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Will collapse of arena deal affect the next big opportunity in Virginia?



*Monumental Sports & Entertainment chief Ted Leonsis, middle, shakes hands in December with Virginia Gov. Glenn Youngkin as Alexandria Mayor Justin Wilson looks on.
Abdullah Konte / WBJ*



By Douglas Fruehling – Editor-in-Chief, Washington Business Journal
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When JBG Smith Properties Inc. issued a blunt statement following the demise of the Alexandria arena deal, it predicted the deal's collapse could impact the state's credibility with potential future economic development projects.

“Economic development and growth thrive on transparency and predictability,” the Bethesda developer (NYSE: JBGS) wrote March 27 in a note to shareholders. “The scheming and special interests that plagued this opportunity in the Virginia legislature will no doubt cause future

employers and the next Monumental to question whether their opportunity will get a fair hearing.”

The stark warning belies the commonwealth's economic development prowess, long coveted by many rivals. Virginia's decade-plus of wins have straddled both GOP and Democratic administrations and blue, red and shared control of the General Assembly: Hilton. Nestle. Amazon. Boeing. CoStar.

So does the collapse of the arena deal signal economic development doom for the state?

“I think those concerns are grossly overstated,” site selection expert John Boyd, principal of The Boyd Co., told me. “Site-seeking companies and C-level executives and private developers are able to walk and chew gum at the same time and realize just how complex it is to get a legislature to back incentives for a new arena. We don't view this as having any lasting impact.”

He acknowledged that states that successfully attract and consummate economic development deals share a common denominator: less political gridlock. But he sees the gridlock from the 2024 legislative session, which came after Democrats wrested control of the House in the November elections, as a blip. He credits D.C. Mayor Muriel Bowser with her perseverance and timing and says Youngkin's defeat won't deter future deals.

“We're getting a tremendous interest among our clients, among companies requesting business climate data on Virginia,” Boyd said. “And not just Northern Virginia, which is doing well in a lot of new and emerging industries, the space industry, obviously information security, but other markets like Richmond also.”

Urbanist Richard Florida always thought downtown D.C. was a better location for the arena, which he affirmed again in an interview, saying, “I think this is a net good thing for the region, keeping them where they are, especially since the District has seen such challenges with its downtown.”

“I don't think this matters much for Virginia,” Florida said, opining that its losing out on the arena is “more hurt pride than a hurt economy” and that “having the team[s] in the region is good enough.”

“People feel like they didn't get it, and people feel disappointed,” he acknowledged, speaking of those who'd supported the move to Virginia. But ultimately, “I don't think sports and entertainment is Northern Virginia's niche,” he said. Rather, its economic strength is that it's “a thriving, booming tech and talent economy,” an arena “isn't something that it needed.”

Ted Leonsis, managing partner of Monumental Sports & Entertainment, blamed politics for the deal's demise, telling WTOP that he was merely “collateral damage.”

“I had always looked at Virginia as being a well-managed state, wanting to do business,” Leonsis said.

“It was like, ‘Oh my gosh, this has nothing to do with business anymore; this has to do with politics,’” Leonsis said. “Who would have thought that D.C. was easier to work with than Virginia?”

There has been plenty of finger-pointing in the commonwealth, not only from JBG Smith. The governor blamed the Senate, where Senate Finance Committee Chairwoman Louise Lucas, a Democrat, blocked the \$2 billion entertainment district saying it was a bad economic deal for the state. Youngkin told The Washington Post he wasn't surprised when Leonsis went with D.C.

“He had options — and listen, all companies have options. ... I always knew he could go someplace else if we didn't say yes and do the work,” Youngkin said.

Virginia Senate Majority Leader Scott Surovell, a Democrat from Fairfax County, has been vocal since Alexandria and the state ended negotiations with Monumental. He called JBG's statement irresponsible, saying one reason why the deal failed is because JBG didn't faithfully pursue a project labor agreement with unions, which ultimately came out against the arena plan.

“Not only did JBG not get it done by the start of the session, they never got it done by the end of the session,” he said, noting the company has struck such deals before. “They just didn't want to do it in Virginia because they didn't want to make Glenn Youngkin angry.”

Surovell also lashed out at the governor for the very things JBG cited in its statement, saying Youngkin made the deal in secret without input from the legislature.

“Instead, he put a gun to our head and said ‘take it or leave it,’” he said. “He wants to control the info. He wants to control the dialogue. We're not a corporate board of directors. We're a co-equal branch of government.”

He's holding out hope that the governor and General Assembly will learn from the arena fiasco when additional projects come to the Major Employment and Investments (MEI) commission, the legislative body that gets the first look at economic development projects and incentives.

“People will look at this and say, ‘This is exactly how you don't handle a project like this.’”