



PROPOSED COMPREHENSIVE PLAN AMENDMENT

ITEM: PA 2017-CW-6CP
September 13, 2018

GENERAL LOCATION: Countywide

SUPERVISOR DISTRICT: All

PLANNING AREA: All

PLANNING DISTRICT: All

SUB-DISTRICT DESIGNATION: All

PARCEL LOCATION: All

Non-Office Building Repurposing

For additional information about this amendment call (703) 324-1380.

PLANNING COMMISSION PUBLIC HEARING:

Thursday, September 27, 2018 @ 7:30 PM

BOARD OF SUPERVISORS PUBLIC HEARING:

Tuesday, October 30, 2018 @ 4:00 PM

**PLANNING STAFF DOES RECOMMEND
THIS ITEM FOR PLAN AMENDMENT**



Reasonable accommodation is available upon 48 hours notice. For additional information about accommodation call the Planning Commission office at (703) 324-2865, or the Board of Supervisors office at (703) 324-3151.

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STAFF REPORT FOR PLAN AMENDMENT 2017-CW-6CP – NON-OFFICE BUILDING REPURPOSING

BACKGROUND

On December 5, 2017, the Board of Supervisors approved the Office Building Repurposing Plan Amendment (PA) 2016-CW-4CP, which created Appendix 13 in the Policy Plan volume of the Comprehensive Plan (the Plan), establishing guidance that provides Plan flexibility to facilitate the repurposing of vacant, partially vacant, or underutilized existing office buildings within designated Mixed-use Centers and Industrial Areas to other uses. A subsequent Plan amendment (PA 2017-CW-5CP) was approved on May 1, 2018, adding language to Appendix 13 to address the repurposing of vacant office structures within the remaining areas of the county. The intent of both amendments was to address the current high rate of office building vacancies in the county by facilitating opportunities for property owners to reuse their buildings as compatible alternative land uses that were not envisioned under the adopted Comprehensive Plan.

Also included in the initial Office Building Repurposing Plan amendment approval was a follow-on motion, designated PA 2017-CW-6CP, which is the subject of this report. The motion directed staff to evaluate the need for additional Plan flexibility to support the repurposing of vacant non-office structures, in response to predictions that retail and related commercial markets will undergo significant changes in coming years that could result in a similar vacancy issue as office commercial properties.

SCOPE OF THE AMENDMENT

The proposed Plan amendment focuses on existing non-office commercial buildings in areas planned for retail and other non-office commercial uses, or as retail/commercial components of mixed-use developments. Such structures include freestanding retail/commercial buildings, various types of shopping centers, and ground-floor retail components of mixed-use buildings. Excluded from the scope of the amendment are properties planned for residential, public or institutional uses. Properties planned for industrial or industrial flex use are also excluded, since county policy identifies the importance of retaining industrially-planned areas for continued industrial use. An inventory of existing retail/commercial structures in Fairfax County, which was compiled to better understand the nature and distribution of such properties in the county, is provided as Appendix 1 of this report.

Definition of Terms

The Fairfax County Zoning Ordinance and Comprehensive Plan make distinctions between true “retail” uses (direct sale of goods to customers), and other non-retail “commercial” uses (including service establishments, restaurants, auto repair, and other uses); however, there are other contexts in which retail and other customer-oriented commercial uses are not considered to be mutually exclusive – such as the “Retail and Other Commercial Uses” category designated on the Comprehensive Plan Map and many Commercial Zoning Districts, which permit a wide range of retail and commercial uses. The real-estate industry may also use the term “retail” to encompass a wider range of commercial use types, whereas the term “commercial” often also

includes office and industrial flex uses. Further distinctions may also be made based on the form that a building appears in (whether freestanding, located in a shopping center, etc.). To avoid this kind of ambiguity, the term “retail” is used in this report to refer to the full range of properties included in the scope of the amendment, including service uses such as restaurants, commercial daycare centers, low-rise banks, and service stations.

The term “repurposing” is generally defined by the Land Use element of the Policy Plan as “a change in use in all or part of an existing building”¹ or “conversion of buildings to alternative land uses not envisioned under the adopted Comprehensive Plan.”² A report³ published by a workgroup associated with the previous Office Repurposing Plan Amendment identified the distinction between building “repurposing”, which involves conversion of a building to a different use and “repositioning.” Repositioning typically involves upgrades and/or reconfiguration of an existing building to make it more competitive or viable, without changing its primary underlying use.

MARKET RESEARCH AND ANALYSIS

In order to sufficiently address the intent of the motion, additional information-gathering and analysis was performed to better understand the nature of the concerns. The following sections include summaries and conclusions of the major elements of the staff analysis.

National and Regional Retail Market Trends

Several resources were identified that contain relevant information on national and regional commercial/retail trends, including reports from the Metropolitan Washington Council of Governments (COG), the George Mason University Center for Real Estate Entrepreneurship (GMU), and market research companies Colliers and JLL, as well as retail market studies completed by the neighboring jurisdictions of Montgomery, Loudoun and Arlington counties. The resources presented similar overall statistics and market trends, highlights of which are presented below. More detailed citations from each resource, as well as web links to further information, are provided in Appendix 2 of this report.

There is widespread consensus that retail markets are undergoing, or are on the verge of undergoing, significant changes related to the rise of e-commerce and other challenges to traditional retailers. National trends suggest that certain types of retailers are in decline – especially large, big-box sporting goods, hobby, book, electronics, and other specialty retailers, while discount-oriented chains continue to do well [COG, JLL]. Several national department store chains and shopping center anchors have also been closing stores, leading to potential vacancies; however, other retail uses may be able to fill those spaces, or the spaces may be repurposed to other uses [COG, Colliers, JLL]. Regionally, eating/drinking establishments have outpaced other retail uses since the early 2000’s and remain strong [COG]. Property owners also are reinvesting in existing spaces to help re-lease to quality tenants [JLL]. Regional retail

¹ Per the definition of “Office Building Repurposing” in the Glossary section of the Land Use element of the Policy Plan.

² Per Appendix 13 of the Land Use element of the Policy Plan – Guidelines for Office Building Repurposing.

³ <http://www.fcrcv.org/publications/download/RepositioningReportDec2016.pdf>

construction activity has slowed in the past several years, declining in its percentage of total construction. From 2016 to 2017, regional retail construction dropped from 20.9 percent of all commercial construction to 9.8 percent, reaching the lowest rate of construction in 60 years [COG].

Retail Use Trends

The surveyed resources indicate the following trends, which highlight that the physical space requirements of traditional retailers are changing, resulting in some retail spaces being adapted for new retail uses or configurations of retail spaces. [Colliers, JLL]:

- **“Experiential”/Entertainment-Related Uses** (e.g. indoor recreation uses, virtual reality centers) are space-intensive uses that are often replacing anchor stores.
 - A local example of this type of conversion is a vacated Sears appliance and hardware store, in the Franklin Farm Shopping Center, which was converted to a commercial indoor recreation use (Launch Trampoline Park)⁴. Such family-serving uses may be a good fit for Neighborhood or Community Shopping Centers with large vacant retail spaces that may otherwise be hard to lease in the current retail market.
- **Downsizing or Subdivision of Retail Spaces** – Large retailers are reducing the footprint of stores, sometimes resulting in showroom-only retail locations where inventory is maintained off-site for direct shipping to consumers. Large spaces may also be subdivided to house several smaller retailers, or clusters of other types of uses (such as a food court concept).
 - One example is Nordstrom, who opened a pilot “Nordstrom Local” store⁵ in West Hollywood, California. The 3000-square-foot store demonstrates the concept of a “no inventory” retail outlet. Customers may view and try on clothes in person, and orders are then made to be shipped directly to the customer, or picked up later at the location. This vastly reduces the footprint needed for the physical store and the number of sales staff necessary. Such outlets may be located in the ground-floor retail spaces of urban mixed-use developments, as well as in larger suburban shopping centers.
 - A local example of this trend, as well as the previous trend of downsizing, is the Sears department store in Fair Oaks Mall⁶. The former two-story Sears store was reduced to one level, while the upper floor is being transformed to accommodate eating establishments, including an “entertainment-themed” restaurant. Similar plans are being implemented in other Sears locations nationwide.
- **Local Warehousing & Distribution Centers** are increasingly needed for the storage and distribution of products, as retailers shift to more online sales.

⁴ <https://www.bizjournals.com/washington/news/2017/03/13/indoor-trampoline-park-eyes-former-sears-site-in.html>

⁵ <http://www.businessinsider.com/nordstrom-new-store-concept-opens-2017-10>

⁶ <https://www.bizjournals.com/washington/news/2017/09/14/dave-busters-sit-down-restaurant-taking-over.html>

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- **“Lifestyle” Retail** is typically an outdoor, walkable, urban-type mixed-use format featuring smaller specialty retailers that emphasizes the overall shopping “experience” (for example, Mosaic or Fairfax Corner). This type of development continues to be in demand.
 - **“Curated” Retail** that caters to a particular niche market or target audience is a growing trend. Several such retailers that began as online-only enterprises are now beginning to establish physical locations (Warby Parker, or Bonobos, for example).
 - **Arts and Cultural Uses** (theaters, concert halls, cinemas) have been found to often be good anchors to nearby retail establishments.
 - **“Creative” Spaces**, such as maker places, business incubators, or shared commercial kitchens are a growing trend.

Several real-world examples that demonstrate many of these trends are included later in this report.

Regional Retail Planning

Neighboring jurisdictions have recently completed retail-related studies or reports assessing the retail conditions within the jurisdictions. The conclusions of these studies may be informative to Fairfax County.

- In 2015, Arlington County published a revision⁷ to an earlier 2001 Retail Action Plan, which acknowledges that the county had perhaps overprescribed ground-floor retail in recent urban mixed-use developments, resulting in an apparent oversupply of that type of space.
- In 2016, the Loudoun County Department of Economic Development commissioned a Retail, Entertainment and Culture Cluster Study⁸ which noted that, even though households in Loudoun County have higher than average expenditure totals, oversaturation of many retail markets may result in individual retailers not being able to sustain profitable businesses.
- In 2017, Montgomery County published a Retail Market Strategy Study⁹ which concluded that historically restrictive policies on retail growth in that county had resulted in a relatively healthy retail environment that was free from many of the oversupply issues apparent in other localities.

The reports also recommended strategies to help support long-term retail prosperity:

- A clear retail vision should be developed, with the benefit of public input, to help guide retail planning and development into the future. Such a vision should provide a framework within which the private sector may be allowed the flexibility to respond to market changes while ensuring that the larger goals and objectives of the county are satisfied.

⁷ <https://www.arlingtoneconomicdevelopment.com/about-aed/major-initiatives/retail-policies/>

⁸ <https://biz.loudoun.gov/files/Retail-study.pdf>

⁹ <http://montgomeryplanning.org/tools/research/special-studies/retail-market-strategy-study/>

- Retail development should be concentrated at strategic locations (e.g., at major intersections) and discouraged elsewhere. Retail generally performs better when clustered.
- Over-prescribing ground floor retail use can inhibit, rather than promote, street-level activity and vibrancy, by contributing to oversupply of such spaces.
- Uses should be encouraged to shift away from general goods retail, which is facing more market challenges, to neighborhood-serving retail uses - including multicultural retail centers, which provide market diversity.
- Redevelopment, not necessarily repurposing, of aging or outdated retail spaces should sometimes be prioritized, to encourage revitalization and avoid an oversaturation of outdated retail space.

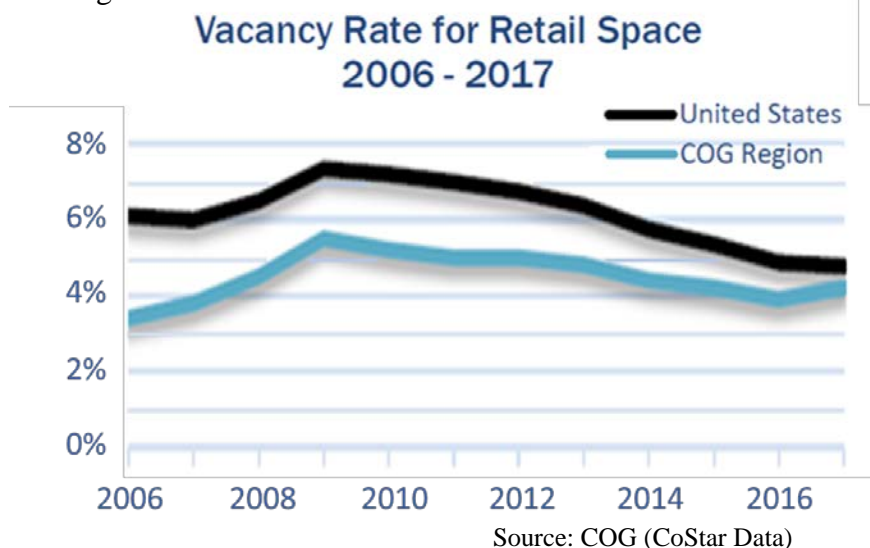
One response to such concerns is that the Arlington County plan now targets only certain, specific areas for retail, food, and entertainment uses and permits greater flexibility in ground-floor uses in other locations. The plan defines a new category of “Retail Equivalent” uses, which are uses other than traditional retail uses that may provide similar visual interest and promote street life similarly to traditional retail uses. Examples listed are: child-care centers, educational facilities, medical uses, civic and government uses, and (in some cases) residential amenities. The flexibility to substitute these uses for traditional retail uses in certain areas was then included on revised street typologies, which are Arlington’s method of regulating retail/streetscape requirements.

Retail Vacancy Trends

National and Regional Vacancies

Vacancy trends at the national and regional levels were explored using the previously-mentioned retail market resources, as further summarized in Appendix 2. Nationwide, as well as regionally, retail vacancies peaked in 2009, due to the economic recession, and have generally declined since then (see Figure 1) [COG, Colliers].

Figure 1:

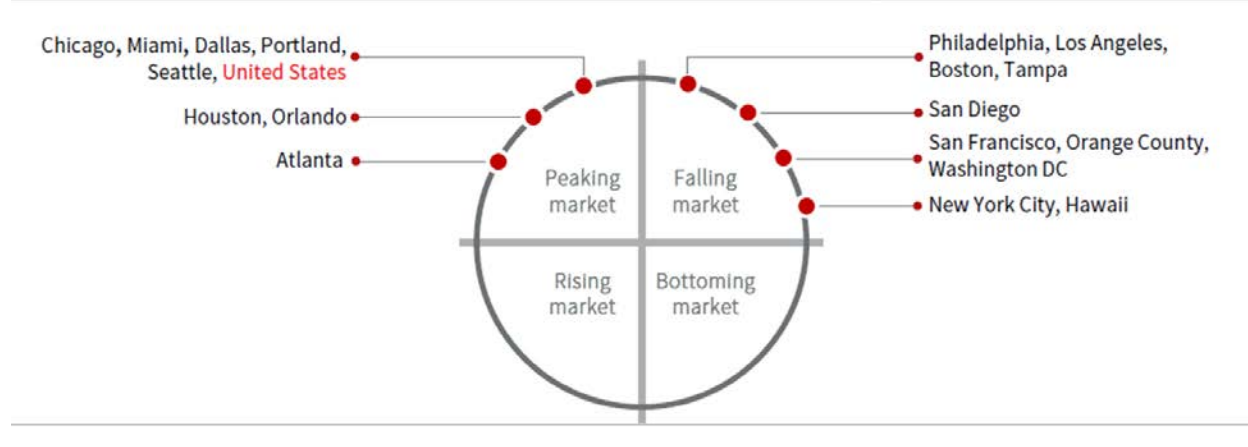


Small to medium-sized shopping centers tend to experience higher vacancy rates than other types of retail, with a national average of 7.4 percent vacancy by square-footage at the end of 2017. Single-tenant freestanding general-purpose retail buildings tend to have lower average vacancy rates than other types, ending 2017 at 2.9 percent. Larger centers, such as big-box “Power Centers”, Lifestyle Centers and Regional Malls, had average vacancies in the 4 to 5 percent range, which are generally consistent with the overall average for all retail of 4.6% at the end of 2017 [JLL].

In 2017, all sources reported that the Washington, D.C. region had a healthy retail market compared to other national markets, with historically lower retail vacancy rates (by at least 1% to 2% on average) [COG]. Furthermore, Northern Virginia is reported to have had lower retail vacancy rates (4.2% - 4.5% in 2017) than other nearby sub-regions of Maryland and D.C. [COG, Colliers]. Market reports from late 2017 and early 2018, however, indicate that retail markets nationwide are beginning to plateau [JLL]. Market reports in early 2017 reported the Washington D.C. region as still being in a “peaking” phase; however, recent reports of the first quarter of 2018 indicate that the regional retail market may have passed its peak and begun to enter a period of decline in demand (see Figure 2) [JLL]. A decline in demand for retail space would be signified by lowering rents and rising vacancy rates.

Figure 2:

Retail Real-Estate Market “Clock” - Q1 2018

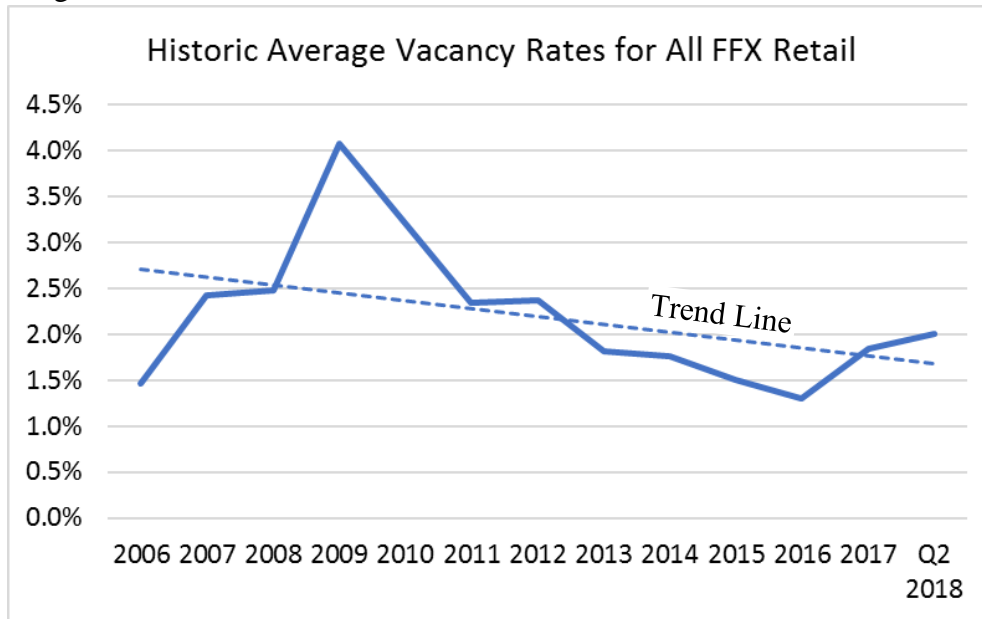


Source: JLL US Retail Outlook, Q1 2018

Fairfax County Vacancies

Evaluation of retail market data for Fairfax County helps to further define the nature and distribution of retail vacancies in the county and the local potential for retail repurposing. Real estate market data obtained from CoStar, a leading provider of commercial real estate information and analytics, was used to assess both current and historic vacancy rates of various retail property types within the county. Available data for retail structures includes their current occupancy/vacancy status as well as aggregated historic vacancy data for groups of properties, going back twelve years (to 2006). These vacancy rates reflect any unoccupied space, with no regards to whether or not it is leased or on the market, and represent the average for any particular year (as calculated by CoStar).

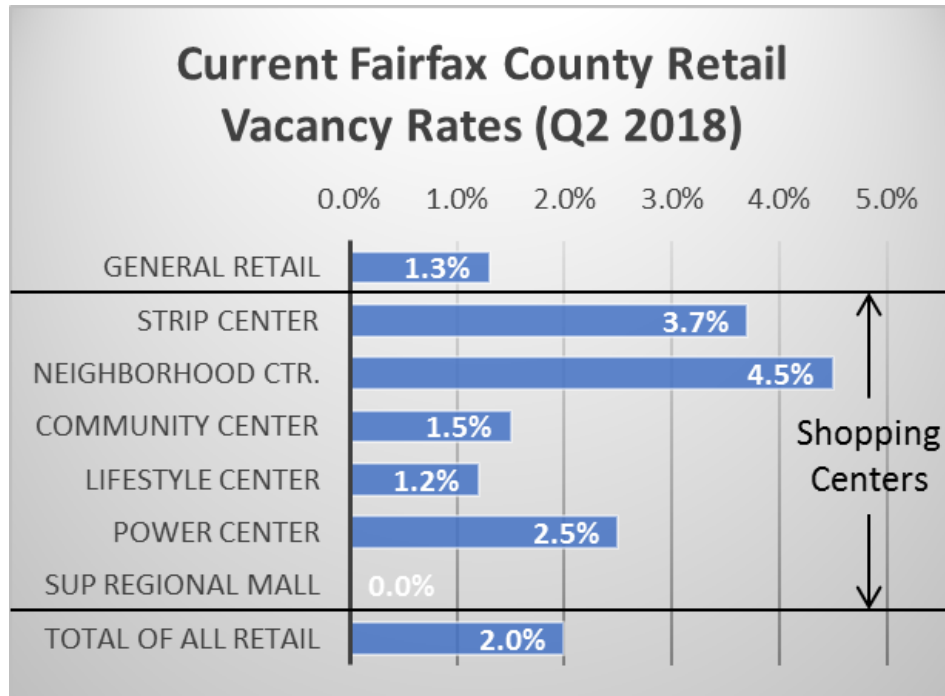
Figure 3:



Similar to the experience at the national level, the historical vacancy rates for all retail properties in the county (Figure 3) peaked in the 2009 to 2010 timeframe, due to the economic recession, and returned to a more typical range shortly thereafter. The county's vacancy rates declined steadily since then – reaching the lowest vacancy rates in the 4th quarter of 2016 – and then began to rise in 2017. In the second quarter of 2018, the average vacancy rate for all types of retail was approximately 2.0% of the total retail square-footage in the county. This is slightly lower than the twelve-year average of 2.3%, but represents a 0.7% increase from the low of 1.3% at the end of 2016.

A more detailed analysis of vacancy rates was conducted based on property type, location (either inside or outside of county-designated Mixed-Use Centers), and other factors, in an attempt to identify particular segments of the retail market that may deviate significantly from overall vacancy trends, or reveal other intricacies of the market. Summary graphs and charts of this analysis are included in Appendix 3. The historical vacancy rates for large retailers, big-box and anchor stores, and general retail properties within Fairfax County appear lower than for smaller shopping center properties. The apparent absence of prolonged vacancies in the county's Super Regional Malls also indicates that Fairfax County is not currently experiencing the mall vacancies that are occurring in some other regions of the country. Vacancy rates, as of the second quarter of 2018, for the different property type categories (Figure 4) varies from 0% (Super Regional Malls) to 4.5% (Neighborhood Shopping Centers), which is generally consistent with historical rates in nearly all categories.

Figure 4:



Source: CoStar Data

The results of the CoStar data analysis demonstrate that overall vacancy rates for retail properties in Fairfax County are lower than national and regional averages, consistent with the conclusions of the COG report and others that the county has the lowest retail vacancy rates in the region. The historical vacancy rates for all retail properties in the county also show the same general trends as the national and regional vacancy rates (shown in Figure 1), peaking in the 2009 to 2010 timeframe due to the economic recession and returning to a more typical range shortly thereafter. The vacancy rates represent county-wide averages; vacancy rates for particular sub-areas of the county may be higher than is reflected in these averages. Vacancy data alone may also not capture all of the challenges related to changing retail markets, such as the increased difficulty of securing tenants, shorter lease terms, or other less tangible measures, and historical data does not predict future trends.

National and regional trends do suggest that the county may expect coming changes to the fundamental nature of the retail environment, as well as a plateauing or reversal of declining vacancy rates in the near future. Recent vacancy data is beginning to indicate changes occurring in the local retail market, with vacancy rates increasing in many categories since early 2017. The increases are most significant in small shopping centers within the County's Mixed-Use Centers, in contrast to slightly declining vacancies in suburban areas of the county in some categories. It is too early to ascertain if those changes indicate the beginning of a sustained trend of rising vacancy rates, or if rates have simply bottomed out and are undergoing shorter-term market corrections.

Retail Building Repurposing to Non-Retail Uses

The repurposing of existing retail buildings to alternative uses is a strategy that has been used to increase the ability of existing retail properties to respond to changes in the marketplace and minimize vacancies, and is the primary focus of this analysis.

Some examples of alternative uses in former retail spaces include:

- Office uses (high-tech companies, etc.)
- Public or institutional uses (including art galleries, museums, theater spaces)
- Indoor recreation
- Medical/health-care uses
- Community colleges/training centers
- Charter schools
- Call centers
- Self-storage
- Temporary or “pop-up” uses
- Retail micro-units

Examples of Retail Building Repurposing

The following real-world examples illustrate repurposing of former retail structures to incorporate non-retail uses, or mixtures of uses, and demonstrate some of the other use trends mentioned in this report:

- **Sears Department Store Conversion to Mixed-Use¹⁰**, Hagerstown, Maryland



Source: www.onyxcreative.com

¹⁰ <http://www.onyxcreative.com/project/mixed-use/>

This regional example represents a project that has been approved by the locality but has not yet been constructed. It involves the proposed conversion of a former Sears building to a mixed-use office and retail center, in which a reconstructed façade creates a pedestrian arcade with small shops on the ground floor, and office uses located on the second floor.

- **Repurposing for Arts or Cultural Use¹¹**, McLean Project for the Arts, McLean, Virginia
This local example involves a non-profit visual arts organization that utilized a vacant retail shopping center location to house gallery and art education space while their primary location was undergoing renovations. It is a good demonstration of how underutilized retail properties can provide much-needed spaces for arts and cultural organizations, even if only as interim uses.



Source: www.patch.com

- **Subdivision of large space into “micro” retail and residential units¹²**, Arcade Providence, Providence, Rhode Island.

The concept of subdividing larger vacant spaces has been mentioned as a potential reuse strategy by a number of sources – including the creation of potential uses such as boutique “food courts” or “marketplaces” of smaller retail booths. One often-cited successful project is the Arcade Providence project in Providence, RI. This conversion of a former indoor mall offers a combination of small retail spaces (averaging 400 sf) on the first floor and “micro-loft” apartment units (ranging from 225 to 275 sf) on upper floors.

¹¹ <https://mpaart.org/mpachainbridge/>

¹² <http://www.businessinsider.com/americas-first-shopping-mall-is-now-micro-apartments-2016-2>



Source: www.ncarchitects.com

This example is unique in that the historic nature of the structure helped justify the effort and expense of preserving and renovating the original building versus replacing with new construction. This was also the only example of retail to residential use conversion that was found in the case study research, likely due to the associated challenges and expense of repurposing most modern retail structures for residential use. Residential buildings are subject to different building codes, utility demands and other physical requirements than typical commercial buildings, which makes such conversions unfeasible in most cases. The market desire to incorporate residential uses into some existing retail shopping centers would appear to require measures beyond building repurposing, including the integration of new residential construction or even complete redevelopment of a site.

- **Repurposing for Public Use¹³, Westland City Hall, Westland, Michigan**

In Michigan, one project provided a location for an institutional use by converting a former Circuit City building to a City Hall. In addition to the types of benefits mentioned in the previous example, it is apparent from the photos of the completed project how substantial the benefits were to the appearance and character of the site, as well as the environmental benefits of the reduced parking area and increased site vegetation.



Source: www.detroit.cbslocal.com



Source: www.ohm-advisors.com

- **Repurposing for Public Use¹⁴, McAllen Library, McAllen, Texas**

A former Walmart store in Texas offers an example of conversion of a typical big-box space into the largest single-floor public library in the nation (123,000 sf). The project leverages the benefits that exist in most retail spaces, including an accessible location with existing infrastructure. Such a project can serve a valuable public use at a cost savings to citizens, and draw potential customers to a shopping center for the benefit of other retailers.

¹³ <http://www.ohm-advisors.com/case-studies/westland-city-hall-big-box-retrofit/>

¹⁴ <http://www.mcallenlibrary.net/about/newmain>



Source: Lara Swimmer, www.archdaily.com

ADOPTED COMPREHENSIVE PLAN CONSIDERATIONS

The primary role of the Plan is to guide decision making about land use and development in the county through the establishment of use recommendations for each parcel of land in the county. In order to understand how the Plan may accommodate retail repurposing, the following section discusses how retail uses are addressed in the adopted Plan.

Plan Map and Area Plans

The Plan Map designates certain properties as “Retail and Other Commercial” uses, which largely encompass existing retail development. Retail uses are also considered a component of mixed-use areas, which may be designated on the Plan Map for “Mixed-Use” or “Alternative Uses”. In such areas, Area Plan text may determine the particular proportion or type of retail uses recommended for specific parcels or sub-areas. Planned mixed-use development is typically located within development centers. The Area Plans may also recognize existing retail uses and often discourage the expansion or creation of additional retail uses in suburban neighborhoods, therefore limiting the overall amount of retail uses outside of development centers.

Policy Plan

The Policy Plan volume of the Comprehensive Plan contains more generalized guidance that may be applicable to retail uses. One primary goal of the Policy Plan is to ensure and foster a high quality of life for county residents, recognizing that an important element is having convenient access to local neighborhood-serving retail uses that provide essential goods and services.

While the guidance of the Land Use element of the Policy Plan encourages retention and revitalization of existing neighborhood-serving commercial properties, a strong focus is placed on reinvestment and redevelopment of properties. In cases where existing properties have deteriorated or outlived their useful life, complete redevelopment may be the best option. There may, however, be instances when the re-use of existing buildings or portions of multi-tenant buildings is a feasible alternative, could realize cost and time savings for the owner, be a “greener” alternative to new construction, and allow other successful building tenants to continue to operate.

Appendices in the Land-Use element of the 2017 edition of the Policy Plan contain several specific policies and/or guidelines that may be applicable to the notion of retail repurposing:

- **Appendix 6** presents guidelines for Interim Improvement of Commercial Establishments¹⁵. This Plan language supports interim uses that provide a community benefit and discourages any uses that would preclude the ability of long-term plans to be realized when the opportunity to do so finally arrives. The language is particularly relevant to the topic of repurposing of vacant or underutilized retail/commercial structures, since many such properties – particularly those located within Mixed-Use Centers – are planned for higher-intensity long-term redevelopment. The interim use of existing structures for other types of community-serving uses may be preferable in such instances, rather than by-right redevelopment to a more permanent use that may not meet long-term goals.
- **Appendix 13** consists of the newly-adopted Guidelines for Office Building Repurposing¹⁶, which led to the motion that initiated the current study. The language intends to provide flexibility to accommodate repurposing of vacant or underutilized structures for uses that were not originally intended, or envisioned by the Plan. The Plan language includes safeguards to ensure that potential negative impacts of such flexibility are avoided and/or mitigated, as necessary, in the form of Performance Standards that must be satisfied and restrictions on certain categories of potential uses.

Plan Applicability to Retail Repurposing

There may already be the flexibility within one or more of the Commercial or Planned Commercial zoning categories to allow repurposing to many of the alternative commercial uses mentioned in this report without the Plan land use recommendation for the property being consulted. Other circumstances may require either a rezoning action (including amendment of a previously-approved development plan), or Special Exception/Special Permit approval, in which cases the Plan land use recommendation may be applicable. In these circumstances, the “Retail and Other Commercial Uses” Plan map designation may be interpreted broadly enough to encompass some non-traditional commercial uses, but repurposing to other potential non-commercial uses (institutional, light industrial, or public uses, for example) may be inconsistent with that Plan map designation. Furthermore, there may be circumstances where Area Plan text for a property recommends a particular land-use mixture, percentage of retail use, ground-floor

¹⁵ <https://www.fairfaxcounty.gov/planning-zoning/sites/planning-zoning/files/assets/compplan/policy/landuse.pdf#page=20>

¹⁶ <https://www.fairfaxcounty.gov/planning-zoning/sites/planning-zoning/files/assets/compplan/policy/landuse.pdf#page=41>

retail use, or other specific direction that could potentially limit the ability of a proposal to repurpose to another use without additional Plan flexibility.

General policy guidance is also applicable in the evaluation of proposed rezonings, Special Exceptions/Special Permits, and interpretations of county regulations, as well as making clear the goals and objectives of the county and establishing them as priorities in future planning efforts and decision-making.

CONCLUSIONS

With the knowledge gained from the background research and analysis, staff recognizes the benefit that may be derived from additional Comprehensive Plan flexibility that would enable existing policies to be responsive to changes in the nature of retail development. Such guidance would be a tool to maintain the continued viability and success of existing commercial properties, which is consistent with the county’s Strategic Plan to Facilitate Economic Success¹⁷.

Specific Plan guidance on retail building repurposing would assist in identifying and supporting compatible non-residential uses that may not fall neatly within the “Retail and Other Commercial” designation or may not otherwise be supported when Plan text calls for specific amounts or proportions of retail uses.

The integration of the concept of retail building repurposing into other areas of Policy Plan guidance would further express the county’s intent to encourage and prioritize the beneficial, sensible reuse of retail structures, in support of larger Plan goals and objectives.

RECOMMENDATIONS

Staff recommends the Comprehensive Plan be modified as shown below. Text proposed to be added is shown as underlined and text proposed to be deleted is shown with a ~~strikethrough~~. Text shown to be replaced is noted as such.

The following modifications to Appendix 13 of the Policy Plan element of the Comprehensive Plan are proposed, in order to integrate specific Plan guidance and flexibility for retail building repurposing into the adopted Guidelines for Office Building Repurposing:

MODIFY: Fairfax County Comprehensive Plan, 2017 Edition, Policy Plan, Land-Use – Appendix, Amended through 5-1-2018, Page 41:

“APPENDIX 13

GUIDELINES FOR ~~OFFICE~~COMMERCIAL BUILDING REPURPOSING

~~High office vacancy rates are caused in part by the evolving needs and preferences of office tenants. Many older office buildings can no longer compete with newer office buildings built in transit-accessible, mixed-use activity centers. Often the vacant buildings, or cannot readily be leased, due to spatial~~

¹⁷ <https://www.fairfaxcounty.gov/economic-success/sites/economic-success/files/assets/documents/pdf/strategic-plan-facilitate-economic-success-2015.pdf>

configurations that have become obsolete. This results in the need to consider improving and marketing the buildings for a different use. Office Commercial building repurposing encourages the development of a wide range of alternative uses that support the county's planning objectives for the county's activity centers and helps to reduce office vacancy and improve the County's economy by reducing commercial vacancy. The repurposing of office commercial buildings can be an important element in the county's strategy to revitalize communities, provide needed housing, and accommodate emerging development trends and uses. Emerging uses, such as food incubators, urban agriculture or flexible live/work units, have been shown to promote economic development and the diversity and vitality that characterize successful communities.

The Guidelines for Office Commercial Building Repurposing are intended to facilitate the conversion of vacant, partially vacant, and underutilized commercial office, retail and service buildings to alternative land uses not envisioned under the adopted Comprehensive Plan.

Office Commercial buildings that are proposed to be repurposed per these guidelines may be deemed to be in conformance with the Comprehensive Plan. Flexibility is anticipated when applying Plan guidance in the review of zoning applications. Office Commercial building repurposing should not preclude future redevelopment nor critical logical consolidation, roadway improvements, parks, and/or other public facilities. Moreover, a repurposed office commercial building should not result in land use conflicts that will compromise the use and/or operations of properties nearby.

Office Building Repurposing

The following types or mixture of types of office building repurposing may be appropriate in the Tysons Urban Center, Community Business Centers (CBCs), Transit Station Areas (TSAs), Suburban Centers, Industrial Areas, Suburban Neighborhoods and Low Density Residential Areas:

- Office to Light Industrial or Urban Agriculture. This can include industrial/flex, light manufacturing uses such as makerspaces and 3-D printing; and/or
- Office to Institutional and/or Public Facilities uses.

The following types or mixture of types of office building repurposing may be appropriate in the Tysons Urban Center, CBCs, TSAs, Suburban Centers, Suburban Neighborhoods and Low Density Residential Areas:

- Office to Retail and other Commercial uses;
- Office to Indoor Recreational uses;
- Office to Residential use;
- Office to Live/Work use; and/or
- Office to Hotel use.

Retail Building Repurposing

Alternative commercial, service, office, light industrial, governmental or institutional uses may also be appropriate for the repurposing of spaces planned and developed for retail use, Retail or Other Commercial Uses, or as a retail component of a mixed-use Plan recommendation. Examples of such uses may include entertainment uses, indoor recreation, professional offices, health care providers, theater/performing arts centers, libraries, or emergent commercial/industrial uses such as craft breweries, makerspaces, or small-scale production facilities, among others.

Performance Standards for Commercial Building Repurposing

The following performance-based strategy is intended to be used to review proposals for repurposing existing officecommercial buildings for alternative uses. This guidance sets forth criteria to ensure proposals are compatible with surrounding uses and can be supported by existing infrastructure. Because the repurposing of officecommercial buildings presents unique challenges and opportunities, flexibility in achieving certain objectives may be afforded, particularly when the conversion will not significantly change the building form and footprint.

Although there are recommendations and guidance for residential development and uses throughout the Comprehensive Plan, the Comprehensive Plan does not and should not be read to suggest, request, or require any proffered condition for any particular site, development or use.

1. Compatibility:

OfficeCommercial building repurposing should occur in a manner that is compatible with the existing and planned surrounding development. A complementary relationship is expected with adjoining properties and surrounding neighborhoods, especially in cases of proximity to lower density residential uses. OfficeCommercial building repurposing in areas within or adjacent to Suburban Neighborhood Areas or Low Density Residential Areas should be rigorously reviewed and should be considered only when the use will not adversely impact adjacent land uses and the overall character of the neighborhood. Landscaped buffers and screening should be utilized where necessary to achieve visual separation to minimize potential adverse impacts.

Consideration of the location of office to residential conversions should ensure that the new use is not isolated from other residential uses and is located in areas where services and amenities that support residential uses, such as schools, shopping, parks, and other recreational opportunities are provided.

2. Transportation:

Opportunities to improve site access, internal circulation, frontage, and off-site connections and reduce excess parking should be assessed and provided for all transportation modes. Incorporating multimodal frontage improvements should

enhance the pedestrian, bicycle, and transit user's experience. An evaluation of the transportation impacts should be provided. A proposed development that is equal to or generates less vehicle trips than an occupied ~~office~~ building and/or has the ability to implement a Transportation Demand Management (TDM) program to lessen the vehicle impacts from the proposed use is encouraged. If the proposed use generates additional traffic, then appropriate mitigations, including a TDM program, should be provided.

3. Site Design:

The repurposing of existing ~~office~~commercial buildings should include consideration of streetscape, landscaping and stormwater management improvements. High quality site design is encouraged. The streetscape should be designed to promote a pleasant pedestrian experience. This includes well-landscaped public spaces such as squares and plazas; urban parks; courtyards; an integrated pedestrian system; and measures to mitigate the visual impact and presence of parking. Additional landscaping may improve the general appearance of a site and provide a buffer between uses as appropriate to create effective transitions as needed. Repurposing may afford opportunities to replace excess surface parking with stormwater management facilities, open space, or other site amenities. Flexibility in applying these objectives is appropriate when considering ~~office~~commercial buildings with unique site characteristics or constraints.

4. Schools, Parks, And Other Public Facilities:

Proposals to repurpose from office to residential use should demonstrate that impacts to schools, parks, and other public facilities caused by any change to ~~residential~~in use will be addressed proportionally to the number and type of units, using the standards typically used to evaluate rezoning applications. The Urban Parks Framework should be applied as appropriate to ensure that ~~offices~~such building repurposing results in quality, on-site public park space and recreational amenities to serve new residents, employees, and visitors. Opportunities for providing community meeting rooms should be evaluated with repurposing proposals.

5. Environment:

The repurposing of commercial buildings may provide opportunities for improvements in energy efficiency and other green building practices. Such opportunities should be identified and considered for incorporation into building and/or site design. Similarly, noise mitigation should be provided where needed and feasible. Stormwater objectives should be met; however, in cases where site constraints render achieving stormwater management objectives impractical, other opportunities to reduce impervious surfaces and implement quality and quantity controls should be identified. The repurposing of buildings should be pursued in a manner that will support the protection and restoration of tree canopy. Efforts should be pursued to protect high quality vegetation and provide additional tree cover within landscaping concepts, consistent with site design needs.

6. Affordable Aand Workforce Dwelling Units:

For office to residential conversions, affordable housing should be provided in accordance with the Zoning Ordinance and the Workforce Housing policy. However, some flexibility may be appropriate when applying the policy to live/work conversions.

7. Historic Preservation:

Buildings subject to conversion should first undergo appropriate historic preservation review, including coordination with county staff, to foster preservation and minimize potential impacts to structures that may have historic significance.”

The following modifications are proposed to other portions of the Policy Plan, in order to integrate the consideration of retail repurposing into adopted guidance related to revitalization and redevelopment of commercial areas:

MODIFY: Fairfax County Comprehensive Plan, 2017 Edition, Policy Plan, Land Use, Amended through 5-1-2018, Countywide Objectives and Policies, Pages 5-6:

“Preservation and Revitalization of Neighborhood and Community Serving Uses

The quality and character of many older neighborhoods and commercial areas should be improved. For these older areas, revitalization and community improvement and preservation efforts may include renovations, repurposing of existing structures, marketing and promotional activities, changes in transportation modes, and urban design measures of beautification, buffering, lighting and traffic improvements. Publicly funded capital programs should be discrete, finite and prioritized. Incentive-based strategies which facilitate comprehensive community reinvestment should be encouraged.

Objective 7: Fairfax County should reserve and/or conserve areas which provide primarily community-serving retail and service uses.

...

Policy c. Encourage redevelopment or repurposing projects in commercial areas that would preserve or increase desirable community services.

...

Redevelopment or Repurposing

The county's system of public facilities, services and infrastructure is based on accommodating demand generated by existing and planned land uses. Unanticipated redevelopment can pose a substantial potential problem for the continued provision of these public necessities if land uses of a higher intensity than envisioned by the Comprehensive Plan are developed. Consequently, it is critical that redevelopment or repurposing be in conformance with the Comprehensive Plan to assist the county in maintaining its high level of commitment to providing public facilities, services and infrastructure.

Objective 9: Nonresidential redevelopment or repurposing should be in accord with the recommendations of the Comprehensive Plan.

...

Policy c. Ensure that the redevelopment or repurposing of existing uses is consistent with the provision of adequate transportation and public facilities.

...

Policy f. Ensure that the repurposing of existing structures is in accordance with the “Guidelines for Commercial Building Repurposing” in the Land Use Appendix.

MODIFY: Fairfax County Comprehensive Plan, 2017 Edition, Policy Plan, Revitalization, Amended through 3-4-2014, Countywide Objectives and Policies, Pages 2-3:

“Objective 3: Fairfax County’s revitalization program should recognize market conditions and emphasize the use of private sector resources and capital investment, complemented by county and other public investment in services, programs, and infrastructure.

...

Policy c. Establish a process for the concurrent review of a Comprehensive Plan amendment and a zoning application if needed to facilitate revitalization, ~~or~~ redevelopment, or repurposing projects within designated Commercial Revitalization Districts and Commercial Revitalization Areas.”

MODIFY: Fairfax County Comprehensive Plan, 2017 Edition, Glossary, Amended through 3-20-2018, Pages 12-14:

~~“OFFICE BUILDING REPURPOSING:~~ A change in use in all or part of an existing ~~office~~-building, such as a conversion from office to residential, live/work, institutional, public facilities, retail, or light manufacturing uses.

...

REVITALIZATION: The renewal and improvement of older commercial and residential areas through any of a series of actions or programs that encourage and facilitate private and public investment. This community investment can include (but is not limited to) activities and programs designed to improve neighborhoods; strengthen existing businesses; attract new businesses; encourage quality renovation and new construction; encourage repurposing of existing structures; enhance public spaces and pedestrian amenities; ensure safe, efficient and convenient traffic flow; and contribute to the social and economic vitality of the area.”

ADD: Fairfax County Comprehensive Plan, 2017 Edition, Glossary, Amended through 3-20-2018, Page 14:

“REPURPOSING: See Building Repurposing.”

COMPREHENSIVE LAND USE PLAN MAP:

The Comprehensive Land Use Plan Map will not change.

COUNTYWIDE TRANSPORTATION PLAN MAP:

The Countywide Transportation Plan Map will not change.

ATTACHMENTS

- Appendix 1 – Inventory of Fairfax County Retail Properties
- Appendix 2 - Regional/National Retail Resources
- Appendix 3 – Fairfax County Vacancy Data (per CoStar data)

**INVENTORY OF EXISTING FAIRFAX COUNTY
RETAIL/COMMERCIAL STRUCTURES**

Data source: CoStar

To better understand the nature and distribution of existing retail and other commercial structures in the county, an inventory of relevant properties was compiled and analyzed by structure type as well as by current planning and zoning classifications. CoStar commercial property data was utilized for the analysis presented in this Appendix, to be consistent with the data used for subsequent vacancy analysis. The Fairfax County Department of Tax Administration (DTA) also maintains data on all commercial structures in the county, which was similarly inventoried and compared with CoStar data to verify the accuracy of the market data, with regards to amount and distribution of retail space in the county. The two data sets categorize properties slightly differently, but are largely consistent in number and square-footage of retail and other commercial properties and their distribution throughout the county.

CoStar maintains commercial market data by building, organized by structure type. General structure types include Retail, Specialty, Industrial, Office, and several other categories (as listed in Figure 1). Each structure type contains a number of secondary types indicating more specific building forms. As described in the main report, the scope of the current Plan amendment focuses on retail and related commercial properties and excludes office, industrial, and other non-consumer-oriented commercial properties. CoStar’s primary structure type categorization worked well for purposes of selecting properties to include or exclude from the inventory, without the need to select individual secondary types for inclusion or exclusion. All properties categorized by CoStar as “Retail” structure types (as listed in Figure 1) were included.

Figure 1: Included CoStar Structure Types

CoStar Property Type	Co-Star Secondary Type	Description
Retail	Auto Dealership	New or used dealership. Can include showroom, offices, service dept., etc.
	Auto Repair	Commercially-zoned single/multi tenant bldg w/service bays, etc.
	Bank	Freestanding bank building. May include drive-up
	Bowling Alley	(self-explanatory)
	Convenience Store	Standalone bldg (Quik trip, 7-11, etc.). May have gas pumps, but primary use is store. Also includes food stores not large enough to be supermarket (3000-7500sf range)
	Day Care Center	(self-explanatory)
	Department Store	(not really defined - but fairly self-explanatory)
	Drug Store	Located in shopping center or freestanding (12,000 - 20,000 sf range)
	Fast Food	Includes drive-thru
	Freestanding	Single-tenant general-purpose commercial/retail bldg. w/open parking. Fast food would be this without drive-thru, many other retail. Also big-box that is not in shopping center.
	Funeral Home	(self-explanatory)
	Garden Center	Retail/wholesale nursery
	Health Club	(self-explanatory)
	Movie Theatre	(self-explanatory)
Restaurant	Sit-down dining (large or small). May include some bars/nightclubs.	
Service Station	May have mini-mart or fast-food tenant, or car-wash.	
Storefront	Multi-story, multi-tenant bldg (possibly single-tenant) with mix of retail, office or residential, usually retail on ground floor. Located along commercial strip. Bldg. fronts street (downtown commercial mixed-use)	
Storefront Retail/Office	Same as above but office-based (downtown office mixed-use)	
Storefront Retail/Residential	Same as above but w/residential use (downtown residential mixed-use)	
Supermarket	Grocery Store, either freestanding or anchor.	
Veterinarian/Kennel	Typically industrially zoned, for boarding and care of animals.	

In addition to categorizing structures by their intended use, CoStar also differentiates retail buildings by whether or not they are located within a shopping center (consisting of a minimum of 3 structures) – and the type of shopping center. There are six CoStar shopping center types that appear in Fairfax County (as listed in Figure 2. For purposes of the current data analysis, all structures not located within a shopping center are considered “General Retail”.

Figure 2: Shopping Center Types

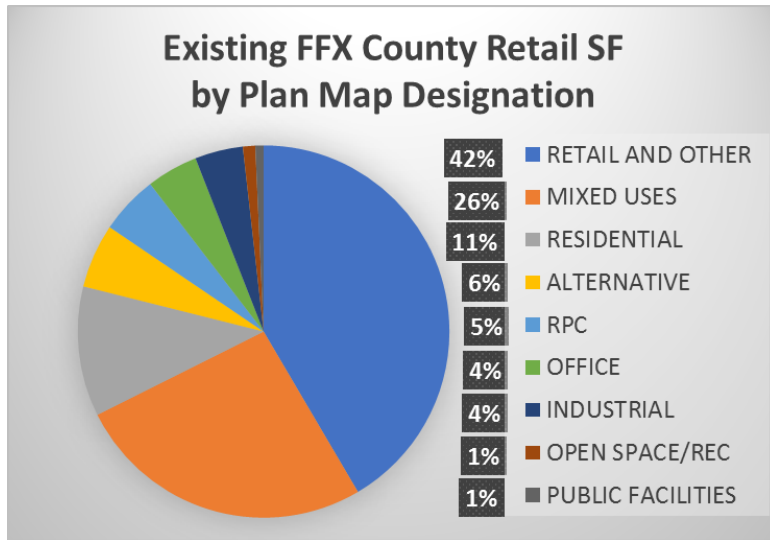
CoStar Shopping Center Types	Description
(General Retail)	(anything not in a shopping center)
Strip/Convenience	Attached row of stores or service outlets managed as coherent entity, w/on-site parking usually in front of stores. No enclosed walkways linking stores.
Neighborhood	Sale of convenience goods and personal services for day-to-day living needs of immediate neighborhood. Usually w/supermarket as principal tenant. May range from 30,000 to 100,000 GLA.
Community	Wider range of goods than neighborhood centers, Anchored by supermarket or dept. stores. May contain value-oriented big-box selling apparel, home furnishings, electronics, etc. Usually in 100,000 to 350,000 sf range.
Lifestyle	Open center, usually without anchors, includes upscale specialty retail and main street concept centers, trendy restaurants and entertainment retail. Parking located close to stores, usually 300,000+ GLA.
Power	Several freestanding anchors and minimum amount of small specialty tenants. Dominated by large anchors, such as discount dept. stores or warehouse clubs
Super Regional	Provides extensive variety of genral merchandise, includes three or more department stores (generally of 100,000+sf each). Overall sf usually in excess of 750,000 sf.
Airport	(there are none in Fairfax County)
Outlet	(there are none in Fairfax County)
Theme/Festival	(there are none in Fairfax County)

Figure 3 represents an overall inventory of retail structures in the county by structure type, both in number of structures and square-footage, as well as the percent of the total for all retail that each represents. Also included are the average square-footage of the individual structures in each category, as well as the percentage of the square-footage in each category that is located either inside or outside of designated Activity Centers, areas in the county where there is a high concentration of jobs and housing units.

Figure 3: Inventory of CoStar Existing Retail Structures in Fairfax County

CoStar Structure Type	Property Type by Number of Structures		Property Type by Square-Footage		Average sf	% sf in Act. Ctr.	% sf not in Act. Ctr
	Count	%	Count	%			
GENERAL RETAIL	1,140	65%	8.5 mil	31%	7 k	73%	27%
STRIP CENTER	95	5%	0.9 mil	3%	10 k	70%	30%
NEIGHBORHOOD CENTER	256	15%	3.5 mil	13%	14 k	48%	52%
COMMUNITY CENTER	147	8%	4.4 mil	16%	30 k	70%	30%
LIFESTYLE CENTER	25	1%	1.5 mil	6%	61 k	100%	0%
POWER CENTER	68	4%	3.5 mil	13%	51 k	100%	0%
SUPER REGIONAL MALL	13	1%	5.0 mil	18%	386 k	100%	0%
Totals:	1,744	100%	27.4 mil	100%	16 k	75%	25%

Figure 4 –Comp. Plan Map Designation of Existing Retail Properties:



Seventy-eight (78) percent of retail square-footage in the county is represented on the Comprehensive Plan Map as being planned for either retail or mixed-use development (including Alternative Use and RPC areas), as shown on Figure 4. Another 2 percent of properties are represented on the Plan Map for other uses, but have an additional Plan option available for some sort of retail use. Therefore, 80 percent of all existing retail properties have some sort of retail Plan recommendation available. Figure 5 shows that another 15 percent of existing retail properties that are not planned for retail have an existing retail or planned district zoning classification that would permit by-right retail use. The remaining 5 percent consists of properties that are not planned for retail use and are located in industrial, residential or office commercial districts. These uses may consist of child-care centers operating under Special Exceptions in residential districts, auto-oriented and other commercial uses located in industrial districts (which do permit limited commercial/retail uses either by-right or by Special Exception), and some older non-conforming retail and auto-oriented uses.

Figure 5 – Zoning of Existing Fairfax County Retail Structures Not Planned for Retail:

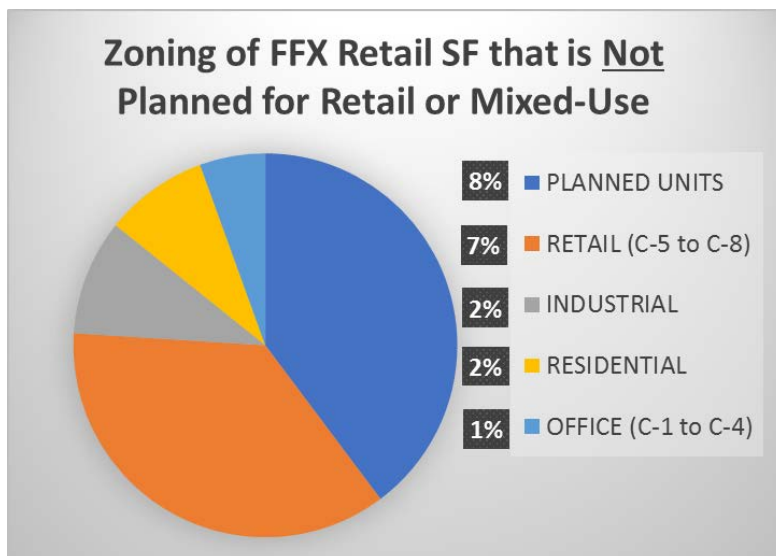
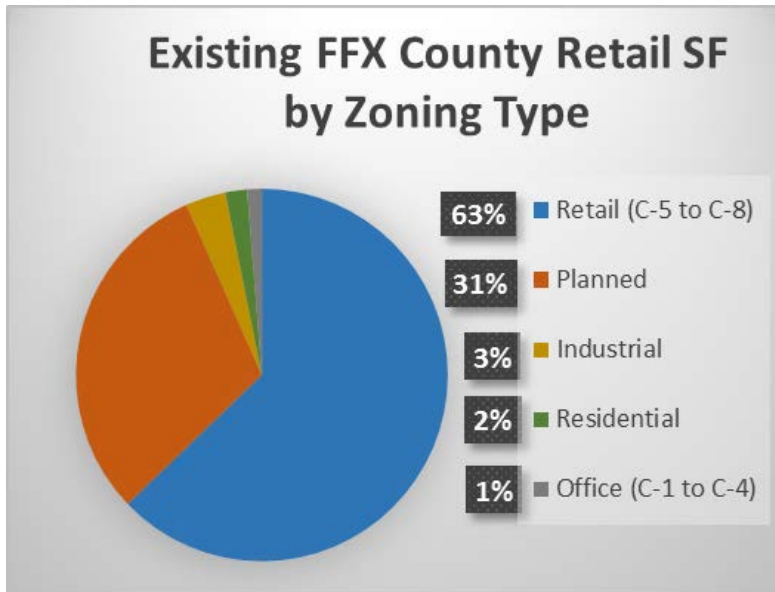


Figure 6 – All Existing Fairfax County Retail Structures by Zoning Type:



Ninety-four (94) percent of all Retail square-footage is zoned to either a Retail Commercial (considered C-5 through C-8 Districts for this analysis) or a Planned Zoning District. The remaining 6 percent is comprised largely of older shopping centers and auto-oriented structures located in industrially-zoned areas, child-care centers located in residential districts permitted through special exception, and a small number of other nonconforming structures.

REGIONAL/NATIONAL RETAIL VACANCY DATA AND TRENDS

Several resources were identified that contain relevant information on the regional and national commercial/retail market and trends. Web links are provided for more detailed information.

- **Metropolitan Council of Government (COG) – *Commercial Indicators Report, 2017 Edition*** (published April, 2018)
<https://www.mwcog.org/documents/2018/04/02/commercial-construction-indicators-report--commercial-construction-economy-featured-publications/>

The report is focused mainly on regional commercial *construction* activity, but does contain relevant vacancy data and historic trends. As a member entity, Fairfax County is included in this report and in the comparisons between local jurisdictions. The report encompasses all non-residential building types, of which office and industrial/flex make up large percentages, as well.

Summary Points:

- The overall commercial vacancy rate for the Washington, D.C. region (including office and industrial/flex) was 10.2 percent in 2017, which was down slightly from previous year but still higher than historical trends. The regional vacancy rate was the highest of the top 142 U.S. markets for overall commercial space, due to high vacancy rates for office and industrial properties.
 - The regional vacancy rates for retail properties have consistently been 1% to 2% lower than the national average. The regional vacancy rate for retail space was 4.3% at the end of 2017.
 - Construction activity in the region declined by seven percent in 2017, and declined by 16 percent in Activity Centers, which are areas in the county that have high concentrations of jobs and housing units.
 - Retail construction dropped from 20.9 percent of all commercial construction in 2016 to 9.8 percent in 2017, which is the lowest rate of retail construction in 60 years. This represents a 49 percent decline in new construction.
 - Outer suburban jurisdictions led regional commercial construction. Loudoun County led the region in commercial construction, accounting for 28% of new commercial space.
 - Fairfax County accounted for about 20 percent of regional commercial construction up until 2013, then only 14% from 2013 to 2016. In 2017, Fairfax County declined further to 12.5% of regional commercial construction (a 37 percent decline).
- **Colliers – *Retail Research Market Report, Washington, DC Region, Mid-Year 2017*** (published 12-01-2017)
<https://www2.colliers.com/research/washington-dc/Washington-DC-Retail-Report-Q3-2017>

This comprehensive report for the Washington, D.C. region contains information focused specifically on retail vacancies and market demand:

- Nearly 50 percent of all retail square feet (48.5%) in the Washington DC region is located in Northern Virginia, whereas suburban Maryland is home to 39.3 percent and Washington DC 12.2 percent of retail square feet
- Population growth and income increases have also been greatest in Northern Virginia, which supports additional retail growth in this portion of the region.
- Regional vacancy rates are shown to have peaked at 6% in 2009, declining to a low of 4% in 2016, then reversing in 2017 to a mid-year value of around 4.5% (which is similar to the value given in the previously-mentioned COG report).
- Net absorption rates for the region, which reflect the change in supply/demand of the markets, have dropped significantly since the end of 2016, indicating decreasing demand for space relative to the supply. Northern Virginia also appears to consistently have lower net absorption rates than other areas of the region
- The report identified a few specific regional retail trends:
 - Demand for anchored shopping center space decreased,
 - Demand for lifestyle retail space grew at a faster pace, and
 - Demand for strip center and freestanding space also grew.
- **Jones Lang Lasalle (JLL)** – *U.S. Retail Outlook, Q1 2018* (published June 2018)
<http://www.us.jll.com/united-states/en-us/research/9156/us-retail-outlook-q1-2018-jll>

This in-depth report focuses on nationwide retail trends in the first quarter of 2018.

- National vacancy rates for various sectors:
 - General Retail 2.9%
 - Malls 3.7%
 - Power Centers 4.5%
 - Shopping Centers 7.3%
 - All Retail 4.6%
- The quarter began with slow retail sales, but improved somewhat by the end of the quarter – possibly due to federal tax cuts as well as income gains. Rents have increased and just reached pre-recession (2008) levels. Vacancy rates fell slightly since the last quarter, but that is unlikely to continue. Overall U.S. vacancy rates are predicted to rise in 2018. Retail demand has been helped by limited supply, as little new shopping center construction has occurred.
- Markets like Florida and Texas are experiencing market improvement due to strong population growth, with more established metropolitan areas beginning to decline.
- There have been significant store closure announcements, including Toys “R” Us and Walgreens, but many of those spaces are being backfilled by off-price [discount] retailers, craft and hobby stores and fitness centers. The grocery industry is experiencing steady growth.

- Mall move-ins has outpaced move-outs, but mall owners are experimenting with atypical tenants to fill spaces left by underperforming retailers. Examples are virtual reality concepts and coworking spaces.
- Power Center vacancies have fallen, but likely for the last quarter, due to a number of large closures. Such centers are ripe for innovation, and they may begin to see more grocers, fitness users and non-retail uses to backfill large spaces.
- Demand for service-oriented retail remains strong. Nationally, shopping centers are still seeing declining vacancy rates, while other property types begin to stagnate or rise. Rent growth is slowing, however.
- **George Mason University Center for Real Estate Entrepreneurship** – Blog Article, “The Impact of E-Commerce on Retail Real Estate” (June 2018)
<http://business.gmu.edu/blog/realestate/2018/06/06/impact-e-commerce-retail-real-estate/>
 - In 2016, ecommerce sales growth nearly quadrupled in-store sales growth in U.S.
 - Leading categories are Electronics/Appliances, Apparel/Accessories (43 percent between the two)
 - Ecommerce made comparison pricing and selection convenient – eliminated traditional retail pricing power.
 - The report indicates that “clicks won’t replace bricks,” meaning that online sales will not fully replace sales from brick and mortar stores, but the two types of sales will coexist and converge, becoming more alike.
 - A number of adaptation strategies were identified to create more economic vibrancy in the retail market:
 - Retrench – stop building more space.
 - Rethink – Rethink traditional tenant mix to identify brick-and-mortar that can sell against online.
 - Revolt – Retail owners must expand concept of retail uses to fill existing vacancies.
 - Reposition – Some retail space not suitable for releasing (especially Class B and C buildings). Finding nonretail tenants is the goal.

FAIRFAX COUNTY RETAIL VACANCY RATES

Data source: CoStar

CoStar real-estate market data was used to assess both current and historic vacancy rates of the various retail sectors within Fairfax County. Available data for retail structures includes their current occupancy/vacancy status as well as aggregated historic market data for groups of properties, going back twelve years (to 2006). CoStar categorizes retail data by seven form-based structure types as described in Appendix 1.

Figures 1 and 2 summarize yearly retail vacancy rates, by structure type, for the first quarter of 2018 and average yearly vacancy rates over a 12-year timeframe (from 2006 to 2018):

Figure 1:

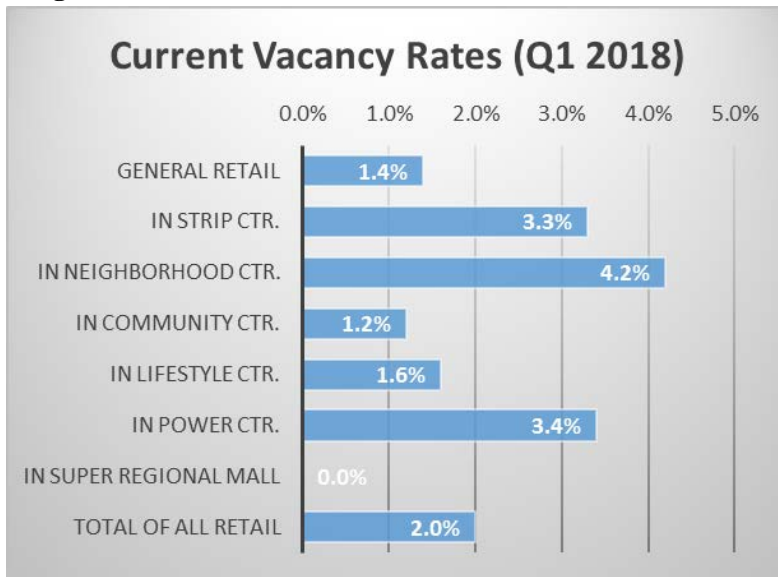
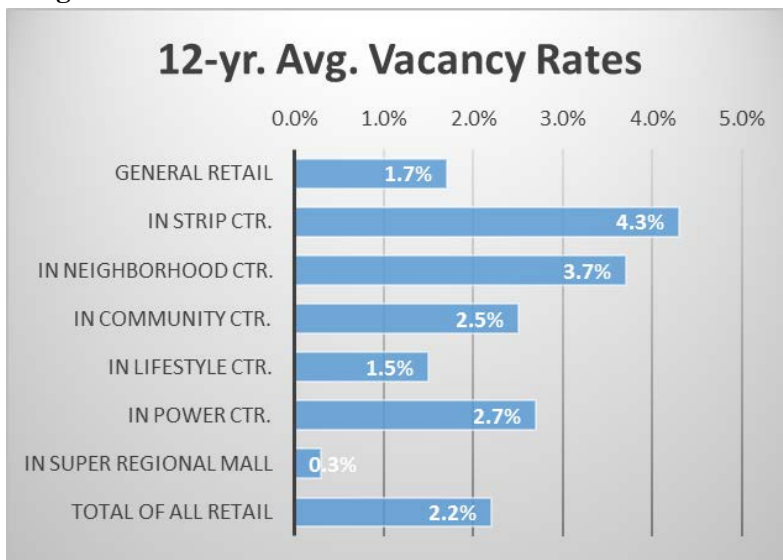


Figure 2:



The previous figures represent percentages of overall square feet that are vacant, but do not present an accurate representation of how many structures are experiencing vacancies, or what percentage, in terms of square feet, of each of those structures may be vacant. The following tables reflects those values for the most recent reporting period (1st quarter 2018).

Figure 3:

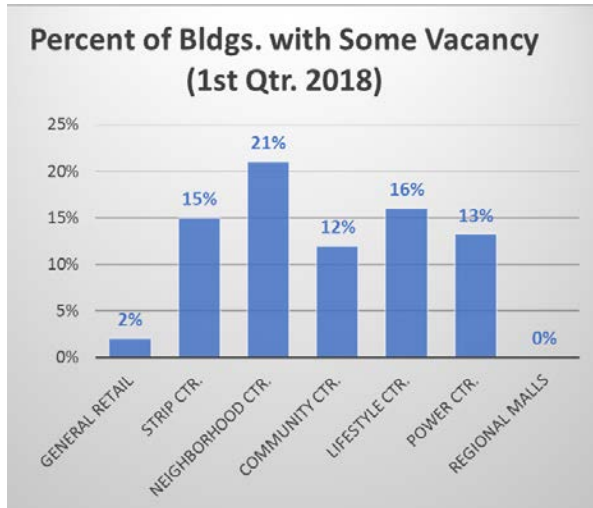
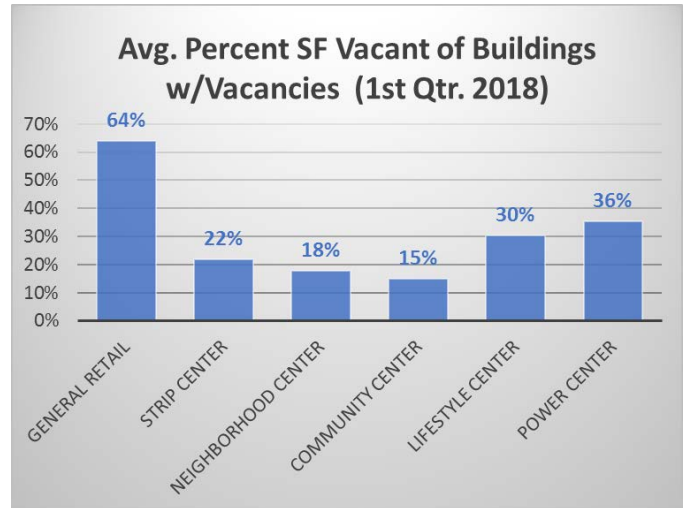


Figure 4:



Figures 3 and 4 show that, as of the first quarter of 2018, shopping centers (excluding Regional Malls and General Retail buildings that contain less than three tenants) were experiencing vacancies averaging anywhere between 12 to 21 percent of the structures in each category. Of those structures, an average of 15 to 36 percent of each individual building was vacant. A much lower percentage of General Retail structures were experiencing vacancies (two percent), but the percentage of each structure that was vacant averaged higher (64 percent). Those results are logical, since General Retail properties tend to be either single-tenant structures, or structures shared by only a few retailers, while Shopping Centers have a higher number of individual tenants per structure. Power Centers, which are comprised primarily of big-box retailers, had vacancy rates in-between General Retail and other Shopping Center types, which also makes sense – due to such centers being typically comprised of structures shared by a relatively small number of larger tenants. At the time the data was compiled, Regional Malls were experiencing no reportable vacancies.

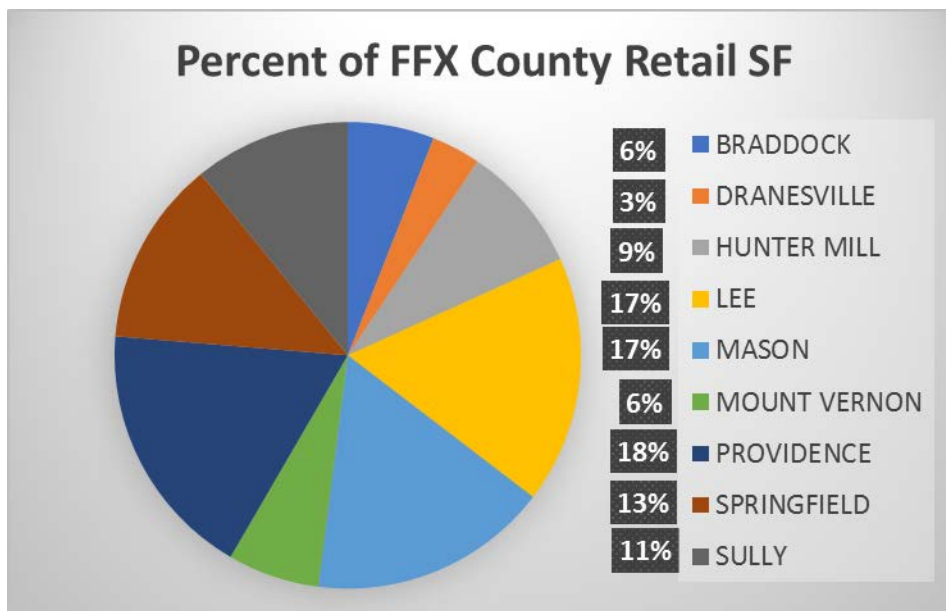
Magisterial (Supervisor) Districts

The following graphs show the current vacancy rate for all Retail properties in each Supervisor District, as well as the percentage of all Retail square-footage that each Supervisor District contains.

Figure 5: Current retail vacancy rate by square feet in each Supervisor District (Q1 2018).



Figure 6: Percent of all county retail square-footage located in each Supervisor District (Q1 2018).



While the Mason and Sully districts have the highest vacancy rates, the Sully District has a smaller percentage of overall retail square footage in the county. Conversely, the Lee District has one of the lowest percentages of vacant retail square footage; however, the district contains the one of the greatest amount of retail square feet across the county.

Activity Centers

The following graphs show the average retail vacancy rate for each of the County’s designated Activity Centers, which are areas where there is a high concentration of jobs and housing units, for both the first quarter of 2018 (the most recent data) and over a 12-year period.

Figure 7:

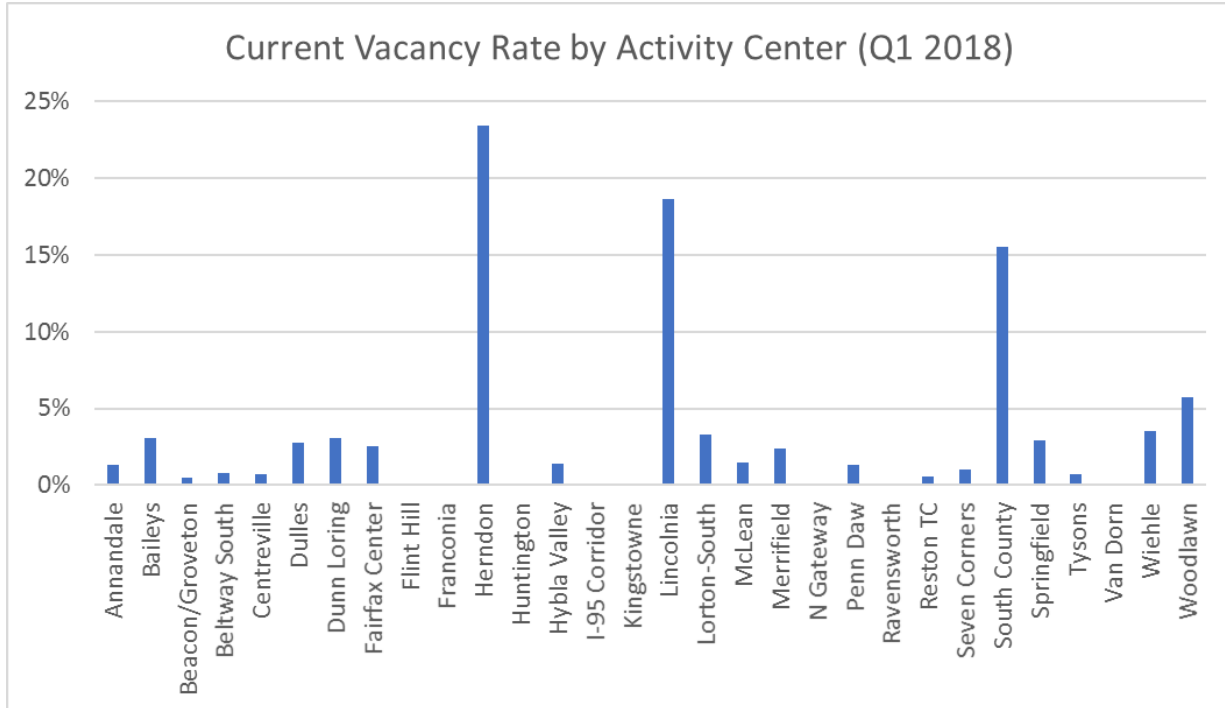
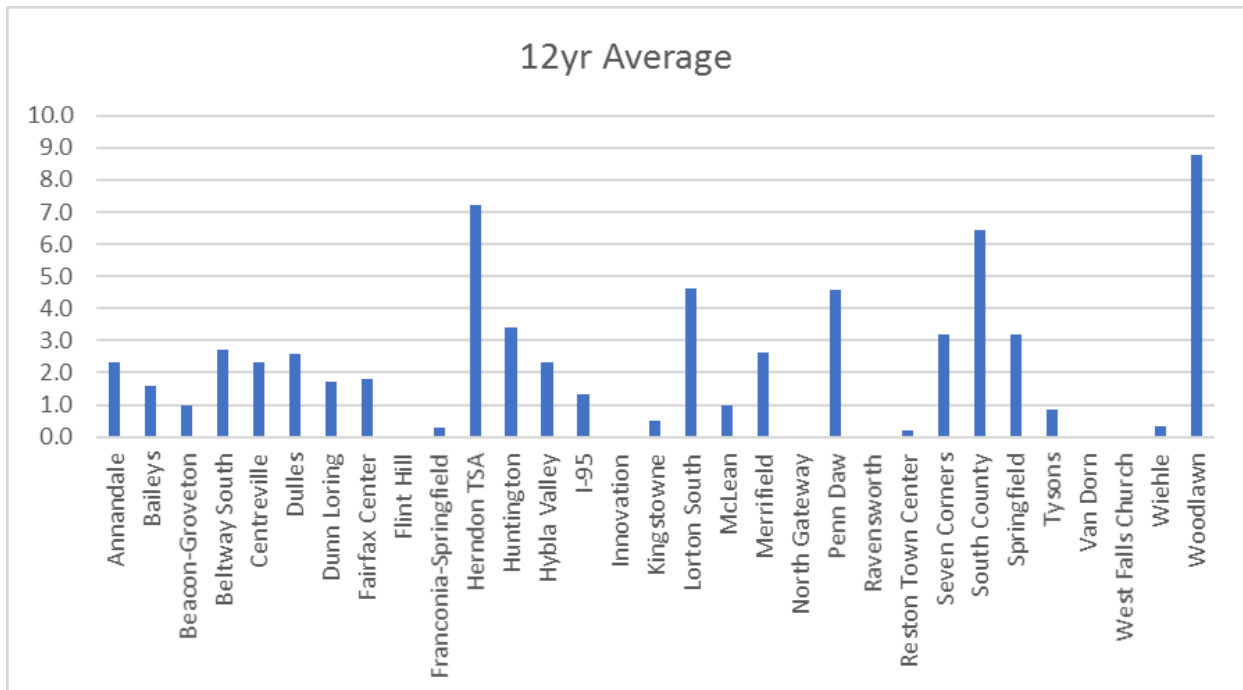


Figure 8:



For a comparison of the relative scale of retail activity in each Activity Center, the following table lists the current number of retail structures and amount of retail square-footage in each individual Activity Center, as well as the percentage of all Activity Center retail square footage that represents. This reveals that some of the Activity Centers showing the highest average vacancy rates contain relatively few retail structures (the Herndon TSA, for instance, contains only three retail structures). Therefore, individual vacancies may have greater influence on average vacancy rates in those areas than would be the case in Activity Centers with more overall retail square feet.

Figure 9: Total Retail Square-Footage in Activity Centers (Q1 2018)

Activity Center	Num Bldgs.	Square Feet	% Total SF
Tysons Urban Ctr.	99	4,935,974	18.0%
Fairfax Center Suburban Ctr.	68	4,308,152	15.8%
Dulles Suburban Ctr.	106	2,556,338	9.3%
Baileys Crossroads CBC	101	2,084,179	7.6%
Seven Corners CBC	36	1,323,785	4.8%
Springfield CBC	69	1,266,725	4.6%
Franconia-Springfield TSA	19	1,244,473	4.6%
Annandale CBC	111	1,171,546	4.3%
Hybla Valley/Gum Springs CBC	59	1,070,296	3.9%
Centreville Suburban Ctr.	58	1,050,026	3.8%
Reston Town Center TSA	30	972,492	3.6%
Merrifield Suburban Ctr.	54	876,522	3.2%
Kingstowne CBC	15	824,392	3.0%
Beacon/Groveton CBC	33	684,753	2.5%
McLean CBC	56	635,718	2.3%
Lorton-South Rte. 1 Suburban Ctr.	31	399,909	1.5%
Dunn Loring TSA	18	311,443	1.1%
I-95 Corridor Industrial Area	23	291,945	1.1%
Penn Daw CBC	29	239,221	0.9%
Wiehle-Reston East TSA	14	235,596	0.9%
Woodlawn CBC	21	224,502	0.8%
Beltway South Industrial Area	12	135,372	0.5%
Herndon TSA	3	120,334	0.4%
Huntington TSA	11	119,806	0.4%
North Gateway CBC	5	108,905	0.4%
Lincolnia CBC	13	69,845	0.3%
South County Center CBC	14	53,959	0.2%
Ravensworth Industrial Area	1	13,842	0.1%
Van Dorn TSA	1	10,836	0.0%
Flint Hill Suburban Ctr.	1	6,741	0.0%
Innovation TSA	(no retail data)		
Van Dorn TSA	(no retail data)		
West Falls Church TSA	(no retail data)		
Total	1111	27,347,627	100.0%