

**City of Falls Church
Economic Development Authority
Business Meeting Minutes - APPROVED
Tuesday, April 5, 2016 – 7 p.m.
Falls Church City Hall – Dogwood Room
300 Park Avenue, Falls Church, VA 22046**

I. Call to Order

The EDA meeting was called to order at 7:06 p.m. by Chairman Novotny. He read a brief statement to note a change in the agenda. Tradition Place developers had informed staff that they would not be attending the meeting because of timing and other issues involving their Special Exception application for a mixed use development project in the 800 block of W. Broad Street.

EDA Board Members Present: Mike Novotny, John Sandoz, Barry Buschow, Bob Young, Erik Pelton, and Ed Saltzberg.

EDA Members Absent: Brian Williams.

EDA Youth Representatives Absent: Tyler Gogal and Kiran Menon.

EDO Staff: Rick Goff, Becky Witsman, and Ingrid Racine.

Public Attendees: City Council Member Letty Hardi, Planning Commissioner Lindy Hockenberry, and Barbara Cram.

II. Approval of March 1, 2016 Minutes

Mr. Buschow moved approval of the minutes, seconded by Mr. Young, and approved unanimously.

III. Petitions from the Public: None.

IV. Petitions from the Board

Mr. Young spoke to a need for new streetscape design guidelines for commercial areas of the City. He said that current guidelines date to about 1987 and Broad Street now has a “tired” look. The corridor would benefit from a fresh approach to design and construction of public spaces, he added, and more amenities are needed to enliven the pedestrian experience and overall aesthetics of the area.

Mr. Young reported a recent conversation with the city manager, who informed him that a task force soon will be appointed by City Council to study and update streetscape guidelines and standards. Representatives from the EDA, Planning Commission, CACT, Tree Commission, VPIS, and the Chamber of Commerce, as well as City Council, will be on the task force.

V. New and Continuing Business

a. Report on Watch Night, Pole Planters Proposal and Other Items

Ms. Cram reported that the New Year's Eve 2015 celebration was the largest ever for Falls Church. Businesses such as Little City Creamery reported record sales. The free shuttle service was extremely busy, many participants attended from out of town, and event sponsors provided key contributions again, helping to keep Watch Night a free, family-friendly event. She thanked the EDA for its continued sponsorship. She noted that free public parking in the Kaiser Permanente garage was very helpful, as were spaces in church lots at other key locations. Ms. Cram answered some questions from the board and responded to suggestions about potential places to expand the event in the business district.

Ms. Cram next explained the City's effort to create geographic boundaries for an Arts and Cultural District, which she said may occur in 2016 after many years of discussion. She summarized tax incentives permitted under Virginia statutes that enable these districts. Ms. Cram urged the EDA to support the creation of an Arts and Cultural District and tax incentives when City Council considers them. Several board members asked about measurable economic impacts of the arts. She said that a pending report by Fairfax County will include survey data from Falls Church. Mr. Buschow commented that a study by the League of Women Voters concluded that for every public dollar invested in the arts, seven dollars are generated in economic activity.

An initiative to re-install pole planters with flowers at 20 locations in the downtown area was presented by Ms. Cram. She reviewed the history of the program as an informal partnership between the City and the former downtown merchants association. She explained the challenges of maintaining planters with regular watering because few spigots have been available near the poles. However, new development and downtown improvements sponsored by the City will increase availability of water in the 200 block of W. Broad Street, she said.

Ms. Cram requested EDA funding for planter installation and maintenance from April through October, 2016 at a total cost of \$16,600. Mr. Young spoke in strong support of the project, telling the Board that he encouraged Ms. Cram's request for funding when he learned from the city manager that no City funds were available in the FY 2017 budget or from other sources.

Mr. Young made a motion to spend \$16,600 in EDA funds for the pole planters; seconded by Mr. Sandoz. Various Board members expressed support for the project, but suggested other means to fund it. A consensus was reached that the appropriate funding source is the City. Mr. Young withdrew his motion, with the concurrence of Mr. Sandoz. Mr. Novotny made the following motion, which was seconded:

The EDA Board requests that City Council approve the pole planter program in 2016 using downtown improvement funds or other available sources and continue funding the program on an ongoing basis.

The motion was approved unanimously. Ms. Cram was encouraged to attend the April 11 City Council meeting to make the funding request and Mr. Goff was asked to write a memo to City Council and the city manager on behalf of the EDA in support of the project.

In response to a question, Ms. Witsman reported on downtown improvements completed or scheduled using City water system sales proceeds. The improvements include repair and power washing of sidewalk brickwork, installation of water spigots, painting light poles metallic gray, installing LED streetlights, replacing concrete sidewalks with brick in areas on N. Washington Street between Broad Street and Park Avenue, and restriping pedestrian crosswalks.

Mr. Young concluded the discussion about downtown improvements with the observation that some cities levy a substantial hotel occupancy tax for business district improvements and programming. He said he had discussed with Virginia Delegate Marcus Simon the possibility of introducing legislation to enable the City of Falls Church to levy a special hotel tax of this kind. Mr. Young estimated that a tax would generate about \$60,000 per year for downtown improvements such as pole planters.

b. Appointment of EDA Member to Replace Barry Buschow on Arts and Humanities Council of Falls Church

Mr. Buschow has announced that he is moving from Falls Church and will vacate his seat on the EDA Board, so his appointment as EDA representative on the Arts and Humanities Council of Falls Church (AHCFC) will also terminate. Mr. Goff suggested the Board consider a replacement for Mr. Buschow on the AHCFC. Because the group meets on Thursday mornings each month, no members volunteered to serve due to work obligations. The EDA chose to leave an open seat on the AHCFC at this time.

c. Tradition Place Mixed Use Development Proposal

As noted earlier by Mr. Novotny, the developer declined to attend the meeting. The chairman instead asked staff to provide the Board with an update. Ms. Witsman said that the developers are producing alternative project designs in response to City Council, staff and neighborhood feedback about density, height, access, and other issues. Mr. Goff commented that the design alternatives he had seen greatly reduced the amount of commercial components of Tradition Place, a direction that he found disappointing. Councilperson Hardi provided some additional information about the status of the project, Council and neighborhood feedback. Mr. Novotny expressed his thoughts about the project's original attributes, noting the commercial content, including a corporate headquarters, residential condos, and a desirable amount of density on consolidated lots along the City's primary commercial corridor.

d. Participation in Meetings through Electronic Means

Mr. Goff referenced materials prepared by the city attorney and distributed to the Board to create a policy for Board member participation at meetings from remote locations under certain conditions. He emphasized that the policy would not allow

electronic participation by a member or members as a means of establishing a meeting quorum, which is four of seven members.

Mr. Novotny raised a question about potential Board member participation using email to vote on an action item versus “live” participation via telephone, Skype, or other means. Mr. Goff said he did not have an answer but would ask the city attorney for clarification. Mr. Young made a motion to adopt the policy as presented. The motion was seconded and approved unanimously.

e. Revisions to Commercial Property Tax Abatement Program

Mr. Goff summarized the Board’s discussion in March about proposed program revisions recommended by the EDA subcommittee. He said there was discussion about whether a proposed ten-year abatement for an eligible project at 100% for five years and then 50% for five years was overly generous or, on the contrary, necessary to ‘move the needle’ to provide enough incentive to build new office space in the City. The Board had asked for more information about the impact of the proposed abatement to show how it would work using a real life example and suggested showing other options for abatement structures.

Mr. Goff presented an illustration of three tax abatement options applied to the proposed 400 N. Washington Street office project. He started by showing the current real estate tax yield to the City from the land and existing building – about \$33,000 per year. He said the tax abatement program cannot abate real estate taxes on the land or on the existing assessed value of a building, so this revenue for the City is locked in over time, even if an older building is demolished and replaced.

The tax abatement option recommended by the EDA subcommittee for ten years’ abatement – 100% for five years, followed by 50% for five years – was contrasted year-by-year with the City’s estimated tax yield from the property. Tax abatement to the developer, Mr. Goff explained, would apply only to the five floors of office in the proposed six-story building because the first floor would be retail and parking. For years 1-5, there would be abatement of about \$318,400 per year, and for years 6-10, approximately \$159,000 per year. In total over ten years, there would be abatement of \$2,388,000 in real estate taxes, he said.

Under the same program option, the City would receive all business taxes from tenant uses, all personal property taxes, all real estate taxes on the land (which would escalate in value following redevelopment), real estate taxes on the value of the existing building, and 1/6 of the value created by future building improvements. For years 1-5, the City could expect to receive about \$357,500 per year in taxes; and in years 6-10, about \$517,000 per year when the abatement is cut in half. In total over ten years, the City could expect about \$4,371,000 in taxes from all sources generated

by the property, and then about \$676,000 per year thereafter when the abatement period ends.

Mr. Goff said that among the three tax abatement options illustrated, this is the most generous in terms of taxes foregone by the City. While the other two options would have less impact on the City's tax revenue, they would also provide less incentive for an office developer. He concluded that in running the tax revenue numbers for this example, the impact to the City seemed nominal in the big picture. Each year the City could expect to get more in taxes than it abates, substantially more in total taxes during the ten-year abatement period, and 100% of taxes thereafter.

Mr. Young said he supports the recommendation of the subcommittee, adding that the level of tax incentives would help drive down rents from the "high-\$30's" to the mid- or low-\$30's per square foot. This may make a difference in decisions to renovate or construct new office space in the City, he said. Mr. Saltzberg commented that he also supported the recommendation but encouraged deeper incentives involving City taxes, such as the deal structured to bring BJ's store to Falls Church using a form of tax increment financing. He suggested the City create a policy to identify outcomes that it most desires and reserve the option to use special tax abatement or deferral strategies to further incentivize those deals.

Mr. Pelton and Mr. Sandoz also expressed support for the subcommittee's recommendations. Board members encouraged staff to review carefully all assumptions behind the case study calculations, especially assumptions for business and other non-real estate taxes. Mr. Novotny suggested modeling in the case study for occupancy rates for commercial tenants. Mr. Young made a motion to approve the recommended program changes to the Commercial Property Tax Abatement (CPTA) Program and to encourage City Council adoption of the changes. The motion was seconded by Mr. Sandoz and approved with five votes in favor and one abstention (Mr. Novotny). Mr. Novotny said that the minutes and memo of transmittal to Council should note that he abstained because he had not sufficient time to consider the recommendation.

Mr. Goff said it was staff's plan to take the CPTA and changes recommended previously by the EDA for the Technology Zone Program to City Council for consideration. He requested that subcommittee members attend the City Council work session to provide support for the EDA's recommendations. Mr. Young and Mr. Sandoz agreed to represent the subcommittee.

f. Continuation of EDA Participation in CBC Youth Representatives Program

Mr. Buschow made a motion to approve continuation of the Board's participation in the CBC Youth Representatives Program. The motion was seconded and approved unanimously. Mr. Goff said he would inform the CBC of the EDA's action and its expression of support for the program.

g. EDA Retreat or Other Follow-Up Items

Mr. Novotny asked about the status of the EDA's grant for a downtown plaza as a component of the City's proposed FY 2017 CIP. Mr. Goff said that the grant has the city manager's support in the full amount of \$550,000, while the Planning Commission recommends limiting the project to \$250,000. He said he spoke to the city manager about the CIP approval schedule and City Council's public hearing on April 11 will be a critical time for the Board to express its support for the project prior to final consideration and action by Council on April 25. Several Board members indicated they would attend and speak in support of the downtown plaza on April 11.

VI. Staff Reports: No formal updates or reports were given by staff due to the late hour of the meeting at the suggestion of the chairman.

a. Update on Development Projects

b. Business Report

c. Marketing Report

VII. EDA Member Reports: None

VIII. Other Business: None

IX. Adjournment

A motion was made to adjourn, which was seconded, and carried unanimously. The meeting adjourned at 9:34 p.m.

