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# Fairfax County Board of Supervisors Land Use Committee, Tuesday, October 1, 2024

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**[00:00:01]** Okay. I'd like to call the meeting to order. Good morning. I'm going to call the Land Use Policy Committee meeting to order. We have the minutes from the meeting summary from the last meeting. Are there any additions or corrections to that? Okay. Hearing and seeing none, those will stand as accepted. First up, we have a presentation about the Comprehensive Plan amendment work plan I we're gonna hear all this good hard work that staff's

**[00:00:38]** been doing and our path forward so I'm gonna turn it over to Graham to start thank you thank you guys thank you Supervisor Smith grandma with Department of Planning and Development the long-range planning division I'm joined by our director Tracy Strunk as well as Kelly Atkinson and then also wanted to introduce you to Katrina Knudsen and Leah Nebauer who are our staff we're going to be managing the next round of SSPA so I wanted to introduce you to them because you'll be hearing a lot more from them over the next couple of months in particular.

**[00:01:11]** So this Land Use Policy Committee item has two components. The first is an update on the Comprehensive Plan Amendment Work Program, and the second are considerations for the upcoming round of the site-specific plan amendment process, which is anticipated to begin in the early part of 2025. As a brief refresher, the Comprehensive Plan Amendment Work Program is a list of the amendments and studies that have been authorized by the Board for further review.

[00:01:35] Items on the work program include countywide policy amendments, small area planning studies, site-specific amendments that are evaluated through the SSPA process, as well as site-specific amendments that are authorized separately by the board. The board adopted a series of structural changes to the work program in the summer of 2022, as well as to the site-specific plan amendment process.

[00:01:54] Both Supervisor Lusk as well as Supervisor Smith were a part of the group that helped develop those recommendations, which we thank you for. This resulted in a biannual countywide nomination period, along with changes to outreach, the parameters and timeline of the process criteria, as well as prioritization and tiering.

[00:02:10] So as a part of those changes, an annual discussion item on the comp plan work program was recommended, so this presentation is that update. The most recent work program was authorized in April of 2023 at the conclusion of the inaugural countywide SSPA and included new amendments resulting from that effort, as well as ongoing items that have continued to progress and conclude.

[00:02:32] Since that time, the Board has adopted 15 amendments, including Reston, Topgolf, the Judicial Complex, Villa Park, Agape House, Cornerstones, the Route 7 BRT study, the For Sale WDU policy, and the first phase of a Fair Lakes study. There have also been several individual changes to work program tiering, and new items are evaluated in the context of the work program at the time of Board authorization.

[00:02:56] So to give you a sense of what all those changes represent cumulatively, the net change has been approximately 3,700 new planned residential units, about 800 of which are committed affordable, so it's about 22% of the grand total, as well as about 4.1 million square feet of non-residential use.

[00:03:13] To give you a sense of how that rate of plan amendment adoption compares to prior years, this chart shows the number of amendments adopted from April to March in the past five years, with area and site-specific changes shown in dark blue and then policy changes shown in light blue.

[00:03:29] As a reminder, the board authorized 53 new items on the board program with the prior round of SSPA, and we anticipate that most of the active amendments from that cohort will be completed by March of 2025. Some others that were previously added are indefinitely deferred as Tier 3 items or are Tier 2 items, which are awaiting concurrent zoning cases before proceeding.

[00:03:49] So as a result, there are some currently inactive studies that will be on the work program and may start up in the future, which we'll continue to monitor as we begin the next round of SSPA and may require a more strict screening process. We have some ideas around this question to ensure that resources are properly balanced, which we'll get to as a part of the presentation.

[00:04:08] You're all familiar with SSPA, but as a refresher, this is the biannual countywide cycle for reviewing site-specific proposals, which we call nominations, to change of the comprehensive plans, land use recommendations. The two-year countywide cycle was a change adopted by the board two years ago, where previously SSPA had oscillated between reviewing nominations in the north part of the county and then the south part of the county.

[00:04:31] So this change established a more frequent countywide evaluation. The prior round of SSPA began in the fall of 2022 and resulted in the submission of 75 nominations. In part, this is due to pent-up demand in certain areas, as well as broader shifts, especially in the office and residential real estate markets.

[00:04:49] However, at the present time, we're not anticipating that volume of nominations with the upcoming round. Staff has begun preparing for the next round of SSPA, and we're looking at the goals for the process, lessons learned from the prior round, and proposing a few relatively minor changes. We are seeking board input on the lessons learned and changes in this committee meeting.

[00:05:07] We're also conducting outreach on the next round. We've begun that with the Northern Virginia Building Industry Association, and following the committee, we'll go out to the broader community and land use groups across the county to advertise the process this fall. We are anticipating beginning the next round of SSPA in January of 2025 with a target action on the new work program in May, which will allow for that cohort of anticipated amendments that we showed in the previous slide to conclude before the next round is authorized.

[00:05:36] The SSPA process consists of a one-month nomination period in which anyone may submit a change to the comprehensive plan with the property owner's consent. Following the nomination period, the board approves a list of nominations that will be accepted into the process via an action item and can pull items that should not proceed at that time.

[00:05:53] Items that are accepted proceed into screening, during which time staff conducts a high-level policy review of the nominations, conducts community meetings to obtain early input, and provides a recommendation on which of the items should be included on the work program and formally evaluated as plan amendments.

[00:06:08] The Planning Commission conducts workshops to review the nominations and develops recommendations for additions and priority on the work program, and the Board adopts the new work program via an action item. Following the adoption of the work program is the evaluation phase which we're in currently, and this is when the proposed amendments are analyzed for further impact, reviewed by the and presented to the Planning Commission for a recommendation and ultimately the board for a final decision. The board adopted goals for SSPA in 2025 and now that we've done one round of county-wide nominations we have highlighted a few lessons learned from our experience based on those goals. The first goal was to reduce the overall timeline of the process. So as noted earlier

[00:06:45] previously we had this oscillation between the North County and the South County every two years so doing a county-wide nomination round every two years provides a better opportunity to respond to market changes and has also reduced the number of site-specific board authorizations that would otherwise likely occurred outside of the regular review cycle. So that's been a process improvement internally since it helps us to anticipate workforce needs and distribute resources more equitably across the county. The nomination and screening phases have also gotten shorter, and our tiering system for the evaluation phase has helped establish priorities. So we think that high level this goal has been met. We have heard some interest in potentially

[00:07:21] shortening screening even further, and this may be possible if there's a lower volume of nominations, but not likely if we receive 75 like in the prior round. Our second goal was to increase inclusion and community engagement in the process. So in the past, there had been a uniform approach to SSBA by using task forces for both screening and the evaluation phases. So shifting to community meetings, which is, that was the big change for screening, and then adaptive engagement during the evaluation phase has been a clear improvement. For example, in the prior screening, staff conducted 18 community meetings that were attended by over 1800 individuals that's a far

[00:07:58] greater participation than we had in the past with with default task forces Department of Planning and Development also collaborated with neighborhood community services on several of the meetings in areas of higher social vulnerability to ensure that people had the resource support to be able to participate so that's really helped guide our you know our engagement both on SSPA but also on other projects outside of the outside of the cycle kind of as a model adaptive engagement during the evaluation phase has also prove successful. It allows supervisors to determine the right method of engagement. In some instances, that means using task forces, especially for larger studies, so Fairfax Center, Northern

[00:08:33] Richmond Highway Corridor, Centerville, and then for more individualized SSPAs, largely the focus has been on community meetings and using, you know, ladies' committee's established means. So we have, in terms of changes, we are going to ask nominators to provide property maps as we have in the past. We would like them to use the Community of Opportunity Index interactive tool, which is a new tool, so that they can consider socioeconomic factors in the vicinity of their nominations from the get-go. Additionally, as always, we'll continue to monitor community engagement best practices and adapt as appropriate. The third goal was to achieve a better balance of

[00:09:10] resources for long-range planning on the work program between site-specific, small area, and county-wide studies. The tiering system has helped with this. However, we believe that there are challenges around this goal that need further attention, especially around the idea of logical planning areas. So in several instances, we received either individual nominations or clusters of nominations near one another. And so to address common issues, the board added entire small areas to the work program. This is good. It's common practice. We did this in Reston Transit Station area, Fair Lakes, Springfield, the Franconia Triangle, Pendaw, several other places throughout the county. The challenge, though, that we've kind of encountered is that we typically rely

[00:09:49] on nominators to conduct the traffic studies, especially for their individual nominations. And so with just a couple of exceptions, we rarely have nominators that are willing to put in the additional cost of doing a true small area planning traffic study. So usually for those matters, DOT requires consultant funding for this, but this results in delayed starts for the studies until we have the funding that's secured.

[00:10:12] And since we don't want to slow down the nominations that originated the studies, those end up getting phased out ahead of the individual, the larger, broader studies. We'd like to address this in two ways. The first would be to screen more strictly for logical planning areas as an explicit justification criteria.

[00:10:29] And then for those nominations that should still be evaluated as expanded study areas, have an action item that establishes the new work program, also include a funding request for the anticipated transportation studies. This would help with prioritization as well. We recognize that not everything can be funded all at once, but it will help us understand which ones you know we should embark on next in terms of small area planning we would also note that we're thinking about what may come after the broader policy plan update plan forward is brought forward to the board there has been some preliminary discussion around a potential follow-on motion to do a systematic and targeted area plans update based on the trends that we've

[00:11:06] seen with SSPA we think that this long term would help improve flexibility in the comprehensive plan reduce time to market and then ultimately hopefully reduce reliance on SSPA as a mechanism for making changes and I skipped ahead of all those here's our anticipated timeline we have

met with most of the Planning Commission and board members this summer in advance of committee meetings we have also gone out to the Northern Virginia Building Industry Association to get their input on lessons learned from the from the prior rounds we went to the Planning Commission's land use policy committee meeting last week we got good input from them and they largely concurred with

[00:11:44] our with our with our findings and our relatively minor revisions and then we have the discussion today with the board as long as there's you know concurrence about the the next steps and the process and the timeline we do anticipate beginning advertising for the next process basically starting up immediately in anticipation of January nomination period so screening would would take place basically from February into May and that's all I have any questions happy to have the answer Thank You Graham you know I really appreciate this continuous improvement we have. And I think it is good that we do this every two

[00:12:20] years with the whole county. The big unknown is how many submissions we get, right? And so to work, you know, those pieces with the workload, I think you've laid out the problems with where we need small area plans and the transportation funding. Those are issues for us to solve. And I look forward to being able to start this again in January and get going. And I appreciate all the time that we and was it Katrina are going to be be spending to help the community with that I'm going to turn to the chairman yeah thank you very much echo everything that Supervisor Smith said I

[00:12:56] mean this we did a major overhaul on this a few years ago and obviously seems to be working and working very well so well done I think the two things that jump out to me real successes are the two goals, which is reducing the timeline, which I think is going to be increasingly important in the next couple of years as we're, you know, challenged to have economic development occur in the county and making sure that we're timely. And trying to line up what's going on in the market with our land use processes is always difficult, but anything we can do to tighten up

[00:13:32] that timeline is huge. And the second piece is the increased inclusion. And so I do, I really thank you for getting NCS involved because they're, you know, experts in this space. And this is another example of, you know, one county agency looking to another county agency that works in that space already rather than, you know, recreating the wheel entirely, I think is really helpful.

[00:13:55] You know, the last thing I'll say on the transportation piece, and this came up in the context of the consideration item that for Supervisor Lusk that we included, you know, with our last budget action on carryover, and I made the comment that, you know, this may not be the right dollar amount for that, and we may not want to use a consultant. We might want to think broader about this challenge, because it's real time there, but we have this challenge in a lot of other areas of the county, and so, you know, my hope is that staff can look at this holistically

[00:14:30] while they're looking at the request in Franconia District to say it may be time that we have something in-house that is able to do this, because nothing against consultants, but a lot of time and a lot of money could be saved, potentially, if we had the resources in-house to more real-time do this with people in the county that really know our community and know it well. And so while that request was approved, it was also approved under the condition that we would have a report coming back from staff, so I'm glad to see it in here. And I think sooner

[00:15:05] rather than later if it's not the mechanism we use for the current challenge that you know is in franconia that may be fine but i do think it's a launching point for acknowledging these these issues exist

all over the county and they're not going away and and the more in-house capability we have to be able to address them real time through some assessments at least even if they're not deep deep studies uh would go a long way in helping us so a really good presentation and

[00:15:31] progress. So thank you. Thank you. I appreciate those comments about the transportation. That's an important piece. Supervisor Palczyk. Thank you, Madam Chair. And first of all, just huge, huge thank you to you, Graham, and your whole team. You clearly have improved the system that will never be perfect. But very much appreciate the ability to work with you and your staff on this. I think you pointed out, yeah, on our end, definitely looking at the transportation studies right clearly, especially now that we have the whatever it's called on the different ways of assessing transportation needs um and especially

[00:16:10] i know in in our very urbanizing areas um the need to be able to assess those appropriately and not put them all in one applicant right but understand the larger area so absolutely support that and whether it's i think in the house is a great idea maybe with outside support as we need it just to make sure that we are moving forward in in the way that we want to see it and leading that rather than waiting for it to come to us.

[00:16:36] The other thing I think that came up really is hopefully this timeline that we've gone through the first phase, you have more clarity, right? I know clarity for everyone, for you, for us, for the community. It's been helpful to work with NCS, but sometimes not knowing, right, whether we're waiting on a transportation study or why the timeline is, what is the timeline.

[00:17:00] So I think anything we can do to ensure, having gone through, I guess, the pilot year of tightening up those timelines and making sure that you have the staff dedicated, that can help move that along as well. And then the only other question that's really come up and maybe for those of us who still want to understand it is if there's a way to get more clarity between what goes into the plan amendment and what is more for a specific zoning application.

[00:17:29] I don't know if you have more info on that or if there are ways we can get more clarity on how to define that for everyone. That's a great question. It actually came up with the Planning Commission as well because there are a number of cases, especially those that we refer to as the Tier 2 items, where they're not the absolute highest priority, the second that the work program is set, but in most instances, they're development applications where we're waiting for some information from the developers to be able to proceed.

[00:17:56] What we've been doing, this was kind of a pilot year, so to speak, for the tiering system is we would like to have a checklist for those concurrent cases because in terms of sequencing, I think the experience has been that most of the concurrent cases actually, even those that we want to start out as concurrent, rarely end as concurrent based on just the number of key elements that we need at each stage.

[00:18:20] And so what we would like to do is have a more specific and clear set of standards for when do we need certain information for the plan amendment and when would staff recommend that a developer proceed only after a certain point.

[00:18:36] So that way they obtain the high-level land use comments that they need to make sure that they're molding their application appropriately. So we think that a checklist that kind of describes both of those for a concurrent case will actually probably save time.

[00:18:53] It's the best thing I could have heard. Thank you so much, Graham. Thank you. Thank you. Supervisor Lutz. Thank you, Madam Vice Chairman. I'll just make a couple points. I appreciate the work that's been done, and obviously having been a part of the small committee that helped draft the proposed changes, it's great to see the implementation go, I think, in a positive way.

[00:19:14] I also appreciate these proposed changes, specifically what we're talking about around kind of including the nominator acknowledgements, transportation being a critical one, environment, affordable housing. So those are really, really helpful. And I just want to acknowledge that in this process, the work that you did on a number of the Franconia items to get them to do some smaller scale transportation studies for their nominations was also extremely, extremely helpful.

[00:19:43] The thing that I also wanted to note is that I think you touched on it, Graham, is the out-of-term plan amendments. The work that we've done with revising the process has now eliminated to some degree, I think a significant degree, the need for out-of-term plan amendments.

[00:20:00] So when folks have come to me and said, I want you to consider it, I'm saying no because we have a process that's getting ready to start at the beginning of the year. So we're going to have to wait for you to make your nomination at that point. And I think that's helping us tamp those out-of-term plan amendments down.

[00:20:19] So I want to acknowledge that. And then on the inclusion, and the chairman mentioned this, the outreach to communities that had not previously been engaged in the process, I just wanted to ask a question because I should probably know the answer, but I do not. Engagement with the manufactured housing community, can you speak to that as a part of this engagement and outreach to the community absolutely so we're actually on the plan amendment side we are beginning the work on the manufactured housing policy amendment so leah niebauer actually is the one of the she's the dpd lead on that

[00:20:55] initiative and we're working every every week with department of housing and community development so we have um we've had started some discussions about how to do that that outreach um i want to get out ahead of hcd but they definitely have a strategy where we'd be doing individualized meetings with each of the communities since as you know each community along the it's it's different both those along the richmond highway corridor and then also those that are in uh the braddock district and over uh in the sully district so um we we will be coming back um to each of the supervisors to describe what outreach looks like there since we know that there's some specific needs especially in terms of translation um that will that will need to be a part of that initiative

[00:21:34] no i appreciate that response and i'll just make the point that when i came in the office that was one of the points that was kind of very specific that concerned about outreach and being included in the process so i think this is going to be really helpful in terms of going to the individual communities and engaging them uh one by one so i i look forward to hearing what the strategy is there, and if I can participate, I will see if I can do that as well.

[00:22:01] So thank you. Supervisor Herity. Yeah, I want to thank you for the improvements here and for the look, as we had in our conversations, you know, the need for speed and flexibility because time is money, but understand also the frustration not being able to get past some of the firefighting to the actual planning of an area.

[00:22:26] So I think we've got to keep the balance because we've got to respond to the market. We've got to respond with speed and flexibility, but at the same time work to try to get that overall planning stuff done. But I appreciate this kind of accommodates both to the best that you guys can do it within the workload you've got.

[00:22:47] So thank you. Thank you. Okay. Thank you. Thank you. Thank you all. The process is working well. You're changing it where you need to, and all of those pieces are going well. So thank you very much. Thank you all. Much appreciated. Okay, our next presentation is going to be about multifamily development and repurposing, I can talk today, repurposing office to residential, so we'll give them a minute to get up here.

[00:23:19] Someone's going to give me a Halloween box. Yeah. Is that you? No, we don't know who gave me the Halloween box. You just did it, you just did it, right? Who did you do it with?

[00:23:35] Rodney, your microphone's on. Good morning.

[00:23:57] i'm going to turn it over to joe got you thank you chair smith uh joe lahate with the budget office joined by akina rice with municap um i think you all know i think in terms of the future where the budget goes obviously a mainstay of us is commercial multifamily where do those assessments go um mr rice's firm has done work for us for years through a combination of bond financings market studies so we thought it was appropriate to bring him in to give a good outside objective perspective on this um and i think in additionally obviously everything that's turned into the ever-successful Mosaic District, as largely due to his forecasting and work behind the scenes on that one.

[00:24:31] This report was put together mainly by his staff with feedback and input from the Budget Office, coupled with much assistance from Tom Reed and Jay Doshi, Dave Pellegrino, and DTA. So without any further ado, I'm going to turn it over to Mr. Rice to kind of walk us through all things in the summary of the report you put together. Thank you.

[00:24:48] Good morning, and thank you for having me here this morning. It's very good to see all of you again. So, Municap was requested to prepare a fiscal impact analysis of the impact, first of all, of urban infill mid- to high-rise multifamily development, and then to compare that to a conversion of a vacant office building, which I think is a very timely, as I think we'll see as we get into the data and the analysis, it's a very timely, you know, conversation.

[00:25:18] A couple things I want to mention about that analysis, as Joe said, we've had the great opportunity to work for the county for many years. And over those years, we've prepared a number of fiscal impact analyses for different types of projects. As we worked on that, we did a very extensive review with Fairfax County staff.

[00:25:36] We went through every line item in the county's budget, discussed each one of those line items with county staff. County staff here is always great. They're very sophisticated, intelligent, competent. And we got an understanding for each line item in the budget, what that line item represented and how each line item would be impacted by new development and how it would be impacted and then developed metrics for estimating how new development would impact those line items.

[00:26:04] And with that, we developed a very thorough fiscal impact model for the county. Now, we didn't have to go back and repeat all that in this case because we had done that before. We used our existing

model. We did update it for current county information, such as the current budget, as well as other statistics.

[00:26:20] And as Joe mentioned, we also circulated a couple of drafts of that to county staff, who really gave us some great feedback and some information, which we adjusted our analysis for that. And so I really think the analysis we prepared, we can say, is really a collaboration between UNICAP and county staff, which is the way we like to do fiscal impact analysis, is to really take advantage of county staff and their knowledge and very deep understanding.

[00:26:46] So, you know, one of our focuses of this analysis was to look at urban infill multifamily, and that was actually the specific assignment we were given, is to look at mid- to high-rise multifamily in an urban infill location. Now, there's often this thought that residential always creates a negative fiscal impact.

[00:27:04] A lot of times it does, okay, but it doesn't always, okay? There are several factors that are very important when you're looking at the fiscal impact analysis of residential. Okay, first of all is obviously the value of the residential. How much in tax revenues will it produce? One of the things we see with mid- to high-rise urban infill multifamily is it tends to have higher values than what we tend to see if you're looking more at suburban-type multifamily.

[00:27:28] A second factor that's very important is the students that are produced by that residential. Education is by far the greatest expense of the county. And so to the extent, we all love children, I love my own, but they create more expenses to the county. And so the difference in student generation rates is important.

[00:27:47] Well, Fairfax County, being a sophisticated county, has researched students generated with different types of residential. We know that's a fact. You know, single family homes, townhomes, apartments, they all generate different numbers of students. Fairfax County is like other urbanizing counties that has, you know, is seeing demand for mid to high rise residential.

[00:28:10] For example, Montgomery County, another county we've worked with extensively, Stanford, Connecticut, Another jurisdiction where we've worked for many years, Stanford, Connecticut, is right outside New York City. All of these are jurisdictions that become important economic center, okay? And they're all experiencing urbanization with mid- to high-rise residential.

[00:28:29] They've all done studies on what are the student generation rates when you have, you know, mid- to high-rise multifamily compared to more garden-style, suburban-type apartments. They've all come to the same conclusion. It's different, you know, student generation rates. So that is something that is relevant when we're talking about residential and what kind of fiscal impact does it have.

[00:28:49] A third very important factor is what type of public infrastructure and facilities are required because of that residential development. And what we typically find in urban infill is a lot of the infrastructure is already there. That's why that's often referred to as smart growth.

[00:29:06] Okay, you take advantage of the infrastructure, the public infrastructure that's already there. It's often much different in the amount of infrastructure that would be required when you're, again, you're going out into suburbia and you're, you know, developing greenfields. We were told in this study to, you know, presume that the public infrastructure and facilities would be there because it's urban infill development.

[00:29:28] Typically, we find that's the case. Now, I think, you know, if you were looking at a specific project, you could dive deeper and see, you know, whether that was the case, you know, uniformly. But that was the presumption we were told to make in this study, which I think would generally be a correct assumption to make. But we didn't look at, and one thing I want to point out, we didn't look at specific sites or properties here.

[00:29:47] It was really more a review, you know, of a category, a conceptual review. We're talking, you know, urban infill, mid to high rise, multifamily. So we specifically looked at that as a category. We didn't look at specific sites. Now, we did look at similar properties in the county for purposes of estimating things like students or valuations or things like that.

[00:30:08] we did look at specific sites, but we didn't take a specific site in the county and use that in our study. And the same when we looked at the conversion of a vacant office building, we didn't look at a specific office property and say, okay, this is a candidate for conversion. It was really more conceptual for the category, although we did look at other vacant office buildings as well as other buildings that had been converted and so used that for the data in the study. But I do want to make a point because there's this thought out there that residential always has a negative fiscal impact. And, you know, as I said, most of the time it does. It very often does, but it doesn't always. And you have to look at the valuation. You have to look at the students generated from

[00:30:48] the property. And you have to look at the public facilities, public infrastructure that's required to serve that property. Okay. So there was a number of key findings we found. First of all, is that for the assumptions we made here about mid- to high-rise density, urban, you know, infill projects, it does actually produce a positive fiscal impact. We estimated just over $600,000 per year. We estimated that over a 30-year period, we didn't assume any growth at all in values or revenues or tax rates. We'll talk a little bit more about that because I think, you know, there are impacts, you know, if we look at over time, and I think they're worth

[00:31:26] thinking about, but we didn't include those here in the study. And then for purpose of the comparison to an office building, we looked at a vacant office building and looked at, you know, the impacts of the multifamily to that vacant office building. We found that there's a net higher fiscal impact for the multifamily of about $400,000 per year. When you compare, you know, the type of multifamily we were evaluating with the vacant office building, which cumulatively over 30 years is about $13 million. So there's other impacts, benefits we want to talk about in comparing these two. In fact, we often think it's important to think about both quantitative impacts as

[00:32:05] we've done here, as well as qualitative impacts. We'll talk a little bit about some of those qualitative impacts. Okay. So one thing that's very interesting here is 73% of the county's tax revenue, the property tax revenue. This is a very significant component. We'll talk a little bit about what's happening with office space in the county, but obviously, if you have a vacant office building, values are going to plummet on that office building, and so it's going to be a significant reduction in property tax revenues to the county as a result, whereas redeveloping that property into the multifamily that we're evaluating here results in a significant increase

[00:32:44] in property taxes. So that's something that's very important to think about the county. Now, the multifamily does result in an increase in expenditures. There are some public service costs of a vacant office building. They're not significant, but, you know, there are some costs. With multifamily, your costs

are much greater, mostly because of education. Education represents 45% of your budget, so it's significant. So we did factor in not only the impact on education, but other line items in the budget, and we'll go over that in a little bit more in a minute.

[00:33:15] But the student generation rates, again, we use county data for making those assumptions. There are fewer students produced for this type of housing. And so while there is estimated or expected to be an increase in the cost of education, even with that cost factored in, there's still a positive fiscal impact for this type of development.

[00:33:36] As I mentioned, while we didn't evaluate the indirect or the qualitative impacts, it is important to think about that because a vacant office building has impacts on the neighborhood and the community. I mean, you've experienced that.

[00:33:53] You know, there's a lot of businesses, restaurants and things like that, that really depend upon employees coming to the office and working, okay? And when those employees aren't coming to the office anymore, it has a real negative impact on those businesses. Many of those businesses end up closing. You know, they can't get by. I mean, we've all, you know, experienced that.

[00:34:09] We've seen that. You know, many cities and, you know, urban counties like Fairfax counties have been dealing with that. Conversely, when you create multifamily housing, high density in an infill location, now you have people living there. They're able to shop, go to restaurants.

[00:34:25] They create a more vibrant community. And those are, you know, positive versus negative impacts. We didn't evaluate that, but I think that's something that's important to keep in mind. So this chart just shows a representation for this multifamily property that we assumed.

[00:34:43] The blue slice of the pie represents real property taxes. The red slice represents personal property taxes, and then the yellow represents sales taxes. Those three account for about 97% of the tax revenues that are produced by this multifamily property.

[00:34:59] No surprise, those are all things we would expect to be impacted, and, you know, we see those impacts. and it's what results in the positive fiscal impact for this property. Now, as we think about this, I think some important background information, this chart looks at vacancies and rents for office property.

[00:35:18] Okay, this isn't vacant property. This is office property as a whole for the county. And so the yellow chart represents the projected vacancies. I'm going to turn to my page because my eyes aren't good enough to read that chart. So the yellow chart represents the vacancies, and you can see in about 2020, those vacancies skyrocketed.

[00:35:42] Okay, so the vertical line there on the chart represents the break line between historical versus forecast. And you can see the forecast in the future. Vacancies are projected to continue to increase over time, and this is through the rest of the decade. Well, no surprise, that's had an impact on rents.

[00:35:57] I mean, you can see the blue line represents the rents. You can see those have really declined from 2020. They're projected to continue to decline for a few more years and then to slightly increase for the rest of the decade, but not returning to where they were in 2020. Now, I think this is important, something important for you to think about.

[00:36:14] 73% of your tax revenues are property tax revenues. Office is a significant component of that. If vacancies are going up and rents are going down, property values are going to be going down. Now, we

didn't presume a change in property values, but you can see the writing on the wall.

[00:36:31] So, it's an opportunity for the county to think about this, be proactive ahead of the curve, you know, because you can see, you know, through the balance of this decade, vacancies of office property are expected to continue to go up and rents are expected to decline. And so, that's going to mean something, you know, about property values of office.

[00:36:50] Now, there are other factors that go into the valuation of office. For example, capitalization rates, you know, we're hopeful capitalization rates will decline as interest rates decline. We don't know, obviously, but on the other hand, you know, if there's more risk associated with the category, then you may not have increases in cap rates because cap rates reflect not only underlying interest rates in the market and returns, but risk of an asset class.

[00:37:14] Okay, so, but there's something, you know, you look at this chart and you have to think about risk of property values and property taxes declining for office, which is a significant component, which is far and away your most significant revenue source. So, it is something worth giving some thought to.

[00:37:31] Okay. When we look at multifamily, you know, we can see that starting with 2020, we saw a lot of, you know, variations in the vacancy. Again, the red line represents the vacancy. But we've seen those have started to decline. Occupancies, in other words, are going up.

[00:37:46] Vacancies are going down. And we can see that's continued to be projected through the balance of this decade. Vacancies in residential are expected to continue to decline. we look at the red line which represents rents we can see rents have been growing you know consistently really but you know even after COVID there was a short-term impact in COVID but since then rents have continued to go up and we can see significant growth of rent rental rates in multi-family housing through the rest of the decade and so if you have growth in rents you have declines in vacancy that's probably going to mean higher values going forward and again you

[00:38:21] think about 73% of your tax revenue, the property tax revenue. So again, it's something to think about, you know, being proactive about the rest of this decade and whether there's an opportunity to get ahead of that. Okay. So looking at just some of the key assumptions, I've already mentioned some of these. It's a hypothetical scenario where we look at mid to high rise urban infill multifamily.

[00:38:44] We looked at office that is either vacant or largely vacant, you know, where there's possibly an opportunity to convert it to multifamily, we calculated revenues and expenditures over 30 years, or we did not assume any change in valuations, although that's probably a conservative assumption. We didn't assume any changes in tax rates, you know, sales per person, for example. You know, and again, just to emphasize, this is intended to be a conceptual analysis.

[00:39:14] We didn't look at a particular property, although we did look at particular properties for purposes of the estimates. You see the table here, you know, you look at, so in both cases, we assumed 270,000 square foot buildings. So we could compare, you know, apples to apples on multifamily versus office. That was 240 apartments. The vacancy rate, 94%, that represents market, you know, the rent per unit, all of these, you know, the value per unit, all of these is actual Fairfax County data. So we used actual data from the county for purposes of all this analysis.

[00:39:45] So in looking at the results of the multifamily fiscal impact, you can see that the real property taxes increased by about $900,000. Personal property taxes by almost $400,000. Sells taxes by about

$100,000. That represented 97% of your revenues. So that was a total increase in tax revenues of $1.4 million. We estimated an increase of public services of $833,000, most of which was education, but there are other services that we also estimated would increase. So when you calculate, when you compare the increase in revenues to the increase in services, it results

[00:40:21] in a net fiscal impact of about $600,000 a year. And one thing we always like to think about when we look at fiscal impact analysis, these are estimates, of course. Estimates are never exact or precise, you know, exactly what's going to happen. So I always like to think of a concept of coverage. You know, if we're seeing expenses that are 90% of revenues, then we're a little a little bit nervous about that. You know, you can't, knowing their estimates, that's not a whole lot you can rely upon. But we're seeing pretty significant difference here in the revenues and expenses. So, you know, we presume the actual numbers will be different, but the significant coverage, we still think we're going to see positive fiscal impact from the multifamily.

[00:40:57] So when we look at that over 30 years, we're estimating about $18 million in increase in fiscal impact. And again, I want to say I think that's conservative because we're not assuming any changes in the value, even though we see with multifamily rents are expected to go up and vacancies are expected to decline. We also didn't include any of the indirect impacts. What impact does it have on the community as far as, you know, the, you know, how it impacts the community? We didn't take that into consideration. So then when we look at the comparison to the vacant office building, a vacant office building, if we assume it stays in place, it does produce some tax revenues, real property tax revenues. It's not going to produce, you know, B-pull taxes

[00:41:35] of personal private taxes because it's vacant. It's going to produce some utility tax revenues. We assume utilities are going to stay on. So it produces about $221,000 per year in estimated tax revenues compared to $1.4 million with the multifamily. There are some expenses, mostly public safety type expenses. They're a lot lower, $38,000 per year. They're pretty modest.

[00:41:56] So the net is you have a positive fiscal impact of $183,000. Of course, what this doesn't show as compared to that office building when it was occupying, that fiscal impact was much greater. So this is a significant loss of revenues for the county. And then when we compare it to the multifamily, we see the impact at about $425,000 a year of positive impact from the multifamily.

[00:42:19] And then when we look at that impact over 30 years, it's almost $13 million of positive fiscal impact over 30 years. So in estimating the revenues, we use two common approaches in doing fiscal impact analysis. First is what is called a case study approach, which we use whenever we can. That is when we'll look at a specific project. So for example, for real property tax revenues, we looked at the estimated assessed value by looking at other similar properties in the county, and then we apply the tax rate to that estimated assessed value. So that's what's called a case study approach. For most of the revenue impacts, we were able to use a case study approach. There are some revenues where we use what's called an average impact.

[00:42:57] So, for example, for the impact residents have on the sales, we looked at sales taxes per resident in the county, and we just took the number of estimated residents in this property and we just multiplied it. So that's an average impact. So for most of our expenses, this identifies the various different expenses, and you can see for the residential, there's quite a few expenses that are impacted.

[00:43:18] The most expensive, of course, is co-operating expenses, but we looked at a number of other line items in the budget that would be impacted by the residential. There's just a few of those line items that are impacted by the vacant office, all of which are really, you know, public safety type expenses. So what we found from this analysis is that the urban infill does, you know, multifamily does generate significant positive impacts.

[00:43:46] And that is without even taking into consideration the indirect and ancillary benefits, which are, we know, you know, will be significant. And we know there's also qualitative impacts on the community and the impact of having people living there versus having a vacant office building.

[00:44:03] The multifamily creates significant additional impacts to the county. And, you know, we also talked about the negative impact. You know, one of the things we've seen in other communities, it's not just that you don't have people working, showing up at work, okay, and so then they're not there patronizing the businesses.

[00:44:22] But having vacant property has a detrimental impact on other values. People are less likely to want to be located there when you have vacant property. We know that's a real impact. We see that. It's not something we took into consideration here in the quantitative analysis, but we know these are all impacts, you know, the reality of the impact.

[00:44:40] So I thought this was a very timely analysis. It was very interesting to have the opportunity to do this analysis, and I think there are some very interesting results here for you to think about. Thank you. Thank you, Keenan. I appreciate the analysis. It's always good for us to get information that will help us move forward in a positive way.

[00:44:59] Thank you. I'm going to turn to the chairman. Yeah, thank you very much. I mean, this should be a huge eye-opener for all of us. So first, thank you for the outside objective review and for the county agencies who produced data for you but didn't draw conclusions for their input and work on this as well because this is huge.

[00:45:20] For the longest time in the county, we were in a 1980s belief system that only office was good and all residential was bad for the county because at that time, residential mostly was single-family detached homes with a lot of kids. And the world has changed. Not just the world, but what happened in COVID has changed a lot for us. And I really appreciate just the raw numbers in terms of economic benefit. But for us as elected officials, looking beyond the quantitative piece the qualitative indirect impacts that you just mentioned at the end that

[00:45:56] are big big because if you care about retail you care about small businesses restaurants a vacant office building drives them out of business and the sooner we can get people and activity into those areas to spend money the more ancillary benefits for the entire economy around that area and the worst thing we can do is have a vacant building and a blighted building and keep our head in the sand that we're preserving this for some reason that's causing huge fiscal distress for the county. And I marry this presentation up with what the EDA presented to us not long ago. And I won't forget, because it was clearly mentioned to us, that if all of

[00:46:36] the office space that was built in the 80s and 90s that's not likely to be refilled again as a result of COVID were converted or eliminated, we would have a single-digit occupancy rate in the county. And we have to be real about that because some of these office spaces are at a point now where they are

causing negative impacts into the communities around them. The lack of activity, the blight, and frankly, even what they're doing to office valuations countywide, because we know they're treated differently. And so if they're driving down rents through multiple sublets into

[00:47:12] a very low rent structure, that's having an effect on office values all over the county. because of the way that we assess those. And so, you know, this is a really important moment for us, I think, to focus on the fiscal pieces of this, but also the quality of life pieces.

[00:47:30] The last thing I'm going to mention, and this is the most important part of this analysis, we just heard it when we had our meeting with our business folks last week. Again, what we hear everywhere we go is the number one problem filling jobs in our region is the lack of affordable housing. The lack of affordable housing is driven first by the inventory piece.

[00:47:56] And any economist will tell you, you have to build more housing in every price point while you're building affordable housing if you are to address the affordable housing problem, which is the number one thing that is keeping people from filling the tens of thousands of vacant jobs we know exist today in Fairfax County. And so one of the huge ancillary benefits of this, which is immeasurable, is how it moves the needle on housing affordability for people to come into this county, take jobs in this county that are sitting there waiting for people, and turn that into economic development as well.

[00:48:30] And so the numbers that you've provided here on examples are important for us. But as lawmakers, we have to think about the overall impact on the community. I think we've only scratched the surface of the difference between what happens if we're not robust in looking at conversions or not.

[00:48:50] And I think probably the best example of where this is really working in the county in a profound way is in Mason District at Skyline. I mean, you had businesses around there that would be gone if not for conversion to residential. And from an environmental standpoint, you had an adaptive reuse opportunity that used existing infrastructure and made that pencil out.

[00:49:13] And so I think this is the most important thing we've heard in a long time in terms of addressing affordable housing, in terms of the impact on our economy, in terms of how we comprehensive plan and think ahead. And I thank you for all the work that you've done in the analysis, because I think it's remarkable.

[00:49:31] Welcome. Thank you. I have Supervisor Walkinshaw, then Palchek, then Beertman. Thank you, Madam Chair. Obviously, powerful and important information here. I have a comment, I guess, and then a question. To the chairman's point, I think probably the other thing we miss in this discussion of the relative value of residential development versus commercial development is something that's maybe obvious but can't be captured in this kind of data, which is that those individuals living in the homes, the example homes that you identified,

[00:50:08] there, presumably worked to some degree in office buildings. So the residential development is necessary for the revival of the commercial sector. Businesses aren't going to want to locate here if their employees don't have somewhere to live that's affordable to them at every price point. And that's true of multifamily. That's true of single family. That's true of attached housing of all types. So it's a necessary component. And when we just look at the land use type, it doesn't obviously fully captured the economic benefit, including the ultimate tax revenue benefit of that residential

[00:50:42] development. But I did have a question on slide six. That was obviously probably like a lot of folks struck by the forecast vacancy rate. And I read through the report and I didn't see an explanation of how that that post 2024 forecast was developed obviously you know it's in the realm of divination at this point in terms of how how one would come to those conclusions but can you

[00:51:18] can you speak to that a little bit yes so this is the forecast that we obtained from costar which is a um service that provides a great deal of data on real estate you know in in provide they provide it nationally but they also can provide every specific you know market sub market and so this was specific projections from costar for fairfax county looking at and they take you know they have an incredible amount of data that they gather um on property so this is their estimate that they developed just given trends and what they're seeing you know as far as you know people coming

[00:51:53] into work versus working remotely um and um you know just you know what they're seeing in the market. So I think it's a very credible source of data. We use CoStar extensively. And so this is a forecast that was provided by CoStar. Okay. I think, hopefully I'm not stating this too strongly, it differs from, I think, some of what we heard, it was either from DEI or EDA in a relatively recent presentation where there was a sense that perhaps we were turning a corner on that commercial office vacancy rate, and they qualified it and were careful in stating it.

[00:52:33] But let me just submit as a budget question, maybe to have -- and I can't recall whether it's DEI or EDA -- speak to that question and this COSTAR forecast, because I'd like to understand the differences.

[00:52:50] Yeah. Thank you. MS. Supervisor Palczyk, then Bier. Well, thank you. Thank you. Always good to see you, Kenan, and the work that you do in knowing that your projections for Mosaic have been more conservative and now definitely have shown that it's way above, right, that those original conservative estimates.

[00:53:13] And as you mentioned, and I think you mentioned this, is this is only the direct. We're not even considering the indirect, right, which many of those have been brought up, whether indirect to the surrounding community, indirect to what it means for the larger office market vacancies, right? I assume that if you have less vacancy, the other valuations will generally be a positive. Let me turn to that. I was also looking at the table on six, and I don't know if, number one, I was looking at it to ensure that while we are only looking at vacant office

[00:53:50] versus multifamily, that, right, I'm sure someone out there is thinking, well, what if you were to fill the office space, right? And you mentioned that that clearly is a very high valuation, but I think what you're showing here that, and maybe EDA, I know said things were slowing on the vacancy rate, and here we see a slowing at some point around 26. So it'd be good to get both of those. That even if we were to fill some of that office, vacant office with office, it's very unlikely that in your reporting, here it only goes up to 29, but I think your analysis goes all the

[00:54:26] way to 54 i don't know if that's correct or a little bit longer that i guess the question is what if office were to come back right um i think we want to make sure that we're not going too far in one direction so we didn't assume any changes in valuation for office for that entire 30-year period i do want to point out if you look at this chart a little more carefully it shows vacancies increasing to about you know mid 26 so a couple years down the road and then it showed the kind of leveling off so that i don't know that that i haven't seen the data that was otherwise prepared i'm not sure that's really inconsistent with that other data but i want to point out it doesn't show

[00:55:05] vacancies recovering to where they were you know pre-covid so it shows that maybe it stabilizes um but it doesn't show to that you know the recovery and you know all those workers aren't coming back and filling that office space and you know we see something similar in the rents the rents declined about 26 and and then you see very modest increases after that but again you don't see rents recovering to where they were pre-2020 so those days you know when we look out in the decade the worst you know may be behind us or behind us within a couple years but we don't really see getting back to where we were in 20 in 2020. Yeah no and I appreciate that because I

[00:55:42] think it's a it is a very hard to rechart most of us are now having a harder time reading those So appreciate you analyzing that. And I think on the next one on page seven shows the other positive impact, which I thought was going to be mentioned that we discussed at our table with the CEOs was looking at without increasing access to housing, just how much housing cost would continue to rise.

[00:56:09] So not only helping address the vacancy rates in office, but really helping us, and we're looking at a lot of that here in Merrifield and Tyson's area of how to ensure that we're able to help better keep up with the housing needs, right, of that workforce that we want to be in those offices.

[00:56:25] And Chairman McKay made a couple of points that I just want to reiterate based on our own experience. Number one, housing prices is largely a function of supply and demand. Now, obviously, you know, inflation and cost of materials is going to affect that. But where we see great affordability issues is in the markets where supply just doesn't keep up with demand, okay?

[00:56:45] And so addressing supply is something very critical. The second factor, when you're looking at drawing employers, availability of workers is very important. We were actually involved in a corporate relocation study a number of years ago, and the number one factor in determining where a company relocated wasn't actually tax rates, it was availability of employees, quality employees that they needed.

[00:57:07] So, again, you know, providing houses that results in residents and you're probably talking about, you know, educated, sophisticated, you know, people who are good candidates, employees, potential employees for, you know, companies that would look at locating and expanding.

[00:57:24] That's a very important factor if you're looking at drawing, you know, new employers, you know, creating jobs in the county. And I would add, I've heard from our hospitality sector that they're all competing for employees, right? So you really need to be able to house all of our employees. One final question, I don't know if it's in here, is that I think is another improvement is being able to write size, write office.

[00:57:44] I know that the borough is doing really well, that the way we think about office and multi-use, you know, whether it's Mosaic Plus, the borough, Capital One. Are you seeing, is there a way to sort of help quantify that other than us just kind of guessing that being able to go from these more suburban 1980s, 1990s, all office buildings to finding the right kind of mix, I assume is another improvement in helping office.

[00:58:15] Let's say they're going to do a mixture of residential and office, but that clearly can't go into this analysis. Yeah, so that's a very interesting question. It's not something we analyzed here. One thing I can tell you we have analyzed is employers these days don't really want to be in stand-alone office parks.

[00:58:31] They want to be in mixed-use communities that are more vibrant. You know, there's more going on. Employees prefer working. You know, they're more attracted to employers that are in those

locations. We're actually working on a redevelopment in one of the largest office parks in the country. I'm not going to mention their name, but if I did, you would know it.

[00:58:48] And they were traditional, everything was office. You know, a little bit of retail there, but it was all office. And they're finding their vacancies are increasing, that companies are relocating in different locations. And they figured out one of the reasons is because it's, you know, just kind of a standalone office park.

[00:59:07] And they're now looking to redevelop to create a more vibrant mixed-use type of community because that's where employers want to locate. So that's another reason why, you know, decades ago we always thought residential, you know, is bad, but it's not really. You know, that's a very important part of creating a vibrant community, which not only supplies potential employees for employers, but it also helps create, in fact, it's critical, it's necessary to create a vibrant community.

[00:59:32] And that's what employers are looking for now. I appreciate it. And then the only final one that wasn't here is I've seen quite an increase in applications for all senior, right, residential tower buildings that are accessible, walkable. And so in addition to just general residential, which brings school requirements, then we have the seniors who are then leaving what are difficult to maintain homes to be in more urban areas.

[00:59:59] Well, I would just like to mention something about that, because we work on quite a few retirement-type communities, you know, active adult. There are a number of states that actually compete for those kind of residents. You know, you'll see that. They do advertising in different magazines, you know, things like that.

[01:00:15] They want to draw active, you know, adult retirees because they have a very positive economic impact. They don't, you know, produce children in schools. They don't create rush air traffic. They bring in a lot of transfer payments, you know, Social Security, you know, Medicare.

[01:00:31] They are by far the greatest uses of medical, you know, services. And most of that is paid for by the government. When people retire, it's paid for by Washington. And so it's bringing money into the community, which helps support very high-paid, you know, industry.

[01:00:48] They also start withdrawing money from their 401Ks or IRAs or whatever. They didn't pay taxes on it then. Now they do start paying taxes. Now they're spending that money. They're also very avid supporters of the arts. It's very hard to have a good arts community without retirees.

[01:01:05] I mean, if you go to the theater or something, you can see that in the audience. And many communities, local governments, have figured out how valuable. Another thing I would mention, is there some value in allowing people when they retire to stay closer to families? A lot of times they'd like to stay closer to families.

[01:01:20] We haven't built that way, so now we have to rebuild it. Exactly. You know, families would like for their grandparents to, you know, be close by, you know, stay around. And so there's a lot of benefits to retiree housing, and increasingly local governments are figuring that out. You see out-migration in a lot of jurisdictions, like in Maryland, consistently suffers out-migration.

[01:01:38] of retirees and local governments are starting to make more effort and one of the keys to keeping retirees is providing quality housing that's specifically for retirees for certain specific needs that

retirees need in their housing and providing available housing for them is one of the really critical aspects of keeping retirees in your community. I think you're a talking point for our 50 plus community. Thank you Kenan. You know it's amazing you sit here and you think man this is really an exciting discussion. I never thought about the retiree piece, but Westfield's business park is a great example of where the business park was dying. So we were able to bring

[01:02:18] in residents, Wegmans, and it's livened up the business park. Okay, I have Supervisor Beerman, Herity of N. Jimenez. Thanks so much for this study, which is really, really useful. It's great to quantify some of the missed opportunities that come out of vacant office buildings and to quantify the opportunity that comes with office-to-residential conversions.

[01:02:44] I love the study. It's also clearly incomplete. And the reason why I say that is because these ancillary benefits are things that we really do need to study. They need to be a part of the next thing. And to what Chairman McKay said about housing, you know, you can't solve a housing crisis without more housing, right?

[01:03:04] You can't make housing more affordable without more housing. But what is extremely useful about what you have produced is you've started putting a finer point on some of this. And also you've factored in, in a very positive way, data that people like to discount.

[01:03:23] So you all – this board probably knows more about one office building in McLean than it should, the Cygnet, since we just approved helping the McLean Project for the Arts move into the Cygnet. When the Cygnet was built, there were lots of people in McLean who were very concerned that, oh, it's just going to cause all the overcrowding in our schools.

[01:03:44] There is one school child in FCPS at the Cygnet. I met his mom. There's one. There have also been concerns in McLean, frankly, about more residential conversions or more residences in Tyson's.

[01:04:02] What's it going to do? Now we have data. It shows, again, the positive effects of adding this housing. But I do think that the next step that is really important is for us to discuss more indirect, you know, induced ancillary benefits.

[01:04:19] the businesses that are sustained in Mason District because the old office park is now being converted. The last thing, though, and I feel like this is a good – this is round three of our discussions on the commercial office market in the last probably four months.

[01:04:39] We had the Department of Economic Initiatives come in and talk about our vacancy rates. We had our Council on Economic Opportunities. We've had this. And yet throughout those three rounds, talking about the economic profile of Fairfax County, no one has mentioned it.

[01:04:57] And I believe it's probably because there's a gentleman's agreement not to talk politics around here, but it has to be mentioned that if the election goes in a certain direction, Donald Trump wins and he delivers on a promise to move 150,000 to 200,000 federal government jobs out of the D.C. area, that is going to have great effects on our local economy. And it will have great effects on our office market as well, because we know how many businesses locate here specifically for the purpose of being near federal government jobs and, you know, our federal

[01:05:34] contracting. So I don't know what's going to happen on November 5th, but it has to be said that that will have a extremely deleterious effect on us. And we have to be prepared that if it does happen, that

we study those effects. We don't know exactly what it will look like.

[01:05:53] The last time around, it did not look like 200,000 just shipped out. But we know that there are plans in place of that. We know there are plans in place to dismantle the civil service. Those civil servants, by the way, they're your neighbors. They're your friends. They live on your street. And so I think we need to be prepared. Unfortunately, we could be meeting several months from now in which all of our projections about office vacancies, about this or that, are going to need to be rejiggered based on whether or not that happens as well. So I wanted to get that on the record. Thank you. I have Supervisor Herity Jimenez and then Stork. Lovely. I get to follow

[01:06:30] that. I guess somebody's believing everything they read on the internet. Anyway, I'm curious. talking about? There are clear plans in place, and I said if he delivers on those plans. Supervisor Herity has the... That's fair, but that's an out-of-line comment. Thank you.

[01:06:47] I was curious where the requests originated from for this study. I believe it came up through a staff member's office, I believe, or the board member's office.

[01:07:02] I think indirectly it came back to some conversations we had. I think from our committee discussion. Oh, okay. Yeah, from – I'm sorry. When we had to create a discussion with you. No, I just was asking where the origin of the study – how did the study get requested? I don't recall, but that was a curiosity question.

[01:07:20] Yeah. I mean, I will say I've played an active role in making sure this study gets done for good reason because of all the presentations we've had, all the forecasts, all the concerns from EDA, all the budgetary challenges that we've had in the past, and a false narrative out there about housing and housing development in the county.

[01:07:40] And so I think collectively, listening to the board over a long period of time and being frustrated with the fact that there wasn't a third party outside objective analysis of this that could guide us moving forward, which is a best practice and what you would hope a government like this would do, given the importance of the issues that we're talking about here.

[01:08:01] Yeah, and I just don't want to make sure we're making office into bad. It's all about balance, and I'm going to kind of finish my thought with balance. But do we have the same numbers for a fully occupied Class A office building? We did not study that.

[01:08:17] I mean, obviously, you have very positive economic impacts. And, in fact, we mentioned when we look at the impact, you know, the fiscal impact of a vacant office building, but that's missing is what a decline in the impact from an occupied. It's great to have occupied office buildings.

[01:08:33] I think everyone would agree on that. I just wanted to make sure that was kind of stated because it wasn't stated anywhere in here. And it's stated everywhere, Supervisor Herdy. I mean, we talk about it all the time. No, in this report, it wasn't stated anywhere. And I just, I thought it was worth making that.

[01:08:50] Yeah, Kenan did make that comment when he was at the beginning. Yes, that was. You know, the student counts, I worry a little bit. We had the, way back in the day, and we had issues with the counts in townhomes. We all know that. We're all dealing with that, with fire lanes and everything else.

[01:09:07] So I understand. You said they came from Stanford? No, no, no. We use Fairfax County statistics for student generation rates. I just mentioned Fairfax County experience is consistent with what we see with other similarly situated areas just outlying, you know, like a major metro or Stanford is just outside of New York City.

[01:09:29] They're very similar to Fairfax County in that they've become a significant economic center themselves, and they're experiencing urbanization. And they've done their own studies on student generation rates for mid- to high-rise residentials. So we used Fairfax County data who's done their own analysis of that.

[01:09:47] And I was just saying your experience is consistent with what we see with other jurisdictions. All right. I misheard then because I thought we were looking at Stanford for that. But, okay. A couple of people have referenced the Council on Economic Opportunity. And I was sitting at a table where I was sitting with somebody who's investing in commercial now because they see that it will come back in five years or so.

[01:10:11] And we all know it's $0.30 for a dollar now, and at some point people invest. And, again, those revenues are going to be supply and demand-based, just like they are commercials, just like residential. It's going to be supply and demand. I think our challenge is that we keep some commercial in the right places while we convert other commercial to residential.

[01:10:37] I mean, so to me, it's a balance issue. And interesting, he mentioned something somebody else referenced or you referenced, his target's the mixed-use areas because he feels that's where office is going to be successful because people want that, which is why we're looking at Fair Lakes overall.

[01:10:55] Thanks, Graham, to go into our previous discussion. But it was a commercial office park. It won't survive as a commercial office park. how we transform that into that mixed-use area like Fairfax Corner. We did that Fairfax Corner a long time ago. I think that's all I'm going to say.

[01:11:15] But I think to me it's the same thing I brought up with industrial and the data centers. I think we're going to need to make sure we keep enough commercial that we're going to be able to, because commercial fully occupied is very, very beneficial and it never will not be. But we've got way too much of it now.

[01:11:35] and nobody's got the crystal ball to have the perfect amount at the end, but we don't want a pendulum swing too far only to have the pendulum swing back. So balance is the key. If I could just mention, you're right. That's, I think, always the challenge. Your challenge is finding the balance. If it's all or none, it would be an easy job, but it's not.

[01:11:53] It's finding that balance. But one of the supervisors made an interesting point that if you reduce some of the office supply, then that increases the occupancy of other buildings and increases the rent and restores those values. So finding that balance is something that's really critical.

[01:12:10] And I think you also made a very good point about creating mixed-use. You know, when you look at, you know, office corridors, a lot of these developed as almost solely office, but that's not what companies are looking for anymore. And so, you know, creating some, you know, looking for opportunities to make these mixed-use centers, which often means adding residential because that's really critical to making these vibrant and supporting those mixed uses.

[01:12:33] But I think those are both two of the challenges you're looking at going forward. That's not what companies or employees are looking for. They want more around. Right. Thank you. Just real quick on that point. I think the point of this study was actually balance. And what has happened to date is we've traditionally seen commercial versus residential.

[01:12:54] And what this study shows is residential can help commercial dramatically if done right. And what doesn't help the county is vacant buildings sitting out there. And I think that the balance is key. That's the whole point of this analysis. I mean, if tomorrow we could wake up and build 100 million square feet of commercial office space, that would be in the best interest of the county, no doubt about it.

[01:13:17] But if we're realistic and we want to understand the economics and the impacts of housing and can solve multiple challenges in our community in a balanced way that also helps office, That's what this analysis was all about. And so we've got to get out of this mindset of commercial versus residential and get into the mindset of how the two can be paired up to promote economic development and the county budget at the end of the day.

[01:13:42] And that's what this does. And that's what this shows us can happen. Thank you. I have Supervisor Jimenez and then Stork. Thank you so much for this study. It's so intriguing. And so it relates to me so much with Mason District, as Chairman McKay brought up, especially skyline and as I look at Seven Corners and what's happening there and the amount of office space that's vacant there. And it goes back to something else Chair McKay talked about, which is the quality of life for our residents and what that means. And Supervisor Palachuk brought up senior living, which I thought was right on point, especially as we hear, especially in Mason,

[01:14:21] so many seniors talking about housing, talking about wanting to live near their families and and how crucial that is, but also what, as you mentioned, sir, what senior residents give back, give back to the community, give back to the arts. So it's extremely important.

[01:14:38] And as Supervisor Bierman mentioned, more housing is always better. And I would just say that as we look at more housing, and I know we have, but I just want to mention as we look at more housing, we always need to make sure that we're looking at housing for our teachers, our county workers, firefighters, EMT, and police, because they are critical to our structure as a county, but we want to make sure that they're able to live where they are working.

[01:15:05] Thank you. Thank you. Supervisor Stork. Thank you, Madam Chair. The study is great. I have a couple questions to ask about it, but I first wanted to lead with the core issue that we've talked about, not only at the CEO meeting that we had a couple weeks ago, About economic development and housing and how the two are deeply tied together.

[01:15:29] And obviously, if we want to continue to grow, and I think that's all of our objective, grow smartly, right? We want to build it in the way that people want it. And we know that that's changed, as you all have talked about, as we hear from brokers and everybody else out there. So I think this study helps us to understand better how we could address some of what we know is, I guess, a barrier.

[01:15:52] maybe not a barrier, but at least a hurdle that we have to overcome to get to some of the other economic development and ultimately to get more housing that is attainable. And attainable housing, housing that I can afford or people who have less income can afford, et cetera, is the core of that.

[01:16:09] And anything we can do to increase that housing is wonderful and I think helpful to our economic development. You've used in here consistently the term rents. I just wanted to be sure that, Or maybe I'll ask this question. Was the term rents intended to be as a rental or was in turn to be reflect what the cost of housing would be if you wanted to own a unit?

[01:16:31] In other words, renting versus owning and the audible cost of owning a unit. So our analysis was specifically looking at rental properties. And when we looked at other properties or comparable properties, they were all rental properties. I think you raise a very good point.

[01:16:46] I mean, the market is not just rental. It's also poor sell. And, you know, the same issues, I think, apply there. But the purpose of this study was to look at rental. Now, for sale units typically have even higher values, even if you're looking at a mid-high-rise condo.

[01:17:02] We generally see those values are higher than for the rental value. So it would presumably have even more of an economic or fiscal impact. But we specifically here look at rental property. I want to ask that specifically because I think that's a core issue that we recognize in the economy.

[01:17:18] We need more owner-owned homes, period. And frankly, Wall Street's making that harder because they're out there buying up units of homes that are then flipping them or turning them around and renting them for 20 or 30 years.

[01:17:35] And that makes it harder for people to get into the entry-level housing because it overall increases the amount of the cost of housing. So for me, my focus is more for sale because that will only increase the amount of rental homes available as people move, either move up or at least move over and have other options.

[01:17:53] And I think that's a critical part of our focus. And I would look at how do we incentivize that as a county to do more for sale. And that's ultimately a conversation I'm going to have with my colleagues because I think it's an important part of how we build communities is we have more people invested in there for the long term.

[01:18:11] The other thing that was a bigger question for me is the core assumptions that you made and the analysis. And I get the fact that you wanted to kind of give, at least from my perspective, one extreme versus the other. But it's also difficult for me to really assess.

[01:18:27] You had one that basically no change for 30 years and one that, you know, kind of grew for 30 years. Was there anything in between that you looked at assessing or doing alternate scenarios that would maybe give us maybe a more accurate picture? a less stark picture of this building sits here for 30 years vacant versus this building gets converted and produces this revenue stream so we could do that analysis that's not you know what we were asked to do you know and i think partly the premise is while the office market may very well stabilize it's not coming back okay and so there are going to be buildings with very low you

[01:19:06] know the least competitive buildings are you know going to have more difficulty competing now maybe they can drop the rents even further. They probably can attract some tenants, but is that necessarily really what you want to see? Because then that, you know, has an impact on the market as a whole, you know, and results in much lower value. So certainly that's, you know, a good question, but in this analysis, that's not what we looked at. You know, we did compare that, you know, vacant building versus, you know, multifamily, you know, particular, you know, high density, mid to high rise, urban infill.

[01:19:38] So we compared those two contrasts. I thought there are studies out there that have looked at that, and maybe just I'm just looking for a way to frame this. I like what you've done. Don't misunderstand me, but I also want to try to get something that's maybe more of a realistic scenario. Yeah, I think, Supervisor, we'd follow your direction if requested.

[01:19:56] One thing I just wanted to add for the context of the assumptions we used, this was very much general fund limited in terms of the impact, but I'm remiss if I didn't kind of represent the fact that we shouldn't look past the enterprise funds from a water and wastewater perspective. For the simple fact that in these scenarios, you're going to have that much more usage flow coupled with, yeah, a lot more revenues generated for every single sink, faucet, toilet, the whole nine yards.

[01:20:16] So I think if we came back, we probably would add that as an additional component. You know, and then literally, are the pipes sized enough? Obviously, we have a sewer reimbursement program to work with developers. So I think we'd add that in further. With a missing middle Arlington decision by the judge, et cetera, that kind of reinforces that point as well.

[01:20:34] Exactly. But just to cover the full spectrum, I think that would make sense. I don't know if there's value to, I mean, I think we got what we wanted in the sense of get a sense of order of magnitude, which is value. I guess I want to continue to maybe fine tune that and maybe that will help inform decision making in other ways.

[01:20:53] But again, I think this was a great start and there's no doubt we're all in on office, but we're looking for community development. That's our core, not office development. So thank you. Thank you so much. This was a really great conversation, great information for the board.

[01:21:10] I know all our minds are thinking about all the things we need to do. So thank you very much. You're welcome. I'm going to adjourn the Land Use Policy Committee. Thanks. Thank you.

