

**CRYSTAL CITY BUSINESS IMPROVEMENT DISTRICT
POSITION STATEMENT ON HQ2 IN ARLINGTON
2/21/2019**

Amazon's selection of National Landing, the name used to describe the joint site between Arlington and Alexandria, as a new headquarters location is a momentous win for Crystal City and will benefit the business, residential and retail community of the area and Arlington County as a whole. Amazon's arrival will advance the implementation of Crystal City's Sector Plan and the Crystal City Business Improvement District's (BID) Strategic Plan, accelerating the transformation that is already well underway in Crystal City, Pentagon City and Potomac Yard-Arlington.

The resulting boost in demand for commercial office space from Amazon and those companies desiring to locate nearby will provide an important long-term remedy for the County's historically high vacancy rate. In turn, increased occupancy will deliver additional revenues to County coffers to help restore the desired 50-50 shared tax burden between commercial and residential property that has long supported Arlington's low tax rate and high-quality schools and services.

The Crystal City BID supports Arlington County's performance-based incentive package that focuses almost exclusively (95%) on investments in the community through funding of transportation, affordable housing, and other public infrastructure, benefitting the community and all businesses in the area. The remaining portion of the County's direct-pay for performance financial incentive package uses only a portion of new revenues associated with the Transient Occupancy Tax (TOT) paid by travelers staying in hotels or other lodging, employing a creative business attraction tool that delivers a large return on investment. Further, Amazon's impact on office occupancy and the County's tax base will deliver long-term benefits.

Therefore, the Crystal City BID endorses the County's proposed incentive package for Amazon's HQ2, as it will deliver the following benefits:

- **Grow jobs and increase economic resilience**
Diversification of the local economy has been a longstanding goal in order to improve resiliency to fluctuations in the federal sector. Amazon's headquarters will move the region towards this goal as it gradually brings 25,000 private-sector jobs, substantially replacing the 24,000 federal jobs lost in the Crystal City area since 2001 due to major relocations and Base Realignment and Closure (BRAC). It is anticipated that Amazon will attract additional companies, strengthening the tax base and generating new patrons for existing small businesses in the area.
- **Strengthen connectivity and advance signature transportation projects**
Investment in transportation strengthens our area's competitive advantages, improves connectivity for all workers, and supports economic development for all businesses. The County's approved Capital Improvement Plan (CIP) has approximately \$227 million in committed local, regional, state, and federal funds for projects that directly support Amazon's new headquarters. As part of the State's Amazon transportation incentive package, an additional \$195 million will be invested in five infrastructure projects serving the area as follows: 1) the construction of a second Crystal City Metro entrance, 2) partial funding for an intermodal connection between Crystal City, VRE, Metro and National Airport (i.e., CC2DCA, a major initiative of the BID), 3) the completion of the remaining segments of the Pentagon

City/Crystal City/Potomac Yard Transitway (Arlington and Alexandria), 4) partial funding for multimodal improvements to help transform Route One into a boulevard in Crystal City, and 5) a second entrance to the Metro Potomac Yard infill station (Alexandria).

- **Focus on local investment in infrastructure and placemaking with funding from Tax Increment Financing (TIF)**

The Crystal City, Pentagon City and Potomac Yard-Arlington area already benefits from a Tax Increment Financing (TIF) district established to support major infrastructure investments identified by the Sector Plan and approved plans in Pentagon City and Potomac Yard. The TIF district dedicates a portion of new tax revenue associated with new development and assessment increases to these key investments. This strategic tool uses Amazon's arrival by supplying the funds to support necessary infrastructure investments identified in the TIF area without additionally burdening the Arlington County taxpayer.

- **Attract visitors to the area and leverage hospitality sector**

As the region's second largest hotel district after downtown DC, the Crystal City, Pentagon City and Potomac Yard-Arlington hotel community stands to benefit from increased hotel visitors associated with Amazon. Not only will these additional hotel guests support the area's already strong hospitality sector, they will also support the area's retail and restaurant community. Additionally, the County's direct financial benefit to Amazon is a performance-based incentive tied to meeting office occupancy targets via the dedication of a portion of future revenues derived from the Transient Occupancy Tax (TOT).

- **Meaningfully address office vacancy**

As Amazon gradually staffs its new HQ2 location, Crystal City's 17.9% office vacancy rate (fourth quarter 2018) will begin to decline. Occupancy by Amazon of existing buildings in Crystal City will likely reduce vacancy by about 4 to 5% over the next several years. Existing companies and start-ups that want to locate near Amazon will further reduce the vacancy rate.

- **Increase housing supply and commitment to affordable housing**

Even before the Amazon HQ2 announcement, the Crystal City area was seeing a tremendous interest in investment in new residential construction. This interest has accelerated with nearly 4,000 units under construction, approved or proposed within the immediate Crystal City, Pentagon City and Potomac Yard-Arlington areas. Arlington County's long-term plans include the projected commitment of \$7 million per year towards the goal of 1,000 new and preserved affordable housing units in and around Crystal City, Pentagon City and Columbia Pike. Together, these investments will help to increase affordable housing in Arlington, and the Crystal City and immediate surrounding area specifically.

- **Bolster education and the creation of tech talent pipeline**

Though not located in Crystal City, Virginia Tech's proposed Innovation Campus in nearby Alexandria will be a tremendous benefit to the Crystal City area. Its technology-focused academic programming will deliver a much-needed annual injection of new tech talent needed to staff Crystal City's already flourishing tech businesses, as well as new businesses like Amazon.

- ***Facilitate the realization of plans that have anticipated growth and improved amenities and quality of life***

Existing plans for the Crystal City, Pentagon City, and Potomac-Yard areas include over 21 million square feet of new development capacity and offer guidance for an improved public realm, community amenities, and retail destinations. Amazon's HQ2 plans will utilize only a portion of this capacity (approximately 20%). Through Arlington's development review process, the community has an opportunity to communicate their priorities and ensure that the new development contributes positively to our shared community goals.

The Crystal City BID looks forward to participating in the community dialogue, collaborating with the County in welcoming Amazon and its employees into the community, and continuing the positive transformation of the area into a premier, walkable urban center.