



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of September 8, 2007

DATE: August 30, 2007

SUBJECT: Public Hearing to amend, reenact and recodify the Arlington County Code Chapter 66, Article I, § 66-3 (Technology Zones), to modify the definition of a qualified technology business and to amend, reenact and recodify the Arlington County Code Chapter 11, Article III, § 11-86 (Licenses) to lower the number of employees needed to qualify in the Downtown Technology Zones of the Rosslyn-Ballston and the Jefferson Davis Corridors within Arlington County.

C. M. RECOMMENDATION:

1. Authorize the modifications as set forth in Attachment A to modify the definition of a qualified technology business activity.
2. Authorize the modifications as set forth in Attachment B to modify the minimum size that a technology business must be in order to qualify in the Downtown Technology Zones.

ISSUES: Whether to modify the types and sizes of businesses that qualify as a technology business in the existing Technology Zones.

SUMMARY: Amendments are being proposed to the Arlington County Code Chapter 66, Article I, § 66-3 (Technology Zones) modifying what presently defines a “qualified technology business . . . that has a definite place of business . . . within a qualified technology zone . . . “ Also being proposed is an amendment to the Arlington County Code Chapter 11, Article III, §11-86 (Licenses) that would lower the number of employees needed to qualify as a technology business in the Downtown Technology Zones.

BACKGROUND: Technology Zones were established by the County Board in 2001 to induce new, large technology businesses to locate in Arlington, provide an immediate fiscal benefit for the County, and increase teaming and subcontracting opportunities for smaller existing businesses.

The ordinance (Chapter 66, Article I, § 66-3 Technology Zones) provides for four technology zones for certain classes of business activities -- including those engaged in the design or research and development of computer hardware and software for use in aerospace; interactive or

County Manager: _____

County Attorney: _____

Staff: Terry Holzheimer/AED

simulation technologies, instruction and training; data mining, data mapping, or data integration; enabling or enhancing internet commerce or financial services; or multimedia products. In addition, the ordinance (Chapter 11, Article III, § 11-86 Licenses) sets size thresholds for qualified technology business in the Downtown Technology Zones. The minimum number of employees required for a qualified technology business was amended from the original 250 to 200 effective November 2005.

Under this initiative, the business and professional license tax rate (Chapter 11, Article III, § 11-86 Licenses) for qualifying technology business activities was divided into three “tiers” based on the number of employees. The proposed reduction in the minimum number of employees from 200 to 100 would affect Tier I in Chapter 11. AED has found that the threshold has been an impediment for qualifying some sizeable firms that fall somewhat under the 200 minimum. Even with the lower minimum threshold, there are not likely to be many potential qualifiers. There have only been six firms of all types that have relocated into Arlington in the past two years. Examples include Conservation International, the National Cooperative Bank, and the Bureau of National Affairs, none of which are technology companies.

<i>TIER</i>	<i>PRESENT RANGE OF EMPLOYEES</i>	<i>PROPOSED RANGE OF EMPLOYEES</i>	<i>BPOL RATE(No changes proposed)</i>
Tier I	Between 200 and 499	Between 100 and 499	\$.18/\$100
Tier II	Between 500 and 999	SAME	\$.14/\$100
Tier III	More than 1,000	SAME	\$.10/\$100

DISCUSSION: Incentives for certain high technology businesses can enhance Arlington’s economic success by attracting businesses that complement existing industry sectors, add to the diversification of the County’s economic base, and create jobs with salary and benefit rates higher than other industries.

When the Technology Zones were first introduced in 2001 it was recognized that categories would need to be modified over time as technologies change. Reflective of these changes, and consistent with the Fresh AIRE Initiative, it is proposed that “building energy management and control systems (EMCS)” be added to the list of “qualified business activities” within Arlington’s Technology Zones.

FISCAL IMPACT: Because the provisions of the Technology Zones apply only to new businesses moving into the County, there likely would not be lost revenue, only differences in new revenue compared to other businesses. Thus far there has been minimal foregone revenue due to the lower rates, although this will change as additional businesses use the benefits. Foregone revenue in FY09 is forecast to be \$1.75 million, balanced against the benefits of attracting these businesses, which may not have relocated without the technology zone benefit.

ATTACHMENT A

CHAPTER 66
ARLINGTON COUNTY CODE

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ARTICLE I. TECHNOLOGY ZONES

ARTICLE I. GENERAL PROVISIONS

§ 66-1. Purpose.

The Arlington County Board finds that certain classes of high technology business activities have special economic significance to the county due to the nature of the technology developed or employed, their interrelationship with other Arlington-based federal and private organizations/businesses, and their potential for high growth in employment and capital investment. The Arlington County Board further finds that the most appropriate method of offering incentives to certain classes of technology businesses is to create technology zones in the Rosslyn-Ballston Corridor, the Jefferson Davis Corridor, the Columbia Pike Special Revitalization District, and the Shirlington Area, as authorized in the Code of Virginia, Section 58.1-3850, in which zones inducements may be offered to encourage such technology businesses to relocate to the county. The county has determined that the establishment of these technology zones will improve economic conditions, hasten redevelopment, and benefit the welfare of its citizens.

(Ord. No. 00-1, § 1, 2-1-00; Ord. No. 03-02, 2-25-03)

§ 66-2. Compliance.

A business shall qualify as a qualified technology business on an annual basis. If a business ceases to be a qualified technology business during a calendar tax year in which the tax reductions apply, any tax owed by the business at the reduced rate for a qualified technology business shall be prorated for the months the business was a qualified technology business.

Failure of the business to fully comply with any tax imposed by the county will result in the revocation of its designation as a qualified technology business for the current tax year and any other tax years in which it fails to comply. Upon such a determination, the commissioner of the revenue shall assess additional business license taxes with penalties and interest as authorized in Arlington County Code, Chapter 11.

(Ord. No. 00-1, § 1, 2-1-00)

§ 66-3. Definitions.

For the purpose of this chapter, the following words and phrases shall have the following meanings, unless clearly indicated to the contrary:

(a) *Qualified technology business.* The term qualified technology business shall mean a business that has a "definite place of business" as defined in paragraph (d), below, within a "qualified technology zone" as defined in paragraph (e) of this section, and which:

1. Is engaged in the design, or research and development of computer hardware or software:

- for aerospace or aviation applications; or
- for interactive or simulated real-time use; or
- for instruction in the use or development of customized computer technology; or
- for gathering data from the internet or computerized data bases, or integrating such data; or *
- ~~• to enable or enhance commerce on the Internet;~~
- for emergency communications, emergency service delivery and tracking
- for security training, security data collection , storage and/or analysis
- for building energy management and control systems.

OR

2. Provides:

- production of multi-media products; or
- ~~• training in the use of computer hardware or software; or~~
- computerized data mapping systems; or
- on-line financial services including buying, selling, handling, managing, investing and/or advice regarding money, credit, securities, or other investments over the Internet.

AND

3. If located in a "Downtown Technology Zone," has at least 250 employees on site after February 1, 2000 and before November 15, 2005 or 200 employees on site after November 15, 2005 and before October 1, 2007 or 100 employees on site after July 7, 2007 at the "Definite Place of Business" within the technology zone; if located in the "Shirlington Technology Zone" or the "Columbia Pike Corridor Technology Zone" as defined in paragraph (e) subsection 2. and 3. below, respectively, no size threshold shall apply;

<p>* For this Board Item only: Advertisement that this business activity was to be removed was inadvertent.</p>

(b) The use of computers, telecommunications services, or a web page or internet site shall not, in itself, be sufficient to qualify as a qualified technology business.

(c) No business shall be a qualified technology business unless (1) that business has first established a Definite Place of Business in Arlington County after February 1, 2000, and (2) within eighteen (18) months after establishing a definite place of business in a technology zone, that business has met the requirements of this ordinance and applied for such status.

(d) *Definite place of business.* The term "definite place of business" means an office or a location at which occurs a regular and continuous course of dealing over a period of thirty (30) consecutive days or more. A definite place of business for a person engaged in business may include a location leased or otherwise obtained from another person and real property leased to another.

(e) *Qualified Technology Zone* . The term "qualified technology zone" shall mean one (1) of the following:

1. *Downtown Technology Zones.* Those areas zoned for commercial or industrial use in the Rosslyn-Ballston or Jefferson Davis Corridors, as designated on the General Land Use Plan in effect on December 11, 1999 and which is a part of the Comprehensive Plan for Arlington County, Virginia. The precise boundaries of the Rosslyn-Ballston Corridor and Pentagon City - Crystal City Technology Zones are set forth in Appendix A, which is attached to this Chapter.

2. *Shirlington Technology Zone.* Those areas zoned for commercial or industrial use in the Shirlington area as set forth in Appendix A.

3. *Columbia Pike Corridor Technology Zone.* Those specific parcels within the "Columbia Pike Special Revitalization District" as set forth in Appendix A.

(f) *Employee* is a person who is on the qualified technology business' payroll within the technology zone and is required to report to work in the technology zone.

(Ord. No. 00-1, § 1, 2-1-00; Ord. No. 03-02, 2-25-03)

§ 66-4. Business license tax.

A qualified technology business as defined by this chapter shall be subject to the business license tax provided in Arlington County Code section 11-86.

(Ord. No. 00-1, § 1, 2-1-00)

APPENDIX A

DOWNTOWN TECHNOLOGY ZONES:

ROSSLYN-BALLSTON CORRIDOR TECHNOLOGY ZONE -- The geographic area as delineated by the following:

Beginning at Route 50 and Arlington Ridge Road, west on Route 50 to N. Mead Street, south along N. Mead Street to 12th Street N., west on 12th Street N. to Route 50, west on Route 50 to 10th Street., west on 10th Street to Washington Boulevard, south on Washington Boulevard to 7th Street N., west on 7th Street N. to N. Hudson Street, south on N. Hudson Street to 6th Street N., west on 6th Street N. to North Ivy Street, south on N. Ivy Street to 5th Street N., west on 5th Street N., to Glebe Road, southeast on Glebe Road to 4th Street N., southwest on 4th Street N. to George Mason Drive, northwest on George Mason Drive to I-66, northeast on I-66 to Washington Boulevard, east on Washington Boulevard to Kirkwood Road, north on Kirkwood Road to 13th Street N., east on 13th Street N. to North Jackson Street, north on N. Jackson Street to Key Boulevard, east on Key Boulevard to Custis Road, southeast on Custis Road to Barton Street, north on Barton Street to Key Boulevard, east on Key Boulevard to N. Adams Street, north on N. Adams Street to 18th Street N., east on 18th Street N. to N. Veitch Street, north on N. Veitch Street to Lee Highway, east on Lee Highway to N. Oak Street, north along N. Oak Street, and continuing in that line to the George Washington Memorial Parkway, west on the George Washington Memorial Parkway to Arlington Ridge Road, then south along Arlington Ridge Road to Route 50.

JEFFERSON DAVIS CORRIDOR -- The geographic area delineated by the following:

Beginning at South Joyce Street and Shirley Highway, east on Shirley Highway then northward to its intersection with the George Washington Memorial Parkway, east on the George Washington Memorial Parkway to the R F&P railroad track r.o.w., south along the R F&P railroad r.o.w. to the Four Mile Run waterway, west along Four Mile Run to South Eads Street, north on S. Eads Street to 23rd Street S., west on 23rd Street S. to South Fern Street, north on S. Fern Street to 18th Street S. at its intersection with South Hayes Street, northwest on South Hayes Street to its intersection with 15th Street S., west on 15th Street S. to South Joyce Street, north on South Joyce Street to Shirley Highway.

OTHER TECHNOLOGY ZONES

SHIRLINGTON TECHNOLOGY ZONE:

The geographic area delineated by the following:

Beginning at Walter Reed Drive at Four Mile Run Drive, east on Four Mile Run Drive to S. Shirlington Road, north on S. Shirlington Road to 24th Street S., east on 24th Street S. to South Glebe Road, southeast on S. Glebe Road to I-395, south on I-395 to the Arlington County boundary with the City of Alexandria, thence west along said boundary to S. Shirlington Road, south on Shirlington Road to Shirlington Circle, south on Shirlington Circle to the edge of the C-O-1.5 zoning, thence west along said zoning line to the southern edge of the Arlington County Trades Center property, north along said property line to 29th Street S., north on 29th Street S. to Arlington Mill Drive, west on Arlington Mill Drive to S. Walter Reed Drive, and thence north on Walter Reed Drive to Four Mile Run Drive.

COLUMBIA PIKE CORRIDOR TECHNOLOGY ZONE:

Being all parcels with commercial, mixed use or public use zoning within the boundaries of the "Columbia Pike Special Revitalization District"; as such district is more specifically defined on the County's General Land Use Plan, and said Plan's Note #8, as such may be amended; and as the sub-components of such District are further more precisely defined in the Regulating Plans of the Form-Based Code for Columbia Pike, for each of "Town Center", "Village Center", "Neighborhood Center" and "Western Gateway" areas.

(Ord. No. 03-02, 2-25-03)

CHAPTER 11
ARLINGTON COUNTY CODE

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LICENSES

ARTICLE III. GROSS RECEIPTS BUSINESS TAX

§ 11-86. Qualified Technology Businesses.

Every person engaged in a qualified technology business as defined by Chapter 66 of the Arlington County Code in the Shirlington and Columbia Pike Corridor Technology Zones shall pay an annual license tax of eighteen cents (\$0.18) on each one hundred dollars (\$100.00) of its previous year's gross receipts derived from the business that enables it to qualify, under Chapter 66 of the Arlington County Code, as a qualified technology business, and from the retail sale, licensing or use by others of products or services that result from the qualified technology business.

Every person engaged in a qualified technology business as defined by Chapter 66 of the Arlington County Code in the Downtown Technology Zones shall pay an annual license tax based on the business size as follows derived from the business that enables it to qualify, under Chapter 66 of the Arlington County Code, as a qualified technology business, and from the retail sale, licensing or use by others of products or services that result from the qualified technology business.

- a) Qualified businesses with between 200 and 499 employees prior to October 1, 2007 and with between 100 and 499 after July 7, 2007 will pay eighteen cents (\$0.18) on each one hundred dollars (\$100.00) of its previous year's gross receipts.
- b) Qualified businesses with between 500 and 999 employees will pay fourteen cents (\$0.14) on each one hundred dollars (\$100.00) of its previous year's gross receipts.
- c) Qualified businesses with more than 1,000 employees will pay ten cents (\$0.10) on each one hundred dollars (\$100.00) of its previous year's gross receipts.

The tax rate provided in this section shall apply to a taxpayer for no more than ten (10) calendar tax years, including any partial tax years.

(Ord. No. 00-2, 2-1-00)