and Alexandria is #4 - Niche (2017)

Arlington: #1 best city to live without a car

A+ for commitment to inclusivity and equality - Human Rights Campaign’s Municipal Equality Index

Alexandria: #1 city for entrepreneurs - Entrepreneur Magazine (2017)
COMMUNITIES READY FOR GROWTH

ADOPTED COMMUNITY PLANS IN ARLINGTON & ALEXANDRIA ENVISION CONSIDERABLY MORE GROWTH THAN HQ2 REQUIRES

Over the last two decades, Alexandria and Arlington have worked jointly to craft a collective vision for these three neighborhoods, transforming them into one cohesive new district. Both communities have adopted small area and sector plans, crafted by residents and stakeholders, that outline expectations for growth and investment. Amazon could move into a mixture of existing buildings and new construction already planned for in the Crystal City Sector Plan and the North Potomac Yard Small Area Plan.

These plans anticipate more than three times the amount of growth than needed by Amazon.
Amazon selects NOVA for HQ2 site after 14-month search

- $2.5 billion investment by Amazon in Arlington County
- At least 25,000 new HQ jobs within 12 years

New Virginia Tech Innovation Campus to locate in Alexandria

- $1 billion investment by VT
- 1 million square foot mixed-use campus

New State investments in transportation, affordable housing, higher education and K-12 education for National Landing and NOVA
IN ARLINGTON, AMAZON WILL:

• Lease approximately 500,000 square feet of existing office space at 241 18th Street S, 1800 S Bell Street and 1770 Crystal Drive.

• Purchase Pen Place and Met 6, 7, 8 land in JBG SMITH’s Future Development Pipeline with Estimated Potential Development Density of up to 4.1 million square feet. JBG SMITH has the right to time the expected closings of the land parcel sales to facilitate 1031 exchange opportunities.

• Engage JBG SMITH as its development partner, property manager and retail leasing agent.

• Commence predevelopment and planning of the first office building in 2018, with construction expected to begin in 2019.
AMAZON – ANTICIPATED PATH OF GROWTH

Expected New Jobs

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034

Phase 1

25,000

Phase 2

37,850

Estimated Office GFA

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034

Phase 1

25,000

Phase 2

6,056,000

4,000,000

Innovation lives here
BENEFITS OF HQ2 SELECTION

A WIN FOR THE COMMONWEALTH AND NOVA

• A transformational opportunity to drive diversification and innovation throughout Virginia
• Retention of college grads and reversal of out-migration trend
• Doubling of Virginia’s tech-talent pipeline, benefiting all tech firms
• Post-performance incentives, with positive General Fund revenues from day one
• Transportation commitments funded by non-General Fund sources
• Non-incentive elements would be good investments even without HQ2
• $1.2B+ in net new General Fund $s after all obligations (over 20 years at 25k jobs)
• Scale and character of growth aligned with existing community plans
• Modest impacts on rents and traffic mitigated by investments, long ramp up
• ~$700 million in new Higher Ed and K12 funding outside of NOVA
• A winning package for far less than many others offered (e.g., MD, NYC)
HQ2 IMPACT – BY THE NUMBERS

1. Strengthen Virginia’s leadership position in technology, corporate headquarters, business services, and innovation

1x. Project HQ2 would directly create about the same number of direct jobs as all greenfield auto plant deals signed in the last 15 years combined

$2B+. Capital expenditure at 25,000 jobs would be $2+ billion, dozens of times greater than Amazon Web Services East Coast Corporate Campus

>6:1. Ratio of 20-year estimated NPV of general fund revenues to NPV of post-performance company incentive payments

$150k+. Average salary of Amazon workers is expected to be roughly double the prevailing wages in Northern Virginia

15-25%. Jobs created in first decade would close at least 15-25% of the 10-year job gap to Virginia’s growth aspiration (i.e., getting back to the top 5-10 states)

>$290MM. Size of opportunity to grow state GF revenue per year (by year 15 for ramp to 25,000 jobs)

AAA. Opportunity to diversify state revenue base and enhance state fiscal strength
**HQ2 ARLINGTON IMPACT – BY THE NUMBERS**

**-34K** New jobs created offset the more than 34,000 Federal jobs lost over the last 20 years including NAVSEA, PTO, BRAC, Sequestration, NSF, and future TSA job losses.

**10 YR** Accelerates realization of Arlington’s 10-year Capital Improvement Plan (CIP) for Transportation.

**95%** Diversifies the industries in Arlington, firmly establishing the region as a technology hub and creates opportunities for indirect and induced jobs.

**$32M** Only 5% of Arlington’s proposed package is direct incentives to the company, 95% are investments in infrastructure and affordable housing.

**$172M** Increase of more than $32M in annual local revenues once 25,000 jobs have been created (by year 12), $47M once 37,500 jobs have been created (by year 16).

**$172M** $172M cumulative revenues during the 12-year ramp-up period, $315M cumulative during the 16-year ramp-up period.

**~14:1** Nearly a 14-to-1 return on local direct financial incentives to Amazon.

Innovation lives here
SELECTED POTOMAC YARD IN NATIONAL LANDING

- In Alexandria, the Virginia Tech Innovation Campus will deliver leading programs in computer science and software engineering for graduate and doctoral level students.
- Will locate in Oakville Triangle
  - $1 billion investment by Virginia Tech, over two phases
  - Phase 1 = 1 million square feet mixed-use campus with academic, residential, commercial space for entrepreneurs and companies, and neighborhood serving retail; delivery in 2022
Proposed Alexandria and Arlington Joint Commitments

Arlington County and the City of Alexandria proposed the following local incentives as part of this project with 97% of the proposed incentive package investing in the community.

- **$570M** in new, expedited and/or enhanced transportation infrastructure and transit improvements
- **$150M** in new, affordable and workforce housing (approximately 2,000+ units)
- **$28M** in strategic investments in infrastructure (parks, open space and transportation)
- **$23M** in TOT Grants for Amazon

![Pie chart showing the distribution of the proposed incentive package](chart.png)
STATE AND LOCAL INVESTMENTS

STRATEGIC INVESTMENTS IN TRANSPORTATION

Commonwealth of Virginia

- State has committed at least $195 million (for 25,000 new jobs) to invest in transportation projects that will provide robust, multi-modal connections between National Landing and the regional transportation systems. The five projects include:
  - New Crystal City Metrorail Station East Entrance
  - Construction of Southwest Entrance at the new Potomac Yard Metro
  - Pedestrian Connector Bridge from Crystal City to National Airport
  - Route 1 improvements in Arlington County
  - Transitway Expansions throughout National Landing

- Up to $100M in additional funding would be available if Amazon creates more than 25,000 jobs.
STATE AND LOCAL INVESTMENTS

STRATEGIC INVESTMENTS IN TRANSPORTATION

Arlington & Alexandria ($570M)

• The transportation investments Arlington and Alexandria jointly included in the National Landing site proposal are based on extensive long-term planning initiated over 10 years ago, focused on connecting multiple districts to create a seamless corridor.

• Arlington will invest $360M ($222M of committed funding, $82M in pending grants and $55.7M in proposed grants) in transportation projects to serve the Pentagon City, Crystal City and Potomac Yard neighborhoods in the National Landing area. Projects were adopted by the Board as part of the County’s Capital Improvement Program (CIP).

• Alexandria projects will invest $348M in transportation projects in Potomac Yard area.

The transportation projects are in three categories:

• **Rail and Gateway Connections**: These projects emphasize making critical intermodal connections and expanding local, regional and national accessibility for users to of the existing Metrorail, commuter rail and air transportation networks.

• **Surface Transit Facilities and Service Expansion**: These investments will expand the Metroway transitway to optimally link Alexandria and Arlington, creating a premier work, live, play corridor.

• **Multi-modal Street/Corridor Connectivity Investments**: This suite of projects will increase efficiency of the street network for all modes through reconfigured circulation throughout the site, making it safer for pedestrians and bicyclists.
STATE AND LOCAL INVESTMENTS

ARLINGTON STRATEGIES FOR HOUSING AFFORDABILITY
Beyond plans/policies that support an increase in County’s housing supply to help mitigate cost increases (34,000+ units forecast by 2045), the County also has:

Capital Resources for Income-Restricted Units (CAFs) – annual funding resources directed at the creation or preservation of committed affordable units
  - Affordable Housing Investment Fund
    • County Board’s annual funding appropriations
    • Developer contributions
    • Loan repayments

Land Use Incentive Tools/Mechanisms
• Zoning Ordinance affordable housing provisions
• Transfer of Development Rights
• Sector Plan/Area Plan-specific goals and strategies

Current Planning Efforts focused on Housing Affordability / “Missing Middle”
• Housing Conservation District
• Two-family Dwellings
• Accessory Dwelling Units
• Plan Lee Highway
STATE AND LOCAL INVESTMENTS

ARLINGTON COUNTY

Transient Occupancy Tax (TOT) Grant ($23m)

- Designed to leverage new revenue resulting from Amazon. No money currently assumed for community priorities like transportation, housing and infrastructure will be used.
- Transient Occupancy Tax (TOT) is a tax on the total cost paid on hotel rooms or other paid lodging. This tax is paid by tourists or business travelers, not Arlington residents.
- Arlington County levies a 5.25% TOT; 5% goes to the general fund, and .25% is separated for tourism promotion.
- Amazon is expected to generate significant additional TOT revenue from business-related travelers who will stay in Arlington to do business with the company.
- Using 2019 as the baseline, Arlington proposed an annual grant equal to up to 15% of the incremental revenue generated for 15 years. The annual grant calculation will not include the 0.25% separated for tourism and promotion.
- The estimated total value of the incentive is $23M over 15 years.
- After each performance year, the company must provide the County with an annual report for its total occupied square feet and total number of full-time employees. Amazon must also be current on County taxes.
- The annual grant amount is dependent on the achieving an annual square footage target.
NEXT STEPS AND LEARN MORE

• The Virginia General Assembly passed the state’s incentive package during this most recent session

• Arlington County Board will vote on the Arlington County proposed incentive package on March 16

• Regular project updates for both Arlington County and the City of Alexandria will be provided and the community can expect the normal planning and review process to take place for both the Amazon headquarters and Virginia Tech Innovation Campus

• Arlington County is hosting a variety of community engagement sessions, both in person and virtual to provide information and answer questions

• Alexandria will be scheduling community engagement on planning/land for Virginia Tech Innovation Campus to be shared this winter

• Additional details, including information about the proposal to Amazon, can be found at the websites below
  • Project Website – www.hq nova.com
  • Arlington County - https://www.arlingtonva.us/amazon
  • City of Alexandria - https://www.alexandriava.gov/NationalLanding
  • AEDP’s Website – www.growalx.com