

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 5, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 46 : ECONOMIC DEVELOPMENT METRICS

This in response to Council Member Krupicka's question about economic development metrics, including hotel vacancy, commercial vacancy, restaurant sales, and retail sales statistics.

The economic metrics shown above are included in the City's online *Monthly Financial Report* and except for the office vacancy rate are based on information compiled by the City's Finance Department. The office vacancy rate is tracked by Grubb and Ellis and taken from its quarterly *Office Trends Report*.

While these metrics provide valuable information regarding the effectiveness of our economic development strategies, staff believes directly associating these metrics with the performance of economic development agencies in the budget document is problematic for the following reasons:

- Positive or negative movement of these measures is best understood in context of the City's overall economic development strategy. Associating these measures only with the efforts of our economic development agencies and excluding the influence of land use, taxation and transportation activities on these measures results in a overly narrow understanding of the metrics drivers;
- The economic development agencies have limited capacity to gather information from external sources and apply the data to their respective functions. The City's Finance Department provides some support to the agencies in this effort but that support is limited. A comprehensive, City-wide effort to gather and consistently report data across the City government does not exist.
- The economic development agencies have limited influence over many of the economic measures. External factors such as national and regional economic conditions also significantly affect the measures and their affect requires a more detailed analysis and explanation than is feasible in the budget document;

Performance targets related to measures can be developed although no specific targets currently exist. At the direction of City Council, staff is finalizing performance contracts for each of the City's economic development agencies which define a scope of work and establish performance metrics for each agency. Once the performance metrics have been established, each agency will then be asked to develop targets for performance.

Projections of the City's FY 2011 revenue are outlined in the proposed budget. These projections, while not targets for performance, may serve in part as the basis for future target setting by the economic development agencies. Revenue projections included in the FY 2011 budget are noted below:

- It is expected that transient lodging revenues will rise by 2.7% based on stable occupancy rates and slightly rising room rates.
- It is expected that office vacancy rates will stabilize at relatively high levels and possibly begin to fall. Leasing of the Victory Center (an effort by AEDP to assist in securing a large federal government tenant is underway) will dramatically reduce the City's overall vacancy rate.
- Restaurant meals tax revenues are expected to rise at an annual rate of about 2%
- Retail sales are expected to increase at an annual rate of 2.1% based on the slowly recovering economy.

Staff supports efforts to establish metrics for each functional area of City work. Likewise, staff believes performance targets are critical to improving both the efficiency and the effectiveness of our efforts. However, staff suggests the development of metrics and targets be part of the City's strategic planning implementation effort and that the product of that work then be used as a complement to rather than part of the budget.