



Business Attraction Retention and Expansion Program

**Department of
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EXISTING BUSINESS

Existing businesses in the community are responsible for 80% of all new job creation and 100% of all current jobs, business taxes and business sponsorships in Manassas. New business attraction makes the headlines, but a community's business base is the foundation for its success. A successful economic development program balances the needs of new and existing business development by focusing on both equally and by treating existing business expansions the same as new businesses locating from outside the City. Nothing makes an existing business more dissatisfied than inequality. As such, special attention will be paid to making sure the economic development department keeps its focus on strategies to support existing businesses. This will be accomplished by:

- Building an Existing Business Database.

To effectively communicate with the business community, the City must have as comprehensive an understanding as possible of who and where they are. There are many Customer Resource Management (CRM) software programs available to track this and several customized for economic development. This tool will allow the Department to input data such as contact names and numbers and information about the specific type of business and its employees. Contact with the business can be registered and tracked and reports can be generated by the software.



Once the database is established, it will need to be populated. Sources of the data range from those maintained by the City (business licenses and utility accounts) to membership lists such as those of HMI and the Chamber of Commerce. Direct mailings, surveys and other forms of outreach may be needed to develop the most comprehensive list possible. Once the data is collected, it will need to be verified before being input. This can be counted as the first outreach. There is an initial purchase and ongoing licensing cost. (\$1,000 annually.)

- Establishing an Existing Business Call Program

The Director will be personally responsible for key accounts (large employers and taxpayers). Other businesses will be the general responsibility of the Department, but contact may be made by other staff or partner agencies. Details of the program will be formalized in an Existing Business Call Program. The CRM will be used to track the results of the program and an annual report can be generated. There is no budgeted cost for this program.

- Business Appreciation Event

Each year the Commonwealth declares the third week in May as Business Appreciation Week. This presents a formal opportunity for localities across the Commonwealth to recognize existing businesses for their contributions. Many localities adopt a resolution using a template provided by the state. In addition, most plan various celebratory activities such as golf tournaments, cruises, dinners, receptions, luncheons, breakfasts or outings.



I am proposing the City adopt an appreciation resolution declaring Business Appreciation Week, host either a breakfast event or after hours reception (special event) and select one or more local businesses for an award such as Business of the Year, Environmental Steward, Community Partner, or something similar. Awards can also be grouped by category such as restaurants, merchants, service providers or otherwise. All business owners or managers will be extended an invitation at no cost. Each business physically located in the City will be entitled to send one senior person to represent them. Speakers will include a representative from the Commonwealth and the Mayor or his designee. Other speakers may include the City Manager, Economic Development Director, a Chamber representative (if cosponsoring) and possibly the Chair of the EDA or MBC. Speeches are a brief welcome and thank you. The Department will seek out a partner such as the Chamber of Commerce to assist. An estimated budget is between \$5,000 and \$7,500.

- Business Cluster Roundtables

Business cluster roundtables present the opportunity for companies in similar lines of work to gather informally and collaborate. The purpose is more for businesses to exchange information on trends in their sector with one another, but it also affords the City an opportunity to monitor that specific industry and offer support to the businesses if necessary. Meetings can be as frequently as the businesses are willing to assemble and staff is able to accommodate their agendas. Alternatively, one business owner or senior manager may decide to assume the role staff would otherwise play in organizing the meetings. Clusters can also be organized by geography with the Old Town Business Association being a perfect example. Generally meetings are both social and business oriented and can be done over coffee, lunch or as “Business after Hours.” Frequently there is a speaker or the meeting is organized around a topic of interest. Likely clusters for Manassas include Defense Contracting, Health Care, technology/advanced manufacturing, Financial/Insurance/Real Estate (FIRE), and retail/hospitality/restaurant.

Economic Development will evaluate the potential for clusters to be developed by determining if there is an interest by these or other industry groupings that is not being met by other agencies such as OTBA or the Chamber of Commerce. Alternatively, a sponsor organization or business may be willing to help organize or even take the lead on forming new cluster initiatives. (\$5,000 annually.)

- Business Incubation

The City of Manassas has previously discussed establishing a business incubator. Most localities in NoVA use George Mason University to operate these, and there is currently an ongoing concern on the Prince William campus. It is contemplated that this facility will relocate into Downtown which will provide a more conducive environment for the tenants plus allow GMU and Prince William County to focus on expanding their modeling and simulation programs, which are currently competing for space with the incubator. The incubator will provide space for small and start-up businesses that need access to customized training and support.

Within the incubator will reside a professional manager and an administrative support person who will run the day-to-day operations of the facility and ensure the needs of the tenants are being met. More comprehensive assistance than the on-site personnel can provide may be delivered by GMU faculty and students and local service providers such as attorneys, bankers, accountants and marketing agencies. The ideal space will have a fairly open floor plan for a creative/collaborative working environment, reception area, a conference/training room and a handful of private offices. No more than 2,500 – 7,500 square feet should be needed. Tenants (clients) are expected to pay for the use of the space, but incubators rarely exist without public subsidy. A complete understanding of the financial commitment needs to be developed.

- Small Business Development

Business Counseling - In addition to the business incubator, the City needs to explore the relationship between the Flory Center and the Mason Enterprise Center. Currently the City of Manassas contributes \$35,000 annually to the Flory Center and is not served by the MEC (part of the Virginia network of Small Business Development Centers or SBDC's). The two organizations provide very similar services; and an analysis of which or both is the best value for the City needs to be undertaken.



Economic Gardening – This is a National program sponsored by the Edward Lowe Foundation and to date has only gained recognition and application in Hampton Roads. The Foundation provides business counseling in targeted need areas for Stage II companies (generally between 10-100 employees and with proven management, revenues and growth) that need assistance in going to the “next level.” Services are tailored in areas such as marketing, website and online presence development, organizational infrastructure and research. There is a fee for the services that generally runs about \$5,000 per participant. Participants are companies that have a product or service which can be scaled for sale or delivery outside the local market. The EDA can take a leadership role in identifying and sponsoring companies in the program.

NEW BUSINESS ATTRACTION

Although existing businesses are the engine of a local economy, new business attraction garners the headlines and commendations for economic development organizations. When people hear the words “economic development,” new businesses are what they envision. It is frequently the standard by which economic development is measured: new jobs and capital investment.

New business attraction is more a function of a community’s appeal to business interests than it is economic development. Community appeal means proximity to customers or suppliers, labor force, incentives, education, cost and ease of doing business, transportation, housing, taxes and other tangible factors. A locality that invests in these areas will naturally be more appealing to new business investment than one that does not. A community on the rise is more attractive than one in decline.

The role of the Department of Economic Development is to identify businesses that can benefit from what the community has to offer and to communicate the advantages of choosing Manassas to them. This must be presented as a compelling business model that stands out from the message being conveyed by competing localities. To communicate the message and identify prospective businesses, economic development will develop a marketing communications strategy focused on the following areas:

- Partner Relationships

A majority of business leads come from the development community, brokerage community, Virginia Economic Development Partnership, Chamber of Commerce and existing businesses. Marketing to these partners, or in conjunction with these partners, is the best way to reach qualified business prospects. The City’s Department of Economic Development will foster and nurture relationships with these partners by acting as a resource and problem solver. People do business with people; and knowing that one locality is more willing and capable of helping to get a deal done will result in these partners increasing deal flow to that place. Finding ways to stay “top of mind” and in front of economic development partners will become a priority.



Additionally, being responsive to requests for information and being helpful during the permitting and approvals process will raise the confidence level among these partners that their clients will have a positive experience. Proactively providing updates on available properties and changes to local demographic or regulatory factors enables these partners to more readily meet the needs of their clients. So rather than spending the most resources to focus on the universe of companies that may be expanding or relocating and then trying to gain their ear about Manassas, economic development will focus more of its marketing efforts on its partners.

- VEDP

The Virginia Economic Development Partnership is the agency charged with economic development for the Commonwealth. Addressed as a partner above, VEDP is that and more. Many competitive projects managed by brokers and consultants for larger businesses and corporations begin their search by calling VEDP. VEDP controls the recommendations for state level incentives that can be used to attract new businesses and encourage local expansion by existing businesses. The City should make the state aware of any mid to large size projects early in the recruiting process so that any appropriate support can be solicited.

VEDP coordinates trade show participation at major industry events and conducts direct marketing missions to call on qualified companies and economic development consultants in cities around the US. The agency hosts special events across the country where prospective clients gather to be entertained and recruited. VEDP organizes trips by the Governor to call on domestic prospects and has an international division with offices around the world that plan and organize international trade missions and trade shows.

As the lead agency for Virginia, VEDP can be a tremendous supporter, cheerleader and ally. In addition to project management and incentives, they can provide technical support and assistance. Developing relationships with their staff at all levels and in all divisions is a priority. Convincing them Manassas is serious about economic development and staying “top of mind” is the goal. This will be done by regular communication of development updates, periodic visits to their offices, participating in travel as an ally, sending a small token of appreciation during the holidays, and occasional visits to their offices.

- Sites and Buildings

Regardless of where a lead originates, prospective businesses need information about sites and buildings because if there is no readily available place to move into or build on, there is no point in considering the community. Not having available sites and buildings is frequently referred to as “selling from an empty wagon.”



Economic Development will strive to maintain

an accurate database of available sites and buildings and to serve as a clearinghouse for brokers, property owners and businesses on both sides of a transaction - sellers and purchasers.

Development and speculation in real estate is primarily a private sector function, but there is a time and place for public ownership and development – especially in communities that are at a competitive disadvantage to other localities. The time for public development may be during a recession when properties can be acquired cheaply and the real estate market is inactive or when a locality has allocated sufficient resources to undertake a master development or

redevelopment. Companies and developers generally are no longer speculating on real estate by undertaking industrial and office park developments; they prefer to buy sites within developed parks and construct facilities on individual lots. The place for public investment may be a redevelopment area such as the Mathis Avenue and Centreville Road corridors, it may be a highly visible or key property identified as being so important it cannot be left to the private sector to determine its use, or it may be large mixed use developments where the private sector does not see a market and is not willing to undertake the risk and expense of speculative development. Land acquisition and development is a means by which a locality can take charge of and control its future through public ownership and investment.

Many of the most attractive sites for economic development in Virginia and throughout the country are publicly owned and developed. Properties like Gateway allow a locality to control deals throughout the development cycle. From planning and land use to incentives and permitting, having the flexibility to manage most aspects of the project is a strong tool. There is no better way to control that a particular type of land use will occur than to be the property owner. After ownership, intimately understanding the nature of the real estate itself (geotechnical, environmental, utility infrastructure and other site related factors) ensures that there will be no surprises for a client during development. And, of course, ownership allows for flexibility or creative financing during negotiations to get a deal done.

- Demographics

Beyond the immediacy of location, a business will have questions about costs, incentives, permits, labor force, education levels, housing and other community factors. Maintaining or procuring and publishing that information is the responsibility of economic development. Much of the information is readily available on the internet, so understanding what information is most important to a client (and presenting it in the most attractive and favorable light) is a key responsibility. Because so much information is available on the internet, most consumers expect to find it readily available; and having to sift and search for it is frustrating. Businesses most frequently begin their search online and may short list or eliminate a locality based on what they find without ever calling economic development. Developing and maintaining the pertinent data in a readily accessible and user friendly format is another top priority.

INCENTIVES

Economic Development is a globally competitive business, and incentives are a necessary part of attracting new and expanded business investment in any locality. They are used everywhere in the world by countries, regions and local governments. Although most companies now ask about incentives early in the site selection process, generally they should be used for deal closing. Incentives are best thought of as equalizers or that little extra push to influence a company's decision. If Community A and Community B are essentially equal -- or nearly so -- in regards to all matters (especially cost), then incentives can close a gap or tip the scales.

Having a robust incentive program is an important factor in whether a community is viewed as pro-business and aggressive in economic development. Just as having good Partner Relationships was previously described as important to increasing the amount of prospect visits, so is having incentives. They communicate a message.

Incentives must be equitable. If a company gets an incentive to locate or expand in Manassas, that same incentive should be made available to a similar company with identical characteristics that locates or expands. There are exceptions obviously, but the point is to have a level playing field. Incentives should be based on performance criteria; jobs and investment are frequently used. Incentives come in many varieties; and several used in Manassas are described below. There are others but these are the primary ones.

- **Technology Zone**

This incentive is codified by City ordinance and is one of a small handful of local incentive programs allowable for use under state enabling legislation. It grants economic and regulatory flexibility to any new or expanding business listed by the City as a targeted industry and/or advances the strategic goals identified in the economic development strategic plan and Comprehensive Plan. Only the BPOL tax is identified for relief, and then only for a period of up to 5 years. The boundaries encompass the entire City of Manassas. This incentive is primarily a marketing tool and has very little true economic value to new or expanding businesses.





- Arts and Tourism District

This is another local program enabled by the Commonwealth and established by City ordinance. The Arts and Tourism District is restricted to the area defined in the City of Manassas Comprehensive Plan as the Downtown or Old Town Sector Plan. Eligible businesses are ones that positively contribute to the spectrum of arts and cultural activities and venues available to the public and ones that provide goods or services or activity for visitors. Qualified businesses and organizations are entitled to exemption from the BPOL tax and an annual rebate of up to ½% of the sales tax attributed to that particular business or organization. This incentive provides more economic value to new and expanding businesses than exemption from BPOL tax alone but is limited in its geographic reach.

- Economic Opportunity Fund

The Economic Development Opportunity Fund (EOF) is to be used to attract and retain economic development prospects and secure the expansion of existing industry and businesses in the City of Manassas. This is a discretionary grant whereby eligibility and amount are determined on a case-by-case basis. When localities talk about building a “war chest” for economic development, it is to underwrite this type of program. The Commonwealth of Virginia has a similar fund called the Governor’s Opportunity Fund (GOF).

Discretionary cash grants are the most impactful of incentive tools because they are unrestricted in that it allows the company to determine what business costs they most want to offset. They are negotiable, and therefore will vary depending on the circumstances of each case. It is important to note that direct grants and loans cannot be made by the City itself – a surrogate such as the EDA must be used. Manassas does have cash reserved for this or other economic development purposes in its committed fund balance; and the City’s EDA also has a cash reserve that can be used for this purpose. Discretionary grants from the EOF must receive approval from the governing body of the City or EDA (upon recommendation by staff) and will include performance agreements to ensure the company does what it says it will.

- Incentive Review

Economic Development will perform a review of the existing programs used by the City. Recommendations for changes or improvements to these will be made to the City Council for its consideration. Staff will also recommend new programs that may be beneficial and will also recommend appropriate funding levels and sources of funds for each.

PLANNING & DEVELOPMENT

The basis for any good program of work is a plan. Government seems to undertake a lot of studies; and this can frequently be frustrating for the public as well as for many local government officials. However, many of these plans have a necessary basis: some are mandated (like comprehensive plans), some are necessary to prove a point or make a sale (market studies), some to better understand a problem (feasibility studies), some to develop budgets (engineering studies), and some to guide a program of work and provide accountability (strategic plans). This section will review some of the initial plans that need to be undertaken by the Department of Economic Development.

- Strategic Plan for Economic Development

No plan is more important to begin with for a fledgling economic development program than a strategic plan. The current strategic plan was undertaken by the Manassas Business Council and was last updated in 2009. The City's next strategic plan should include broad representation from stakeholders in the community and be a facilitated undertaking in a retreat environment over 1 and ½ days. Rather than refresh the previous plan we should start from scratch. Participants should include the Chair, Vice-Chair and staff from each stakeholder group. It is recommended that, at a minimum, this include the City Council, School Board, MBC, EDA, Airport Commission, Utility Commission, OTBA, HMI, CoC and Planning Commission. Representation from GMU, the CVB, VTC and Flory Center should be solicited. Once the group has finished an outline, staff can compose the plan and bring it back to the participants for ratification.

After the partner agencies have developed the plan, they should meet 2-3 times a year to review progress, discuss changes, and exchange information about their own activities. The ongoing meetings should include the Chair OR Vice-Chair of each body and their staff. This will ensure the plan remains a priority and provides additional community oversight but also ensures the organizations with a stake in the City's development are communicating.

- Metrics & Benchmarking

The strategic plan should contain specific strategies and actions that can be measured, either against a benchmark or as to whether they have been completed (tasking). Further, the Department of Economic Development should develop a set of dashboard metrics by which the community can measure its economic development progress. These should include items such as unemployment rates, household incomes, population change, home prices, tax receipts, jobs created, largest employers, and others. A good solid list of 10 +/- data points can be selected. Much of this information is captured in the City's CAFR and much of it is beyond the control of the economic development program – some of it is beyond the control of the City altogether. However, measuring success or failure is important and a necessary part of the work of economic development.

- Retail Market Analysis

To effectively target new retail development, the City needs to understand its market. A thorough analysis will assess the City and its surrounding retail trade area and then dissect the relevant sub-markets within the City. Special attention will be paid to Downtown, the Mathis Avenue Sector and the Sudley Road medical corridor. The study will determine which retail categories are underrepresented and by how much. This data will both guide the Department's targeting efforts and inform prospective retailers, so it becomes both an analysis and a marketing tool.



- Hotel Feasibility Study

Intuitively it appears that the City of Manassas should have at least one business hotel within the corporate limits. Major employers, air traffic and visitors (tourists or locally generated) should support an upper midscale or upper scale property. There does not appear to be any demand for a convention center or convention style full service hotel; and these types of development are typically heavily subsidized.

Nearby hotels are clustered on I-66 at the 234 intersection and on Balls Ford Road. These hotels currently capture the bulk of the demand generated within the City but are not immediately convenient. Previous research was conducted into the feasibility of a downtown hotel that would cater primarily to visitors. The study showed limited demand for such a product. A new study needs to be undertaken with the goal of developing a hotel catering primarily to business traffic more proximate to the demand generators – specifically at Gateway. The study will guide the Department's marketing and serve as a fulfillment piece for prospective developers.

- Mathis Avenue Sector Plan

Mathis Avenue and Centreville Road serve as a primary commercial corridor for the City of Manassas but also, perhaps more importantly, serve as a gateway from Fairfax County into the City's historic Downtown. The corridor is completely built out and much of the development is obsolete. To enhance the appearance and vitality of the corridor, Manassas developed a sector plan for the Centerville Road/Mathis Avenue Corridor to enable redevelopment and to guide future development. Subsequently the Urban Land Institute Technical Assistance Panel produced an analysis of the sector plan with the panel's own recommendations and guidance.

Economic Development will work closely with the Department of Community Development to develop an implementation plan that combines and builds on the sector plan and ULI analysis. This will include evaluating land values and uses, revitalization and incentive tools, and investment strategies. The study will be conducted in-house at no cost. The implementation plan will likely include recommendations for additional plans and studies that will have a cost.